



Canada. Parl. Senate.
Standing Comm.on
Finance, 1951.
Proceedings.

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Comm.on Finance, 1951.

THE NATIONAL ASSOCIATION OF
STATE AGENTS OF THE
UNITED STATES OF AMERICA

FINANCE

OF THE
STANDING COMMITTEE

OF THE
PROCEEDINGS



THE CENTER OF CANADA

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THE SENATE OF CANADA



PROCEEDINGS
OF THE
STANDING COMMITTEE
ON
FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1952

No. 1

WEDNESDAY, MAY 16, 1951

THE HONOURABLE THOMAS A. CRERAR, P.C.,
CHAIRMAN

WITNESS:

Mr. R. B. Bryce, Assistant Deputy Minister, Department of Finance.

APPENDIX:

A Summary of Annual Estimates by Standard Objects of Expenditure
and Special Categories, Departments other than National Defence and
Defence Production.

OTTAWA
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1951

STANDING COMMITTEE ON FINANCE

The Honourable Thomas A. CRERAR, P.C., *Chairman*

The Honourable Senators

Aseltine	Farquhar	Hurtubise	Petten
Baird	Farris	Hushion	Pirie
Barbour	Ferland	Isnor	Reid
Beaubien	Fogo	King	Robertson
Bouffard	Golding	Lacasse	Roebuck
Buchanan	Gouin	Lambert	Ross
Burchill	Haig	McDonald	Taylor
Campbell	Hayden	McIntyre	Turgeon
Crerar	Horner	McKeen	Vaillancourt
Davies	Howard	McLean	Vien
DuTremblay	Howden	Moraud	Veniot
Euler	Hugessen	Paterson	Wilson
Fafard			

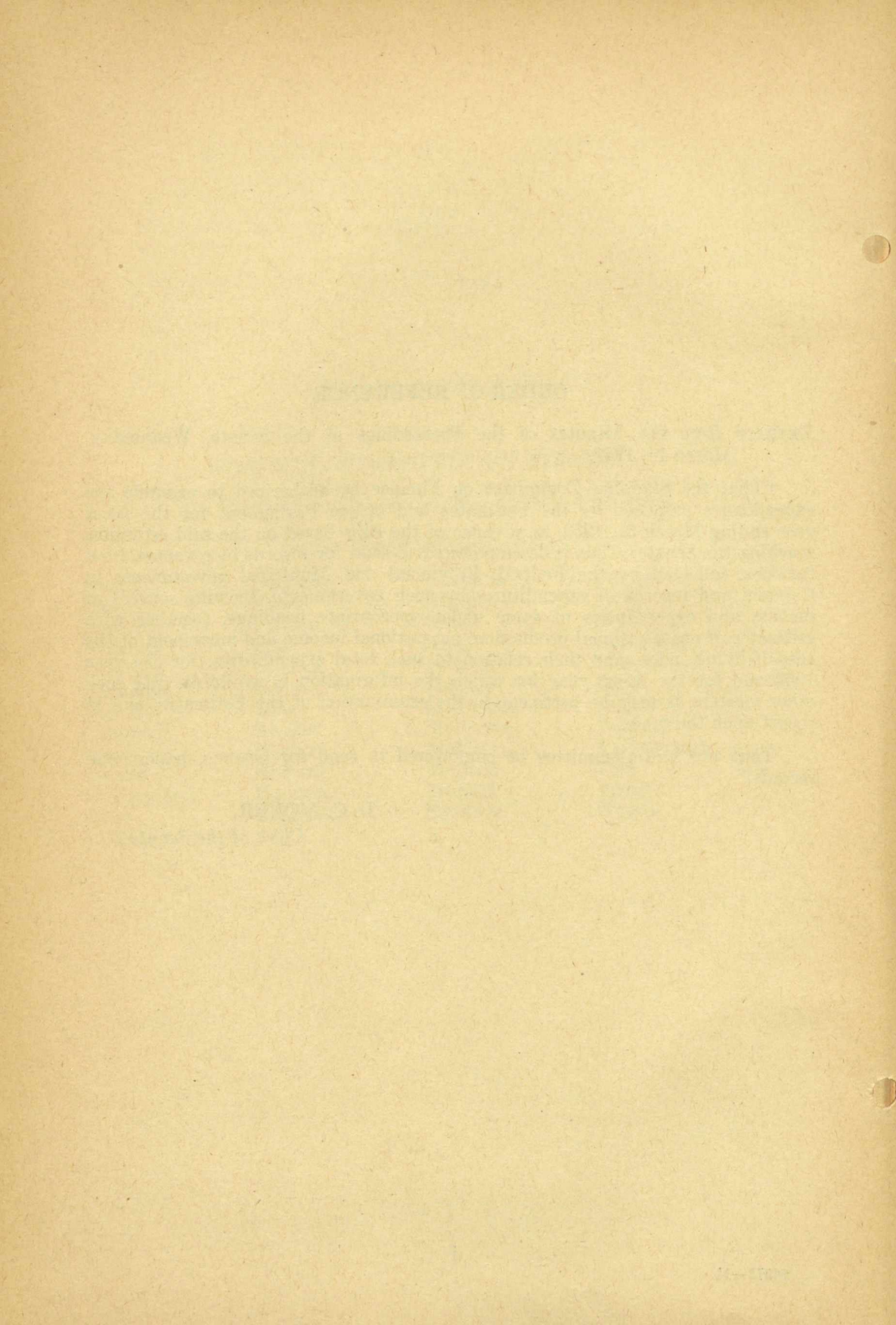
ORDER OF REFERENCE

EXTRACT from the Minutes of the Proceedings of the Senate, Wednesday,
March 14, 1951.

“That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1952, in advance of the Bills based on the said estimates reaching the Senate: That it be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal governments in Canada, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records.”

L. C. MOYER,
Clerk of the Senate.



MINUTES OF PROCEEDINGS

WEDNESDAY, May 16, 1951.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11 a.m.

Present: The Honourable Senators: Crerar, Chairman; Aseltine, Barbour, Beaubien, Bouffard, Buchanan, Burchill, Euler, Golding, Gouin, Haig, Horner, Howden, Hugessen, Isnor, Lambert, McDonald, McIntyre, McKeen, Paterson, Petten, Reid, Taylor, Turgeon and Wilson—25.

In attendance: The official reporters of the Senate.

The Committee proceeded to consideration of the order of reference of March 14, 1951—

That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31st, 1952, etc.

Mr. R. B. Bryce, Assistant Deputy Minister, Treasury Board Division, Department of Finance, was heard.

On motion of the Honourable Senator Haig, it was—

Resolved to report recommending that the Committee be authorized to print 800 copies in English and 250 copies in French of its day to day proceedings, and that Rule 100 be suspended in relation to the said printing.

At 1.00 p.m. the Committee adjourned until tomorrow, Thursday, May 17, 1951, at 11.30 a.m.

Attest.

JOHN A. HINDS,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

January 15, 1914

The meeting was held at the residence of the Secretary, Mr. J. H. ... The following members were present: ... The minutes of the previous meeting were read and approved. ... A report was made by the Treasurer, Mr. ... The following resolutions were adopted: ... The meeting adjourned at 8:00 P.M.

W. H. ...
Secretary

MINUTES OF EVIDENCE

THE SENATE

OTTAWA, WEDNESDAY, May 16, 1951.

The CHAIRMAN: I think we are in a position to proceed now, and I am assuming that we will start with the table headed "Departments other than National Defence and Defence Production." I would suggest that we go down the items in the order in which they appear there. The first item is Civil Salaries and Wages. There are four columns of figures. The column at the extreme right gives the expenditures for this item in the fiscal year 1938-39; the next column to the left of that gives the figures for the fiscal year 1949-50; the next column, for the fiscal year 1950-51, and the first column is for the fiscal year 1951-52. These columns show the position in the last three fiscal years, compared with 1938-39, the last pre-war year. They indicate that the expenses have grown, under this heading, from \$282 million in 1950-51 to \$301 million in 1951-52, and perhaps Mr. Bryce will enlighten us about this.

Hon. Mr. ISNOR: Mr. Chairman, just before Mr. Bryce goes into that, may I ask if he would give us a background of how they arrive at the figures for not only this particular item but for all the items in the table, so that when we reach the final figures for the Total Standard Objects we shall know how these figures are made up. Otherwise, we shall be going over the same kinds of questions with respect to various items. Perhaps Mr. Bryce can tell us how they arrive at their figures for this year as compared with 1938-39.

The CHAIRMAN: I think I can answer that question.

Hon. Mr. ISNOR: If you can answer it, all right; but Mr. Bryce, an expert witness, has been brought here and I would like to have him answer it. I say that in the most kindly way.

The CHAIRMAN: I might add that this tabulated information is in accordance with the procedure that we adopted last year, when the committee asked the Treasury Board to split up all Federal Government expenditures by objects and categories, which is the only way to get at the thing, so far as the total expenditures are concerned. However, Mr. Bryce can enlighten you still further, if you need further enlightenment on that.

Hon. Mr. ISNOR: We will see how it works out.

Mr. BRYCE: I am not certain that I fully understand the question as to how we make these up. Does it relate to the estimates as a whole or to the distribution of them into these categories?

Hon. Mr. ISNOR: If you can give an answer in regard to the whole estimates it naturally will relate to the particular items.

Mr. BRYCE: If that is the case, sir, perhaps I may start out by saying that the estimates, of course, present the government's program of the fiscal year in terms of expenditure as presented to parliament, and they are made up firstly by the Minister of Finance inviting the various ministers to submit to Treasury Board offices, for the consideration of the Treasury Board and ultimately of the government, their anticipated requirements for expenditures in the following fiscal year. This is normally done in the late fall. Those are received in my office in the Department of Finance, where they are analysed and prepared for the Treasury Board to consider them. In that analysis and preparation of course

we have many meetings with departments to clarify what is meant. At those meetings we might often also express the point of view of the Department of Finance in regard to the estimates, in accordance with the instructions that we get from the Minister of Finance. The estimates then are considered by the Treasury Board, which of course is a committee of Cabinet Ministers, which goes over them in some detail, and they are then altered in some respects and approved. Any important questions where there is a difference of view will go to the Cabinet for the final settlement of differences.

When that is done the estimates as a whole are then sent on to the Cabinet for its approval, and then they are presented to the House of Commons, as you will recall, with a message from His Excellency conveying them as the estimates for the year, in accordance with the British North America Act.

The process by which they are considered and altered and approved is essentially one of the normal processes of Cabinet government. You may get all sorts of discussions taking place between the ministers as to what should or should not be included, or how much should or should not be included. That part of the process is part of the general Cabinet process, with which I assume senators are familiar. It is out of that general process, however, that the estimates emerge, and of course in that process the departments of government are carrying on detailed discussions in accordance with the instructions that they may get from their ministers and the Department of Finance may get from its minister, and that all of us get from the Treasury Board. So it is quite a lengthy and involved process by which estimates are finally made up.

The form in which they appear and their division into these various objects has been evolving over recent years. There have been two important changes. One took place a couple of years before the war—I think that was described here last year—in which the main objective was to group together under each department and each service within the department all the items relating to a particular service or particular function; so that parliament would be able to see how much was being required for, let us say, navigation services in the Department of Transport, or the experimental farm services in the Department of Agriculture. Prior to that some of the amounts required for particular functions were shown under one group of votes and some under another. In the current year quite considerable changes were made in the forms in which the estimates were presented. That was done as a result of the observations and suggestions made to the government by this committee and other Senate committees last year, and by the Public Accounts Committee of the House of Commons and by members of the House of Commons in their discussions in Committee of Supply. When tabling the estimates this year, the Minister of Finance issued an explanatory statement outlining the main changes in form that had taken place in the estimates, in response to the suggestions made by both Houses of Parliament. I could summarize these for you now, if you wish. One of them was the adoption of these standard objects, into which we would try to fit the breakdown of each vote in the estimates, so that it would be possible in future to get this sort of tabulation that the Chairman has put before you.

If it is convenient I could give the reporter a copy of the statement, to be included, and which contains the explanation of the major changes made other than those relating to the main objects of expenditure.

The CHAIRMAN: Is that in addition to this information before us?

Mr. BRYCE: Yes, sir. With regard to the question that the Chairman raised as to the detailed explanation of what was included and what was excluded in the various categories, I may say that for convenience we have put this on the back of the big table which is included in the estimates, so if one wants to know what is covered in any particular category, one has only to turn the big table over,

and under the appropriate numbers at the back we have tried to make as clear an explanation as we could of just what was included under Civil Salaries and Wages, Civilian Allowances and things of that sort.

One final word, if I may be allowed, sir. In the estimates proper under each vote we have tried to break the total down into details that would fit within these standard objects. In some cases the wording and the division is not exactly the same, because we tried to give additional information of a more informative character. For example, if I may just pick a point at random: Page 182 of the Estimates, in the Fisheries Field Services, there are at the bottom of the page two lines which fit within one of these categories which give Parliament additional information. They show "Charter of Aircraft" and "Charter of Boats". Each of those items come within our Category No. 18, which is rental of equipment. We thought it would be helpful to know that within that broad category so much is being requested for charter of aircraft and so much for charter of boats.

Does that answer your question, sir?

Hon. Mr. ISNOR: Thank you very much.

Hon. Mr. REID: Mr. Chairman, I have two questions which I should like to ask the witness.

In Civil Salaries and Wages as outlined in Item No. 1, does that include all the staff of every department, such as the Film Board, or Radio?

Mr. BRYCE: You put your finger very acutely on the one point of conflicting principle, Senator. If you will note under the line devoted to the National Film Board on the front sheet, we show all their operating expenses under Column No. 10 on Films, Displays, Broadcasting, Advertising, etc. The reason for that is that we have two types of division which conflict at certain points; in other words, our main division is in terms of type of expenditure: Salaries and Wages, Purchases of Materials, Rentals, and things of that sort. These are main divisions, and we try to follow that in priority to any other; but we have a few categories in which the committees of Parliament have shown a particular interest, such as Printing, Films, Construction, Buildings and Works, and Equipment, which include in each case expenditures that might also be classified under Salaries and Wages or Materials. We had to decide whether to show the expenditures of the Film Board in the production and distribution of films under the items relating to Films, Displays, Broadcasting, Advertising, etc. or under the item relating to Salaries, Materials and various items.

Hon. Mr. REID: Then I am right in assuming that to get a complete detailed statement of all the Salaries and Wages we would have to segregate them from some of these departments like Film Board and C.B.C.?

Mr. BRYCE: Yes. The only ones of any consequence, concerning Salaries and Wages, not included under that first column is—and here I must speak from memory as to the main ones—firstly the Film Board, the costs of which you will notice are covered under Group 10, and secondly, there is also the International Broadcasting Service of C.B.C. which, as I recall, is included almost entirely under "all other expenditures".

Hon. Mr. REID: I was wondering where that was.

Mr. BRYCE: The reason is, that is a payment we make to the C.B.C. for their carrying out the function. I would welcome the views of the committee, and I am sure the Treasury Board would also, as to whether that should more properly be included under Column 10. We were in some doubt as to which was the best way to classify that, for the reason that salaries paid there are not salaries of employees of the government. They are salaries of employees of the Canadian Broadcasting Corporation, who are engaged on the work of international broadcasting on behalf of the government. We were not sure, as I say, whether we should distribute that under these various headings, or whether we should put

it all under Films, Displays, Broadcasting and Advertising, as we did the Film Board; or, whether we should put it in that final residual category, 22. However, that is one group that is not covered under Salaries and Wages.

The second group is the Film Board, where we included it as Films, Displays, Broadcasting and Advertising. We did that, firstly, because we wanted to show clearly that it was devoted to that purpose; and secondly, for the reason that—and this perhaps gets us into an administrative problem in which the committee might interest itself—the Minister concerned and the Film Board officers felt that if we broke down the Film Board vote into these detailed categories they should be able to answer questions that may be asked in Parliament as to expenditures in those categories.

Now, the Film Board is an operating unit that does not keep its accounts in detail in the same way as other government departments do. It keeps its accounts on a basis that is authorized in the Film Board Act passed at the last session of Parliament. The accounting arrangements are deliberately made so that they can tell the cost of a certain film, and charge it out to the department or agency, or whoever they are producing it for. If they were going to be able to account for their expenditures under these various headings, they would need to spend an additional \$10,000 or \$15,000, or something like that on an accounting service, in order that they could account to Parliament under these same headings.

The Treasury Board came to the conclusion that it was not worthwhile spending this additional amount of money to provide a second set of accounting records in the Film Board, in order to have this amount of roughly \$2½ million distributed over these dozen categories of Salaries, Materials, and so on. Now, that is the sort of practical problem we get up against sometimes, Senator Reid, in deciding how we will classify these things.

Hon. Mr. REID: I was particularly glad you mentioned the Film Board, because it is one of the few departments of Government in which no statement is made in the Blue Book of the size of the staff. I speak particularly of the administrative end of it. I realize the Board must of necessity engage help which would not appear in the Blue Book, but if you look over the estimates you will find that is one of the departments of Government as to which no information is given regarding the administrative staff. I just wondered, why the omission.

The other question I have was in regard to the amount of the estimates under item 1, Civil Salaries and Wages. In 1950-51 compared to 1949-50 there is an increase of nearly \$5½ million; but from 1950-51 to 1951-52 there is an increase of over \$19 million. What is the reason for the great jump this year compared with 1950-51?

Mr. BRYCE: The answer to that, Senator, is the upward movement of wage and salary levels. At the end of 1949 we did not make any general revision in salary and wage scales, as we had already made at the end of 1947 and 1948. But late in 1950 the Government came to the conclusion that it had to revise its basic salary scales, and those revisions have been incorporated, at very considerable effort, in all the details of the estimates this year.

Hon. Mr. REID: Would that increase this year be an increase of salaries, or would there be any increase of staff or personnel?

Mr. BRYCE: The increase in salary and wage rates was, I would say, roughly of the order of 10 per cent or 11 per cent. Now, if we added 10 per cent, let us say, to the \$282 million shown here, that would give you \$310 million. So that the numbers provided for here are down, although the rates of salary included are increased more than enough to wipe that out.

Hon. Mr. REID: But how are the numbers of staff?

Mr. BRYCE: On that question, perhaps, I might just be allowed to quote what Mr. Abbott announced in a press statement when tabling the estimates in Parliament,—partly because it is a question of policy, partly because it includes some figures I cannot recall from memory.

The reductions in our operating programs have involved a reduction in the number of Civil Servants provided for in the Estimates, in accordance with the policy of the Government announced some time ago.

That was in December.

The actual numbers provided for are enumerated in nearly all cases under the details supporting individual votes, although there are a few units where the numbers cannot be given at this time and in general it has not been able to set down any numbers for casual employees.

“Casual employees” are those we take on for a few months at a time.

Excluding Defence Production, where no comparable figure for the current year, including the Canadian Commercial Corporation, is available, this total of enumerated employees in the new year is 108,454, compared with 117,230 in the Estimates for the current year.

In other words, if one looks through all the details to see the number of employees provided for, one finds a total of 108,000-odd compared with 117,000 the previous year.

These totals include units where a reduction was to be expected anyway, e.g., Income Tax and the Wartime Prices and Trade Board, and other units where defence activities of one kind or another have required increases. Excluding both such groups, the Estimates now tabled provide for about 5 per cent fewer employees on the average than the Estimates for the current year. It is not possible to say how many fewer employees will actually be on strength, or how many persons have been or will have been released in this program. The compilation of such figures would involve a detailed analysis of all the units concerned, which it has not been possible to make.

I think, sir, broadly speaking one can say that on an average, in these non-defence units, and excluding the income tax, where we were planning to cut down anyway, there is about a 5 per cent reduction in the numbers of employees provided for.

Hon. Mr. McKEEN: You said “casual employees”. Are casual employees listed as “temporary”?

Mr. BRYCE: No, sir, the casuals in a good many votes are listed under a separate line called “casuals and others”—I think is the usual term, but no numbers are associated with them, because they are usually employed for such short periods.

Hon. Mr. McKEEN: But you say the numbers of employees, both temporary and permanent, are down?

Mr. BRYCE: Yes, sir.

The CHAIRMAN: On this first item, “Civil Salaries and Wages”: are revenue postmasters included?

Mr. BRYCE: No.

The CHAIRMAN: As I recall, last year there were about 14,000 revenue postmasters, who are paid commissions on the work they do in their respective post offices. So that the remuneration they get reduces the revenue from stamps and post office orders that they sell.

Hon. Mr. REID: Why should they not be included in the salary list? They are on salary?

The CHAIRMAN: Oh, well, it was mentioned in our report a year ago—the total number. I mention that because in a sense that fact is pertinent to this total amount that we are considering here now under item No. 1.

Hon. Mr. McDONALD: Is the National Research Council included in item No. 1?

Mr. BRYCE: Yes, sir, their salaries and wages; and if you will look on the big table, at the line relating to National Research Council and Atomic Energy Control Board, you will see the amount.

Hon. Mr. McDONALD: Would there not be quite an increase in staff there, due to defence requirements under the defence program?

Mr. BRYCE: Yes, sir.

Hon. Mr. BURCHILL: What about government companies such as Canadian Commercial Corporation? Are the employees included?

Mr. BRYCE: It is rather difficult for me to speak definitely on that point, sir, because when these figures were made up the plans for the new Department of Defence Production had not been finalized; but if one looks in the estimates he will see, under "Defence Production", I think, a round number of employees for which we provide,—yes, a thousand employees. That is given without supporting detail. It is frankly only a forecast, but that includes a good many of the employees formerly on the staff of the Canadian Commercial Corporation, who have now been incorporated into the staff of the Department of Defence Production.

The CHAIRMAN: But it does not include them all?

Mr. BRYCE: No. I understand that it is Mr. Howe's intention to retain some of the staff in the corporation, even though the bulk of the purchasing staff goes into a department proper. That is, the department proper has now taken over the function of purchasing for National Defence which formerly was vested in the corporation.

Hon. Mr. REID: Are the employees of the Central Mortgage and Housing Corporation included in this item?

Mr. BRYCE: Not at all.

The CHAIRMAN: What about the Polymer Corporation?

Mr. BRYCE: They are not included. No employees of Crown companies that are properly so-called would be included here. And that brings us back, of course, to the point I mentioned about the C.B.C. We do provide, I think, for about 230 employees of the C.B.C. under the appropriation for the operation of the International Broadcasting Service, and they are not enumerated in the estimates, although I think it is fair to say that some information is given as to the amount of salaries.

Hon. Mr. REID: Where could we get the information with regard to these Crown corporations? You may very well tell us of a 5 per cent decrease in employees, yet these Crown companies may have doubled their personnel. I am just wondering where we can get information on Crown companies. I think that we should look at them more closely than we are doing.

Mr. BRYCE: Well, in the report of this committee for last year there is a table, as I recall, which gives a summary. I think they reprinted a table which I had submitted to the committee showing the numbers of civil servants in the various departments, to which was added the total for Crown corporations and corporate agencies other than the Canadian National Railways and its subsidiaries; and the total number for these Crown corporations and agencies was about 13,000. So that it would be perhaps a little less than one-tenth of the

total. I could not tell you off-hand, sir, just what the trend of employment in Crown companies has been. I assume that Canadian Arsenals is one of the Crown companies where probably employment would be up. I would rather doubt that the C.B.C. has expanded its staff. I know that the Central Mortgage and Housing Corporation has taken on additional staff in order to do certain construction services on behalf of National Defence. They are building the lighter types of buildings. They are providing the management service for Defence Construction Limited, which in turn, is undertaking certain construction work on behalf of National Defence. So that you do get these various considerations applying to different Crown companies.

The CHAIRMAN: In the committee's report of a year ago, as shown on page 547 of the Senate Hansard of 1950, the total number of employees is shown as 155,960. That included revenue postmasters.

Mr. BRYCE: Yes, that is mentioned in one of the foot-notes.

The CHAIRMAN: "Crown corporations, and Corporate Agencies, other than the C.N.R. and its subsidiaries, 13,189." That was for all Crown corporations outside the C.N.R.?

Mr. BRYCE: Yes, sir.

The CHAIRMAN: Now, this figure of 155,960 included employees of the Board of Grain Commissioners and I think the National Harbours Board.

Mr. BRYCE: I would doubt that it would include the National Harbours Board. I think that would be under corporate agencies.

The CHAIRMAN: I think you are right. At any rate, in this estimate of \$301,856,000 for Civil Salaries and Wages, revenue postmasters are not included nor are Crown corporations and corporate agencies.

Mr. BRYCE: No, both are excluded.

Hon. Mr. REID: And the same is true of the Film Board and C.B.C.?

Mr. BRYCE: That is right. I did not complete my enumeration for Senator Reid. There is another group of employees not covered there because we had to make a choice as to whether they were properly shown under one heading or another. Broadly speaking, those are the employees hired for a particular construction project. I refer to casual employees in almost all cases who are hired to carry out a particular job of work in the building of this or that, or in the repairing of this or that. Those are covered under the expenditures of buildings and works in columns 13 and 14. They would not be a large proportion in the terms of the average number of employees during the year, although there might be several thousand in the construction season.

Hon. Mr. BOUFFARD: Outside of the C.B.C. and the Film Board, which do appear in your report, this year, do Crown companies appear anywhere in your report this year?

Mr. BRYCE: No, sir.

Hon. Mr. BOUFFARD: Under no heading?

Mr. BRYCE: Well, I am sorry to be always qualifying these things, but the government is no longer a simple structure. I have had on occasion to endeavour to classify Crown companies for one purpose or another, and it is getting difficult to draw a line and say just exactly what is a Crown company and what is a department. The National Research Council, for example, is a corporate body and for certain purposes has corporate powers, but we treat it here as our other departments are treated except that they are permitted to use their revenues, whereas other ordinary departments are not. The National Harbours Board, on the other hand, is excluded. The expenditures of the Director of Soldier

Settlement, who is in legal terms a corporation sole, are included. So that we cannot really say that no corporate agencies are included here; rather, I would say those which are treated normally as departments are treated here.

Hon. Mr. BOUFFARD: Could you enumerate the Crown companies which are not included in your report?

Mr. BRYCE: I would hesitate to give a firm list but perhaps I could just read out, if the Chairman would permit me, the corporate agencies that were included in the 13,000 employees given to the committee last year. It would give one some idea of the picture.

The Bank of Canada, which is hardly even a Crown company—

Hon. Mr. HAIG: It is not included?

Mr. BRYCE: It is not included anywhere in these figures, Senator. The Canadian Arsenals Limited is not included except in so far as the defence expenditures in many cases involve expenditures which are purchases from Canadian Arsenals Limited, so that to some degree the amounts in here have to do with purchases for National Defence. As to the Canadian Broadcasting Corporation, only those expenditures having to do with the international service of the C.B.C. are included, and only the expenditures on that service. Last year, of course, the government provided the C.B.C. with an advance to meet operating deficits, but that is not included in this table of estimates because it came in the Final Supplementary Estimates at the end of the year. As I have already said, the Canadian Commercial Corporation was not included last year, but a good many of its employees, now being transferred to Defence Production, are included in a rather arbitrary round figure. The Canadian Farm Loan Board is not included in any respect. The activities of the Canadian Sugar Stabilization Corporation have been wound up. The Canadian Wheat Board is not included. Central Mortgage and Housing Corporation is not included here in any respect except in so far as some of its employees are engaged on work for the government, and this is indirectly covered in the expenditures of other departments such as National Defence. The Commodity Prices Stabilization Corporation would be included under Finance in a bulk amount for its operating deficit. It is a corporation which does not make money.

Hon. Mr. McKEEN: Its wages are not included in this statement of wages?

Mr. BRYCE: No, they would not be. The Eldorado Mining and Refining (1944) Limited is not included, nor is the Export Credit Insurance Corporation. I am not certain about the Federal District Commission. It comes under the Privy Council Office here. We do provide in appropriations for part of the expenditure in the Federal District Commission for what it does on behalf of the government looking after the grounds around government buildings, and they get a statutory grant of \$300,000 a year which looks after the parkways. I am not quite sure how much we show here for the Federal District Commission. All the money provided to the Federal District Commission is classified under column 22 of "All Other Expenditures". The Industrial Development Bank is nowhere covered at all. The National Battlefields Commission, I imagine, is covered in our "All Other Expenditures" column. They get a grant of \$100,000 a year.

The CHAIRMAN: They have no revenue outside of what they get from the government?

Mr. BRYCE: They may have a small amount of revenue. I would not be too certain about that, sir. They have no other revenue of consequence.

Hon. Mr. BOUFFARD: The only revenue they might have would be fines that they collected.

Mr. BRYCE: As to the National Harbours Board, we covered certain of their construction expenditures and deficits on certain operations, like Port Churchill, which they carry on on behalf of the government, but not the salaries.

Hon. Mr. McKEEN: Does the Finance Department provide accountants for the National Harbours Board?

Mr. BRYCE: The Comptroller of the Treasury, who does the accounting work and issues the cheques for the government, provides that service also to the National Harbours Board, but I believe that the cost of it is met from the National Harbours Board's revenues.

Hon. Mr. McKEEN: In other words, there are not in the various ports men doing the accounting for the National Harbours Board and paid by the Department of Finance rather than by the National Harbours Board?

Mr. BRYCE: I do not like to speak too categorically, but I believe there are accountants who are employees of the Comptroller of the Treasury, but that their salary costs are met from National Harbours Board revenues.

Hon. Mr. McKEEN: They are actually working in National Harbours Board offices on National Harbours Board matters, but for purposes of administration they come under the Treasury Board?

Mr. BRYCE: Yes, sir, under the Comptroller of the Treasury.

The CHAIRMAN: Are there any others?

Mr. BRYCE: The Northwest Territories Power Commission would not be covered. Their operating expenses are met out of revenue. The Northwest Transportation Company Limited, their operating costs also are met out of revenue. The Park Steamship Company Limited—I think that is dormant. Then the Polymer Corporation, it of course meets its operating costs out of revenue. Surplus Crown Assets Corporation meets its operating costs out of the proceeds from the disposal of surplus assets. These are the main ones.

Hon. Mr. REID: It would be interesting if you could tell us what proportion of expenses to the total expenditures is involved in all the Crown companies. We are setting up Crown companies every year, and I think it would be very interesting to know what proportion the expenditure involved in all Crown companies bears to our total expenditures.

Mr. BRYCE: Well, sir, I will have to get that figure for you, for I cannot recollect off-hand what it is. Might I ask if you have in mind the proportion of parliamentary grants and appropriations that are spent through Crown companies, or would you include the proportion of all receipts by these Crown companies? For example, the Polymer Corporation operates at a profit. How would you wish that to be treated? Do you want to have the Polymer revenue and expenditures included in that total?

Hon. Mr. REID: If a Crown Corporation makes a profit, the expenditures will be that much less.

Mr. BRYCE: I could get the information, sir, and provide it to the Chairman for the Committee.

Hon. Mr. McKEEN: When a Crown company makes a profit, is that profit used to pay back the expense to which the government originally went in building the company's plant, or does it go into general revenue, or is it shown as a reserve on the company's books?

Mr. BRYCE: The practice varies, sir, between one company and another. In some cases the statute establishing the company or the terms of the charter require the profit to be returned to the Crown, in revenue. In other cases the company may retain it. When it is at the disposal of the company and its directors or of the minister having general control over it, it may be used to

repay indebtedness to the Crown or to pay profits to the Crown. There is a great variety of provisions in the various laws and a great variety of practices. Unfortunately, there is no clearly established law that applies to all, nor, I am afraid, any clear principle running through all the laws and practices.

Hon. Mr. McKEEN: As to the Polymer Corporation, what have you done there?

Mr. BRYCE: The Polymer Corporation retains its profits and, as I recollect, part of them, if not all of them, are being used for additional capital expenditures on the plant of Polymer.

Hon. Mr. LAMBERT: An annual report in connection with Polymer is tabled every year?

Mr. BRYCE: Yes, I understand that is so. I looked it up a month or two ago, and I think a report is tabled in parliament each year.

Hon. Mr. LAMBERT: The capital for that corporation was of course provided by the Crown.

Mr. BRYCE: During the war.

Hon. Mr. LAMBERT: And the profits now are being turned into the company for further development within the industry. The important question, I think, is why should the salaries of the officials of Polymer be included in the estimates at all?

Mr. BRYCE: They are not, sir.

Hon. Mr. LAMBERT: I understood you to say they were.

Mr. BRYCE: Oh, no.

The CHAIRMAN: Mr. Bryce, is this the position, that the government has a contingent liability with respect to all these Crown corporations? Let us take an illustration. If the Polymer Corporation operated at a loss instead of a profit, the government would have to come to its rescue and make good the loss, would it not?

Hon. Mr. LAMBERT: As in the case of the Canadian National Railways.

Mr. BRYCE: Well, sir, it depends on what resources the company may have accumulated from the past. For example, I think the accounts of the C.B.C. in recent years would show that it has operated at a deficit. You may recall that about a year ago the government advanced the corporation about \$650,000. Now, that amount is much less than the deficits of the C.B.C. in recent years, but the C.B.C. had certain cash resources accumulated in depreciation accounts and out of surpluses of previous years, on which it was able to draw. But I think it is proper to say that the government, in so far as it is responsible for the operation of a number of these large companies, does face the possibility of having to find cash to assist them in meeting their deficits or in restoring their working capital that may have been dissipated if there were deficits.

Hon. Mr. McKEEN: Would the government not be in the same position as shareholders of a company, that it would have to put in more capital to keep the company going or allow the company to go bankrupt?

Mr. BRYCE: Yes, sir.

Hon. Mr. McDONALD: Mr. Chairman, in these estimates under "Civil Salaries and Wages" an increase in expenditure is shown over last year. Can Mr. Bryce tell us approximately how much of that increase is due to carrying out the defence program? For instance, the National Research Council, Atomic Energy Control Board shows an increase of \$1,200,000; in Mines and Technical Services, there is another increase shown.

Hon. Mr. HAIG: What page is that shown on?

Hon. Mr. McDONALD: I am reading now from the large table. It would be helpful if we could find out approximately what increase is due to the carrying out of the defence program, because such should really not be charged to civilian work.

Mr. BRYCE: Perhaps I might, at some hazard, run through a few of the departments, and make some comment on them.

In Agriculture there is an expansion, but relatively little of it would relate to defence. The increase in Agriculture would be less than the increase in the rates of salaries that have been authorized. There is a small defence expenditure arising out of the danger of bacterial warfare and similar matters. There are certain amounts in this category, though relatively small, which are devoted indirectly to defence activities.

The Auditor General's office: Of course the officers are engaged in audits of defence expenditures, as well as others; and with the large increase in defence expenditures more staff from that office are tied up on that work, in comparison with non-defence work. There you are really getting a transfer of some of the staff from one department to the other.

C.B.C. International Broadcasting Service: Who is to say whether that is an indirect defence expenditure or not? We are broadcasting programs to Russia and to Czechoslovakia.

Hon. Mr. McDONALD: Some of it would be.

Mr. BRYCE: It is a question of judgment as to how much can properly be attributed to defence.

The Chief Electoral Officer: I need not say anything about that item.

Citizenship and Immigration: The bulk of the work is not defence, even indirectly, but the government is deliberately expanding the expenditures on the staff of the Immigration Service to help make possible a larger volume of immigrants which in turn assists in meeting the demands for manpower in production of one kind or another. However, that has quite an indirect connection with defence.

The Civil Service Commission: The bulk of its activities are non-defence, but they do assist the Department of National Defence and Defence Production in quite material ways in recruiting their staffs. Moreover, I should like to say that the Civil Service Commission have been of very real assistance to the Treasury Board and the government in helping us to reduce non-defence expenditures. So that to that extent they are assisting in the diversion of manpower from non-defence purposes to defence.

External Affairs: Again, it is a question of judgment as to how you are going to classify some of the activities of this department. Whether they are properly in the defence program, they are undoubtedly associated with it. Certainly some of the expenditures for External Affairs are directly on defence matters.

Finance: Again, some amount of our expenditures there are for defence work. Several men of my staff are engaged almost entirely on defence work, and we will have to expand the number of men working on defence, as well as those engaged in the effort to cut down the non-defence expenditures, which throws a heavier burden on our staff in the Treasury Board. We have to have more men to try to comb out the less essential items in the non-defence activities. And the Comptroller has large staffs working directly on defence expenditure.

Fisheries: There would be little of that item directly related to defence; and the same applies to the Governor General. Insurance would be in the same category although the activities of the Fire Commissioner are expanding somewhat in relation to the Civil Defence functions. There is a little in that item. As to the Justice Department, a little service is provided to the Department of National Defence. The Commissioner of Penitentiaries is unrelated to defence.

Department of Labour: We have had some small expansion of staff engaged on the general manpower program that arises in a period of this kind.

Unemployment Insurance Commission: Again, the Employment Service contributes to the general movement of labour into defence production and defence industries. Their staff is down, as will be noted in the Estimates, and they co-operated with the government in getting it down to meet the needs for diverting the manpower to defence purposes; we must, however, recognize that they fulfil a necessary function at a time like this.

Legislation: Members of the committee can better judge that item than I.

Mines and Surveys: That is a most debatable sort of problem. The Surveys Division, or whatever it is called, is engaged very largely in mapping work that relates directly to the requirements of the three services. I had many long discussions with the officers of the Department of Mines and Surveys and with the officers of National Defence, as to how much we can and should devote to the surveys program. There is no doubt that the greater bulk of the surveys program this year is being done in areas that have been given defence priority, and to a large extent for defence reasons, although it does not appear on the surface to be the case.

Geological Surveys: This is another important item in connection with defence, perhaps indirectly, but one of the important roles that this country fulfils is the supplier of base metals and other strategic minerals. The Geological Surveys carries on some of its work in order to contribute to that production. Again, it is the question of judgment as to how much we can recognize the defence purpose in such an operation as this.

I do not know if you wish me to continue with the items.

Hon. Mr. McDONALD: I think that is sufficient. In other words, it is difficult to know whether it is a cold war or a hot war, and it is a problem to define exactly what is defence and what is civilian work?

Mr. BRYCE: That is right, sir. We find it difficult, and it takes a good deal of effort on our part to disentangle them in cases of individual units. We were just speaking of such things as Mines and Resources; in that case I am told that observatories are engaged in work which, according to the defence authorities, is of quite considerable importance in the study of certain matters in which they are much interested.

Hon. Mr. McDONALD: Certainly the work of the National Research Council and Atomic Energy Board is work being done under the defence program.

Hon. Mr. HORNER: Mr. Bryce, under Item No. 3, National Defence and Defence Production, there is shown Pay and Allowances, Defence Forces and R.C.M. Police, \$14,588,000, an increase of some \$4½ million from a year ago. This is headed "Other than National Defence and Defence Production", so what is the reason for that?

Mr. BRYCE: If you look at R.C.M.P. on the big table under column 3, those figures are entitled Pay and Allowances R.C.M.P. Again, how far are the Royal Canadian Mounted Police engaged on defence service, broadly defined? It is arguable.

The CHAIRMAN: May I interrupt, Senator Horner? I think we would make better progress if we took these items, one, two, three, four, five, in the order in which they appear. We were on Civil Salaries and Wages, and the discussion has branched away from that particular item.

With regard to the explanation that Mr. Bryce gave a moment ago, I presume that departments who want to get their Estimates favourably considered would on occasion try to link them up with defence?

Mr. BRYCE: Undoubtedly, sir.

The CHAIRMAN: That is a problem which the Treasury Board, I expect, has a good deal of difficulty with.

However, can we come back to item No. 1? The explanation given by Mr. Bryce is that there has been a reduction in the total number of employees but that the increase in salaries has more than offset the reduction in employees, with the result that the amount is up approximately \$18½ million. That is the explanation, is it not?

Mr. BRYCE: Yes, sir.

The CHAIRMAN: I think that before we are through we ought to get if possible the total number, Mr. Bryce, to compare with this statement we had a years ago. I have forgotten what schedule it was, but it was very fully given: Under "Reported Numbers of Employees of the Government of Canada" were included Revenue Postmasters and other officials. I do not think we get the correct figure unless we have it all-inclusive. Take the matter of Revenue Postmasters, which constitutes the larger item not included in this \$301 million. It is true that they are not civil servants in the sense that people here who are on monthly wages and salaries are servants, but they are paid out of revenue which otherwise would come to the Government; that is the way they get their remuneration, and of course in that sense they affect the total revenues the Government receives. While they are half in and half out of the Service they can properly be classed as people who get their remuneration from Government revenues. Perhaps you may be able to get these figures. I understand you are working on them now.

Mr. BRYCE: Yes. You told me the committee might wish these.

The CHAIRMAN: We can postpone the further consideration of that matter and come back to it when we get the total number of employees.

Hon. Mr. TAYLOR: Is it not true that last year the Post Office Department transferred a lot of revenue postmasters to the category of salaried postmasters, too?

Mr. BRYCE: Yes, sir, they have been making such transfers. I am not sure if it is still going on. I think it was largely completed last year, so far as they thought they could properly go.

The CHAIRMAN: That is a process which I think has been going on continuously. For instance, a post office may start out as a revenue post office: Business grows, and there comes a point when the postmaster is put on a definite salary, and then that salary would be included in this \$301 million.

Hon. Mr. TAYLOR: I think the postal department made somewhat of a change last year in the regulations with regard to the commissioned and salaried officers. They included more than they ever had before.

The CHAIRMAN: We shall get that information, Senator Taylor, a little later. Are there any other questions on this item?

Hon. Mr. REID: Mr. Bryce, can you tell us why, in this "Summary of Standard Objects of Expenditure" brought down at the back of the Blue Book, under the headings of "CBC and National Film Board", there are only four small items shown, and yet, if you look at the Blue Book, you will find salaries and professional services and travelling fees. In this large sheet, when you look under "Canadian Broadcasting Corporation", there is nothing down for "Civil Salaries and Wages", nothing for "Civilian Allowances", and there are only four small items out of a total of \$1,928,600. Almost the same applies to the Film Board. I am wondering why you picked out the four small items and did not put in this sheet the salaries and travelling allowances for these two corporations. They are not trying to hide any information, I hope?

Mr. BRYCE: No, sir. The reason is this. Let us take, for example, salaries in International Short Wave: They are not salaries of Government employees.

That is the reason why we have treated them differently. I am inclined to feel—and I would like to have the committee give some attention to it in making up its report—that it would be better to show the whole of this item under Category No. 10, "Film Displays, Broadcasting, Advertising, etc.", rather than under "All Other Expenditures," because these are really expenditures on broadcasting. The reason we did not show that \$710,000 for salaries is simply that they were not salaries of Government employees, they were salaries of employees of the Canadian Broadcasting Corporation. But we did give all the information it was possible to give there on the breakdown of the total of \$1,709,000, which we have classed in the "All Other" category.

Hon. Mr. ISNOR: Mr. Bryce, are you correct in saying that Communication Services are classified under "All Other Expenditures", or have you not shown those in Item 8 of your table?

Mr. BRYCE: Communication Services of which?

Hon. Mr. ISNOR: Take Canadian Broadcasting Corporation or National Film, for "Other Services".

Mr. BRYCE: If you look down under column 8, we do not show anything there for our Canadian Broadcasting Corporation or National Film Board. They are carried under the totals.

Hon. Mr. ISNOR: In business, I think, the average firm puts charges for their telephones, telegrams and other communications under one heading, for income tax purposes. I would think that you would do just about the same. You do not follow that policy: you put special services and communications under a separate heading altogether?

Mr. BRYCE: Well, for the great bulk of departments we do.

Hon. Mr. ISNOR: Do what?

Mr. BRYCE: We show, under Telephones, Telegrams and other Communication Services, all expenditure of that nature. But the Canadian Broadcasting Corporation and Film Board expenditures gave us this particular problem that I mentioned, of where we ought probably to classify them. In the case of the Canadian Broadcasting Corporation, since it is just really a payment to a government corporation, and in the case of the Film Board, because of the additional accounting expenditures, it would have been necessary to indicate they were included for their expenditures under all these different heads.

Hon. Mr. ISNOR: The fact remains that it is an expenditure made by a department, and it is revenue received by either the C.B.C. or the National Film Board, is not that so?

Mr. BRYCE: They receive the amounts from the appropriation, yes. In the case of the Film Board—perhaps it might be clear if I explained this—they operate a big working capital account, out of which their wages and salaries and production expenses are paid.

Hon. Mr. REID: There again, though, Mr. Bryce, their administration expenses, which I take it are the expenses of men who are employed, total \$408,454. I cannot understand why in this sheet you even omit that item. It is not on the item that you give of National Films. That administration must consist of steady employees, engaged at head office or other offices.

Mr. BRYCE: There is an explanation, if you will bear with me just a moment. I had a great deal of trouble over these Film Board figures this year. If we look at the details on page 278—I presume that that is what you have in mind—

Hon. Mr. REID: Yes.

Mr. BRYCE: —for the Film Board, you will notice that under the Administration Unit they can segregate their salaries and travelling expenses and so on. Under production and under distribution they have their budget made up, not

in terms of these types of expenditures, but for other purposes that are important. I refer to films for theatrical distribution and films for non-theatrical distribution and such. Now, if we included here only the \$378,000 for salaries, which were administration salaries, that would, we feared, give parliament the impression that that is the total of Film Board salaries, but it is not by any means all the Film Board salaries because the bulk of the salaries are under the figures for "Production and Distribution of Films". They enter directly into the production and distribution costs and they are incurred in the first instance in a large pool. Here the cost of producing the films that belong to the Film Board itself are pooled with the cost of producing films for other government departments including, for example, National Defence, and films produced for outside agencies. These costs are all incurred from this pool in the first instance, and then there is a cost accounting that charges the pooled expenditure out to the Film Board vote in part and out to the other agencies or departments having films produced and distributed for them. So that the figures shown here on page 278 are the Film Board's budget, and they will be able to show parliament at the end of the year how their expenditures have compared with their budget. But if we asked them to show their expenditures broken down in all these normal things, and then asked at the end of the year that they show their actual expenditures compared with their budget under these headings, Mr. Winters and the Chairman of the Film Board both felt that they would have to set up an additional accounting service in the Film Board that would cost \$10,000 or \$15,000. The Treasury Board did not feel that that additional expenditure would be warranted because they felt that the things in which parliament as well as the Treasury Board would be most interested would be the actual expenditures here for films of various kinds and for the distribution of films through various channels, and that the breakdown of both the budget and the accounts in this form was the most useful breakdown. For that reason this is the one that has been used. It may be that the Senate and the House of Commons would feel that it would be worth spending the extra \$10,000 or \$15,000 on accounting services to get the Film Board expenditures on the same sort of basis as the others.

Hon. Mr. HAIG: What would be the difference? I like the idea of telling us what each film costs and have it as part of the cost of the overhead of this \$480,000 or whatever it is. I think that is where the challenge is made against the Film Board.

Mr. BRYCE: That is what they try to do.

Hon. Mr. HAIG: As the senator from New Westminster (Hon. Mr. Reid) suggested, it would give a false impression of the accounts. The public would think that that is the total cost, whereas it is not. I prefer the way you do it because it is really a separate thing. Our challenge against the Film Board is a different thing than the costs. The cost enters into it I admit, but I think the way you have the figures here is a better way to show it than the other way.

Hon. Mr. McKEEN: You mentioned "other agencies". Does the Film Board make films for people other than government agencies?

Mr. BRYCE: Only to a small degree.

Hon. Mr. McKEEN: Are these sold or loaned?

Mr. BRYCE: I think, for example, they have made films for the United Nations or similar international bodies.

Hon. Mr. McKEEN: Not for business corporations?

Mr. BRYCE: Not that I know of.

Hon. Mr. BOUFFARD: They make a certain distribution of their films. I understand they loan their films to special organizations.

Mr. BRYCE: Oh, yes. They make a commercial distribution, and you will notice that they get a certain revenue from these operations.

Hon. Mr. HAIG: As I understand it they make certain films for propaganda purposes. They may cost \$10,000 but they will be rented for \$5,000. I have heard the complaint made that there are not enough of these films made and distributed to the United States and European countries.

Mr. McKEEN: You are speaking about country-wide propaganda. What I mean is that there is no advertising films made for various companies. There might be for provincial governments, but that would be a different class again.

Mr. BRYCE: I believe they did a little commercial processing work a year or two ago. Whether or not they are doing that now I do not know.

Hon. Mr. BOUFFARD: I understand they distribute quite a number of films in the United States?

Mr. BRYCE: Yes. As you will see on page 278, their production of films for theatrical distribution is quite substantial. The item for theatrical distribution includes distribution of films outside of Canada.

Hon. Mr. McKEEN: When these films are sent away, say, to the United States, do members of the staff sometimes accompany the films to make explanations and so on?

Mr. BRYCE: Well, a great many of the films speak for themselves, but in connection with non-theatrical films their distribution service will occasionally send somebody who will exhibit the films and speak about them.

Hon. Mr. McKEEN: I remember that when we were examining this matter previously, we came across heavy travelling expenses and we were told that this expenditure was for the people who went around with the films.

Hon. Mr. McINTYRE: Do they not have a regular staff to exhibit these films in different centres throughout Canada?

Mr. BRYCE: They have some employees stationed in various parts of the country, but you are getting into details where I am hardly the proper witness to discuss them.

The CHAIRMAN: We have had quite a bit of discussion on these items relating to the Film Board. In these totals that you gave us here, Mr. Bryce, broken down into thirty-four headings, all these expenditures are included with the exception of the Crown corporations. As to the Film Board it may be a question as to where its expenditures should appear, but they will appear either in Item 1 or Item 10 or elsewhere.

Mr. BRYCE: Some of them are in the equipment item.

The CHAIRMAN: What we are concerned about, it seems to me, is the total of all these expenditures. We cannot hope to go into detail in all the various departments and see whether or not they are spending money wisely or unwisely. I think we would make more progress if we were to stick to an examination of total expenditures at all levels of government. On the first item "Civilian Salaries and Wages" it seems to me that a very reasonable explanation has been given to the increase there. Can we go on to "Civilian Allowances"?

Hon. Mr. HAIG: Sure, let us get on.

The CHAIRMAN: "Civilian Allowances" has increased roughly \$425,000. Can Mr. Bryce give us an explanation of that increase?

Hon. Mr. REID: What is meant by "Civilian Allowances"?

Hon. Mr. HAIG: That is what I should like to know.

Mr. BRYCE: It includes living allowances, for example, in the far north; special stenographic allowances. At one time we paid our stenographers an extra \$5.00 a month for being stenographers rather than typists. It also includes living and representation allowances abroad.

Living and Representation Allowances Abroad are for our diplomatic staff, and so on. The Special Service Allowances are such as are paid to, let us say, an officer who may be in charge of a small unit, whereas normally an officer of his qualifications would not have supervisory responsibilities, as in one of the Department of Transport meteorological offices. Then there are mileage allowances to railway mail service staffs; and allowances for assistants—I must say that I do not fully understand that. I think that in certain cases an employee has to provide himself with certain clerical assistance. Northern Allowances and Isolation Allowances are the allowances paid to men who serve away up in the far north, where the costs of living and conditions are such that an additional amount is paid over and above the salary. Then there are board and subsistence allowances and other such allowances for civilian government employees. Also included are ministers' motor car allowances and the expense allowances to senators and members of the House of Commons.

Hon. Mr. HUGESSEN: I can understand why civilian allowances for the Department of External Affairs are larger for the current year than for last year, but can you explain, Mr. Bryce, why the civilian allowances for the Department of Transport are higher this year? According to the figures given they are \$1,601,400 for this year, as compared with \$1,420,564 for last year.

Mr. BRYCE: That increase will be largely accounted for, sir, by those northern allowances to employees in the north.

Hon. Mr. BOUFFARD: What do they do up there?

Mr. BRYCE: Oh, they are on weather stations, and at airports—doing various things up there.

Hon. Mr. McKEEN: The men at Port Churchill would get special allowances, would they not?

Mr. BRYCE: I do not believe the northern allowances, properly so called, apply to Port Churchill, but I think the men up there do get some sort of allowance.

Hon. Mr. HUGESSEN: These allowances would be mainly for men at air stations and meteorological stations?

Mr. BRYCE: Yes.

Hon. Mr. HAIG: I think it is a mistake to pay anyone an extra allowance for living at Port Churchill. It is a lovely place to live at. The accommodation is first class and people should pay to live up there.

Hon. Mr. McKEEN: How long did you stay there?

Hon. Mr. HAIG: As long as they would allow me to stay. They flew me in on the fastest machine they have and kept me there as long as they possibly could.

The CHAIRMAN: Are there any further questions on No. 2. If not, we will go to item No. 3, "Pay and Allowances, Defence Forces and R.C.M. Police." I am sorry that Senator Horner is not here, because he raised a point on this just a moment ago. There is an increase in this item over last year, an increase of roughly \$4,400,000.

Mr. BRYCE: That is altogether for the R.C.M.P., sir.

Hon. Mr. REID: This table is headed "Departments other than National Defence and Defence Production", yet this third item is for pay and allowances for defence forces and R.C.M. Police.

Mr. BRYCE: It is entirely for the R.C.M.P. pay and allowances, sir.

Hon. Mr. REID: Then the words "Defence Forces" should be stricken out?

Mr. BRYCE: That is right, sir. This is the same category that carries right across our whole table. This is entirely R.C.M.P.

Hon. Mr. HUGESSEN: The big sheet shows that this covers nothing but R.C.M.P.

Hon. Mr. McKEEN: Is that increase in expenditures for the R.C.M.P. caused in part by the assuming of policing in new districts and new provinces?

Mr. BRYCE: In part, sir, but only a relatively small part. As I recall it, the take-over in British Columbia and Newfoundland occurred about last August, so there would be about eight months of that expense in last year's figure, and there would be only an amount for the extra four months in those two provinces.

Hon. Mr. McKEEN: How much of this increase is set-off by revenue?

Mr. BRYCE: That is shown in the estimates, sir.

Hon. Mr. BURCHILL: At page 418.

Mr. BRYCE: My recollection is that we are charging the provinces about \$1,400 each for the R.C.M.P. constables and they cost us about \$4,200.

Hon. Mr. McKEEN: What we are concerned about is the increased cost. If there is an increased cost that is offset by other income we are not being given a true picture here. This statement shows an increase in expenditure of \$4 million. But it may be that there should be some deduction from that because of revenue.

Mr. BRYCE: The increase in revenue for the fiscal year to the past one is from \$1,300,000 to \$2,300,000, an increase of approximately \$1 million.

Hon. Mr. McKEEN: So there should be a credit of \$1 million applied to this estimate of \$14 million, reducing the estimate to \$13 million?

Mr. BRYCE: Yes.

Hon. Mr. HUGESSEN: Why do you charge the provinces less than the constables cost you?

Mr. BRYCE: I would prefer that you asked the Minister of Justice that, sir.

Hon. Mr. HAIG: I can give you the answer. In each province the constables are doing double duty; that is, duty for the federal government as well as for the provincial government. If the province of Manitoba was not using the services of the R.C.M.P., the R.C.M.P. would be there in any event to see that the federal laws were enforced.

Hon. Mr. HUGESSEN: From what Mr. Bryce said I gathered that we are charging the provinces only about one-third of the actual cost of the constables.

Mr. BRYCE: I am speaking from memory. My recollection is that we charge the provinces about \$1,400 per annum for each constable, and that the cost to us is something more than \$4,000.

Hon. Mr. REID: It would be a good question to put to the Minister of Justice.

Hon. Mr. HAIG: I was a member of the Manitoba Legislature when that province decided to use the services of the R.C.M.P., and my recollection is that the amount which the province paid the federal government for the policing was practically found money for the federal government.

Hon. Mr. REID: Not in British Columbia.

Hon. Mr. McKEEN: Is the amount paid by a provincial government for policing by the R.C.M.P. less than what the policing by its own men cost the province?

Hon. Mr. HAIG: Yes.

Hon. Mr. ISNOR: There is no question about that.

Hon. Mr. McKEEN: I would like to get that information.

Mr. BRYCE: I believe that is the fact, sir, but I only speak from an indirect knowledge of it. To answer your question properly, sir, we would have to try to make a study of what the increase in our costs was when we took over the British Columbia policing, for example, as compared with what the province had expended.

Hon. Mr. McKEEN: I was surprised by your statement, because the police themselves are complaining they get less money from the federal government than they got from the provincial government.

Mr. BRYCE: I think that on the whole we pay better than the provincial governments did in the provinces where we have taken over the service but that there may be individual cases where we paid less.

Hon. Mr. McKEEN: The complaints to which I refer may have come from isolated cases.

Hon. Mr. REID: In my municipality, where there used to be nine municipal police constables, the R.C.M.P. force is eighteen, so the policing must cost the federal government far more than the previous cost.

Hon. Mr. HUGESSEN: In the provinces where the policing has been taken over by the R.C.M.P. did the federal government formerly pay anything to the provincial authorities for carrying out Dominion duties?

Mr. BRYCE: No, sir. In every province there was a R.C.M.P. force which would see to it that the Dominion laws were carried out.

Hon. Mr. BOUFFARD: When you say that it costs about \$4,200 for each constable are you including the salary and other expenses, such as the upkeep of the houses in which the police are lodged?

Mr. BRYCE: That is right, sir, it is the total cost of maintaining a constable.

Hon. Mr. BOUFFARD: But you have not included the cost of cases on which they work?

Mr. BRYCE: No, sir. The figure of \$4,200 was given from memory. We altered the pay and allowance structure of the R.C.M.P. quite substantially last December, and that figure may not be accurate.

Hon. Mr. BOUFFARD: Do I understand that when the R.C.M.P. works on a provincial case the province pays the cost of the work done by the constables in addition to the \$1,400?

Mr. BRYCE: I believe that is so, sir. There is a point that which these sort of legal expenses commence and the ordinary administration expenses of the police force end, and that information would have to be got from the R.C.M.P., sir.

Hon. Mr. GOLDING: Mr. Bryce, do you agree with Senator McKeen's estimate, that this is only an increase of \$3 million from the previous year?

Hon. Mr. HAIG: Yes.

Hon. Mr. GOLDING: But you do not take off the revenue from the previous year when you arrive at that estimate?

Hon. Mr. McKEEN: I am taking the difference, though it is very rough. I asked a question and as I understand the answer I got it was that the amount required for pay and allowance is a little over \$4 million, but as a result of increased expenditures by reason of taking over the policing of British Columbia, that province pays an additional \$1 million; therefore, there is not necessarily a loss of that total amount. It means that more money is being spent, and more is being brought in.

Hon. Mr. GOLDING: But we are told what is the revenue for 1950-51, when the expenditure was \$10,157,000. Now, what is the revenue for 1951-52? We have to get the revenue for both years?

Hon. Mr. HAIG: He gave it.

Hon. Mr. McKEEN: I asked for the additional revenue.

Mr. BRYCE: I am sorry, Senator. The increase of \$1 million was between 1949-50 and 1950-51. I do not have the revenue for the current year, nor any forecast of it. It is a little hazardous to project this, because there are sometimes

various settlements in the taking over process in respect of non-recurring items. But the revenue last year was of the order of \$2,300,000 which may be set off against the total cost of the R.C.M.P., which would be \$27½ million all told.

Hon. Mr. ISNOR: Mr. Chairman, Senator Hugessen asked a question, and I do not think he received a very clear answer. It was with respect to the cost of the R.C.M.P. in carrying on certain duties for which the provinces pay the R.C.M.P. for their services. As I recall it, in 1932 the province of Nova Scotia entered into a contract with the Dominion government for the policing of that province, at an expenditure of \$150,000 for 100 men. The cost to the province prior to that under the provincial policing system was \$263,000. The R.C.M.P. performed certain services which were previously carried on by the protective force, under National Revenue. Of course, I do not suppose there was any smuggling along the coastline of Nova Scotia—

Hon. Mr. HAIG: Oh no.

Hon. Mr. ISNOR: —but it has been said that there was. Since the R.C.M.P. took over they have performed all those duties, and they have a marine section.

Hon. Mr. McKEEN: Did they cut down the smuggling?

Hon. Mr. ISNOR: It has cut down the cost to the government. Is that an answer to the Senator's question?

Hon. Mr. HUGESSEN: Yes. I was thinking of the recent take-overs.

Hon. Mr. BURCHILL: It may be interesting to point out that not only are the provinces policed by the R.C.M.P., but the towns and municipalities are also policed by them; certainly more money was spent previously for the provincial police than is now being spent for the R.C.M.P. I think these areas are better off financially, and the R.C.M.P. are giving better service.

Hon. Mr. ASELTINE: The R.C.M.P. was already established in those towns.

Hon. Mr. BURCHILL: No, not in the East.

Hon. Mr. ASELTINE: In most cases they were; it didn't cost them any more to police the towns, than otherwise.

The CHAIRMAN: At any rate, Mr. Bryce, this amount of \$14½ million is practically all for the R.C.M.P.?

Mr. BRYCE: It is.

The CHAIRMAN: Do we need discuss that further?

Hon. Mr. HAIG: No.

The CHAIRMAN: Then let us take Item 4, Professional and Special Services. That shows an increase of approximately \$2½ million over last year. Perhaps we could get some information on that increase.

Mr. BRYCE: That increase is almost entirely due to the enumerators for the census.

Hon. Mr. HAIG: Passed.

Mr. BRYCE: If you look under Trade and Commerce, you will see that the increase is almost entirely concentrated on the enumerators, who are paid so much a name, I think.

The CHAIRMAN: Any further questions on that?

Hon. Mr. BURCHILL: Carried.

Hon. Mr. HUGESSEN: You say that is almost entirely for the enumerators of the census?

Mr. BRYCE: I mean, the increase over last year.

The CHAIRMAN: Are there any further questions on that item? If not, we will go to No. 5, Travelling and Removal Expenses. That is almost \$14 million, but it is only a hundred dollars over last year.

Hon. Mr. HAIG: \$100,000.

Hon. Mr. ASELTINE: But it is a lot more than it was in 1938 and 1939.

The CHAIRMAN: We will have to keep in mind that this is purely non-defence and not Defence Production, for in the National Defence and Defence Production Schedule the travelling and removal expenses are shown at \$22,360,000, making an over-all total for defence, Defence Production and Civilian of \$36 million for travelling expenses, or an increase from \$27 million of a year ago, which is practically all for defence. Are there any questions on that item? Personally, I think our travelling expenses have been climbing rather rapidly, though it may be necessary.

Hon. Mr. ISNOR: It is now approaching 1 o'clock, and No. 5 is a big item, Mr. Chairman.

Hon. Mr. HAIG: I move we adjourn.

The CHAIRMAN: Mr. Bryce, can you meet with us tomorrow morning at 11.30?

Mr. BRYCE: Yes.

The CHAIRMAN: Then the committee will resume consideration of Item No. 5 tomorrow morning. Before adjourning I am advised by the Clerk that if we are to have the proceedings printed, we will require a motion.

Hon. Mr. BEAUBIEN: There is no hurry for the motion.

The CHAIRMAN: No, but if these proceedings are going to be of any use to us they should be printed.

Hon. Mr. HAIG: I think they should be printed.

The CHAIRMAN: Then shall I make a report to the House this afternoon accordingly?

Agreed.

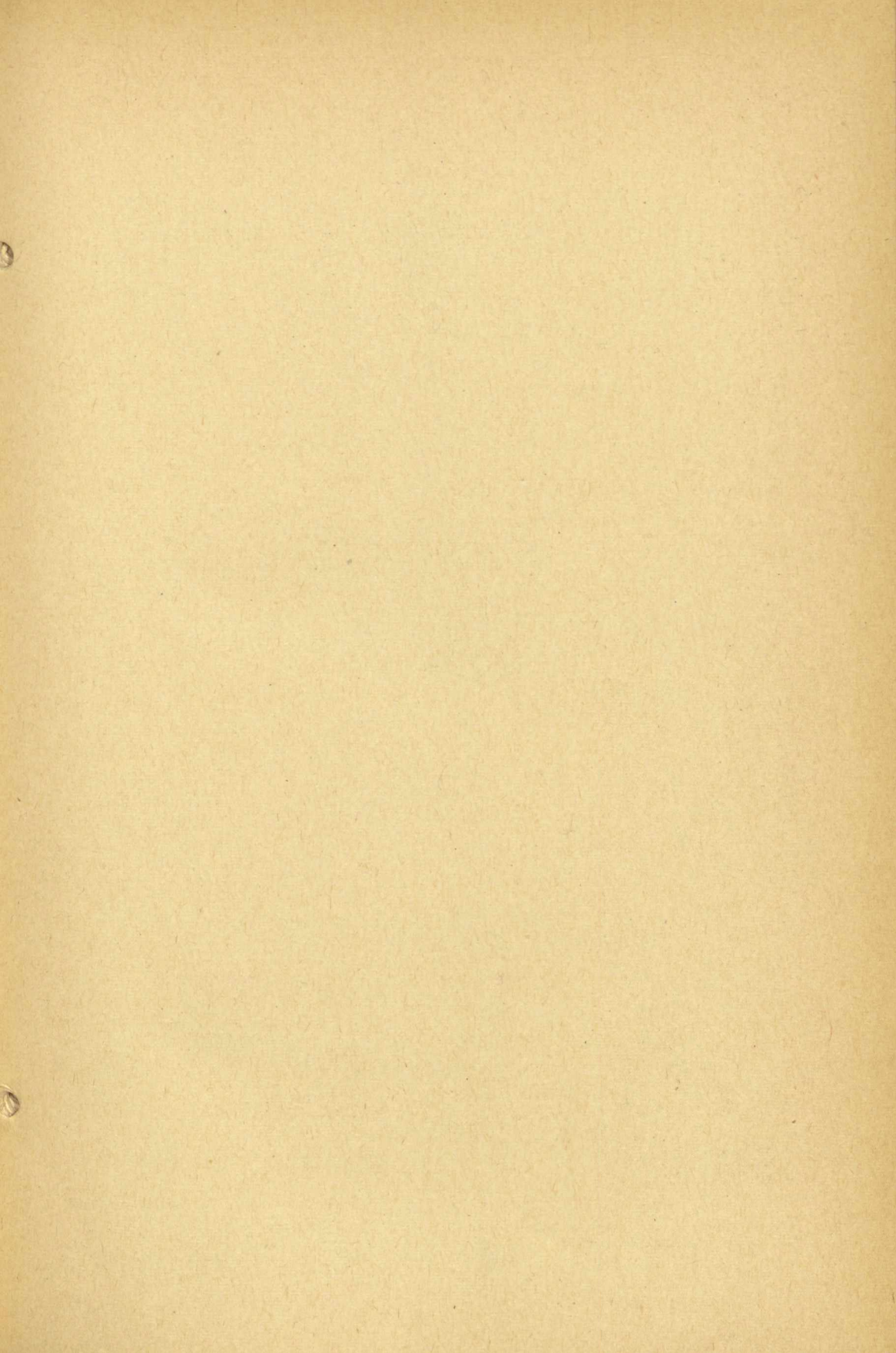
The committee adjourned until tomorrow morning at 11.30.

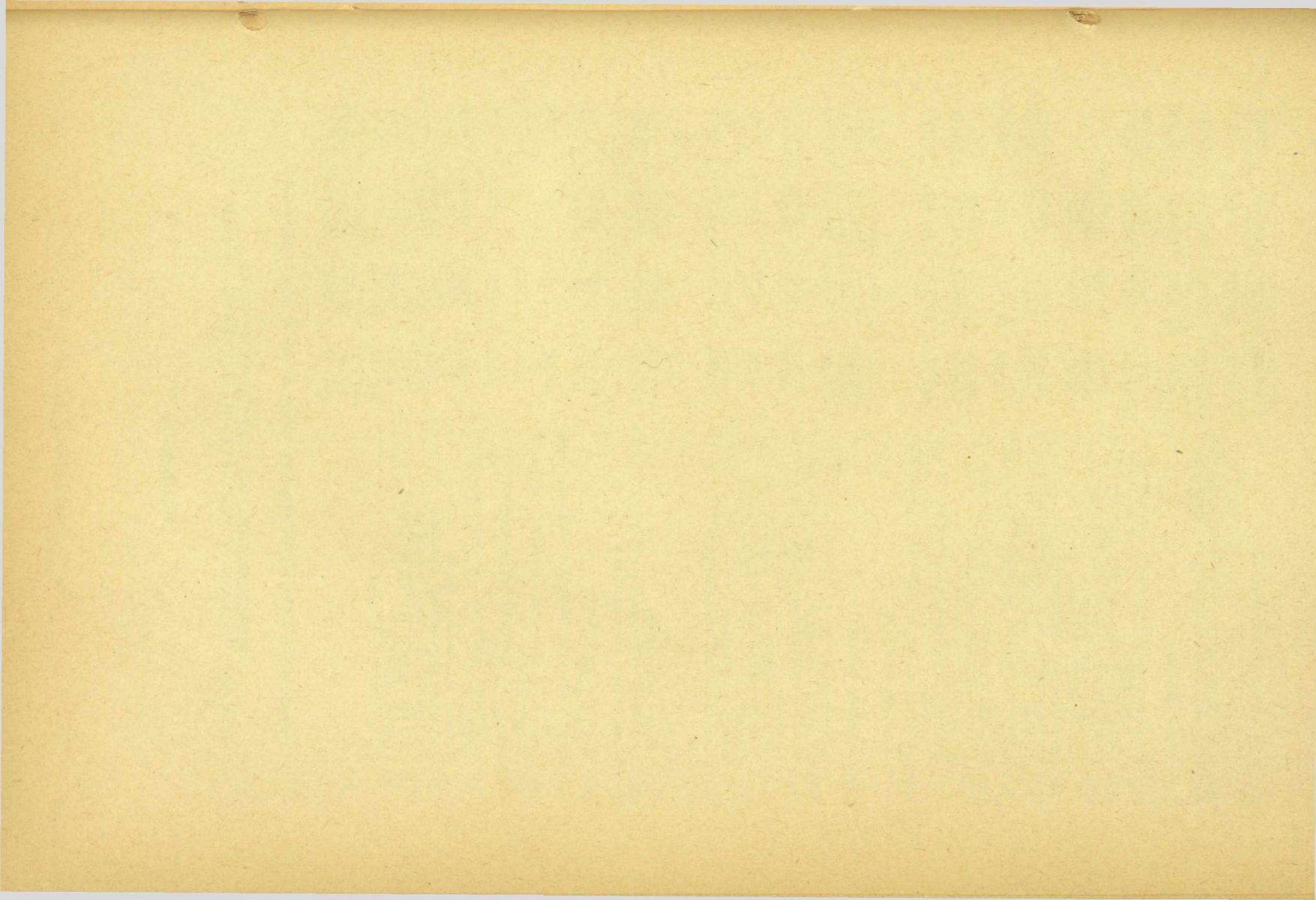
APPENDIX A

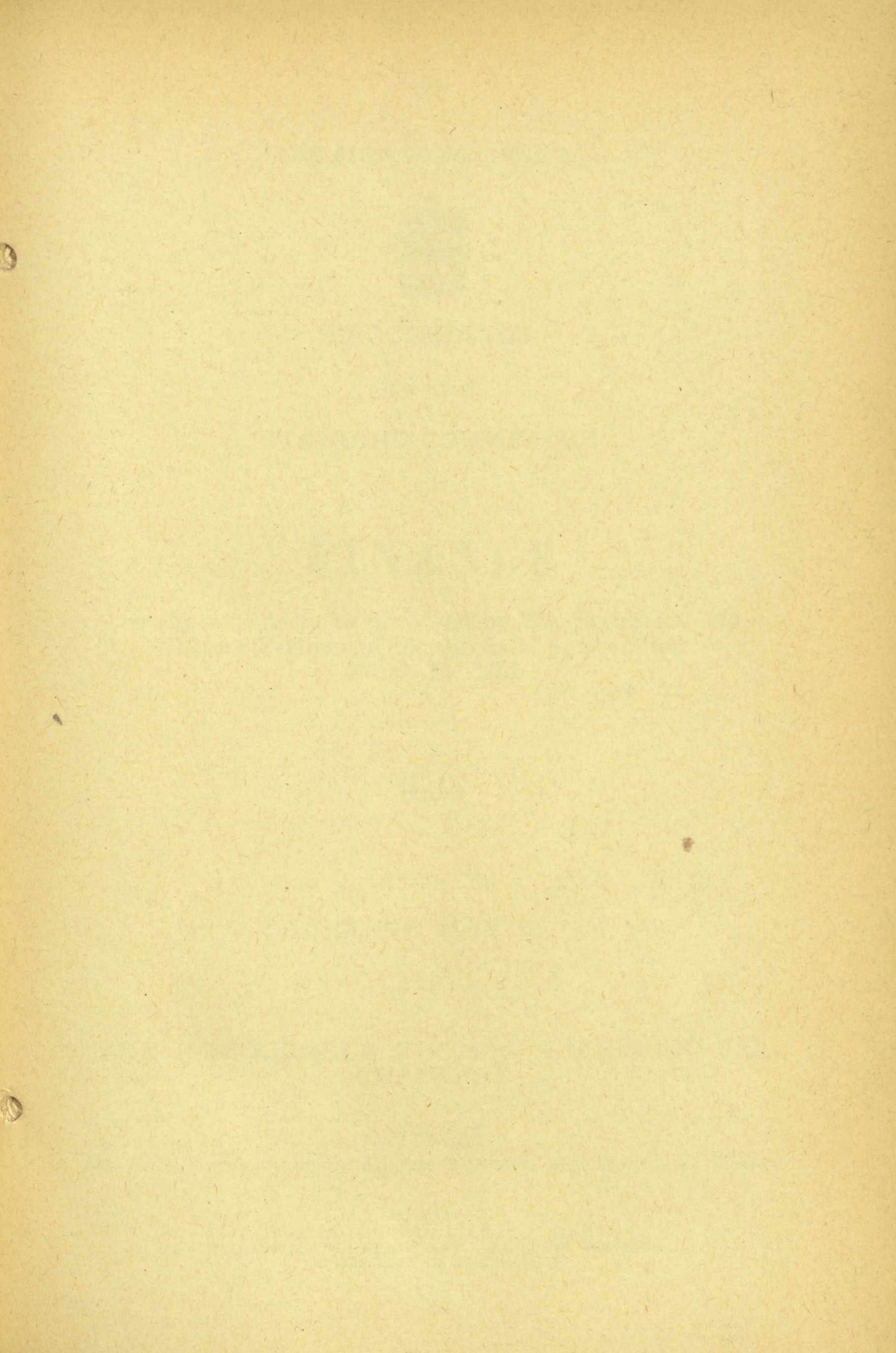
SUMMARY OF ANNUAL ESTIMATES BY STANDARD OBJECTS OF EXPENDITURE AND SPECIAL CATEGORIES

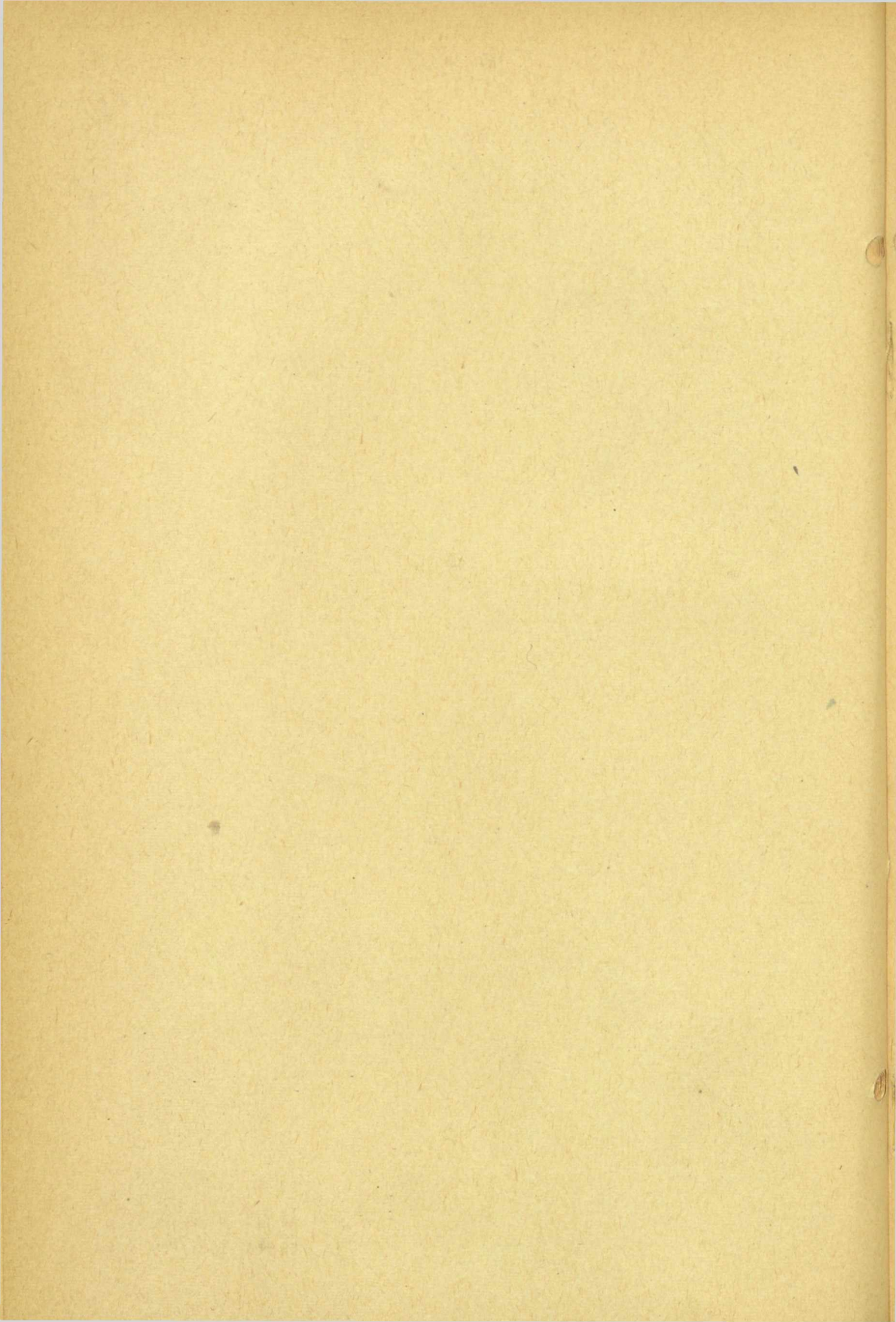
DEPARTMENTS OTHER THAN NATIONAL DEFENCE AND DEFENCE PRODUCTION

	1951-52 (000's omitted)	1950-51 (000's omitted)	1949-50 (000's omitted)	1938-39 (000's omitted)
(1) Civil salaries and wages	301,856	282,157	276,741	74,271
(2) Civilian allowances	6,393	5,964	5,172	1,183
(3) Pay and allowances, R.C.M. Police.....	14,588	10,157	8,227	3,750
(4) Professional and special services	26,676	24,041	22,155	4,104
(5) Travelling and removal expenses	13,946	13,802	12,808	3,504
(6) Freight, express and cartage	2,379	2,159	2,097	479
(7) Postage	3,023	3,092	2,918	449
(8) Telephones, telegrams and other communica- tion services	4,859	4,635	4,475	689
(9) Printing of departmental reports and other publications	3,905	4,018	3,950	.....
(10) Films, displays, broadcasting, advertising, etc.	4,850	5,083	4,373	1,794
(11) Office stationery, supplies, equipment and furnishings	11,235	11,500	11,356	2,464
(12) Materials and supplies	39,438	37,601	32,920	5,957
<i>Buildings and works, including land</i>				
(13) Acquisition and construction	114,252	145,634	144,949	30,631
(14) Repairs and upkeep	15,643	18,944	15,103	2,958
(15) Rentals	8,034	8,031	7,194	1,763
<i>Equipment</i>				
(16) Acquisition and construction	15,695	19,200	16,482	2,013
(17) Repairs and upkeep	5,056	5,017	4,386	584
(18) Rentals	774	886	597	.....
(19) Municipal and public utility services	5,717	5,334	4,371	924
(20) Grants, subsidies, etc., not included else- where	60,163	105,591	116,023	50,629
(21) Pensions, superannuation and other benefits	12,406	11,132	9,168	5,446
(22) All other expenditure (other than special categories)	14,319	19,175	33,471	12,254
Total standard objects	685,207	743,153	738,936	205,846
<i>Special categories</i>				
(23) Interest on public debt and other debt charges	437,642	433,046	451,441	132,368
(24) Subsidies and special payments to the provinces	115,135	106,335	127,365	21,210
(25) Family Allowance payments	320,000	307,000	284,880	.....
(26) Old Age Pensions, including pensions to blind	111,350	104,697	74,646	30,541
(27) Veterans disability pensions and other pay- ments under the Pension Act	97,105	99,739	101,589	40,920
(28) Other payments to veterans and dependents	54,156	63,575	92,929	9,445
(29) Government's contribution to the Un- employment Insurance Fund	27,500	23,000	23,000	.....
(30) General health grants	25,000	25,000	33,200	.....
(31) Trans-Canada Highway contributions.....	15,000	20,250	.....	.....
(32) Movement of mail by land, air and water (Post Office)	36,471	33,557	34,104	15,574
(33) Deficits—Government owned enterprises...	2,604	3,238	49,407	57,185
Total special categories	1,241,963	1,219,437	1,272,561	307,243
Total standard objects and special categories...	1,927,170	1,962,590	2,011,497	513,089
(34) Less estimated savings and recoverable Items	4,466	4,618	2,582	104
Net total estimated expenditures.....	1,922,704	1,957,972	2,008,915	512,985









1951

THE SENATE OF CANADA



PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1952

No. 2

THURSDAY, MAY 17, 1951

THE HONOURABLE THOMAS A. CRERAR, P.C.,
CHAIRMAN

WITNESS:

Mr. R. B. Bryce, Assistant Deputy Minister, Department of Finance.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951

STANDING COMMITTEE ON FINANCE

The Honourable Thomas A. Crerar, P.C., Chairman

The Honourable Senators

Aseltine	Fogo	McIntyre
Baird	Golding	McKeen
Barbour	Gouin	McLean
Beaubien	Haig	Moraud
Bouffard	Hayden	Paterson
Buchanan	Horner	Petten
Burchill	Howard	Pirie
Campbell	Howden	Reid
Crerar	Hugessen	Robertson
Davies	Hurtubise	Roebuck
DuTremblay	Hushion	Ross
Euler	Isnor	Taylor
Fafard	King	Turgeon
Farquhar	Lacasse	Vaillancourt
Farris	Lambert	Veniot
Ferland	McDonald	Vien
		Wilson

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Wednesday, March 14, 1951:

“That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31st, 1952, in advance of the Bills based on the said Estimates reaching the Senate: That it be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal governments in Canada, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records.”

L. C. MOYER,

Clerk of the Senate.

MINUTES OF PROCEEDINGS

THURSDAY, May 17, 1951.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11.30 a.m.

Present: The Honourable Senators:—Crerar, Chairman; Aseltine, Barbour, Beaubien, Bouffard, Buchanan, Burchill, Campbell, Golding, Gouin, Haig, Hayden, Horner, Hugessen, Isnor, McDonald, McIntyre, McKeen, McLean, Reid, Taylor, Turgeon and Wilson—25.

In attendance: The official reporters of the Senate.

Consideration of the order of reference of March 14, 1951, was resumed.

In the absence of the Chairman, and on motion of the Honourable Senator Reid, the Honourable Senator Bouffard was elected Acting Chairman.

The Honourable Senator Bouffard vacated the Chair.

The Honourable Senator Crerar took the Chair.

Mr. R. B. Bryce, Assistant Deputy Minister, Treasury Board Division, Department of Finance, was again heard.

At 1.00 p.m. the Committee adjourned until Tuesday next, May 22, 1951, at 11.00 a.m.

Attest.

John A. Hinds,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE

OTTAWA, Thursday, May 17, 1951.

The Standing Committee on Finance, which was authorized to examine the Estimates laid before Parliament for the fiscal year ending March 31, 1952, met this day at 11.45 a.m.

Hon. Mr. REID: As the Chairman, Senator Crerar, is not here, I move that Senator Bouffard take the Chair, so that we can get started.

The motion was agreed to.

Hon. Mr. Bouffard in the Chair.

The ACTING CHAIRMAN: Honourable members, I take it that the Committee wishes Mr. Bryce to continue his testimony?

Hon. Mr. HAIG: Yes.

The ACTING CHAIRMAN: Mr. Bryce will you come forward, please?

Mr. R. B. Bryce, Assistant Deputy Minister of Finance, was recalled as a witness.

The ACTING CHAIRMAN: Mr. Bryce, before we adjourned yesterday we had just reached item No. 5 on this summary of estimates for departments other than National Defence and Defence Production, that is the item entitled "Travelling and Removal Expenses." Would you now be good enough to give your explanation of that item?

Mr. BRYCE: I think the nature of this item is fairly clear from the title; and the explanation is of course given on the back of the big sheet, under item No. 5. As stated there, it includes travelling, transportation and removal expenses of government employees, members of the Defence Forces and the Royal Canadian Mounted Police. It also includes living and other expenses of such persons on travel status, Judges' travelling expenses, and travelling expenses and allowances payable to senators and members of the House of Commons.

Hon. Mr. Crerar, Chairman of the Committee, having come, the Chair was vacated by Hon. Mr. Bouffard.

The CHAIRMAN: I apologize to the Committee for my delay in appearing here. Quite frankly, I may say that a friend came in and I did not realize that it was so late. I think it may be a good idea for the Committee to appoint a Deputy Chairman, for there may be occasions when I shall be delayed getting here. However, we can think that over and take it up at our next sitting.

Hon. Mr. HAIG: Mr. Bryce was explaining item No. 5 on the table of estimates. Will you go ahead, Mr. Bryce?

Mr. BRYCE: This item of travelling and removal expenses includes such expenses for government employees and for Judges, senators, members of the House of Commons and others. It does not include the travelling and transportation expenses of persons other than government employees, such as persons subject to deportation, applicants for treatment or for pensions under the Department of Veterans Affairs, which are included in another item, item No. 22, "All other Expenditures".

Hon. Mr. HAIG: When I travel on my identification certificate does the government pay a charge for that transportation?

Mr. BRYCE: I do not think so, sir.

Hon. Mr. HAIG: That travel is authorized by statute.

Mr. BRYCE: Yes, sir. I do not believe the railways recover that cost, sir.

Hon. Mr. REID: Why was there that great jump in these expenses from \$3 million to \$12 million between 1939 and 1950? Is that explained by all the extra people who were travelling on government work during the war? An increase of \$9 million for travelling expenses is a pretty big one.

Mr. BRYCE: I think one reason is that government activities that give rise to a considerable amount of travel have expanded. For instance, inspection services in the Department of Fisheries and the Department of Agriculture have expanded.

Hon. Mr. REID: What checks are kept on travelling?

Mr. BRYCE: We have very elaborate regulations governing claims for travel, as to what may be claimed and in what circumstances. The check on the number of times or the purposes for which persons may travel is of course a departmental matter and is subject to the vote and the allocations in the vote that each department gets from the government and the Treasury Board; so that basically one might say that the details on which reimbursement may be claimed are rigidly controlled, but that the actual use of travel allotments in the estimates for this purpose or that purpose is subject to the control of the department rather than to any central control.

Hon. Mr. HORNER: I take it that such an increase is typical of the general trend in any socialistic state. The number of employees increases, inspection increases, and so on, and the more of that we have the more will the expenses grow.

Mr. BRYCE: I would point out, sir, that a good part of the increase comes under the Department of National Defence. If one looks on the second table, the table for Defence and Defence Production, it will be seen that the travelling expenses before the war on defence matters were approximately \$1 million, and after the war were \$22 million. Of course that does not affect the table we are looking at now, but it is an indication of the way in which the total amount in each table is affected.

Hon. Mr. HAIG: As a senator who has to travel quite a distance to get from my home to Ottawa, I used to notice during the last war a tremendous movement of officers and other defence personnel between one part of the country and another. There is still some of this moving about, but not so much. I talked to some of those people, and I found that after they had been two or three weeks out in British Columbia they were shipped back to Ontario or Nova Scotia; and after they had been there a short time they would be shipped to some other part of the country. I am referring to movements of quite a number of people at one time, not of just one or two. Is there any way in which the Department of Finance could force the Department of Defence to control that kind of movement?

Mr. BRYCE: Well, sir, one way in which we could arbitrarily limit it is this: The Treasury Board could simply say that they may use only a certain amount of their vote for travel purposes and that they had to live within that. The problem there is that, in determining the amount, one has either to be arbitrary or to be guided by the departments or the officers and ministers responsible. In determining how often and for what purpose it is necessary for officers, either civil or military, to travel, the exercise of a good deal of judgment is required. For instance, I know that on some Defence matters we have found in recent years that it was of considerable help to have one of our own staff go and see on the spot certain of the defence construction projects for which we were being

asked funds. We found it was possible by reason of some on-the-spot knowledge of the problem to suggest ways of saving money that amounted to many times the cost of the travel involved. No, you cannot determine that sort of thing very easily from outside. It requires a good administrative judgment. Whether that type of judgment is being exercised in individual departments is a matter that is exceedingly difficult for those of use at the centre to be able to tell. It is really something that the minister concerned and the deputy minister and senior officers of each department have to look at quite conscientiously and carefully, we feel.

The CHAIRMAN: Mr. Bryce, if we turn to the table for National Defence and Defence Production, we find that the total amount for travelling and removal expenses this year is more than \$22 million. Would that include the movement of groups from Canada to Korea, for instance?

Mr. BRYCE: I think it would, sir. You will notice that the estimate is very much over the amount for last year. I think that would cover the movement of a substantial body of troops.

Hon. Mr. HAIG: We did not move many troops, only four or five thousand. It would not cost \$22 millions to move that number of troops, surely.

Hon. Mr. HORNER: Would that include the amount paid to the American government for the maintenance of our troops in the United States?

Mr. BRYCE: No, sir. It would cover only the cost of their travel and their subsistence while they were travelling. I appreciate, sir, that the increase from last year to this year is from \$14 million to \$22½ million.

The CHAIRMAN: If we take the figure for last year, which is almost \$14 million, there were no troop movements in that year to Europe or Korea, were there?

Mr. BRYCE: Yes, the Princess Pats.

The CHAIRMAN: Yes, the Princess Pats. Well, gentlemen, it does seem to me that the total amount of Travelling and Removal Expenses in Defence and Non-Defence, which amounts to more than \$36 million, appears to be quite a large item. Then coming back to item No. 5, which we are now considering, in the amount of \$14 million for Non-Defence, that presumably covers travelling within Canada, and it includes also travelling expenses of Canadian representatives attending various international conferences. Even at that, it appears to me to be a pretty large figure.

Mr. BRYCE: Perhaps you would allow me to make one observation on that, Mr. Chairman. I think if the committee would note the departments in which travelling is a substantial item, it will indicate a little of the nature of the travel. You will note the big item in Agriculture, where a good deal of travelling is related to inspections of one kind and another; that is for the travel of those persons engaged in operations in Canada. In the Department of Citizenship and Immigration, a good deal of the travel cost there is for immigration officers who have to travel not only in Canada but abroad; and also, for those who travel on Indian Affairs matters. The External Affairs Department: That is fairly evident, as you will note.

The CHAIRMAN: What is the item for Agriculture?

Mr. BRYCE: \$2,879,000.

The CHAIRMAN: And for Citizenship and Immigration?

Mr. BRYCE: \$827,000.

The CHAIRMAN: And for External Affairs?

Mr. BRYCE: External Affairs is \$476,000. That includes, I believe, the cost of delegates going to conferences, and includes persons other than from the department.

Hon. Mr. REID: That is a rather important item, because it is growing more and more. Some check will have to be taken some day, if not now, regarding the excessive travelling of men attending conferences.

Hon. Mr. McKEEN: Is the Agriculture item, Mr. Bryce, mostly for inspectors who inspect cattle, wheat and such, rather than for attending conferences?

Mr. BRYCE: I believe it is. One would have to look through the individual votes to verify that. When I have looked at Agriculture in the past, with their travelling expenses in mind, the impression I derived was that a good deal of it arose from the inspection and testing work that is done throughout the country. We cannot send men around to all the various plants and farms without heavy expenses.

Hon. Mr. McKEEN: Would the costs of travelling of the various committees and commissions, such as the Halibut Commission, come out of their budgets, separate from this item?

Mr. BRYCE: Their travelling would be under votes for them, in those cases.

Hon. Mr. HORNER: Would the \$2 million odd for Agriculture include, for instance, trips to England in connection with the sale of wheat and the search for payment?

Mr. BRYCE: It would, sir, but of course that would be relatively modest compared with the large amounts in such things as—

Hon. Mr. REID: It is difficult to understand the amount charged to Agriculture, because Agriculture usually has a branch in every province. I know in B.C., we see the odd man only now and then, yet the department is spending \$2,879,000 for travel. That to me is a lot of money, especially when there are branches in every province, from which officials handle the agricultural affairs there. It seems to me to be very excessive. Is there any check on it?

Mr. BRYCE: The check is by the department on the amount of travel their officers do; we budget their requests for travel each year. The Treasury Board is sensitive, as the committee is, on the subject of travelling expenses, but it is one of those things where it is terribly difficult to know how one can apply an objective standard when so much depends on the judgment of the department as to whether an individual trip is necessary. I think it is fair to say that the Department of Finance has found it difficult to suggest to the Treasury Board a standard that one can apply in determining how to judge whether a trip is necessary, unless one is concerned directly with the administration of the services involved.

Hon. Mr. REID: You see, it is up \$45,000 this year.

Hon. Mr. McDONALD: I was about to remark, Mr. Chairman, that there is a tremendous amount of travel called for today under P.F.R.A. in the western provinces. I know from experience in the Agriculture Department in the Province of Nova Scotia that the farmer is increasingly demanding more and more from experts in the Department of Agriculture, and this means more travelling.

Hon. Mr. HORNER: What part do the provincial governments take in that field? In the Province of Saskatchewan for the inspection of bulls and all that, there is a fund of \$500,000 taken from the farmers, collected at the rate of \$2.00 a head on each animal with horns. As I say, the fund is now in excess of \$500,000, and is to do a lot of work that would otherwise be done by the federal government, and formerly was.

Hon. Mr. HUGESSEN: Looking at the details of services in the Department of Agriculture, at page 93 of the Estimates, under the heading "Administration of Animal Contagious Diseases Act, and Meat and Canned Foods Act", the travelling expenses are shown at \$425,000. That is the largest single item that

goes to make up the \$200 million odd. What is the reason for the necessity of such large expenditures in that particular branch Mr. Bryce? I note it has gone up \$100,000 from last year, when it was \$325,000.

Mr. BRYCE: The work of that branch has increased quite considerably in recent years, both because of the cattle problems and also because of the outbreak of Newcastle Disease in poultry. The \$325,000 for the preceding year is the amount that was provided in the Estimates for that year, but it may well have been exceeded and further funds advanced for that purpose from other headings during the year. As I recall, the increase in the intensity of the work of that unit commenced nearly a year ago, rather than just within the last few months. There were supplementary estimates for the administration of that unit, as I recall, late in March. I would not like to suggest, sir that that increase as shown is a true picture of the increase in expenditure. The nature of that work is such as to require a great deal of local travel, as I understand it; it is not travel from Ottawa to the West Coast, for instance, but is rather travel out from the centres where the various veterinarians and inspectors are stationed.

Hon. Mr. HORNER: You mentioned the Newcastle Disease. A very large amount of money was spent in the vicinity of New Westminster. I wonder if they reimbursed the farmers at an excessive rate?

Hon. Mr. REID: They were very generous with the poultry farmers out there. But what I would like to know, Mr. Bryce—looking now at page 94 "Livestock and Poultry"—I see no estimates for travelling allowance.

Hon. Mr. McKEEN: On page 95 it shows \$194,700. It is down from \$197,000—maybe the livestock is cured.

The CHAIRMAN: Do you see the item, Senator Reid?

Hon. Mr. REID: Yes.

The CHAIRMAN: Anything further on this item?

Hon. Mr. ISNOR: Yes, Mr. Chairman I am wondering whether we are pursuing the proper course. We all have our own particular departments in which we are interested; and if we deal with travelling expenses as they affect each and every one of the departments, I do not think it is fair to the witness, nor will we accomplish what we are trying to do. I think, if we looked at the all-over picture we would make more headway. We are anxious to make savings wherever possible. That, as I understand it, is the purpose of your committee. If we look at the figures before us for 1938-39 and those for 1949-50, and glance at item 5, Travelling and Removal Expenses, we shall see that they increased four times in that ten years; they show a further increase in the following year, and the year following that; so that the over-all picture shows something like seven or eight times more expenditure in travel of the various departments. I think it would be almost impossible for Mr. Bryce to tell us about each and every department, but he can tell us as to whether the policy of travelling has been extended along lines of air instead of the cheaper method and whether the officials are using air travel today in place of rail service, and if that has brought about a large proportion of the increased cost.

Hon. Mr. McKEEN: It is no more expensive.

Hon. Mr. ISNOR: It all depends where you are going, and so on. It is a matter of judgment, I think. Some firms, when they are sending a person to attend a convention—

Hon. Mr. McKEEN: I mean, I judge by the cost of fares for my own travelling.

Hon. Mr. ISNOR: Or is there some other reason for the large increase—which, as I have pointed out, is seven or eight times as large today as compared with 1938?

Mr. BRYCE: To speak briefly on this matter: If you will notice, the item for "Travelling and Removal Expenses", all told, is about four times what it was in 1938-39. Our payroll—that is, our civil payroll—is also about four times as large, so there has not been a great increase in the proportion of travelling and removal expenses to the over-all payroll expenses. That suggests, to me, that there has not been a major change in practice.

In regard to the practices in respect to travel I have to speak with care, because I was not engaged in this sort of work before the war, but my impression would be that the Government is carrying on more functions now of a type where a large amount of routine travel is involved. For example, if one takes the employment service, the Unemployment Insurance Commission did not exist before the war, and that service gives rise to a good deal of travel, both local and from headquarters in supervising local and regional offices. You cannot undertake services that reach into every corner of the country, the way this does, without incurring travelling expenses.

The second point I would make is that we have now a considerably larger role in matters of research and surveys and things of that sort. This type of activity gives rise to many proposals for travel. Now in the surveys work, for example, you cannot carry it on unless you have travel expenses in the sending out parties. That sort of travel shows up under the head of the Department of Mines and Technical Surveys. Resources and Development also do some of that kind of work. You will notice that both of those have fairly large travel and removal expenses, associated with their type of survey work. Finally, the carrying on of work of a scientific or research character means that very often departments feel that the sort of man who is engaged in this work will derive a good deal of benefit from going about and seeing what others are doing, or attending conferences or meetings where the subjects on which he is working are discussed. It is an exceedingly hard task, I have found, to be able to exercise from outside an independent judgment as to whether a department is permitting or encouraging its scientific or technical or professional officers to go to too many or too few meetings of this kind, or to go travelling to see what others engaged in the same sort of work are doing. Those who carry on this sort of work have got to take, I think, the primary responsibility for determining how much of this type of travel is necessary. That is the kind that we find most difficult to judge, not the routine travel of fisheries guardians or agricultural inspectors, but the travel of scientific and technical officers who are being sent to various kinds of meetings and functions. On the whole, I do not think that is a large fraction.

Then, of course, and finally, are the international meetings, of which there are scores now, to which the Government of Canada feels it appropriate and necessary to send delegations. I know that the Department and the Secretary of State for External Affairs are continuously pressing to keep these delegations down. But the way the conferences are organized often makes it very difficult to keep the number of one's delegation below a certain size if Canada's delegation is going to take an active part in the various types of work that are to be carried on at the international meeting. You have, let us say, a budgetary and administrative committee being set up, operating at the international conference. We in the Department of Finance endeavour to supply a man frequently for delegations going to these conferences, to try to keep their budgets down, and I think on the whole that has proved very worth-while, but it has meant that we have had to incur substantial expenses for travelling,—travel to Europe, travel to New York, travel even to South America—of a character that we only very rarely had to assume before the war. That is all part of the whole process of carrying on international negotiations and conferences. Again it is a question

of judgment as to whether it is necessary to go, and the size of delegation that it is necessary to send. Certainly we have felt that when we have sent men to deal with budgetary and administrative and financial matters at such conferences, the expense of sending them has, over the long term, been more than amply repaid in the success we have had in cutting down the budgets of these organizations and, therefore, the amount that Canada has to contribute to them.

Hon. Mr. ISNOR: There is a supplementary question I would like to ask. I would like to follow that, if I may. Are you through with your statement?

Mr. BRYCE: Yes. I am not sure that I have answered all the points. You did mention air travel: perhaps I can speak briefly on that. The travel regulations do specify the sort of circumstances and the sort of authorities that are necessary for air travel. I may say that in recent years the Treasury Board has been coming more and more to recognize, and certainly many departments have been arguing, that air travel is an economy. The difference in cost in going to a great many places is very little, and it is a question then of balancing the saving in the time of the officer concerned against the additional cost, whatever it may be, of air travel. I think, broadly speaking, we now give senior officers in departments a considerable element of discretion in deciding whether the saving in time in sending their officers by air, or employees of any kind by air, rather than by train, is worth the additional cost, if any, that is involved. So that there is more air travel, but on the whole I would say that that has not added significantly to the cost of travelling allowances. The great bulk of this is not for air travel at all. I should think that the largest individual amount is for automobile costs; reimbursing our employees for using their cars when out on inspection trips.

Hon. Mr. BOUFFARD: What is the price per mile?

Hon. Mr. ISNOR: The mileage allowance.

Mr. BRYCE: I believe on normal local travel it is 9 cents a mile at the present time. If an employee is going on a trip where he could go normally by train or by bus or something of that kind, we allow him usually 3 cents a mile, so there is no inducement for an employee to take his own car where he can travel by public conveyance. But where he is engaged in the kind of work in which he has to use his car a great deal, the normal rate is 9 cents a mile.

Hon. Mr. ISNOR: The other question I had in mind was whether Mr. Bryce could, without too much trouble, compile for our future meetings the travelling expenses on an index basis, taking 100 per cent for the 1939 period. This only applies to the Defence Department. The two factors to be taken into consideration would be the establishment and the travelling expenses at that time as compared with our present establishment and travelling expenses. In that way we could find out what the actual increase has been.

Mr. BRYCE: This is for the Armed Services only?

Hon. Mr. ISNOR: Yes.

Mr. BRYCE: Yes, we could do that, but it may take a little time to ferret out these figures.

Hon. Mr. TURGEON: Largely as a result of the statement which was properly made by Mr. Bryce I was under the impression that it was the disposition of this committee, which is a very important Senate committee, to study the most burning question in Canada today—the high cost of living. That is why we have before us the expenditures of provincial and municipal governments as well as those of our federal government. I am a little afraid that in the short time left before the session ends, no matter how justifiable might be our inquiries into individual expenditures, and no matter how useful the results of those inquiries might be later on, we would not have time to deal with the question of the relationship of government expenditures on all levels to the

inflation and the high cost of living. I do think that we would be accomplishing something worthwhile if we were to spend all our time now in an effort to bring before the federal and provincial authorities, as well as the Canadian people as a whole, the relationship of governmental expenditures to inflation and the present high cost of living. As Mr. Bryce has said, when government reaches out and expands its services its expenditures naturally increase. I think it is part of our duty to see why governments are reaching out, whether it is proper for them to reach out, and whether they are reaching out in the right direction. But, as I said, I am somewhat afraid that if we investigate the individual expenditures of every branch of every department, we are not going to come to the conclusion we decided to come to—of acting for the people of Canada and showing them just what is the relationship of government expenditures to the high cost of living. If we could do that we would be accomplishing something much better than what we might get from this type of inquiry. The individual expenditures could be gone into on another occasion.

The CHAIRMAN: I agree with Senator Turgeon, that we must not get bogged down in too much detail. The explanation appears to me to be fairly simple. If we compare 1939 with the present year, twelve years later, we find that the total of civil servants, of government employees, has increased more than threefold. Now, any detailed examination of the Estimates Book or of this very excellent table which accompanied it, gives clear evidence at once of the tremendous expansion of government services in all directions. Whether or not that expansion has been too rapid, whether or not it is too all-embracing, are questions which I think we might pass an opinion on when we are through our inquiry; but quite definitely these travelling expenses and the expenses for rentals for properties, the expenses for equipment and supplies, are all related to this tremendous expansion of government services in all directions. As a matter of fact, if you examine closely most of the provincial budgets, if not all of them, you will find the same thing taking place. The same is true of the municipal sphere in the larger centres. As Mr. Bryce has pointed out, it is a nice question as to how far you can control individual departments. I think there has been an unnecessary expenditure in many of these services. For instance, the Food and Agriculture Organization met last year in Copenhagen and they are going to meet shortly in Mexico.

Hon. Mr. REID: Nice trips for them.

The CHAIRMAN: Just a moment, Senator Reid. What happens when these meetings take place? We find several representatives from the departments attending these meetings. We also find as many or more official advisers, and if you examine just who the official advisers are you sometimes wonder what contribution they can make to the discussions of the Food and Agriculture Organization. The inevitable tendency in these gatherings is to magnify their importance and to sit around and take a month doing something that should be settled in three or four days. All the time that those meetings are going on we are kept at the expense of maintaining our representatives in probably the best hotels in the place where the gathering occurs. So, in that fashion, I am afraid we have grown into a sort of easy method of spending money for these things which some people think essential and which a good many people think are just a lot of nonsense. You cannot have this expansion of service and have representatives of the Canadian Government travelling to all ends of the earth in substantial numbers without a heavy travelling expense account, and a heavy expense for maintenance when they are there. Whether or not this expansion is due, as Senator McDonald intimated a moment ago, to an increasing demand for an expansion of services, is hard to say, but from a long experience I would say that if a government ever measures its expenditures by the demands that are placed upon it to give service and to spend money here, there and everywhere else, it will never in the world reach a limit to those expenditures. It cannot be

done. Senator Turgeon has brought us back to the real task we have before us. If we find, as I think we shall, when our inquiry is completed, that this country is spending probably a full one-third or more of its natural income on government expenditures of one kind and another, that will be a very useful fact to bring to the knowledge of the Canadian people. Only by getting this knowledge to the people can you set up some sort of resistance to the pressure to spend money. I think that feature of our inquiry is vastly important.

Hon. Mr. HORNER: The travelling in connection with the International Wheat Agreement must have cost a large amount. A huge army of officers, advisors and so on made trips in connection with that.

The CHAIRMAN: I venture to say that over the last fifteen years this country has spent hundreds and hundreds of thousands of dollars at and travelling to international gatherings to promote an international wheat agreement, and the result of it all is a situation that is bound to be embarrassing to everyone in this country, a situation creating discontent and dissatisfaction.

Hon. Mr. BUCHANAN: Referring to a remark by Senator Turgeon about the increased cost of living, may I ask Mr. Bryce if some of the increase in these travelling and living costs is not due to the increased allowances that have had to be made for these things. For instance, within the last few years has the living allowance for people who travel around on government business not been increased? And has there not been an increased allowance for the use of motor cars on government business, because of the increased cost of the cars themselves and of gasoline and other materials?

Mr. BRYCE: At a number of places in the regulations where we set a per diem allowance or a limit on the cost of meals and things of that sort, the allowance has had to be increased in the last few years. The mileage allowance on motor cars has not been increased in the last year or two, I believe, but my memory is that it was increased about three years ago, sir.

Hon. Mr. BUCHANAN: These allowances go up as costs go up?

Mr. BRYCE: Yes sir, but we do not change them every year.

Hon. Mr. BUCHANAN: Have you a fixed allowance for a person staying at a hotel, or anything of that kind?

Mr. BRYCE: No, sir. We have looked into the possibility of that at considerable length, but we came to the conclusion in the Department of Finance that we could not recommend a scheme of that sort, because what was a fair rate in some circumstances was too high in others and too low in still others. It depends, for example, on the size of the town. We had our travel costs analyzed in terms of the size of the centre in which a person was staying, and we found that in the small towns and villages the costs were very much lower than in the big cities. If you were thinking of New York and Washington and said that no one shall spend more than \$2 for dinner, that would be far more than ample in many of the small places in Canada. We have found that you cannot set a rigid limit without encouraging too much expense in some circumstances, and for that reason we leave the setting of a limit to each department, and each department itself exercises some judgment as to what expenses its employees may incur.

The CHAIRMAN: One cannot escape the conclusion that this supervision is of a rather free and easy kind. Speaking from my own experience, I think the deputy minister and the higher officials of each department are the ones who must check these expenses. The ministers are so busy today that they probably cannot exercise any supervision over matters of this kind. I agree with Mr. Bryce that it is very difficult for Treasury Board to make a general rule. For instance Treasury Board could hardly supervise the travelling expenses

of Health and Welfare. Treasury Board can lay down some general principles, admonitions and warnings, which probably in the main are ignored.

Hon. Mr. BUCHANAN: The point I was trying to make is that some of this increase in travelling and removal expenses is related to the general increase in the cost of travelling, staying at hotels, and so on?

Mr. BRYCE: Oh, yes, sir.

The CHAIRMAN: Is the Committee ready to pass on to the next item, No. 6, "Freight, Express and Cartage"?

Hon. Mr. REID: All the items on this table are under the general heading "Departments other than National Defence and Defence Production", yet this item deals with defence to some degree. My second point has to do with delivery of mail to the various departments. Is that not a charge against the Post Office? In ordinary circumstances the cost of delivering mail from the post office to people in the rural districts or to people in cities is a charge against the postal administration. But why should the cost of delivering mail from city post offices to various government departments be charged to these departments?

Mr. BRYCE: I think that is a matter of convenience to the departments themselves, sir. They pick up their mail at the post office so that they may get delivery earlier and perhaps more frequently than otherwise would be possible. I believe it is the practice in Ottawa for most departments to send someone to the post office early in the morning to get the mail, in order that they may have it the first thing in the morning. If the post office delivered it through regular letter carriers, trucks would have to be used to make the deliveries in some cases; and secondly, the delivery might often be delayed by some hours. In the Department of Finance, for example, we hire a delivery service to pick up our mail each morning at the post office and bring it to the department. In that way we get it early. Presumably it could be done by the post office, but that would involve its setting up overhead and equipment to make the deliveries.

The CHAIRMAN: Is there any further discussion on item No. 6? If not, we shall go to item No. 7, "Postage." The increase here has been from \$449,000 in 1938-39 to \$3,023,000 in 1951-52, practically a sevenfold increase. It would be interesting to see how this increase is distributed among the departments. In agriculture the estimate for this year is \$71,510, an increase of less than \$1,000 over last year.

Hon. Mr. HUGESSEN: The Department of Finance has much the largest item for postage, \$1,140,000.

Hon. Mr. REID: And that is a decrease from last year. Why the decrease? Is the department not doing as much business?

The CHAIRMAN: Mr. Bryce, can you give us any explanation of that item for postage in the Department of Finance?

Mr. BRYCE: Most of that, sir, is postage on family allowances cheques. Family allowances cheques are mailed from centres other than Ottawa, and of course when that is done they cannot be franked.

Hon. Mr. REID: Is a lot of this postage item not a matter of bookkeeping? I notice that many communications which come from Ottawa are franked, not stamped.

Mr. BRYCE: If you will look at page 163 of the Estimates, sir, you will see that the two big items for postage in the Department of Finance are, on family allowances cheques, \$900,000, and on registration of income tax refund cheques, \$200,000.

Hon. Mr. REID: How do you arrive at the total cost of postage if part of it, if not all, was franking by the departments of government? Do you take information from the franking machine?

Mr. BRYCE: This is only what they need to spend; this does not include the value to the department of the franking privilege.

Hon. Mr. REID: Again, we are not getting the complete picture of the postal transactions.

Mr. BRYCE: No, sir.

Hon. Mr. REID: Of course millions of circulars are carried for the various departments, and they are simply franked and become a bookkeeping entry.

Mr. BRYCE: Yes. I think I might point out here that a year ago the Minister of Finance in his budget speech indicated that he felt it was desirable, over the long term, to get to a basis where the Post Office shows fully its cost of operation on the one hand, and the value of all the services it renders on the other. During the past year we went into the question of achieving that end, and found that it involves quite a number of changes, not only to charge the departments for their mail sent from Ottawa, as many think should be done. Indeed, I think this committee recommended last year—

The CHAIRMAN: Yes.

Mr. BRYCE: —that the government should examine that question. It is also necessary to charge the Post Office for certain facilities which it receives, for example, the question of rents; it gets a great many properties rent free. One can see that it requires quite a major change.

I think it fair to say that both the Department of Finance and the Post Office Department are inclined to agree in principle with the suggestion that this committee made last year, but it has proven too difficult to implement it. I should perhaps also point out that when we make this change and charge the departments for their postage, and charge the Post Office for rental of space, that will increase the apparent total of government expenditures, although we will not in fact be paying out more money. We will have to provide estimates for the postage to be charged to the departments, and that will in turn be shown in postal revenue.

Hon. Mr. TURGEON: Would it entail enlarging the number of employees to carry out the work?

Mr. BRYCE: I don't think so, not materially.

Hon. Mr. BURCHILL: May I ask a question to clear up a point? What is this question of a charge for postage, if the departments are not charged postage?

Mr. BRYCE: I am sorry, sir. The departments are charged postage on anything mailed outside Ottawa; and they are also charged registration postage, special delivery postage and anything of that kind.

Hon. Mr. BURCHILL: Then this item is all for mail outside Ottawa?

Mr. BRYCE: No; it would also include, for example, \$200,000 for registration of the letters carrying income tax refund cheques, even although they were mailed from Ottawa. We have to pay registration charges, and we also have to pay special delivery charges; we pay airmail charges, if the mail goes by air.

Hon. Mr. McKEEN: And you do not have to put stamps on your cheques.

Mr. BRYCE: No.

Hon. Mr. BURCHILL: In the bulk, this item is for mail sent from outside Ottawa?

Mr. BRYCE: Yes.

Hon. Mr. ISNOR: I think it only fair to say, Mr. Chairman, that the National Health and Welfare, which sends out a large number of cheques, had a decrease of \$10,000 in postage last year.

Mr. BRYCE: But the Department of Finance pays the postage on cheques sent out for Family Allowances; it is the Comptroller of the Treasury who mails those cheques.

Hon. Mr. ISNOR: I am not sure I heard Senator Reid's question correctly. He mentioned about postage. I think that postage is carried, as far as the Family Allowance cheques are concerned; in fact, I remember a certain slogan. They use postal meters.

Hon. Mr. REID: They use stamps, but there is no check; I said that it became a bookkeeping entry, and there is no bill put to the department for postage. There is no check to know the number of letters that go through the mail.

Hon. Mr. ISNOR: No. If I am correct in saying they use postal meters, they would have to go to the post office to have the meters reset. Am I correct?

Mr. BRYCE: I am sorry, but the situation is a little more complicated than that. The big mailing lists are sent through postal meters; for example, Family Allowances cheques are metered—they do not lick stamps and put them on. This is the efficient and modern way of doing postage. Many of the departments in Ottawa use postal meters even when they are putting a frank on the letter. They do that for the convenience of the Post Office, because when it has been properly metered it does not then need to go through the cancelling machine in the Post Office; in that way there is a saving of labour at the Post Office sufficient to much more than pay the cost of metering in the department. That is the reason why, in some cases, they have to pay for the metering as postage; in other cases it is done as a matter of convenience, although the mail is franked.

The CHAIRMAN: The item of \$900,000 for Family Allowances, does that include stamps that are put upon cheques?

Mr. BRYCE: No, sir. As one of the senators has said, we do not put stamps on cheques. The obligation to cash government cheques is imposed on the banks under the Bank Act.

The CHAIRMAN: And they are not violating any law?

Mr. BRYCE: No.

Hon. Mr. HUGESSEN: That item rather reinforces what was said a few moments ago about government services increasing over the past ten years. The increase in postage of \$2½ million includes practically a million for Family Allowance cheques, a service which was not in existence in 1939.

Mr. BRYCE: Yes.

The CHAIRMAN: Shall we take the next item, No. 8, Telephones, Telegrams, and other Communication Services? Twelve years ago it was \$689,000, practically all for civilian purposes, and now it is about seven times that amount.

Mr. BRYCE: Yes, sir.

Mr. CHAIRMAN: I suppose that also can be attributed to the vast expansion of services?

Mr. BRYCE: I would point out, sir, that almost half of that amount is expended by the Department of Transport, and arises fairly largely from their meteorological services, airports and air traffic control services. Those are things of a nature which require very heavy expenditures for such items as teletypes, land lines and things of that sort. One has really to look at it apart from that, to see what the development of the normal, let us say administrative, costs of things of that sort are. The other big item in this category is the Department of Finance—

Hon. Mr. HUGESSEN: Before you leave the Department of Transport, I suppose it is fair to say that of this \$2 million odd for which the Department of Transport is responsible under Item 8, practically all of it has arisen in the last ten years. That includes airfields, and like items.

Mr. BRYCE: There were undoubtedly some before the war, but there has been a tremendous growth in the meteorological services, in the airways, the airports and air traffic control.

Hon. Mr. HUGESSEN: This item represents a good deal of the services of the Air Force, in building planes and communications?

Mr. BRYCE: Yes.

Hon. Mr. HUGESSEN: Which is constantly expanding?

Mr. BRYCE: Yes. You see, air transportation is different from many of the other forms of transportation, because the Dominion Government provides a good many of the capital facilities, and indeed of the operating costs of that industry; so that this is to a considerable extent the operating costs of a basic industry. It is not simply what one would normally call a government function.

The CHAIRMAN: Any further questions on No. 8? The next one "Printing of Departmental Reports and Other Publications" is rather interesting.

Hon. Mr. ASELTINE: I have a waste-basket-full of them every day.

The CHAIRMAN: The total is over \$3,900,000.

Hon. Mr. REID: And nothing in 1938!

The CHAIRMAN: It has remained about stationary, however, for about three years.

Mr. BRYCE: In answer to Senator Reid's point on that, sir: we have not been able to segregate the figures for 1938. They were buried in a great many items, and although we were most anxious to try and pull them out, we could not. They are down in category 22, "All other Expenditure".

Hon. Mr. REID: You are a member of the Treasury Board, are you, Mr. Bryce?

Mr. BRYCE: I am Secretary, sir.

Hon. Mr. REID: I am wondering if at any time the question has come up in the Treasury Board of the printing of departmental publications.

Mr. BRYCE: Oh, the Treasury Board had great travail with publications. There are a tremendous number of problems, and I know that it has concerned many of the Ministers, on what standards you can judge not only the number and extent of publications that should be issued, but the format and the kind of presentation; whether we should permit pictures to be included, whether we should permit them to be done in colour, and all that sort of thing. The Treasury Board have asked me to arrange to have a much more detailed examination made of the whole field of publications this year.

Hon. Mr. REID: What I have in mind is that, for instance, you pick up an agricultural bulletin and find that it deals with fisheries and something else as well; you pick up an External Affairs publication and you find it deals also with trade matters of which you have read in another bulletin. That practice seems to be growing and growing. Like other senators, my basket is full every morning of things that are thrown away. In many cases I think there is a tremendous waste of material and money.

Hon. Mr. HORNER: A million dollars could be saved there.

Hon. Mr. BUCHANAN: I publish a newspaper, and all kinds of stuff comes there from Ottawa. Sometimes I have occasion to open it, but in almost every instance it goes into the waste-paper basket. I often think the supply should be curtailed. There may be people who want particular circulars and pamphlets: well, let them have them, but to distribute them widely and generally looks to me to be a waste of paper and a waste of labour.

Mr. BRYCE: I think these figures themselves will indicate that the Government rather shares the view that has been expressed by the senators here, because you will note that the amounts provided for this purpose have been

held pretty well stationary over the last three years despite a quite considerable increase in cost. There is, I would say, in this year's budget provision for at least 10 per cent less in volume of publications than there was a year or two ago.

The difficulty with this, as with so many things, is that it is necessary to translate a general attitude of policy into a particular restriction of individual publications, it is that which the Treasury Board is endeavouring to do this year. They have asked that a detailed study be made of the publications issued by all departments, so that when they come to consider next year's estimates they can look much more critically and in detail at the bulletins issued by all the various departments, and the annual and various other reports issued on one subject and another. But each department has many, many arguments in favour of their various publications, and there are a great many people who set great store by them, and it is naturally those people with whom the department is normally in touch, and they represent public opinion to the people who are dealing with that publication.

Hon. Mr. BUCHANAN: I think that Mines and Surveys sends out a postcard with regard to geological studies in certain areas, asking if you want any one of these particular publications, and if you do not, that is the end of it. But the thought in my mind is that they must publish a lot of these reports and have them down here in reserve, though they may not be applied for. It is only the occasional one that my office ever asks for, but when we do ask for any we receive them almost immediately. So I have the feeling that a lot of these reports are published, probably in thousands, or more so, and they are not in demand, and there must be a waste in holding them that way. If they could compile a mailing list of people who are interested in some particular matter before the publication was printed, they would not require as many copies.

Mr. BRYCE: Well, we are hoping that something like that can be done. One of the things that the officers studying this matter have been asked to look into is the possibility of more scrutiny of distribution lists before printing is done.

Hon. Mr. REID: It seems to me that all departments have come to the point where they are vying with each other to see who can get out the biggest publications, and overlapping each other. That is probably in the natural course of events, but it has developed today, as every member of the Senate will agree when he looks over the publications.

Hon. Mr. ASELTINE: That might be a point to consider in your report, Mr. Chairman.

The CHAIRMAN: I think it is true—I know it is in my own case, and Senator Buchanan has just mentioned his experience—that a great bulk of the stuff that comes in of Government publications goes direct to the waste-paper basket. I think that some of the departments have an excessive zeal for getting stuff published and distributed. I am delighted that Mr. Bryce and his associates in the Treasury Board are going to look into this matter of Government publications, because that is a matter, upon which we commented last year. I would suggest to Mr. Bryce that he might examine into the practice in Great Britain. If they issue a White Paper dealing with any particular phase, like some of those we get here, they make a charge for it. You know that in many instances what you get for nothing has very little value. It would take some time to get the practice established of making a suitable charge for some publication that a manufacture or someone else might want to get regularly, for instance. But why should he not pay for it? In time the thing would sort itself out. But at the moment there is no check at all, no practical check on the expenses of publications and the consequent disposition of them in the waste-paper basket.

Hon. Mr. BUCHANAN: On that point, take these geological reports of different areas published by Mines and Surveys: why should not an oil company or a

mining company, if they want a report of that kind, pay for it, as the Chairman suggests? Or do they pay for it? When they ask for a copy do they get it without any cost?

Mr. BRYCE: I think some kinds of reports are paid for. But there are free lists established by departments for various types of publications, and one of the things each department has been asked to do is to reduce its free list and to charge more frequently for publications and to charge prices that are more in line with the cost of printing them.

Hon. Mr. REID: May I ask Mr. Bryce this question: Has anyone gathered together all the publications that are issued, and presented them to anybody? If not, I personally would like to see all the publications the Government has issued. It would be an eye-opener, an education and a revelation. I think there should be a visible exhibition.

Mr. BRYCE: If the honourable senator wished to have a display of that kind I am sure the King's Printer, if given time and space, could arrange it.

The CHAIRMAN: There would have to be a great deal of space for it.

Hon. Mr. BUCHANAN: I would suggest that you have that exhibit and then have the Film Board come in and take a picture of it.

Some Hon. SENATORS: Oh, oh.

The CHAIRMAN: Do you wish to go on with the next item?

Hon. Mr. ASELTINE: No, it is quite involved.

The CHAIRMAN: It is about films, displays, broadcasting, advertising, etc., a subject in which I believe Senator Reid has a special interest.

The committee adjourned until Tuesday, May 22, at 11 a.m.

1951

THE SENATE OF CANADA



PROCEEDINGS
OF THE
STANDING COMMITTEE
ON

FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1952

No. 3

TUESDAY, MAY 22, 1951

THE HONOURABLE THOMAS A. CRERAR, P.C.,
CHAIRMAN

WITNESS:

Mr. R. B. Bryce, Assistant Deputy Minister, Department of Finance.

APPENDIX "B"

Reported Numbers of Employees of the Government of Canada (Excluding
Members of the Armed Forces and R.C.M.P.) as at March 31, 1939,
1948, 1949, 1950 and 1951.

THE STANDING COMMITTEE ON FINANCE

The Honourable THOMAS A. CRERAR, P.C., Chairman.

The Honourable Senators

Aseltine	Golding	McKeen
Baird	Gouin	McLean
Barbour	Haig	Moraud
Beaubien	Hayden	Paterson
Bouffard	Horner	Petten
Buchanan	Howard	Pirie
Burchill	Howden	Reid
Campbell	Hugessen	Robertson
Crerar	Hurtubise	Roebuck
Davies	Hushion	Ross
DuTremblay	Isnor	Taylor
Euler	King	Turgeon
Fafard	Lacasse	Vaillancourt
Farquhar	Lambert	Veniot
Farris	McDonald	Vien
Fogo	McIntyre	Wilson

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Wednesday, March 14, 1951.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31st, 1952, in advance of the Bills based on the said Estimates reaching the Senate: That it be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal governments in Canada, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

L. C. MOYER,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

TUESDAY, May 22, 1951.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11.00 a.m.

Present: The Honourable Senators Crerar, Chairman; Beaubien, Bouffard, Buchanan, Euler, Golding, Gouin, Haig, Hayden, Horner, Hugessen, Hurtubise, Isnor, McIntyre, Petten, Reid, Taylor, Turgeon and Veniot—19.

In attendance: The official reporters of the Senate.

Consideration of the order of reference of March 14, 1951, was resumed.

Mr. R. B. Bryce, Assistant Deputy Minister, Treasury Board Division, Department of Finance, was again heard.

The Honourable Senator Haig moved that item 10 of the Summary of Standard Objects, dealing with films, broadcasting, etc., be dealt with at a later date when departmental representatives could be present.

The motion was carried unanimously.

Mr. Bryce filed a document showing the reported numbers of employees of the Government of Canada as at March 31, 1939, 1948, 1949, 1950 and 1951.

Ordered,—that the said document be printed as an Appendix to Proceedings No. 3.

At 1.00 p.m. the Committee adjourned until tomorrow, Wednesday, May 23, 1951, at 11.15 a.m.

Attest.

JOHN A. HINDS,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE

OTTAWA, Tuesday, May 22, 1951.

The Committee on Finance, which was authorized to examine the Estimates for the fiscal year ending March 31, 1952, met this day at 11 a.m.

Hon. Mr. Crerar in the Chair.

The CHAIRMAN: Gentlemen, will you please come to order? We will ask Mr. Bryce to come forward.

Hon. Mr. REID: Mr. Chairman, before Mr. Bryce is called, may I make a suggestion to the committee through you?

It occurred to me that at some time during this inquiry it might be advisable to bring Professor Jackson here from Toronto. He has been around here, and the information he has regarding the expenditures of government and their relation to the cost of living, as well as the relationship of labour and its output to the cost of labour, was given by him one day last week before a study group. From what I have heard of the information he gave at that time, my opinion is that it would be of great value to us to have him appear before this committee. It would be in line with the proposed work of the committee.

The CHAIRMAN: In that connection, may I say that I have been discussing these matters with the Steering Committee. It had been suggested at an earlier meeting that we might try to get Dr. Slichter of Harvard University, and also Dr. Norris of Washington who, until a few months ago, was Chairman of the Economic Advisory Committee to the President of the United States. That was his title, according to my recollection.

Unfortunately, these gentlemen have engagements which preclude them appearing before this committee for many weeks. I would suggest that perhaps we should leave in abeyance for the moment Senator Reid's suggestion, to be taken up tomorrow morning. Would that be satisfactory, Senator Reid?

Hon. Mr. REID: Satisfactory.

The CHAIRMAN: If the committee is ready, we shall proceed. At the last meeting we were considering Item 9, Printing of Departmental Reports and other Publications. Now it will be noted that there is no figure under this heading in the 1938-39 Estimates. These expenditures were buried in other places, I think; we have, however, the last three years, which are fairly uniform; \$3,950,000, for 1949-50; \$4,018,000, for 1950-51; and \$3,905,000 for 1951-52. We will keep in mind that this is civilian expenditures, and eliminate Defence and Defence Production. There is a decrease shown there of something over \$100,000. Are there any questions on that?

Hon. Mr. HAIG: Yes, I have a question to ask. I may be different from other people, but these reports keep coming to my desk, and to be quite honest, I never read them and I do not know anybody else who reads them. I wonder why they come out. It seems to me that if a typewritten report were filed in the office of a department, it would be available there, and anyone who wanted a copy could pay for it. As it is, pages upon pages of reports reach my desk every day, and they end up in the wastepaper basket. They stay on my desk until my secretary cleans it out, and she asks "Mr. Haig, where am I going to

put these books". I say "In the ditch". That is what happens to them. I recently received a memorandum about a Geographical Survey which was made at some place or other, and I was asked if I wanted a copy of the survey. Well, it is no good to anybody. I try to send some of these things to my friends in Winnipeg, but I am losing my friends. I venture to say it is because I suggest they read through reports such as these.

Sometimes it is said that such literature has political value, but certainly such reports as I receive have no political value. I admit that there may be some one in a library in Washington who would like to get a copy of the report of the Department of Agriculture for Canada, or who would wish to see the report on Mines for this country. As it is, this government publicity is running into a tremendous amount of money, and I would like to know the reason for it. If Mr. Bryce has an explanation, I should like to hear it.

Mr. BRYCE: We discussed this briefly at the preceding meeting, and at that time I indicated that the Treasury Board and the ministers directly concerned keep asking exactly the same question as that asked by the senator: Just what is the necessity for these various reports? We try to examine them each year on the Estimates, the budgets for printing of reports and other publications, to see if they can be defended. I think one of the reasons that honourable senators and others here no doubt see a great deal of them, is that the usual practice is for all departments to furnish nearly all their publications to members of the house and the Senate, on the ground that the departments have a very special responsibility to parliament and that members and senators should be able to peruse any of the reports that appear to concern matters within their general responsibility. Consequently I believe that members and senators see far more than any individual man could be expected to read. We try in our office to look at a good many of them.

Hon. Mr. HAIG: But you pay a man for looking after them.

Mr. BRYCE: That is right.

Hon. Mr. HAIG: I am not paid to look after them.

Mr. BRYCE: But not any one looks at all of them.

Hon. Mr. REID: As a matter of fact, a good many of these seem to be merely attempts of officials to publicize their departments. I recall not long ago getting a memo asking for my opinion on a publication from the Department of External Affairs, and whether I wanted it, and I said no, it was just a waste of printing; and I could tell that the officials were very much annoyed because I gave this adverse opinion and told them not to continue sending this publication to me because it was a waste of public funds. As I have said, pick up a publication from Trade and Commerce and you will find items in it from, say, agriculture, or an agricultural publication will contain something which has been printed under Fisheries; and so forth all through. What I receive from External Affairs usually consists of excerpts from debates in the House of Commons, perhaps what the Prime Minister or someone else has said, which has already been reported in almost every paper in the country. It seems to me that certain officials think they are in duty bound to see themselves in print; and when we realize that we are putting up a building costing \$13,000,000 for the Printing Bureau, it shows to what extent our printing has increased.

Hon. Mr. BEAUBIEN: What function does the Joint Committee on Printing perform in regard to the item we are discussing now?

Mr. BRYCE: I speak subject to correction on this, but I understand it is concerned only with parliamentary printing.

Hon. Mr. TURGEON: I want to throw out just one word of warning. I agree with a great deal of what has been said. Perhaps there is an overflow of documents and therefore an exaggerated cost of printing and of so-called

publicity. At the same time our parliamentary system requires reports to parliament, and although I am just as anxious as anyone to save dollars, we have to make up our minds whether we are going to order officials not to report to parliament. If we do so, after having lived during the last fifteen years under a system whereby these reports are made to parliament, we may hear complaints that the principle of democracy has been defied, because parliament will be looked upon with scorn. That is something which has to be watched. It may be that much more material is being printed than is required. I cannot express an opinion on that; but I do want to warn against any departure from the principle that government departments must be in a position to report fully and completely to both chambers of parliament.

Hon. Mr. HAIG: That has not anything to do with printing. Reports to parliament are laid on the table. We had an instance last night.

Hon. Mr. TURGEON: While we must be careful about costs, we must also watch for attacks on the principle.

Hon. Mr. HAIG: The government is required by parliament to lay certain reports on the table, and they do so, but they are not required to print all these things.

Hon. Mr. REID: It would be a good thing if all these reports could be brought together on one table, if we had a table big enough to hold them all.

Hon. Mr. HAIG: Take, for example, the Department of External Affairs. They make a report and it is tabled. Then the minister gets up and moves that five hundred copies in English and two hundred and fifty in French be printed. That is where the cost comes in. And nobody ever reads them. Is there anybody in this committee who will stand up and say that he has read all the reports handed out by the government this session? I don't believe anybody here has read them, nor even one-tenth of them.

Hon. Mr. TURGEON: What was the beginning of the practice of moving that so many copies be printed in English and so many copies be printed in French? I recall from my short experience in the House of Commons that resentment was shown because enough copies of some report were not printed, or because there was a shortage of copies in one language as compared with the other.

Hon. Mr. HAIG: That may be.

Hon. Mr. TURGEON: Those are things we have to keep in mind.

Hon. Mr. REID: These estimates do not reveal the full extent of expenditures by the Printing Bureau. Here is an estimate of \$230,000, yet we have before us an item of \$4,859,000. Reading the estimates in this way, one gets but a poor idea of the expenditures of the Printing Bureau.

Mr. BRYCE: I should say that the great bulk of the printing costs is in the votes for the individual departments and their various branches, for the reason that it is those departments, or the ministers for them, who must defend the necessity for getting that printing done. The Printing Bureau defrays the expenditure in the first instance out of its working capital account. The legislation establishing the Printing Bureau authorizes them to operate a working capital account, from which the printers are paid, and the department is then billed and the amount paid by the department is paid back into that account. That is just an accounting device. But the great bulk of the costs of printing is borne in the various departmental votes. I quite agree that the costs under the head of "Printing Bureau" proper are quite minor by comparison with the others.

The CHAIRMAN: If we look, for instance, at Number 9 on this sheet that accompanies the estimates, we find an analysis in fair degree of this item we are considering. I notice, for instance, that under the heading "Printing of

Departmental Reports and other Publications", Agriculture has \$485,000, an increase of about \$30,000 over last year. Citizenship and Immigration are down a bit, at \$140,000. But another large item is in the Labour Department; they have \$141,000 for printing. Then Legislation, which I presume has to do with the printing of *Hansard* and so forth of the House of Commons and the Senate, accounts for \$416,000; Mines and Technical Surveys runs to \$192,000; Health and Welfare, to \$314,000; Public Printing and Stationery, to \$387,000. That last will be, I assume, for the purchase of materials, largely.

Mr. BRYCE: Oh, and certain publications for which they are responsible; the *Canada Gazette*, and the statutes, and things like that.

The CHAIRMAN: And then Resources and Development, \$355,000; the Secretary of State, \$372,000. What is the explanation of that last figure?

Mr. BRYCE: The big bulk of that, I think, would be the printing of patents,—something on which we make money.

Hon. Mr. REID: What is the revenue side of that figure in the Department of the Secretary of State?

Mr. BRYCE: I think I can give you the answer, in a moment, for the last year. Last year the estimate was \$270,000. Now I believe we transferred a slight additional amount from other things into that. The revenue, the bulk of which—I would not say all of it, but a good deal of it—is from printing of patents, is estimated at \$527,000 last year.

Hon. Mr. HAYDEN: They were operating at a profit?

Hon. Mr. HAIG: But the cost of the staff must be taken into that. Add the item for labour, and see how much you have got left.

Hon. Mr. HAYDEN: I was going to ask if you had the figures on the different departments. Is there any revenue from all this public printing?

Mr. BRYCE: There is. I am sorry, but I do not have it brought together. Broadly speaking I think it would be fair to say that the patent printing here is much the most profitable of the printing operations.

The CHAIRMAN: Oh, easily.

Mr. BRYCE: I think the *Canada Gazette* very largely pays for itself.

Hon. Mr. HUGESSEN: The \$387,000 item includes the *Canada Gazette*?

Mr. BRYCE: Yes.

Hon. Mr. HUGESSEN: Do you get any revenue from the advertising in the *Canada Gazette*, or is there a deficit?

Mr. BRYCE: I am speaking from memory, but broadly speaking I believe it balances.

Hon. Mr. HUGESSEN: So this figure of expenditure is covered by receipts of practically the same; is that true?

Mr. BRYCE: Yes, sir, in those cases.

Hon. Mr. HAYDEN: Are there any other departments wherein the revenue and expenditure may be fairly close?

Hon. Mr. HAIG: Take the *Labour Gazette*.

Mr. BRYCE: I know that in the case of the *Labour Gazette* the revenue derived is considerably less than the cost of printing.

Hon. Mr. HAIG: I should say so.

Mr. BRYCE: The same is true in some of the larger departments. For instance, in the Department of Agriculture their revenue would be a good deal less than what they spend on printing.

The CHAIRMAN: Would they have any revenue at all?

Mr. BRYCE: They do charge a modest amount for some publications.

Hon. Mr. HAIG: What about the Department of National Health and Welfare, how much do they get? I think they spend \$400,000 on printing.

Mr. BRYCE: I would have to bring together the revenue figures, senator. Certainly they would be only a relatively small fraction of their printing bill.

Hon. Mr. HAIG: They might sell an article to some newspaper.

Mr. BRYCE: They do charge for some of their publications. I have taken this matter up with the various departments, and the Treasury Board has discussed it with the Ministers. The problem here is that a great deal of the work done by the Department of National Health and Welfare is intended to make available for the public the results of investigations, research and inquiries. In other words, it is to provide in effect a sort of educational service. These departments feel that unless you are prepared to put this material out in printed form you lose the fruits of a great deal of the work of the departments. It is short-sighted to charge too much for these publications relating to children, dental hygiene, diet or similar subjects. If one charges too much for them it simply sets an obstacle to the dissemination of the results of the work of the department. This problem arises from the nature of the Department of National Health and Welfare. In some degree the same is true of Agriculture, and to a lesser degree of Fisheries. Much of the work is intended to be of an educational character, and the departments get this across through their publications. I know that the Treasury Board has found it a very difficult question of judgment to say "Now, in these circumstances what is the right policy in regard to the charging for such publications?" You have to balance the one consideration against the other.

Hon. Mr. EULER: Some of this literature which is issued is never read. What about that?

Hon. Mr. HAIG: That is what I should like to know. I can't find anybody who ever reads it.

Mr. BRYCE: We endeavour to make various tests as to how active and firm the circulation lists are. One of the reasons for making a charge for a publication is that it is a good test.

Hon. Mr. REID: This may be a good question for the Bureau of Statistics. They are sending men and women around to Canadian homes gathering information for the census, and they could ask the question: "Do you ever read government publications?" That would be a very useful service because some of the questions they are asking now are absolutely silly.

Hon. Mr. HAYDEN: Do you suggest a Gallup Poll?

Hon. Mr. GOLDING: Is it not true that many insurance companies distribute health publications free of charge?

Mr. BRYCE: Some of them do, senator.

Hon. Mr. EULER: Yes, I know that the Metropolitan Life Insurance Company does.

Mr. BRYCE: We have specifically inquired as to the relationship between the publications of the Department of National Health and Welfare and those of the Metropolitan Life Insurance Company.

Hon. Mr. HAIG: I think you should try to do what the life insurance companies do. They advertise on the radio, saying "If anybody is interested in our article on such and such write in and we shall send you a free copy". You just do that with respect to your publications and you will be surprised to find that it will not increase the postal service very much.

Hon. Mr. HAYDEN: Take the figures for printing in the Agriculture estimates. The Department of Agriculture operates experimental farms all over Canada

and I would assume that some of the printing costs of this department have reference to the findings and developments of these experimental farms.

Mr. BRYCE: That is right, the Experimental Farms and Science Services.

Hon. Mr. HAYDEN: Would that be a substantial part of the figure?

Mr. BRYCE: I would say just refer to the items for the Experimental Farm. The Central Experimental Farm has a budget for printing of \$75,000. The printing for the branch farms is \$94,000. So you can see there is quite a bit in that. Then, under the Science Service, one would also find amounts for printing the results of some of their investigations. Animal and Poultry Pathology has a relatively small amount of \$3,000. The Administration of the Science Service has a relatively small amount, and so has the Bacteriology and Dairy Research; and Botany and Plant Pathology, about \$20,000. You can see that it is scattered around.

Hon. Mr. HAYDEN: Yes.

Mr. BRYCE: Then the Agricultural Entomology group would have some printing costs. It is all scattered around.

Hon. Mr. EULER: Do not some of these services send out cards asking people whether they would be interested in receiving a certain publication? If they do not write in, the publication is not sent to them. That cuts-down on the waste of the general distribution of these publications. I know that I get many that I just throw into the waste basket while I do write away for others.

Hon. Mr. HORNER: Well, whether you ask for one or not they are all printed anyway and are available.

Hon. Mr. EULER: Well, past experience would show how much is needed. I do not think they would print too many.

Hon. Mr. ISNOR: I think it is rather difficult for us to say as to whether a publication is good or bad. It is really impossible for us to sit around this table and measure in dollar and cents the benefits from any particular publication. It might be as one of the senators stated that no one reads these publications, but I am inclined to differ.

Hon. Mr. HAIG: Do you read any of them?

Hon. Mr. ISNOR: I read practically every one that comes to my desk.

Hon. Mr. HAIG: Good gosh!

Hon. Mr. ISNOR: I might not be as busy as my honourable friend from Winnipeg (Hon. Mr. Haig) but I not only read these publications, I send them out. I have in mind my efforts to circulate the publications of the Department of National Health and Welfare. I also have in mind the *Labour Gazette*. I keep rotating these publications. We have twenty-six labour unions in Halifax and I venture to say that each year every one of these unions receives one or more copies of the *Labour Gazette*.

Hon. Mr. EULER: Do they not get them directly?

Hon. Mr. ISNOR: Some of them subscribe. I wrote the Department of Trade and Commerce three years ago asking them to be good enough to send me twenty-five copies of the *Foreign Trade*. I have sent these twenty-five copies to bankers and others who I feel would be interested in the foreign trade of our country. This has resulted in a number of subscriptions being made and I received some nice letters thanking me for my interest in this field. I feel that that is good advertising. Somebody mentioned the life insurance companies. They advertise by radio and that is a very expensive medium of advertising. They finish off by saying "If you are interested in this pamphlet send in or telephone requesting a copy and we will be pleased to send you one". I think that is good advertising. And if advertising is good for a private concern, is it not good for this country? Should we not make known what we have done in so far as labour is concerned,

and foreign trade, and health and welfare, for example? So I say, Mr. Chairman, there is a question in my mind whether we can sit around this table and determine that this and that publication is no good. It seems to me that departmental officers are in a position to advise the Treasury Board as to what is beneficial to their respective departments.

The CHAIRMAN: May I make a comment? I hope that Mr. Bryce, acting for the Treasury Board, and those who may be associated with him will make a pretty thorough inquiry into these costs. Personally, I cannot commence to read the volume of material that comes to me from government departments. If I did I would read nothing else, and I would become so confused in my thinking that I would be going around in circles. Of course, this is an age of publicity. Everybody is advertising, and every government department naturally wants to tell the public what wonderful things it is doing. There comes a point, though, at which the publicity ceases to be effective.

In our report a year ago we suggested a reform which I hope the Committee will approve in this year's report, namely, that government departments pay postage on all the material they send out from Ottawa. I am satisfied that if that reform were adopted the bill for printing and publications would be cut in half. A departmental official produces what he thinks is a wonderful idea and he wants the world to know about it, and it is easy to have it printed and to have hundreds or thousands of copies stuck in envelopes and distributed through the mails, if they can be franked—in other words, if they can be carried free to the department, but at the expense of the taxpayer. I think that the suggested reform would strike at the root of this difficulty.

I am bound to say that there are a lot of these publications which in my judgment—of course, that may be wrong—are not read by the public. For instance, the Department of Agriculture publishes quarterly a volume called the *Economic Annalist*. That volume, which is probably half an inch thick, is just a mass of figures. Now, who among the people who get that will analyse it and derive anything really worth while from it? It may be useful to economists who are making a study of such things, but how many other people read it carefully? I venture to say that even Senator Isnor does not read the *Economic Annalist* from page to page, because if he did he would be wasting his time. These things just grow up. I have seen the development in my own experience in government, and I am sure that Senator Euler has too. It is natural for the head of a branch in a department of government to imagine that the work his branch is doing is of great importance to the public, and he wants to tell the public about it, whereas in fact the public often are very little interested in it and do not bother reading the publications distributed, for which the taxpayer foots the bill.

I do not know that we can get much further on this. We have had a very interesting discussion on it, and when we prosecute this inquiry next year we shall expect Mr. Bryce to be able to report some progress to us.

Hon. Mr. ISNOR: Mr. Chairman, you mentioned my name in connection with the *Economic Annalist*. That particular report may not be of special interest to me, but I do run my finger down the index until I come to something in which I am interested. For instance, I might want to know how the wool situation of this year compares with that of last year. Well, I just run my finger down till I come to "wool," and in a little while I am able to find out why there is, say, a shortage of wool this year as compared with last year; and I get a background as to the population of sheep over the years since 1935. That gives me a fairly good picture as to the reason for the current price of wool. Each and every one of these publications is of some particular benefit to a class of people. By no means all of them contain information which you or I want, but they always have something of interest to some people, and that is why I question whether we can just sit around a table here and say that these publications are of no use.

The CHAIRMAN: I should have added one other point. The newspapers of Canada have a very sound appreciation of what interests the public in the way of news. Almost every day we get in the press summaries of the vital information contained in many of these publications, information which the newspapers could get just as well if the departments concerned issued typewritten copies instead of books costing considerable sums. The information published by the press in this way is given a very wide distribution.

Hon. Mr. BEAUBIEN: The newspapers do not say much about the Senate.

Hon. Mr. HAIG: The Senate was on the radio news this morning.

The CHAIRMAN: It is entirely unnecessary to say anything about the Senate.

Hon. Mr. REID: There is one further question I wish to ask Mr. Bryce. Every year tons of surplus publications must be left over. What becomes of these? They must have some reclamation value, and it would be interesting to know just what this amounts to.

Mr. BRYCE: The surplus publications are reclaimed as waste paper and it is just a question of how long any publication should be kept before being destroyed. Only a few weeks ago I wrote a letter to the departments at the suggestion of Mr. Murphy, our Office Economy Controller, suggesting that in view of the paper shortage they might review all their stocks of obsolescent publications and get them more quickly into waste paper so that they could be reclaimed and used again.

Hon. Mr. EULER: The revenue from that would not be very great?

Hon. Mr. BUCHANAN: Can you tell us what proportion of these publications is printed at the Printing Bureau and what is done by private business concerns?

Mr. BRYCE: I could not tell you that with any direct or specific knowledge. My recollection of the return made in the House of Commons the other day was to the effect that about \$4 million worth of printing was done within the Bureau, out of some \$5½ million. On the other hand, there was also an indication of a larger amount than a million or two done outside. As I say, the return was tabled in the house the other day, and it would be a better guide than my estimate on it.

Hon. Mr. EULER: Mr. Chairman, to sum the whole matter up, it is perfectly obvious that this committee is not able to put its finger on any wrongful or exorbitant expenditure. It seems to me that about the only thing we can do is ask Mr. Bryce and the departments to exercise a little more care both as to quantity and expense in the printing of publications. We all have our suspicions that a good deal could be done in that way, but that we can definitely put our finger on specific items, I do not think is possible.

Hon. Mr. HAIG: Mr. Chairman, as I started this discussion, I will exercise my prerogative by trying to close it.

Hon. Mr. HAYDEN: Close the debate.

Hon. Mr. HAIG: Nobody has suggested that we can tell what should or should not be printed, but we do feel that the sum of nearly \$4 million is a very large amount. I was pleased to hear the senator from Halifax say that he read all these publications. I presume that he also reads the orders that come out—

Hon. Mr. ISNOR: No, I missed those.

Hon. Mr. HAIG: Oh, you missed those. The only place they are any good in Canada is in the law offices. My staff keep track of them.

Hon. Mr. HAYDON: And the bankers.

Hon. Mr. HAIG: They are only good for the lawyers. Yet, I know that thousands of copies are printed and they are distributed all over the country. As I say, they are only of use to the lawyer, and he must have a practice which brings him into conflict with these regulations.

Hon. Mr. EULER: Do the lawyers pay for them?

Hon. Mr. HAIG: No. They send them to us because we want to know what is going on in this country.

Hon. Mr. BEAUBIEN: It seems to me the lawyers get everything free.

Hon. Mr. HAIG: Certainly; we work for nothing to start with.

The CHAIRMAN: Order!

Hon. Mr. HAIG: About fifteen years ago a practice was started in the province of Manitoba whereby the Department of Agriculture had pamphlets printed on a number of subjects, and anybody who wanted copies of them could write to the department requesting them. For instance, if a farmer was interested in the subject of wool, he would write to the department, ask if they had any pamphlets dealing with that commodity, and he would receive what literature they had. I was a member of the legislature in that province prior to that date, and I know with the change in policy there was a tremendous cut in the cost of printing. The same practice applies to sending out circulars for the eradication of weeds. The circulars which tell about the use of 2-4 D for the eradication of mustard are not sent out to everybody, but to those who ask for them.

Again, the Department of Trade and Commerce could print a number of papers, place them on a table, and ask the experts—my friend knows more about the bankers than I do—and the businessmen what they thought would be most useful.

The observation by the Chairman is quite true, that every department has as much publicity as it can get. If I were a deputy minister of a department I know I would be fighting to get everything I could printed and sent across the country. That is just human nature, but it is up to us who represent the taxpayers to bring about some control of these expenditures.

Hon. Mr. GOLDING: In view of the discussion here this morning, Mr. Chairman, do you now think we are justified in having the proceedings of these meetings printed? Do you think we are setting a good example?

The CHAIRMAN: Are you addressing that question to me, Senator Golding?

Hon. Mr. GOLDING: Yes.

The CHAIRMAN: I think you will have to ask the other members of the committee.

Hon. Mr. EULER: It will take a long time.

Hon. Mr. HAIG: You have said quite a bit.

The CHAIRMAN: If we adopted the practice of having departments pay postage on their circulars, and charge a price for each publication, it might effect a control. Take as an illustration the *Economic Annalist*: If a price of say fifty cents a copy was charged for it, and a postage was paid on it, those two reforms would, I believe, cut the printing costs of departmental reports by probably 75 per cent.

Hon. Mr. BEAUBIEN: But if the departments had to pay postage, they would simply include an item for that cost in the Estimates. What is the difference between that and franking?

The CHAIRMAN: You would get a true reflection of the postal charges.

Hon. Mr. BEAUBIEN: But you would not make it any cheaper.

The CHAIRMAN: In the matter of dollars and cents, probably not, except that if each department had to estimate its postage, instead of franking, less material would go out.

Hon. Mr. REID: I venture to say that if the senators and members of Parliament received a limited amount of postage, there would be fewer copies of *Hansard* and other mail go out from this building.

Hon. Mr. EULER: Do you mean we should abolish the franking?

Hon. Mr. REID: Yes, abolish franking. I believe that if the members of parliament were allowed a certain sum to buy their stamps, it would cut down on the tons of mail that go out of this building.

The CHAIRMAN: Gentlemen, I think we have discussed this item quite exhaustively. Shall we pass on to the next?

Item 10, Films, Displays, Broadcasting, Advertising, Etc., shows in 1938-39 a total expenditure of almost \$1,800,000; a year ago, 1950-51, it was \$5,083,000; and this year, 1951-52, it has been cut back to \$4,850,000. Have you any statement, Mr. Bryce?

Hon. Mr. HAIG: With Mr. Reid's approval and others, I suggest that we leave this item for one session, and that we invite representatives from the film and broadcasting fields to come here and give us their story.

Hon. Mr. REID: It would be unfair to ask Mr. Bryce about that department.

The CHAIRMAN: Senator Haig has suggested that we let Item No. 10 stand to a further meeting, and that we ask the Film Commissioner—

Hon. Mr. HAIG: I do not care who they send.

The CHAIRMAN:—that we ask those two organizations to send representatives to supplement the information Mr. Bryce can give us. All in favour of that procedure? Contrary? Carried. The item stands.

We go now on item 11, "Office Stationery, Supplies, Equipment and Furnishings". I am sorry to see members of the committee leaving. As regards this item, twelve years ago the expenditures were \$2,400,000-odd; this year the amount is \$11,235,000, and a reduction of about \$265,000 from last year. Perhaps Mr. Bryce could give us in a few words the contents of this expenditure, and then we can have some questions.

Mr. BRYCE: Well, sir, these are just the sort of ordinary office operating costs. Stationery in some cases is a large item; rental of equipment, in certain cases; the purchase of furniture; you will notice there is quite a bit under Public Works for this item, which is largely office furnishings. Under National Revenue, for example, there is a large item, which, I think, reflects to quite a considerable degree their stationery requirements. These of course are tremendous, mainly in Income Tax but to a lesser degree in Customs. There is nothing very exciting about this item. It is an ordinary item of office operating costs. I am glad to say that we have been able to get it down this year, in spite of increases in prices. We had to make a drive to try to get down these ordinary operating costs of offices.

The CHAIRMAN: Could you define a little more clearly, Mr. Bryce, what is meant by "Equipment" and what is meant by "Furnishings"?

Mr. BRYCE: Well, ordinary tables, chairs, desks, filing cabinets, things of that sort we regard as furnishings. "Equipment" would include office appliances, —typewriters, adding machines, tabulators, recording machines, machine records and other things of that nature. Of course one interesting development in recent years has been the gradual mechanization of office work which has been proceeding. Year by year we are making savings on our payrolls, by introducing more mechanical methods into office work. The most dramatic type of thing, of course, is the application of tabulating machines and equipment.

Hon. Mr. EULER: That should result in a reduction in personnel, in the number of civil servants. Does that really happen?

Mr. BRYCE: It does in many individual cases. I am afraid that in the totals these savings are offset by additional functions which the government in its various departments takes on. I think that is one of the interesting developments in this field,—the rental of equipment of an elaborate character increases, and on the other hand it enables one to make a considerable saving of labour.

Hon. Mr. HORNER: You have to pay a man to oil the machine now!

Mr. BRYCE: Oh, yes, but we take that into account when we try to decide whether it is worth while putting in installations of this nature.

Hon. Mr. McINTYRE: Under item 11 you said that the expenditure in 1938-39 was \$2,464,000 and this year it is \$11,235,000. According to the statement I have before me the figure for 1951-52 is \$17,500,000. Is that a different set of figures?

Mr. BRYCE: I think, sir, the Chairman was speaking of figures excluding Defence. When Defence is added one gets the \$17,000,000.

The CHAIRMAN: We are now considering the second last page, Senator McIntyre.

Hon. Mr. HUGESSEN: There is one question I want to ask Mr. Bryce on this item. Is each department left to make its own purchasing, or is there any kind of central organization permitting mass purchasing?

Mr. BRYCE: No, sir. In this field there is to a very large degree central purchasing. Normally the furnishings—desks and tables and things of that sort—are supplied by the Public Works Department, who retain ownership and who put them into the offices of the various departments. Office stationery and things of that sort, and typewriters, and even things like calculating machines and other items of office equipment, are normally purchased by the King's Printer and Controller of Stationery, as his official title is.

Hon. Mr. HUGESSEN: And charged to the department?

Mr. BRYCE: That is right,—and charged to the department.

Hon. Mr. HAIG: Take the Senate Stationery Committee. Can you tell me what the estimate was in 1939 and what it is in 1951?

Mr. BRYCE: I am sorry, I could not get the figures from what I have here.

Hon. Mr. HAIG: I suggest to you that it is down very much. The 1939 figure is higher than the 1951 figure.

Mr. BRYCE: It may well be.

Hon. Mr. HAIG: I suggest it is. You do not know?

Mr. BRYCE: I am sorry, I do not have the 1939 figures.

Hon. Mr. HAIG: And I would just like to say, as a member of that Senate Stationery Committee, that the Senate has co-operated with us to a very large extent. I have been on the committee for fifteen years. Through the influence of the chairman, who has persistently indicated to senators that we must try to keep costs down, requests have been curtailed; and today, I suggest, our expenses are very much lower than they were in 1939.

Hon. Mr. ISNOR: Mr. Bryce, when you receive a request for equipment—I am dealing now with machines—does it come to you from a department to the Treasury Board and you approve of it?

Mr. BRYCE: Yes. All major items of office equipment, by tradition, have come before the Treasury Board. I would not like to suggest to you that the ministers making up the Treasury Board can take time to examine every purchase of a large calculating machine, because clearly they cannot. Most of these requests are carefully examined by officers of our staff—Mr. Murphy, or Mr. Landry. They test the demand of a department to see that it is well supported and that there appears to be justification for it and that they are buying the type of machine that is adequate but not extravagant for the job. That is a field wherein the Treasury Board exercises a more detailed scrutiny of expenditures than in most cases.

Broadly speaking, we do not look at items of less than \$500 in regard to equipment. Typewriters go directly to the King's Printer because there are so many involved. I should say that in the last five or six years we have got

along almost entirely on the stock of typewriters that was left with the War Assets Corporation. So we have got along very largely without having to buy many new typewriters in recent years except where special types are required. We do that sort of thing to see that we use up what excess stocks were left at the end of the war. This is a field in which we have tried to produce some central clearance because it is a field where the average chap who buys one of these machines does so quite infrequently. We want to make sure that he has not been led along by a salesman who knows much more about the equipment than he does, and who perhaps would sell him a more expensive model than is necessary for his particular needs.

Hon. Mr. ISNOR: You are the Secretary of the Treasury Board, is that correct?

Mr. BRYCE: Yes.

Hon. Mr. ISNOR: If you were authorized to write to the Printing Bureau to inquire from them as to their present-day stock of all types of machines, could they supply such a list.

Mr. BRYCE: They keep in stock only typewriters and one or two other pretty standard items of equipment. Most office equipment, as distinct from stationery, is ordered as it is required, apart from typewriters. They do keep a stock of typewriters.

Hon. Mr. ISNOR: I did not have in mind typewriters because they take care of themselves pretty well, but I am thinking of the expensive type of machine which a certain department might make a requisition for. I was wondering whether the Treasury Board could say "Well, they purchased one last year and they purchased two the year before and they now have four of them and they are asking for another one, costing about \$3,400, and they have not increased their staff at all".

Mr. BRYCE: Our officers who specialize in this work are familiar in a general way with this background. We do not take a census each year of the stocks held by the various departments. This is one field where we are trying to improve our methods in this regard. The real problem is to know when a department has ceased to need a machine. When a department is asking for something more, you have an opportunity to look at it and screen it. The real problem is to find out when they are through with something and they have not told you so. That is what is difficult from an administrative point of view.

The CHAIRMAN: Is it the practice in the departments for each department to acquire these expensive office work-saving machines, or is there a central depot where these machines are gathered and where that depot does the work for the departments?

Mr. BRYCE: Do you mean that the equipment would be loaned out?

The CHAIRMAN: No. Take for instance the Department of National Health and Welfare. They send out probably a million and a quarter family allowance cheques each month. They use machines for this purpose.

Mr. BRYCE: Oh, yes.

The CHAIRMAN: The Labour Department might be sending out similar cheques, or the Finance Department. Now, does each department get one of these machines or have you one machine that serves the various departments?

Mr. BRYCE: I think I can answer that question relatively briefly. The family allowance cheques are disbursed from each provincial centre, and there are ten different centres from which they are sent out. That is such a huge operation that it is well worth while to have the specialized addressograph equipment and punch-card equipment to automatically make out the cheque, put them in envelopes, and put the postage on the envelopes. That is all done in specialized offices. But here in Ottawa the Comptroller of the Treasury has one office that

sends out these large runs of pension cheques and so on. Therefore he really has a centralized pool of equipment specialized in that sort of major operation. There is a measure of centralization but it does not extend to such huge operations as the disbursement of family allowance cheques. As I say, this work is decentralized to each province.

The CHAIRMAN: Then I understand that the family allowance cheques are not prepared in Ottawa?

Mr. BRYCE: That is right. They are prepared in the provincial centres.

The CHAIRMAN: That means there is a federal bureau in each province for the distribution of these cheques?

Mr. BRYCE: Yes, sir. The cheques come out once a month and there is a peak period, of course, in the Treasury Office at certain periods in the month, but I think it is fair to say that the employees on the whole are quite economically employed in these provincial offices.

Hon. Mr. HORNER: What is the cost of these machines? How many have the departments got, and where are these machines manufactured?

Mr. BRYCE: I am sorry, senator, I cannot tell you from memory but I know that some of them are quite expensive. For example, the big addressograph equipment that is used in the largest of these offices runs between \$50,000 and \$100,000. I cannot tell you just exactly where in this range. These would be found in the Toronto, Montreal and perhaps Vancouver offices. There comes a point when you shift from one type of equipment up to another. This has all got to be carefully balanced, the capital costs against the operating costs. At a time like this the Treasury Board has also asked us to try and judge whether we should not save on capital costs even though in normal times they would be justified. In the last year or two we have refrained from authorizing the installation of certain quite expensive equipment even though they would save operating costs of let us say 10 or 15 per cent of their value each year, because it throws a heavy burden of expenditure into years when it is particularly awkward to face this. The steel and machinery industries are heavily engaged in other work, and we have endeavoured to hold back on that sort of installation.

Hon. Mr. HORNER: Where are these machines purchased from? Where are they manufactured?

Mr. BRYCE: It would depend. Some of the highly specialized equipment comes from the United States. I believe that a number of the companies have set up firms in Canada to manufacture office equipment. This is more the case now than before the war. I believe, for example, there is a firm building typewriters in Hamilton and this firm is exporting typewriters to the United States. I am not certain that we buy many of them. I believe they are noiseless typewriters.

Hon. Mr. EULER: Mr. Bryce, the old age pension cheques go out from provincial government offices, do they not?

Mr. BRYCE: Yes, sir.

Hon. Mr. EULER: The federal government makes a contribution of 75 per cent. Do you have any means of checking up to see that the correct amount of contribution is charged to the federal government?

Mr. BRYCE: Yes, a staff of federal government auditors audits the provincial accounts.

Hon. Mr. EULER: Is that done before the federal government remits the 75 per cent?

Mr. BRYCE: I am not sure whether the auditing is done before the amount is remitted, or whether the audit carries on afterwards and subsequent payments are adjusted.

Hon. Mr. EULER: How often are those payments made?

Mr. BRYCE: I believe each quarter we pay the provincial governments.

The CHAIRMAN: Mr. Bryce, may I ask you whether this equipment is purchased outright or rented?

Mr. BRYCE: I would say the large bulk of the equipment is purchased outright. As you know, the International Business Machines Company normally rents its punch card equipment and will not sell it. There is a good deal of that type of equipment rented by the various departments. Another company now is producing the same sort of equipment and will sell it, and it is a nice point to decide whether equipment should be bought or rented. The advantage of renting is that if a new design comes out in two or three years you have not made a large capital expense, some of which you may lose through obsolescence. On the other hand, on the whole it is economical to buy rather than to rent.

Hon. Mr. BEAUBIEN: And if you rent equipment it is serviced by the people who rent it, is it not?

Mr. BRYCE: Yes. Of course, when you buy most of this specialized equipment you enter into a service contract.

Hon. Mr. ISNOR: Mr. Chairman, we are trying to arrive at some constructive thought that may be helpful for the future. I do not know how many of these pieces of equipment costing from \$50,000 to \$100,000 may be scattered throughout government departments in Canada, but the fact appears to be that they are in use for only a relatively short period each month. Would it be safe to say they are used only from five to seven days a month?

Mr. BRYCE: It might, senator. They would be making the plates on the other days.

Hon. Mr. ISNOR: These machines cost many thousands of dollars and are in use only a relatively short period each month, and of course the employees who operate them are kept busy only when the machines are in use. I am wondering if you have ever considered staggering the monthly periods of sending out the cheques? I understand that some telephone companies, for instance, have divided their subscribers into two groups, one of which receives bills on approximately the 15th of the month and the other on the 30th or 31st. That system enables the company to keep its equipment in use and the operators of the equipment at work for at least 50 per cent of the time.

Mr. BRYCE: Your suggestion is, senator, that we might send out one batch of family allowance cheques, say, each week?

Hon. Mr. ISNOR: Yes.

Mr. BRYCE: The endeavour is to have the cheques sent out as soon as possible, and the only objection I can see to a system of that kind is that some people would have to wait a week or two longer before getting their first cheque. Once they have got that first cheque they would thereafter get cheques as regularly as under the present system, but that initial period of waiting is often an unwelcome one. We looked into the same sort of thing with regard to our payroll operations. I think we could save some money on our payroll operations if we could be in arrears and pay a few days later. Normally that would not worry the employees, but at the commencement of the system our payroll would be delayed, say, a week or so, and the delay would not be very welcome to our employees, particularly at a time like this.

Hon. Mr. HORNER: But the only wait by those who receive family allowance cheques would be for the first cheque, because the subsequent ones would come regularly after that.

Mr. BRYCE: Yes, sir. I think the suggestion is a worth-while one, and I shall certainly commend it to Dr. Davidson for study.

Hon. Mr. ISNOR: I simply offered it as a suggestion.

Hon. Mr. BUCHANAN: Mr. Bryce, can you tell us whether a procedure of stock taking and inventory is followed at the Printing Bureau as it is in an ordinary business? The Bureau receives a number of typewriters and other equipment and a great deal of stationery. Can you tell us if stock is taken each year?

Mr. BRYCE: Are you referring to the Printing Bureau, sir, or to departments in general?

Hon. Mr. BUCHANAN: I am referring to the Printing Bureau.

Mr. BRYCE: I understand that the Printing Bureau does keep pretty good inventory records now. In recent years the departments have been making considerable progress in the introduction of more modern business methods. During the war naturally most departments were relatively shorthanded and their budgets were kept down, and in many cases after the war their methods were not as up to date as those of efficient business firms might be. I know that the King's Printer has been making considerable reforms in the business methods at the Bureau, and one of these reforms in which he has made progress is in the keeping of proper inventory control. For instance, they have a punch card system there for this sort of thing, and they catalogue their stocks and keep a check on whether they need to order fresh supplies, and they classify incoming requests and so on.

Hon. Mr. BUCHANAN: You mentioned that typewriters were being handled through the Printing Bureau. They receive a number of machines during the year and perhaps dispense with some. Is there any stock taking done as there would be in an ordinary business, and an inventory taken?

Mr. BRYCE: Yes, there is some stock taking done. However, that is a question which I prefer you would put to Mr. Cloutier himself. I am sure he would be only too glad to give the Committee information on this.

The CHAIRMAN: Is there any further question on item 11? If not, we shall pass on to item 12, "Materials and Supplies." I have just had handed to me a little booklet entitled "Current Publications of the Dominion Bureau of Statistics for 1950." In this booklet there is a list of the publications put out. For some of them a charge is made, and others are obtainable free of charge. I would ask the Clerk to get a copy of this pamphlet for each member of the committee. You can glance over it, and you may be interested in prosecuting the inquiry a little further. At any rate, we can settle the point later, but in the meantime I shall have a copy of the pamphlet placed in the hands of each member of the committee within the next day or so. I have just glanced over it, but I find it a most interesting summary.

Hon. Mr. ISNOR: In your opinion, that is a pamphlet that is worth printing?

The CHAIRMAN: Yes; this is a real reference book for the increase of knowledge.

We come to the next item, No. 12.

Hon. Mr. HAIG: Tell us what that is, Mr. Bryce.

Mr. BRYCE: This is largely the consumable supplies and materials that are used in operations. They are not office supplies, but are building supplies, for example, in the Department of Public Works. There is included fuel, supplies for laboratories and such things in various departments. You will notice that this is an item that is absent from the budgets of many departments. By referring to the large table you will note that it is the big operating departments where you find this, namely, Agriculture to some extent, Citizenship and Immigration, which would be largely Indian Affairs, who buy a good deal of material for distribution to the Indians. Justice and Penitentiaries: That covers foodstuffs and other materials for the operation of penitentiaries. Mines and Surveys: A

good deal of that will be foodstuffs and other materials for survey parties. Health and Welfare: That will be largely items for laboratories and hospitals operated by that department.

Hon. Mr. HAIG: We cannot make any progress in that; it is purely a matter of management, I would say.

The CHAIRMAN: National Health and Welfare under this item shows \$2 million.

Mr. BRYCE: I think you would find, sir, that most of that is for the Indian Health Service, the operating of hospitals. I will check that.

The CHAIRMAN: Would this include supplies such as fuel for public buildings?

Mr. BRYCE: Yes, sir; you will notice there is a large item for Public Works.

The CHAIRMAN: The heading is: "Material and Supplies, Buildings and Works, including Land". The significant point is that it is showing a steady increase. Twelve years ago it was a little more than \$6 million; this year it is almost \$39½ million, or an increase of about six and a half times. Now, our population hasn't increased at that rate.

Hon. Mr. TAYLOR: I see here coal, wood and electrical supplies, on which I should imagine the cost has gone up almost that proportion.

Mr. BRYCE: Yes. I think one other reason for the large increase is the expansion in the government's hospital services. Quite a considerable proportion of this is for hospitals. For instance, you will note in the large table that the Department of Veterans Affairs is responsible for quite a significant fraction of the whole, somewhere in the neighbourhood of 20 per cent. Nearly all of that is for veterans hospitals. Similarly with the Health and Welfare, much of the increase is for Indian hospitals. There are two activities that have expanded far more than other activities of the government during the past twelve years, and I think deliberately so, as a matter of government policy.

Hon. Mr. ISNOR: You do not mean capital expenditures, when you refer to new hospitals?

Mr. BRYCE: No; these are operating costs, supplies, food for patients and staff, linen, cleaning supplies, fuel and other things.

The CHAIRMAN: Again a rather difficult point comes up. Everyone is agreed that our veterans should have proper hospital care, but it may be that we have built more accommodation of this kind than is necessary. It would be interesting to get some data on that. For instance, in the building of Indian hospitals, I think the tendency in recent years has been to spend more money than was really necessary to provide for the care that was needed. I have in mind the Indian hospital at Sioux Lookout, which cost more than \$600,000, has accommodation for about 60 patients, and requires a staff of about 32. The cost of \$600,000, as I recall it, was without furnishings and equipment. Well, it may be that a more modest hospital would have supplied the kind of care that was necessary and effective. We must guard against the human tendency in the public expenditures of getting the best of everything that we can get, when perhaps something less expensive would do just as well. This is a large item, and the significant thing, as I say, is that it has shown a steady increase, and this year it is almost \$2 million over a year ago.

Mr. BRYCE: Perhaps I might be allowed to make an observation on that item. I know from having examined a great many individual appropriations that the increase there, by and large, is nearly all due to the increase in prices.

The CHAIRMAN: That may be quite true. The prices today against the prices of 1939—

Mr. BRYCE: Pardon me. I meant only the increase in price of this year over last year.

The CHAIRMAN: Is there any further discussion on that item? If there are no further questions, we will go to Item 13: Acquisition and Construction. This is practically all under Public Works, and a lot of it will be for the Army.

Mr. BRYCE: No; you will find this under quite a number of departments; of course Public Works is much the largest. For example, there is a considerable amount for Agriculture, a further amount for Indian Affairs, also Citizenship and Immigration; there is a considerable amount for the Research Council, and some for Resources and Development, and also Transport.

Hon. Mr. TAYLOR: Public Works is down about \$17 million.

Mr. BRYCE: Yes, sir.

Hon. Mr. GOLDING: There is a pretty big increase there as compared with 1939.

The CHAIRMAN: Items 13, 14 and 15 fall together. Twelve years ago the expenditures on Acquisition and Construction, Repairs and Upkeep and Rentals amounted to about \$35,000,000; this year the total is about \$140 million. Can you give us some information on that, Mr. Bryce?

Mr. BRYCE: Well, sir, this is where the bulk of our capital expenditures is found, apart from Defence items. It is here that the government made a quite determined effort this year to reduce its program of expenditure. This is the kind of expenditure which is more susceptible to reduction on relatively short notice than many of the others. This reduction in the amount for the Acquisition and Construction of Buildings and Works represents a very determined effort by the government and the Treasury Board to reduce last year's program, and that is reflected in the figures for individual departments. I do not know that there is much I can say about it. I would like to emphasize that a great many of the public works and the public buildings of the Dominion are old. Their replacement was deferred during the thirties for reasons of the depression and the shortage of funds, and during the forties, because of the war and the immediate post-war difficulties, so that there is case after case where a very good argument can be made for replacing public buildings or replacing harbour docks or breakwaters or things of that sort. Yet the government, in order to try to get these figures down, has had to resist the arguments for replacements or improvements of works.

The CHAIRMAN: Do you know off-hand what the new Veterans Building will cost?

Mr. BRYCE: This one here in Ottawa? Well, it is very complicated. There are two portions ultimately envisaged by the plans, and I believe they have only started on the first portion. I am sorry I could not tell you how many million dollars this first half will cost. I think it will be \$5,000,000, anyway.

Hon. Mr. HAIG: What building is that?

Mr. BRYCE: The new Veterans Affairs Building, sir.

Hon. Mr. HAIG: In Ottawa?

Mr. BRYCE: Yes, down the street here, beyond the Bank of Canada. That is, I believe, the only large permanent-type building that has been contemplated here in recent years.

Hon. Mr. BOUFFARD: In Ottawa?

Mr. BRYCE: In Ottawa—apart from the Printing Bureau, of course.

The CHAIRMAN: The new Printing Bureau is in process of erection, is it?

Mr. BRYCE: Yes. I have not been over there recently, but I understand the foundations are in.

The CHAIRMAN: We were told last year that the land and the building would cost about \$13,000,000.

Mr. BRYCE: Yes, I think somewhere in that neighbourhood.

The CHAIRMAN: That was the information given us a year ago, I understand.

Hon. Mr. BOUFFARD: That was last year.

The CHAIRMAN: That was last year, and probably it is more this year.

Hon. Mr. BOUFFARD: Yes.

Hon. Mr. BUCHANAN: Can you tell me if the report is true that a certain building is required by the Mounted Police?

Mr. BRYCE: I do not think it would be proper for me to comment on or to affirm or deny any such report.

Hon. Mr. HAIG: Are you dealing with items 13, 14 and 15?

The CHAIRMAN: We took Number 13. We can take 14 next.

Hon. Mr. HAIG: He has mentioned that. He told us that various buildings and works need repair.

The CHAIRMAN: That is under Public Works; it has to do with the securing and the maintenance and upkeep of public buildings.

Hon. Mr. ISNOR: Before we leave Number 13 I would like to inquire from Mr. Bryce whether he is familiar with the new building being constructed by the Central Mortgage and Housing Corporation? I see that a new building is going up outside Ottawa.

Mr. BRYCE: The Central Mortgage and Housing Corporation are, of course, building that themselves out of their own funds. I am in general familiar with the nature of the plans.

Hon. Mr. ISNOR: What do you mean, "out of their own funds"?

Mr. BRYCE: It is money held by the corporation in their own accounts. The government is not advancing them funds for the purpose, so I would not learn in that way; but I know from discussing it with the senior officers of the corporation.

Hon. Mr. ISNOR: It would indicate that they are here to stay!

Mr. BRYCE: I think they have been given every indication, sir, by the government to expect that they will be business for some time.

Hon. Mr. BOUFFARD: They are organizing for that, anyway.

Hon. Mr. ISNOR: Would you care to say anything as to the probable cost of that building?

Mr. BRYCE: I am sorry, I could not tell you off-hand the total cost. But I may say that I was struck by the economical design and nature of the plans. It seemed to me that they had gone to some lengths to keep the cost down.

Hon. Mr. ISNOR: Four walls and fairly compact: is that what you mean?

Mr. BRYCE: Yes, and I believe they are not putting in a basement.

Hon. Mr. ISNOR: How about the location as far as health is concerned?

Mr. BRYCE: I think that has been pretty carefully studied; and they have managed to get land out there much more cheaply than they would get it in town. I believe they have been assured by the Ottawa Transportation Commission of quite adequate transportation for their staff in town; and of course over the years their staff will move out in that direction. Indeed, I was told—this is not official—by the president of the corporation just the other day that already there is evidence of a gradual move in that direction.

Hon. Mr. ISNOR: That is what I had in mind, and that is why I am asking these questions. The Central Mortgage and Housing Corporation, as indicated by Mr. Bryce, is likely to stay. They have gone outside the limits of the city of Ottawa, and they are building a little town out here. The question in my mind is, why concentrate so close to a city like Ottawa, which has already received considerable attention in so far as buildings are concerned? There must be very many other places in Canada that would welcome a building,

put up at the government expense or the public expense, and a new settlement, a town. The other Sunday, while driving by, I saw this place for the first time, and the thought went through my mind that the Central Mortgage and Housing Corporation had had an opportunity to build, we will say, outside one of our smaller towns or cities, instead of doing what is so often done—adding further to the growth of our capital. I do not think that I am satisfied in regard to the policy of going outside in so far as help is concerned unless they are satisfied that transportation will be provided. If extra transportation facilities are provided it is going to add to the cost and perhaps the revenue of the Ottawa Transportation Commission. It is just something else being given to the larger centres of our Dominion. I thought I would express this thought. Perhaps Mr. Bryce would care to make an observation without dealing with the dominion government policy, as to whether he thinks in his own mind that that is a good move.

Hon. Mr. HAIG: He cannot say that. That corporation is controlled and the money they have got has been raised largely from the buildings they got from the government after the Second World War.

Hon. Mr. ISNOR: The buildings that were given to them by the government.

Hon. Mr. HAIG: Yes.

Hon. Mr. ISNOR: That is a direct contribution to them. Once again it is in central Canada.

Hon. Mr. HAIG: Yes, but this is the centre and it is hard to get away from the centre.

Hon. Mr. ISNOR: This is starting something new altogether. It could be built in, say, Manitoba, but it is being built just outside of Ottawa.

Hon. Mr. BOUFFARD: There must be some advantage in having a building near the headquarters of the department concerned.

Hon. Mr. ISNOR: You cannot say in one breath that it is good to decentralize these things and then in the next breath say that it is good to have them centralized in the interests of co-operation. It must be one or the other.

Mr. BRYCE: In answer to your general question I do not believe there has been any definite statement of policy by the government in regard to either the dispersal from the centre of Ottawa out to the outskirts, or the decentralization away from Ottawa to other points of the country. I think I might legitimately say that in examining proposed expenditures I have been given to understand that it is the general attitude of the government that it does not wish to concentrate further in the centre of Ottawa at this time. This is partly for reasons of defence. Already there is a very great concentration in downtown Ottawa. I think if one examines the Greber plan one will notice that there is a considerable movement away from the downtown area for town planning reasons as well. You will also notice that the new buildings for departmental purposes at Tunney's Pasture represent an effort to get away from the downtown area. I think it is safe to assume therefore, that there is a general effort to get away from the highly centralized area and disperse somewhat.

As to decentralization away from Ottawa to other parts of the country, again where individual cases have come up I have found the instructions that I have received from the Treasury Board and the Cabinet have indicated on a whole a preference to decentralize if that can be done with efficiency. There is a natural tendency of departments to want to concentrate. It makes it easier for the Minister and senior officers of the department to supervise their units if they are close to them, but certainly there is a desire to decentralize in so far as that can be reconciled with administrative efficiency.

Hon. Mr. ISNOR: Just where is that new building located?

Mr. BRYCE: It is hard to pick out individual cases—

Hon. Mr. ISNOR: No, I am speaking about the new buildings going up for the Central Mortgage and Housing Corporation.

Mr. BRYCE: Oh, it is situated out on the Montreal road near the National Research Council Laboratories?

Hon. Mr. ISNOR: How far from the city limits would that be?

Mr. BRYCE: It is within the new city limits but it would be about four miles from here. Similarly the main new departmental buildings being constructed are located at Tunney's Pasture which is about two and three-quarter miles from here. That is in air-line miles.

The CHAIRMAN: I take it that the new building for the Central Mortgage and Housing Corporation is not included in these figures?

Mr. BRYCE: No.

The CHAIRMAN: That is being built from its own reserves, I presume, from the capital the government gave it.

Hon. Mr. HAIG: Plus the profits they made on the real estate they got. You will remember that we discussed this whole thing fully last year. We brought the housing commissioner here and he admitted to me under cross-examination, after a great deal of trouble, that they had received certain properties from the government for nothing, on consideration that the net profit made by the Corporation in a year, after certain reserves were retained, would be then turned over to the government as payment on the value of these houses at the time they got them. I pointed out that the cost of housing more than doubled between 1940 and 1950 and that, at the same time, the scarcity of houses had doubled, so that when they wanted to sell these houses they could sell them at quite a handsome profit. They only sold so many at a time and they rented others in the meantime. It is that money they are spending now. They could only do it with the consent of the government, as Senator Isnor has said. The government controls that absolutely. That capital is in there. I went out and saw that building the other day and I rather think it is in a pretty good location, and I do not believe that you could have that kind of a building decentralized from Ottawa.

Hon. Mr. ISNOR: How many employees will there be out there roughly speaking?

Mr. BRYCE: I am sorry. I would not be able to answer that question directly but I think it will be in the order of a thousand employees or so.

Hon. Mr. ISNOR: A thousand wage earners are being put out there.

Mr. BRYCE: We have a large number of employees at the National Research Laboratories on the Montreal Road at the present time, and then there is the R.C.M.P. barracks and air force installations at Rockcliffe. It is nothing new.

The CHAIRMAN: If there is nothing further to be said on this item of \$114 million we will pass on to Item 14, Repairs and Upkeep. A brief explanation of this might be in order.

Mr. BRYCE: I think this is a question of the care and upkeep of buildings as distinct from construction of buildings. It includes materials and other costs entering directly into the cost of major or extraordinary repair, but it would not include ordinary materials that, let us say, the Department of Public Works itself buys and uses to fix lights or something of that kind in a building. In other words, the cost of some repairs and upkeep is covered under the salaries and under materials and supplies.

Hon. Mr. HAIG: We cannot do much with that. I would like Mr. Bryce to bring me, at our next meeting, a memorandum under item No. 15, setting out

the buildings and the amount of space rented in Winnipeg and its environs. I have received from Winnipeg a protest that the government is renting too much office space in that city, and I should like information on this.

The CHAIRMAN: You want to know the amount of space rented in each building?

Hon. Mr. HAIG: Yes. For instance, the government has space in the Power Building, and there is a protest that it is using more space than it requires there.

The CHAIRMAN: Before we adjourn I wish to announce that Mr. Bryce has presented a statement showing the numbers of employees of the government of Canada, excluding members of the Armed Services and the R.C.M.P., as at March 31, 1939, 1948, 1949, 1950 and 1951. This will be circulated to every member of the Committee, and I would ask that you keep it in your folders for ready reference.

Again may I suggest to the Committee that this big sheet which was presented earlier, the "Summary of Standard Objects of Expenditures and Special Categories," which the Minister of Finance submitted with the Estimates this year, is one of the most valuable statements given to parliament in my time for the purpose of enabling senators and members to get a comprehensive and adequate idea of just what is being done with the money that we vote.

The Committee adjourned until tomorrow, Wednesday, May 23, 1951, at 11.15 a.m.

APPENDIX B

REPORTED NUMBERS OF EMPLOYEES OF THE GOVERNMENT OF CANADA
(Excluding Members of the Armed Forces and R.C.M.P.) as at March 31, 1939, 1948, 1949, 1950 and 1951

	Numbers Reported By Dominion Bureau of Statistics (1)					Numbers Reported By Departments To Department of Finance For the Purpose of This Report	
	1939	1948	1949	1950	1951	1950	1951
Agriculture.....	3,122	5,381	5,914	6,667	7,078	6,495	6,863
Auditor General.....	231	173	173	169	163	169	163
Chief Electoral Officer.....	15	10	19	13	14	(2) 14	(2) 14
Citizenship and Immigration.....	Staff reported under preceding Departments			2,657	2,917	2,799	3,411
Civil Service Commission.....	235	532	572	580	536	(8) 583	(3) 534
External Affairs.....	193	1,054	1,234	1,301	1,341	1,302	1,368
Finance.....	213	677	698	645	602	636	(4) 607
Comptroller of the Treasury.....	1,073	4,653	4,524	4,300	4,034	4,344	4,031
Royal Canadian Mint.....	126	288	402	222	222	222	222
Tariff Board.....	20	11	11	17	17	17	17
Wartime Prices and Trade Board.....		1,145	1,029	690	260	687	260
Fisheries.....	235	533	569	925	962	(5) 1,178	(6) 1,450
Governor General's Secretary.....	14	12	10	10	10	10	(6) 10
House of Commons.....	516	541	636	656	662	(7) 656	(7) 661
Insurance.....	53	59	63	72	82	72	81
International Joint Commission.....	6	4	4	10	11	10	11
Justice.....	106	152	179	192	204	1,557	204
Commissioner of Penitentiaries.....	985	1,174	1,255	1,364	1,590		1,509
Labour.....	244	620	620	645	635	726	674
Unemployment Insurance Commission.....		7,140	6,957	7,148	7,051	8,347	7,724
Library of Parliament.....	27	31	34	31	36	31	36
Mines and Technical Surveys.....	Staff reported under preceding Departments			1,661	1,720	1,778	1,816
National Defence: Administration.....					2,398		2,676
Army Services.....	1,142	8,741	10,045	9,118	7,119	13,217	13,757
Naval Services.....	178	2,984	3,451	4,022	4,119	6,731	7,527
Air Services.....	104	3,314	3,408	3,707	4,121	4,628	5,795
National Film Board.....		598	547	596	561	603	572
National Health and Welfare—							
Departmental Administration.....		223	236	268	257	264	251
Health.....		725	497	847	880	841	864
Welfare.....		752	743	755	733	779	765
Indian Health Services.....		646	812	931	1,084	1,031	1,196
National Research Council.....	226	1,543	1,524	1,694	1,891	(8) 2,991	(8) 3,172
Atomic Energy Control Board.....		7	7	7	7	7	7
National Revenue—							
Customs and Excise.....	4,415	5,552	5,776	6,086	6,211	6,086	6,194
Income Tax.....	1,291	10,478	11,704	10,629	7,011	10,629	7,011

Post Office.....	12,518	17,105	18,049	18,899	18,938	(9) 33,029	(9) 32,962
Prime Minister's Office (14).....				34	37	34	35
Privy Council.....	19	68	72	53	48	(10) 63	48
Public Archives.....	67	54	55	61	65	61	66
Public Printing and Stationery.....	652	786	856	991	1,041	991	1,041
Public Works.....	4,124	6,574	6,547	6,954	7,103	(12) 7,628	(12) 6,809
Resources and Development.....				1,570	1,689	2,277	2,397
				Staff reported under preceding Departments			
Royal Canadian Mounted Police.....	86	463	490	568	622	668	910
Secretary of State (13).....	346	528	557	608	588	608	575
Senate.....	145	148	152	156	159	(7) 156	159
Trade and Commerce (Including D.B.S.).....	1,024	2,562	2,470	2,801	2,775	2,798	(14) 2,772
Board of Grain Commissioners.....	642	781	791	813	779	806	774
Canadian Government Elevators.....	128	157	140	137	169	137	169
Transport.....	5,163	7,828	(14) 8,535	(14) 9,479	10,028	(14) 11,979	(14) 11,698
Air Transport Board.....		36	42	48	54	48	53
Board of Transport Commissioners.....	97	136	144	155	158	155	158
Veterans Affairs.....		(16) 15,173	(16) 14,011	(16) 13,748	12,931	(15) 13,748	(15) 12,917
Soldiers Settlement and Veterans Land Act.....		1,678	1,468	1,334	1,224	1,334	1,224
Mines and Resources—							
Departmental Administration.....	70	108	127				
Immigration.....	595	1,079	1,281				
Indian Affairs.....	1,038	771	877				
Lands and Development.....	558	683	789				
Mines, Forest and Scientific Services.....	437	1,562	2,107				
Special Projects.....	449	8	6				
Pensions and National Health.....	2,638						
Reconstruction and Supply.....		329	408				
Totals.....	46,106	118,370	123,924	127,044	124,866	155,960	156,220
Crown Corporations, and Corporate Agencies, other than CNR and its subsidiaries (17).....						13,189	15,194

See new post-war Departments for 1950 and 1951 figures

(1) The Dominion Bureau of Statistics publishes annually summary statistics of the Civil Service of Canada, and the figures for 1939, 1948, 1949 and 1950 were obtained from these publications. The figures for 1951 have not yet been published, and were obtained directly from Dominion Bureau of Statistics for the purposes of this report.

(2) Includes the Chief Electoral Officer.

(3) Includes 3 Commissioners (1951) figures include 4 employees on Retirement Leave; (1 on Educational Leave; 1 on Military Leave; and 4 on loan).

(4) Includes Farmer's Creditors Arrangement Act (6 employees).

(5) Includes Fisheries Research Board (276 employees for 1950; 328 employees for 1951) and the International Pacific Salmon and International Fisheries (Halibut) Commissions.

(6) Does not include 2 Aide-de-Camps to the Governor General.

(7) Includes sessional employees.

(8) Includes employees of the Atomic Energy Project, Chalk River, Ontario. Also includes 57 Post Doctorate Fellows.

(9) Includes 14,065 (1950) and 14,024 (1951) employees of revenue post offices who are paid through the Finance Branch of the Post Office Department.

(10) Includes 10 employees on the staff of the Royal Commission on Arts, Letters and Sciences.

(11) Prior to 1950, the staff of the Prime Minister's Office was carried on other establishments.

(12) Does not include 240 (1950) and 276 (1951) revenue postmasters who are also employed part-time by the Department of Public Works.

(13) Includes staff of the Custodian of Enemy Property.

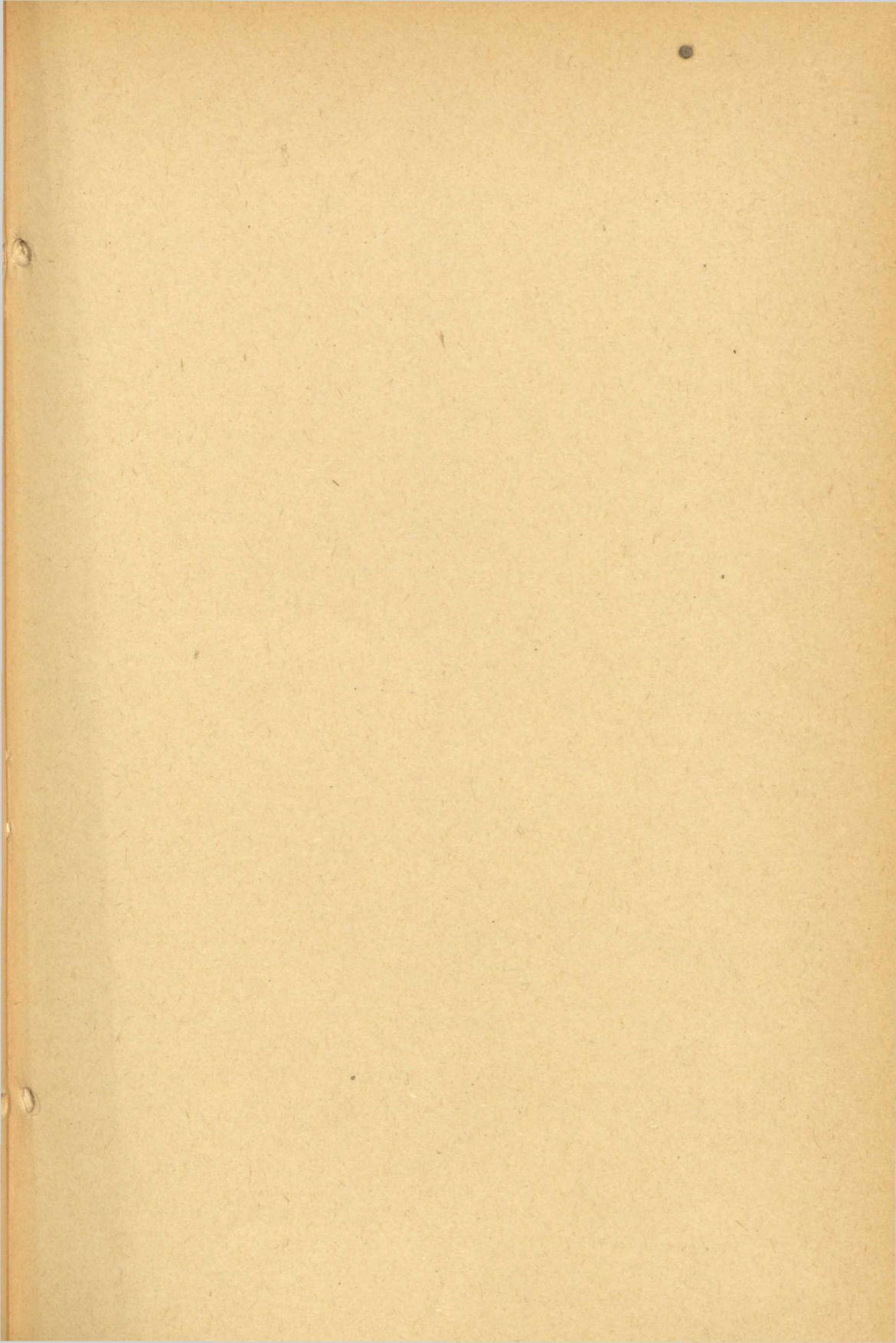
(14) Includes staff of the Canadian Maritime Commission and the Royal Commission on Transportation.

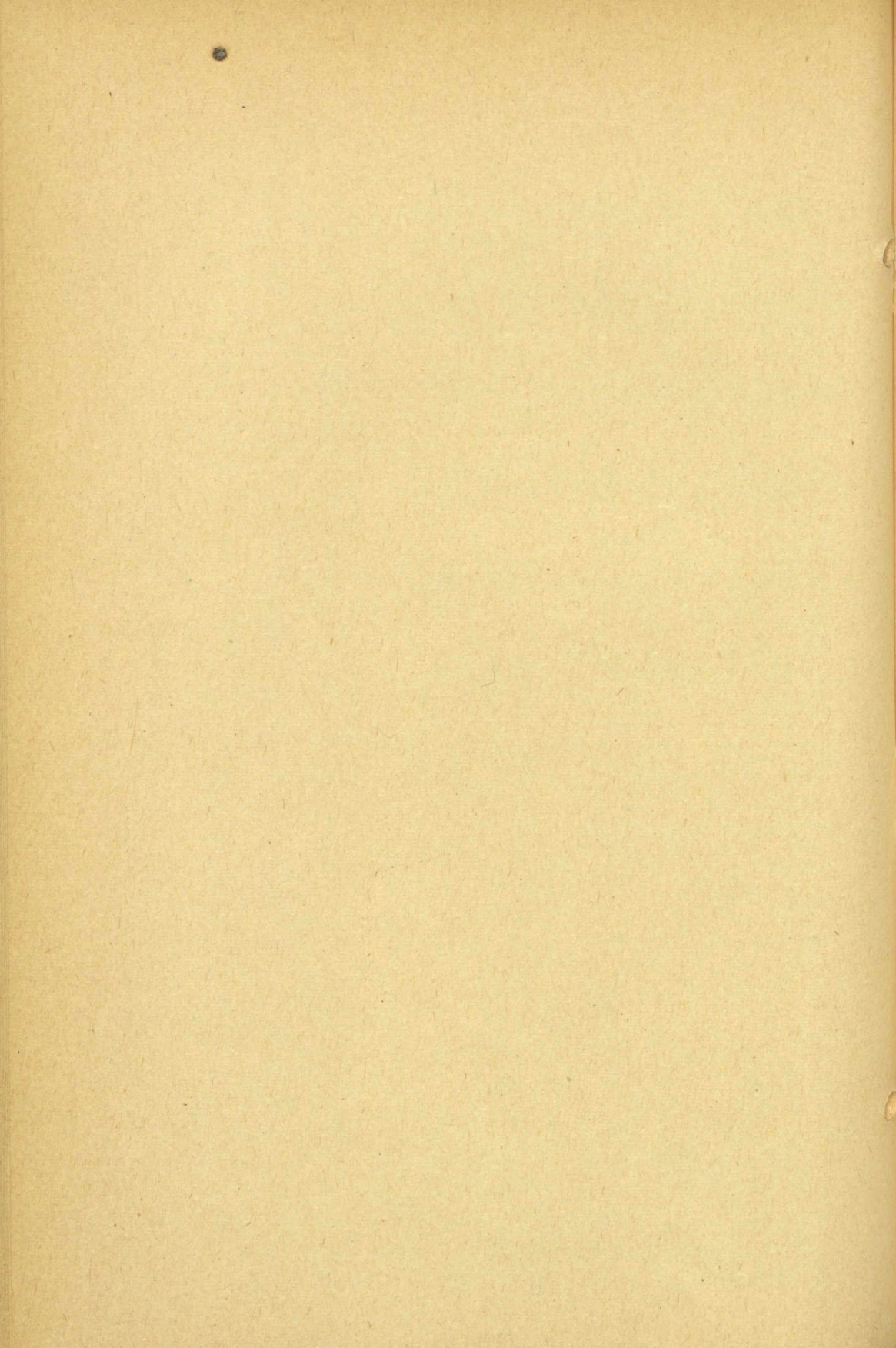
(15) Includes staff of the Canadian Pension Commission, War Veterans Allowance Board, and 56 Medical Research Staff on Special Projects in Departmental Hospitals.

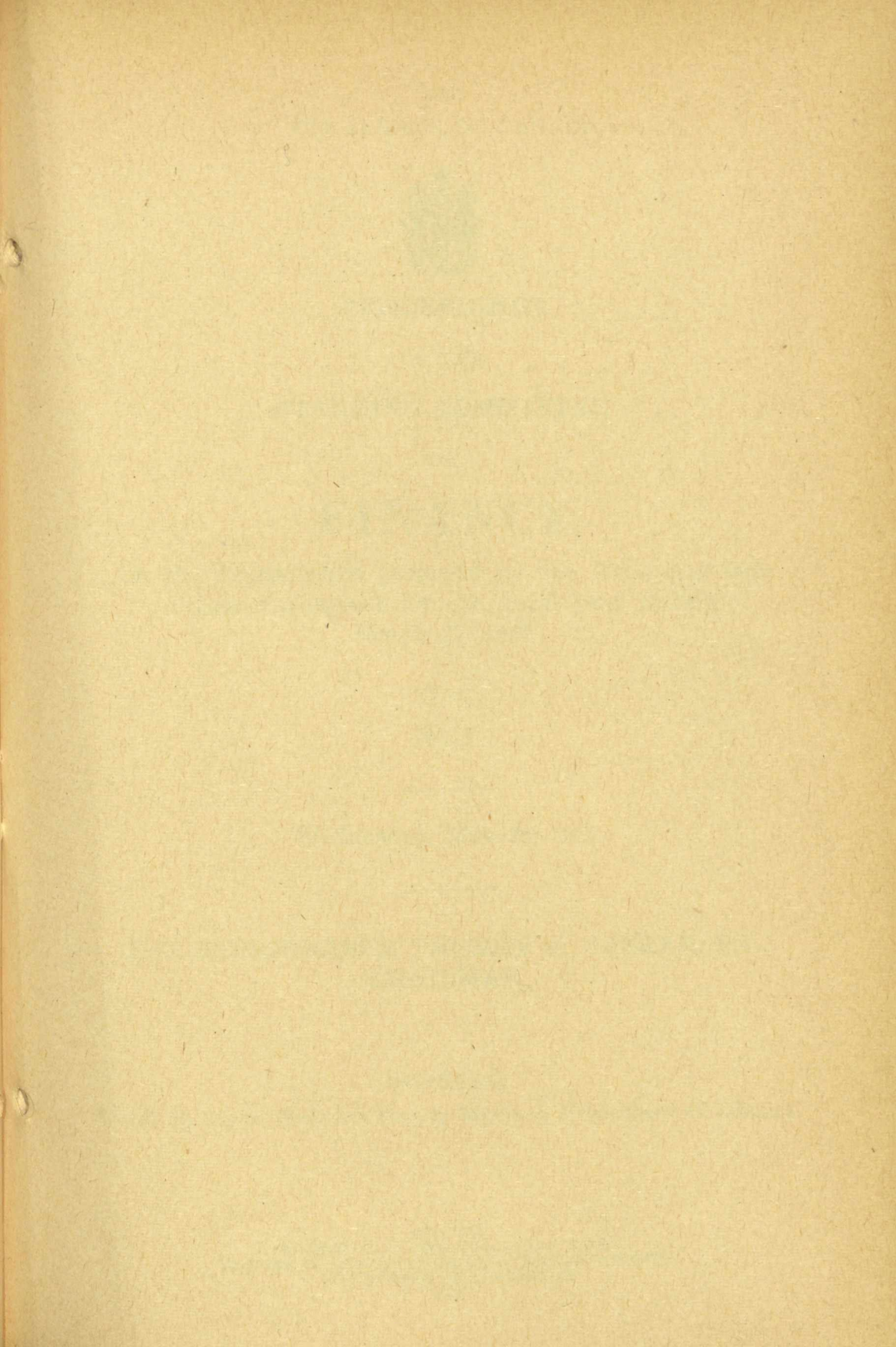
(16) Includes appointments made under the Essential Materials (Defence) and Defence Supplies Acts prior to the Defence Production Act.

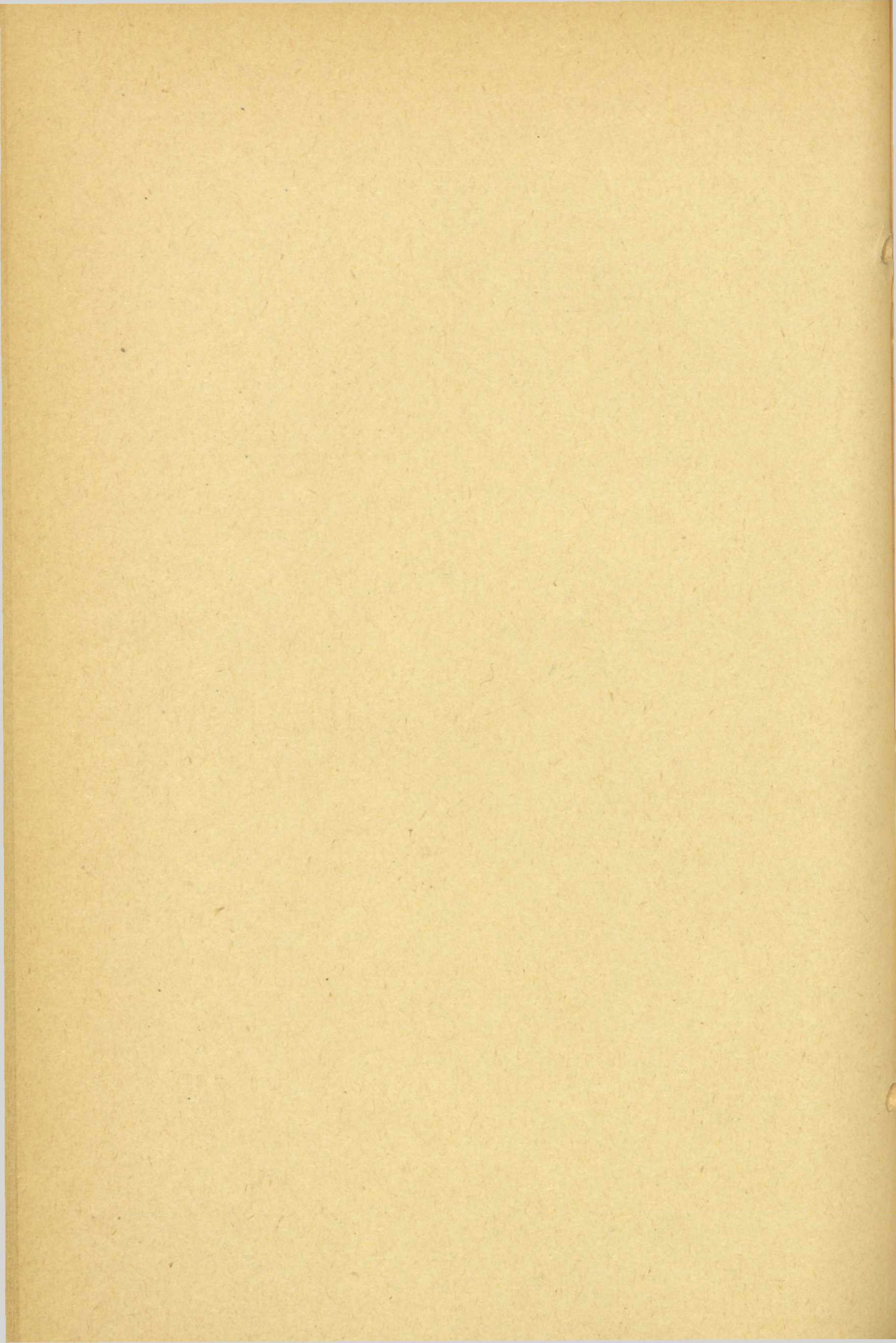
(17) The following crown corporations and corporate agencies are included:

Bank of Canada; Canadian Arsenals Ltd.; Canadian Broadcasting Corporation; Canadian Commercial Corporation; Canadian Farm Loan Board; Canadian Wheat Board; Central Mortgage and Housing Corporation; Commodity Prices Stabilization Corporation; Dominion Coal Board; Eldorado Mining and Refining (1944) Ltd.; Export Credit Insurance Corporation; Federal District Commission; Industrial Development Bank; National Battlefields Commission; National Harbours Board; Northwest Territories Power Commission; Northern Transportation Company Ltd.; Park Steamship Company Ltd.; Polymer Corporation Ltd.; Crown Assets Disposal Corporation.









1951

THE SENATE OF CANADA



PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1952

No. 4

Wednesday, May 23, 1951

THE HONOURABLE THOMAS A. CRERAR, P.C.,
CHAIRMAN

WITNESS:

Mr. R. B. Bryce, Assistant Deputy Minister, Department of Finance.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY

1951

STANDING COMMITTEE ON FINANCE

The Honourable Thomas A. CRERAR, P.C., *Chairman*

The Honourable Senators

Aseltine	Golding	McKeen
Baird	Gouin	McLean
Barbour	Haig	Moraud
Beaubien	Hayden	Paterson
Bouffard	Horner	Petten
Buchanan	Howard	Pirie
Burehill	Howden	Reid
Campbell	Hugessen	Robertson
Crerar	Hurtubise	Roebuck
Davies	Hushion	Ross
DuTremblay	Isnor	Taylor
Euler	King	Turgeon
Fafard	Lacasse	Vaillancourt
Farquhar	Lambert	Vien
Farris	McDonald	Veniot
Fogo	McIntyre	Wilson

ORDER OF REFERENCE

EXTRACT from the Minutes of the Proceedings of the Senate, Wednesday, March 14, 1951.

“That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1952, in advance of the Bills based on the said estimates reaching the Senate: That it be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal governments in Canada, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records.”

L. C. MOYER,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

WEDNESDAY, May 23, 1951.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11.15 a.m.

Present: The Honourable Senators Crerar, Chairman; Barbour, Bouffard, Buchanan, Euler, Golding, Haig, Hayden, Horner, Hugessen, Isnor, Lambert, Reid, Taylor, Vien and Wilson—16.

In attendance: The official reporters of the Senate.

Consideration of the order of reference of March 14, 1951, was continued.

Mr. R. B. Bryce, Assistant Deputy Minister, Treasury Board Division, Department of Finance, was again heard.

At 1.00 p.m. the Committee adjourned until tomorrow, Thursday, May 24, 1951, at 11.30 a.m.

Attest.

JOHN A. HINDS,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE

OTTAWA, Wednesday, May 23, 1951.

The Standing Committee on Finance, which was authorized to examine the estimates laid before Parliament for the fiscal year ending March 31, 1952, met this day at 11.15 a.m.

Hon. Mr. CRERAR in the Chair.

The CHAIRMAN: We have a quorum, and we shall proceed. Yesterday, when we concluded the hearing, we were on items 13-15. They were left over until today so that if any member of the committee thought up some new question during the night he could ask it. Has that happened? If not, we will pass on.

Hon. Mr. HAIG: I want a report on Number 15.

Mr. BRYCE: About the leases in Winnipeg?

Hon. Mr. HAIG: Yes, sir.

Mr. BRYCE: I called up the Department of Public Works immediately after getting back from the committee, but they have not been able to give me the figures yet on the Winnipeg leases.

Hon. Mr. HAIG: That will stand until the next meeting.

Mr. BRYCE: Yes: I will bring them along, or send them along.

The CHAIRMAN: That stands.

Hon. Mr. HAIG: Just Number 15 stands, Mr. Chairman.

The CHAIRMAN: We will go on to the next heading, "Equipment". We will take Number 16 first. This deals with the acquisition and construction of equipment.

Hon. Mr. ISNOR: Mr. Chairman, are you going to give a decision in regard to the requests made by Mr. Senator Reid in reference to bringing Mr. Gilbert Jackson before this committee? You stated that you would think it over and make a decision and let us know as to whether you propose bringing him before this committee.

Hon. Mr. HORNER: In what connection?

Hon. Mr. ISNOR: Well, Mr. Senator Reid brought up the question. It is not mine.

Hon. Mr. REID: I brought up a question the other day about Mr. Gilbert Jackson.

The CHAIRMAN: Yes. I would ask Senator Isnor to let that stand for a moment. I want a meeting of the steering committee immediately the house rises this afternoon. There are some other suggestions in that connection, on the matter of witnesses.

Hon. Mr. HAIG: I think, for the benefit of Senator Reid and Senator Isnor, I might say that that matter is actually under consideration now by the steering committee. Actually the chairman brought it up himself. We have not reached a conclusion yet, because there are some other communications we want before we reach a conclusion.

Hon. Mr. ISNOR: I just want to say that the chairman mentioned the names of two outstanding economists from the United States. I am in accord with that

thought. I certainly have not talked it over with Mr. Reid, but I am all for bringing a Canadian here who has studied our problems. He has prepared figures for others, and I happen to have some of that material. I would also refer to an editorial which recently appeared in the *Financial Post*, quoting Mr. Jackson. I think he should be among the first to be brought as an outside expert before this committee to deal with over-all questions of expenditure.

Hon. Mr. HAIG: Mr. Chairman, you cannot say, but I can, that the chairman already suggested that we try to bring somebody from the United States, and a number of names were suggested, and we also tried to bring some from Canada, and a number of names were suggested, and the gentlemen in the United States were communicated with, and neither of them can come.

Hon. Mr. ISNOR: He told us that.

Hon. Mr. HAIG: When the question of having someone from Canada was brought up, the name you mentioned was referred to, and we were asked to think it over and see if we had any other names to suggest. We shall have a meeting as soon as the house rises this afternoon, and at the next meeting we shall be able to tell you the decision.

Hon. Mr. ISNOR: That is satisfactory. I was just emphasizing my own point of view. The matter can stand.

The CHAIRMAN: I think I mentioned yesterday—perhaps I did not, to the committee as a whole—that the two gentlemen we were hoping to get from the United States are unavailable. I have been in communication with them both, and have had replies from them both, and it is quite impossible for them to be in Ottawa any time within the next three months. That was mentioned yesterday in our proceedings. Shall we proceed with item 16? This deals with equipment. An interesting thing about that is that the total expenditure under this heading twelve years ago was slightly over \$2,000,000, and in 1951 it was about \$15½ million. It should be pointed out, however, that that is a decrease from a year ago of probably \$3¼ million.

Hon. Mr. GOLDING: What sort of equipment is that?

Mr. BRYCE: The biggest items here, sir, would be ships and automobiles and aircraft and laboratory equipment and machine shop equipment. I am not sure of that order, but ships would certainly be much the largest.

Hon. Mr. HORNER: Could it all be classed as purely non-military?

Mr. BRYCE: Well, for example, if you will look at the estimates, by far the biggest item is in the case of the Department of Transport,—\$6,000,000; and if you will glance at the details you will see that the big ones are ships.

Hon. Mr. HAYDEN: Are they merchant ships?

Mr. BRYCE: No, they would be ships for various departmental purposes. The ice-breaker, I imagine, is in here as one of the largest items, although I am not certain of the time at which that is to be finished.

Hon. Mr. HUGESSEN: Yes: \$2,000,000 for an ice-breaker appears on page 465, under Transport details.

Mr. BRYCE: Yes. That is the biggest item under the ships. Then there are one or two other items listed in relation to construction of ships of one kind and another.

The CHAIRMAN: There are three items here that properly, I think, could be considered together: Acquisition and Construction and Equipment, Repairs and Upkeep of Equipment, Rentals of Equipment. I notice, Mr. Bryce, in Agriculture, under the heading of "Acquisition and Construction", there is over \$1½ million in the estimates this year.

Mr. BRYCE: Yes, sir.

Hon. Mr. CREER: What is that for?

Mr. BRYCE: I would think a good deal of that is for equipment for experimental farms, for the science service laboratories, automobiles for the inspecting staff, and similar staff, and construction equipment on the big western irrigation and other projects in the West. I would have to consult the details in the estimates to locate it more definitely than that.

The CHAIRMAN: Would the building of the dam on the Milk River be included in that, or just the equipment required there?

Mr. BRYCE: No, not the building of the dam. It would come under Construction of Buildings and Works, but under this heading there is \$130,000 for equipment for surveys, investigations and operation of projects, which would include big earth-moving machinery.

The CHAIRMAN: It will be noted that the expenditure of a year ago for Agriculture under Acquisition and Construction was \$1,592,000. Now, is this purchasing of equipment a continuous thing?

Mr. BRYCE: It is not continuous. We regard it mainly as capital, that is, non-recurring. The life of equipment normally is shorter than the life of buildings and works. For example, a motor car, depending on the type of use, will last for perhaps six or eight years.

The CHAIRMAN: Have you any information as to the number of government motor cars employed in the Department of Agriculture?

Mr. BRYCE: We get that information each year at the Treasury Board but I could not tell you it from memory. It would certainly be somewhere in the hundreds, but how many hundreds I do not know.

The CHAIRMAN: Could you readily get for us the number of automobiles in each department of government?

Mr. BRYCE: I think so, Senator. We would have fairly up-to-date figures on that if the committee wanted them.

The CHAIRMAN: Would it be worth while to get that information?

Hon. Mr. HAIG: I do not think it would be worthwhile. I do not think we can cover that. We are trying to find, as you know, how the expenditures of government add to inflation.

Hon. Mr. HORNER: Well, cars do.

Hon. Mr. HAIG: Yes, but it is a very ticklish subject as to whether a car is needed or not. That is all I am thinking about. Frequently in the business in which I am associated we have to decide whether a man needs a car or not, and it is a very difficult thing to decide.

Mr. BRYCE: We find the same thing.

Hon. Mr. HAIG: I am sure you do.

Mr. BRYCE: The policy of the government has been to replace its cars normally after 100,000 miles of use. I think that is probably a little longer than is strictly economical, but the government deliberately extended it to that length of use in an endeavour to cut down the competition for the purchase of steel and the other things going into motor cars.

Hon. Mr. REID: Have you made any investigation as to whether it would be cheaper to pay a man seven to nine cents a mile for the use of his own car than to provide a government car for his use? I am wondering if any comparison has ever been made.

Mr. BRYCE: Opinions differ as to which is the more economical system. Broadly speaking, we feel that it depends on the extent and nature of the use. If it is only a question of an employee driving for perhaps a few thousand miles a year, on the whole it is much better for him to be paid so much a mile for

using his own car. On the other hand, if he is driving something over ten or fifteen thousand miles a year we feel it is better for the employer to provide the car. Again it is difficult to get employees to use their own cars when they are carrying heavy equipment about, or when they are engaged in survey work where the car gets damaged to some extent. Broadly speaking I think it is fair to say that where employees use cars only relatively small amounts, it is felt to be more economical to let them use their own cars.

Hon. Mr. BARBOUR: That is a correct analysis, but I think perhaps if the government owned the car that is driven around 10,000 miles they would save some money. If it is a matter of 2,000 miles I think it is better for the government not to own the car.

The CHAIRMAN: The significant thing about these figures is the growth as compared with twelve years ago. We are making progress. There is a greater population and greater development, but this figure of Acquisition and Construction, under the heading of Equipment, without any reference to Repairs or Rentals, has gone up more than seven times in twelve years. Even if the dollar is only worth half today what it was in 1939, this figure would still represent an increase from \$2 million to \$7½ million or \$8 million, an increase of four times. That seems to me to be a large increase.

Hon. Mr. HAYDEN: Are we able to determine where and in what departments these increases have taken place?

The CHAIRMAN: They have taken place in all departments.

Hon. Mr. HAYDEN: Yes, but some must have increased more substantially than others. Where were the biggest increases?

Mr. BRYCE: The big increase far and away is the Department of Transport, and these costs have risen from the necessity to expand and re-place its vessels, and from the meteorological and air transport work done in the department. The latter gives rise to a lot of necessary airport equipment.

Hon. Mr. HAYDEN: Would it be a terrific job to break that down and say what is necessary and what is not necessary?

Mr. BRYCE: We try each year in the Treasury Board to test out the necessities for the various items. It takes days to go through the schedules for that one department and to reach any sort of a tentative conclusion. It is a matter of detail to verify the necessity in each case.

Hon. Mr. HAYDEN: These figures do not include the T.C.A.?

Mr. BRYCE: No, sir. They would include some purchase of aircraft for the Department of Transport itself. They have certain aircraft for use in their own operations, but it would not include the T.C.A. equipment.

Hon. Mr. HUGESSEN: There is one point in comparing the figures of 1938-39 with those of the last three years, which has not been mentioned but which has come across my mind several times. I suppose some minor proportion of this increase is attributable to Newfoundland? I suppose there has probably been a considerable increase in the cost of the Department of Transport in reference to the province of Newfoundland?

Mr. BRYCE: Yes, both in the air end and the marine end. Gander is by far and away our largest airport and it gives rise to more expenditures, I suppose, than any two other airports, and incidentally, produces more revenue. It is the gross expenditure here and not the expenditures less revenue that we budget for.

The CHAIRMAN: This too will probably not show much decrease in another year. I see that Uplands Airport is being developed on a very large scale.

Mr. BRYCE: That, sir, is primarily military, not civil. Uplands Airport, I understand, was regarded as reasonably adequate for civil requirements.

Hon. Mr. HUGESSEN: Would it be fair to ask you, Mr. Bryce, what sort of percentage increase in the general civilian estimates over the last two years you would consider applicable to the inclusion of Newfoundland in Confederation?

Mr. BRYCE: It is difficult to answer that, sir, because it varies as between departments. For instance, in the Department of Fisheries there has been quite a considerable increase; I am just guessing, but I should think it would be in the order of one-quarter or one-third. In the Department of Transport, in the operating charges for airports, again there is quite a considerable increase, well over 10 per cent, I should say.

Hon. Mr. HUGESSEN: I was wondering whether you had made any tentative figures upon the entry of Newfoundland, to show what additional annual charge for civilian services would result.

Mr. BRYCE: One year—I have just forgotten what year it was, but immediately after Newfoundland came into Confederation—we did have a special set of supplementary estimates which gave a fair idea of that. I have not a copy with me, but my recollection is that those estimates ran to nearly \$50 million for the year in question. I should not like to suggest that the continuing burden would be as high as that, because of course there were special requirements immediately after the entry of Newfoundland. Some of those non-recurring requirements are still with us. For example, the Department of Transport in setting up navigation aids has to provide certain ships for operating in and around Newfoundland. Even the Customs Department has special items in here for boats for serving many places in Newfoundland which cannot be reached by automobile or train.

Hon. Mr. ISNOR: Mr. Bryce, you mentioned the large increase in the amount spent on cars for the Department of Agriculture over the twelve-year period. I think that one factor which should be taken into consideration when making a comparison is the increase in the number of employees in that department. The table which has been distributed to us this morning—the table of numbers of employees of the government—shows that the employees increased from 3,122, in 1939, to 6,863, in 1951. There naturally would be an increased expenditure for motor cars in those circumstances, and particularly as the department has officers travelling all over the country. One reason why I wanted to have this table of the number of employees before us was that it would serve for the making of comparisons in cases like this.

The CHAIRMAN: Is there any more discussion under item 16? If not, we will pass on to item 17, "Repairs and Upkeep". The increase here is from \$584,000 in 1939 to \$5,056,000 this year. Is there any comment on this?

Hon. Mr. ISNOR: In dealing with item 16, "Acquisition and Construction," Mr. Bryce said it was a question of policy whether equipment should be disposed of after it had been in service for a certain length of time—whether, for instance, cars should be turned in after they have gone 50,000 or 100,000 miles and replaced by new cars, or whether they should be repaired. In other words, the question is whether you cut down your expenses under item 16 and increase them under item 17, or do the opposite.

Hon. Mr. HAIG: Will you tell us what this item of \$5,056,000 for repairs and upkeep consists of?

Mr. BRYCE: That would be for ship repairs in outside yards, sir, and repairs and overhaul of aircraft in the Department of Transport.

The CHAIRMAN: And for repairs and upkeep of agricultural machinery on experimental farms?

Mr. BRYCE: Yes, sir, for repairs and spare parts. It would also include fuel costs for automobile equipment and construction equipment. It covers a very large variety of items. With reference to the point made by Senator Isnor, I might say that it is the government's policy deliberately to allow this item to

increase somewhat in order to avoid capital expenditure on new equipment at this time. That was in the instructions which I got from the Minister of Finance and the Treasury Board when going over the programs of the departments last year. It was recognized that in normal times you replace things at a certain point when your repair and upkeep bills go up; but at a time like this, when the government is trying to keep its total expenditures down and trying to fight inflationary competition with private demands, that it was worth while spending a bit more on repair and upkeep of existing equipment rather than going out to replace it. It is a matter of judgment as to how far you can go along that line.

The CHAIRMAN: The increase this year over the figure for last year is about \$39,000, and that bears out your statement, Mr. Bryce?

Mr. BRYCE: Yes, sir. Of course, a lot of these repairs and upkeep expenses depend on when you have bought things. At certain periods major overhauls of certain equipment will become necessary, so that one cannot be too sure that the figures will balance out each year. And then, too, the cost of repairs, and spare parts has been going up. I should think, sir, that increase is less than the increase in the price of the items that would enter into the repairs and upkeep.

Hon. Mr. HORNER: Mr. Bryce, what is the difference between "Rentals", item 15, and "Rentals", item 18?

Mr. BRYCE: Item 18, sir, is rentals of equipment—for instance, the charter of boats and aircraft.

Hon. Mr. HAIG: Item 15 is rental of buildings.

Mr. BRYCE: Yes. The big part of item 18 is rentals of ships and aircraft.

Hon. Mr. HUGESSEN: By far the largest part of item 17, "Repairs and Upkeep," is in the Department of Transport; it amounts to more than one-third of the total of \$5 million. I suppose that is for repair of ships and airplanes and so on?

Mr. BRYCE: Yes, I think so.

The CHAIRMAN: Here again, Mr. Bryce, is it not so that the great expansion in government services is really the reason for the increase in these items?

Mr. BRYCE: Yes, sir. The expenditure on equipment illustrates that very forcibly. The government is now undertaking many operations of a kind requiring equipment. For example, you cannot carry on ice-breaking operations in the North without buying icebreakers in the first instance and servicing them as you use them. Also, the very large expansion in the government's research activities means much larger expenses on the purchase, repair and upkeep of equipment. I believe it is fair to say that the policy of the government, even up to this year, has been to permit the basic scientific research activities to continue to build up as competent research workers and scientists became available in Canada; it is generally regarded that research is something in which this country had been lagging before the war, and very substantial results are being achieved from the activities sponsored by the National Research Council and others in recent years. It has been deliberate policy supported, I understand, by parliament to develop research activities. That gives rise to substantial expenditures on equipment. I think it is important to realize that the character of the government's activities alter the distribution of emphasis in items of this kind.

Hon. Mr. BARBOUR: I think, Mr. Bryce, that applies particularly to Agriculture. In the last few years a lot of new buildings have been put up for scientific purposes; they have had to be staffed and equipped, all of which leads to more expense.

Mr. BRYCE: Yes; the scientific service of Agriculture is a very good example; it has expanded rapidly since the war.

The CHAIRMAN: The fact is, I think, that prior to the last war research activities in Canada were rather neglected. Since then there seems to have been an almost complete transformation, and we have public men, newspapers and other agencies hammering away at the importance of research. I am not at all certain that we have not gone too far to the other extreme; it is quite possible to reach an expenditure for research that may be rather out of line with our capacity to support it. However, that is just a passing observation.

If there are no further questions on Item 17 we will go on to Item 18. This, Senator Horner, has to do with rentals for equipment. It seems this expenditure was covered up in some other items twelve years ago.

Mr. BRYCE: Yes sir, it was not segregated sufficiently that we could detect it at this time. The big item there is the charter of ships; I think it would possibly be more than half of the total.

Hon. Mr. HAIG: We cannot deal with that, except through the deputy minister.

The CHAIRMAN: Are there any further questions? If not, we will go to Item 19, Municipal and Public Utilities Services, which shows an expenditure twelve years ago of \$924,000, and has now reached \$5,717,000.

Hon. Mr. HAIG: Mr. Bryce, what does that cover?

Mr. BRYCE: It includes provision for all expenditures incurred for the supply of water, electricity, gas, etc., such as water rates, light, power and gas services; taxes and water rates on diplomatic properties, and charges of that nature. It also includes payments to municipalities in lieu of taxes, which were introduced only recently, and I think that is the main reason for the increase over the level of 1949-50.

Hon. Mr. HAIG: There is one item that I do not think has been increased sufficiently. I do not think the municipalities in this country get enough by way of grants from the Dominion parliament to cover what would be ordinary taxes, if the properties were owned by private citizens. Apart from the Parliament Buildings, I think every municipality should get the equivalent of the taxes on government property.

I refer now to any city, except Ottawa, and I make that exception because I do not know what Ottawa gets by way of grants; I have in mind such cities as Montreal, Toronto, Halifax, Vancouver, Calgary, Winnipeg, etc. In my home city of Winnipeg there is a shocking unfairness in the government used buildings, where they get all the services and pay practically nothing for them. How it can be expected that the property owners in that city can carry the load for the police and fire protection—perhaps they should pay for their schools—I do not know. Certainly, the government should at least carry its share of the costs of police and fire protection. I note that it is proposed to introduce some legislation along this line, but I doubt if it will be reasonably fair. I do not see how we can do anything about this item.

The CHAIRMAN: If that principle were adopted, and the federal and provincial governments paid the municipal taxes according to the ordinary scale of taxation—which I understand is Senator Haig's suggestion?

Hon. Mr. HAIG: That is what I want.

The CHAIRMAN:—it undoubtedly would have a tremendous affect on municipal revenue in the larger cities.

Hon. Mr. HAYDEN: It might reduce taxes.

The CHAIRMAN: Unless a change were accompanied by a corresponding reduction in ordinary municipal taxes, the taxpayer would not be very far ahead.

Hon. Mr. HAIG: It would change the basis of municipal taxation. At the present moment real property, to a large extent, pays the municipal costs, and

the people who do not own real property pay practically nothing. Where rent control is in force, they do not pay anything even in their rent cost; the real estate owner pays the shot. This is one field in which the government could cure the problem.

I admit what you said, Mr. Chairman, that our municipalities, our provincial and Dominion governments, irrespective of politics, have for the last six years been on a spending spree. Probably I am as much to blame for that situation as anybody, but there is no justification for the Dominion or provincial governments being, as it were, in business, and not paying their proper share of the taxes. If a change were made, it might result in all Canadian taxpayers paying larger amounts, but surely that is only fair. I never could understand why real estate had to carry almost the entire cost. The one attack that this government has made—and I say it politically—is the attack since the war on real estate owners; now it is in the hands of the provinces, and the Dominion government are out of it. It is an outrageous thing, and this is the place where something should be said against the policy, and I am saying it.

The CHAIRMAN: I am bound to agree in a large measure with Senator Haig. Whatever the explanation may be for it, the records unquestionably show that municipalities, provincial and federal governments have been spending freely. That may be the result of pressure from communities, individuals and organizations for the spending of more money, but until the public becomes conscious of the fact that these services have to be paid for by digging down in their pockets, I do not know that we are going to find much cure for the situation. I would hope that this inquiry would throw some light on the problem.

Hon. Mr. ISNOR: I think already some steps have been taken in that direction, Mr. Chairman. If I recall correctly there was a vote of something like \$2 million, to take care of rents in lieu of taxes. They used a very definite yardstick. When any municipality was able to show the adjuster or appraiser—the name, if I remember, was Mr. Lobley—that 5 per cent of their property was presently exempt and used by governments, the Federal Government could make a grant.

Hon. Mr. HAIG: Why 5 per cent?

Hon. Mr. ISNOR: I don't know. I am just telling you.

Hon. Mr. HAIG: That means that Halifax gets no money out of this government at all. The only people who get anything are Ottawa.

Hon. Mr. ISNOR: I am not sure that 5 per cent is the correct figure.

Hon. Mr. HAIG: You are about right. That is about the figure.

Hon. Mr. ISNOR: We do not get enough at Halifax; I will admit that.

Hon. Mr. BOUFFARD: The city of Quebec is in a similar position. We have a deficit of \$1,600,000, with \$14,000,000 of federal property paying no taxes.

Hon. Mr. HAIG: However, we cannot do anything about it here.

Hon. Mr. HAYDEN: Except call attention to it.

The CHAIRMAN: Are there any further questions on Number 19?

Hon. Mr. HORNER: I would just like to make this observation, after hearing the complaints of Senator Haig and property owners; we only have to look around us at this trend to realize that the more socialism we have the more taxes we shall have on real property, because the main idea is to take money away from wealthy people in taxes. That will be the trend so long as we go along this road.

The CHAIRMAN: Any further discussion on Number 19? . . . The next item we have is "Grants, Subsidies, etc. not included elsewhere". This is a sort of a blanket item, is it?

Mr. BRYCE: Yes, sir. This covers a very wide variety of payments—everything from freight assistance on feed grains to the payments to the Boy Scouts.

Hon. Mr. HAIG: Why is it down from last year? Where did the reductions take place?

Mr. BRYCE: If one looks at the items where that has taken place, it will be seen that a fair amount of it is in Agriculture. It is in part due to the fact that in the main estimates we normally only provide the feed grain assistance until the end of the crop year, and then the government decides on the policy it will follow in the new crop year, and makes provision in the supplementary estimates for any additional amounts that are required. That is one reason for the decline; and of course whether there will be that decline depends on what the government decides in regard to policy. There are other reductions in subsidies in Agriculture for which one would have to look at the details to find exactly where they are. In Finance there is a very large reduction, due principally to the fact that last year's figures included the big payments for the Red River flood; and of course we are not anticipating a recurrence of that.

Hon. Mr. HAIG: That won't happen again for another hundred and twenty-five years.

The CHAIRMAN: We hope so.

Hon. Mr. HAIG: Well, it happened a hundred and twenty-five years ago. You say, Agriculture: does that include that measly little gift that the rest of Canada gave the West, of \$65,000,000?

Mr. BRYCE: That \$65,000,000 for wheat would not be included, because this was made up and presented to the house before the final supplementary estimates of last year.

Hon. Mr. HAIG: That \$105,000,000 last year did not include the \$65,000,000?

Mr. BRYCE: No, sir.

Hon. Mr. HAIG: Because I was looking for \$48,000,000 more.

Hon. Mr. BUCHANAN: You mentioned subsidies not included elsewhere. What subsidies are included elsewhere?

Mr. BRYCE: It is also grants, and grants to municipalities are in the preceding column. Let us see what any of the others might include.

Hon. Mr. HUGESSEN: Subsidies to provinces?

Mr. BRYCE: Subsidies to provinces are in a special category, sir. Number 24 is "Subsidies and Special Payments to the Provinces."

Hon. Mr. HUGESSEN: Health grants?

Mr. BRYCE: Health grants are in Category 30.

Hon. Mr. BOUFFARD: I wonder if we could have a list of the subsidies that are given. Would that involve a great deal of work?

Mr. BRYCE: Would you distinguish between a subsidy to industry and a grant to an organization such as—let us say, for example—the Boy Scouts, or the Victorian Order of Nurses?

Hon. Mr. BOUFFARD: I would not mind at all if you struck out companies, and subsidies that are fixed by statute, but other subsidies that are not fixed by law, that are not statutory, would it mean a great deal of work to have a list of those?

Hon. Mr. HAIG: I would not think you would need the Boy Scouts and bodies of that kind.

Hon. Mr. BOUFFARD: Why not? If we have particulars of Boy Scouts and other subsidies we could see what is given, and what organizations are not given grants.

The CHAIRMAN: I draw to the attention of the committee that there is in the explanatory notes at the back of the page giving these details a very full explanation of item 20. It indicates that this item:

Includes provision for Canadian participation in International and Commonwealth Organizations; contributions of Canada's proportionate share of the cost of International Organizations; payments of grants to organizations such as the Boy Scouts Association, the Girl Guides, Agricultural Organizations, Health and Welfare Organizations and other payments of that nature; Subsidies such as Assistance to encourage the improvement of cheese and cheese factories; Contributions under Agreements with the Provinces for Vocational Training; payments made under the Maritime Freight Rates Act, memberships, scholarships, etc. Does not include Grants to Municipalities in lieu of taxes, Subsidies and Special Payments to Provinces, Government's Contribution to the Unemployment Insurance Fund, General Health Grants, Trans-Canada Highway Contributions, Deficits—Government-Owned Enterprises.

That gives, I think, a pretty clear explanation of the details of this item.

Hon. Mr. BUCHANAN: Would it not be better to include everything under this item, instead of excluding some?

Mr. BRYCE: Well, we have put some elsewhere, really, to give full information on the big items like the health grants.

Hon. Mr. BUCHANAN: I was thinking of getting a proper picture of the actual amount. Would it not be better to have them all under the one heading?

The CHAIRMAN: That information can easily be arrived at, I think, by taking these items and putting them together.

Hon. Mr. BUCHANAN: We do not want to go to the trouble of putting them together. I would like to have them put in one place.

The CHAIRMAN: There may be something in that.

Mr. BRYCE: We could prepare a total, sir, that would include these items that are excluded here. If you would like a list of the various subsidies we could get that ready. It would take a little time but it should not be an impossible job.

The CHAIRMAN: It might be worthwhile having.

Hon. Mr. HAIG: If Senator Bouffard wants it I see no objection to having it.

Hon. Mr. BOUFFARD: If it could be done within the next ten or fifteen days and placed at our disposal I think that it would be worthwhile.

Mr. BRYCE: If it would be satisfactory we should like to cover the subventions on the movement of coal by a line or two, and not try to list every recipient.

Hon. Mr. HAIG: I do not think Senator Bouffard wants every last five-cent piece accounted for. I believe that if he gets these figures in thousand dollar items he would be satisfied. We do not want you to certify this as the exact sum that has been spent.

Hon. Mr. BOUFFARD: That is right.

Mr. BRYCE: We shall make up a summary table and bring it forward, and if you desire more details we can provide it for you.

The CHAIRMAN: Well, I think that with that understanding we can pass on to Item 21, Pensions, Superannuation and Other Benefits. This is \$12 million for this year, and a comparison is made with the position of the two previous years and twelve years ago.

Mr. BRYCE: Perhaps I might be allowed to point out that this does not include the large payment made at the end of the last fiscal year to begin making good the deficiency in the balance sheet estimate of the liability under the Superannuation Act.

The CHAIRMAN: Quite right. That amount was \$75 million, I believe.

Mr. BRYCE: Yes.

The CHAIRMAN: Just in passing may I say that that payment of \$75 million was to go part way towards bringing the Pension Fund into a position of solvency.

Mr. BRYCE: Well, it is not really a question of solvency but one of book-keeping. We show on our balance sheet—the Dominion of Canada is one of the few governments which publishes a balance sheet—the liabilities of an actuarial nature—annuities, pensions and similar things. The liability shown under the Superannuation Act has been shown at too little. In order to value it properly we have got to ask parliament to appropriate additional moneys so that we may increase that liability as shown in our balance sheet. That, of course, does not involve a cash payment. It is only an effort to keep our books more accurately. As the Minister explained at the time, the evaluation made away back in the early 1930's showed that even at that time the liability was shown at too little on our balance sheet. The same has continued ever since and it is now shown at too small a figure. Because, however, the Civil Service has been growing and because of the age distribution, that does not reflect itself in the actual payments from day to day because the fund keeps building up. But it would reflect itself some day, and since we show on our balance sheet an evaluation of the future obligations that we have incurred, the Minister of Finance felt that he should show a more accurate evaluation. He has received a report from the actuaries valuing it as of the end of 1947. As he explained in the House of Commons, this was a first request of parliament for an appropriation to enable that amount shown on our balance sheet to be increased toward what is a proper figure. As he said at that time, it will be necessary to ask for a further appropriation if we are going to bring our figures into an accurate representation of the future liabilities.

The CHAIRMAN: Speaking only for myself I think that is a very admirable thing to do. It gives a clearer picture to the public and to members of parliament as to what our liabilities are under this Pension Fund. Therefore, in the interests of accuracy, it is very desirable. Might I ask another question on that point, Mr. Bryce? The annuities fund—

Hon. Mr. ISNOR: Are you going to leave this item because I want to ask something about the amount of \$75 million.

The CHAIRMAN: I was going to ask Mr. Bryce this question. The Annuities Fund is administered by the Department of Labour?

Mr. BRYCE: Yes, sir.

The CHAIRMAN: We had evidence before us a year ago that the contributions by people who bought annuities were not sufficient to meet the obligations of the fund as these annuities fell due. Consequently, the government had to support the fund out of the annuities paid. Can you say if any contribution has been made this year to that?

Mr. BRYCE: I am sorry, sir, but I cannot speak too accurately on that. My recollection is that the Act authorizes or may even require the government to make good any deficiency in the Annuity Fund at the end of each year when it is valued by the actuaries. I believe that normally an amount is paid into the fund at the end of the fiscal year. Whether the payment relating to the end of the last fiscal year has yet been made, in fact, and dated March 31st, I could not tell you, sir. The Public Accounts normally reveal the amount. As a matter of fact, they must reveal the amount and the basis on which it is made. There is there a more current maintenance of the actuarial value than in the case of the Superannuation Act, as of course would be appropriate because, first of all, it is much easier to value the Annuities Fund. A Pension Fund presents very difficult evaluation problems.

The CHAIRMAN: Quite right.

Mr. BRYCE: At least one such as ours does. The Annuities Fund is easier to evaluate, and secondly it is a contractual obligation incurred to third parties and I imagine parliament and the government felt there should be a very current reflection of its value on books.

The CHAIRMAN: That is a point I think is rather important. When the Government Annuities Plan was inaugurated a great many years ago it was on the assumption that the payments into the fund by individuals purchasing annuities would be upon an actuarial basis which would make the fund self-supporting; so that when these annuities become payable the fund would be in a wholly solvent position to meet them. That has not happened.

Hon. Mr. HAIG: There is a reason for that. The situation has changed because the rate of interest has gone up. I am not defending the thing but there was a further assumption that the current rate of interest would be of such a nature that what they were giving for annuities would be reasonable. Up to last year that was true. It was going in that direction but right now, Mr. Chairman, it is going the other way.

Hon. Mr. REID: I am one of those who believe that the time has come when the annuities should be wound up. The annuities were started at a time when we had not the welfare state that we have now, and old age pensions were not being paid and when we encouraged people with small incomes to lay aside money for their old age. I think this committee would do well to bring in a recommendation that the time has come to review the principle of the Annuities Act, and consider whether it should not be discontinued in the light of the welfare state. We are now going to pay people a pension at seventy. Some people will get a bonus, for you cannot say that this money which will be paid to people who are well off is a pension. So some people, including senators and members of parliament, will be getting a bonus; let us be frank about that. And people at sixty-five who need a pension will be paid one. Furthermore, thousands of industrial and other firms throughout Canada have pension or superannuation plans for their employees. The employees are paying into these funds, and that is one reason why it is difficult to get taken on in a plant nowadays if you are over forty-five, for they say the taking on of a new employee over that age upsets the superannuation scheme. In my opinion, therefore, there is no longer any need for the Government annuities plan, and I would wind it up. I would, of course, carry out the existing contracts, but we do not need to continue encouraging people to provide for their old age in this way. I would like the Senate to recommend that the Annuities Act be repealed.

Hon. Mr. HUGESSEN: Is there not a further argument in support of what Senator Reid has said in the fact that at the time when the Annuities Act was first passed the ordinary Life Insurance Companies were not issuing annuities, whereas now they are and their rates are about the same as those charged by the government?

Hon. Mr. REID: That is so. We should not be in the business at all.

The CHAIRMAN: I think that when the Annuities Act was introduced it was based on an expectation that the fund would earn interest of about 5 per cent, which was the rate then on high grade government bonds. As the years have passed the earning power of money has declined, and I think it is fair to say that adjustments were not made to meet that situation. Mr. Bryce draws my attention to the fact that it is expected the government will require to kick in \$1½ million in the current year to keep this fund solvent.

Mr. BRYCE: That is for the year just closed, sir.

The CHAIRMAN: I do not see any sense in a system whereby an individual who can afford to do so pays in a certain amount to the government over a period of years for the purchase of an annuity, and then when he reaches the age at which the annuity becomes payable to him the taxpayers have to contribute to the fund out of which those payments to him are made.

Hon. Mr. HORNER: I am inclined to agree with Senator Reid. Not only is the government losing money on annuities, but it is paying huge commissions to agents who sell them. There was a report that a man in Winnipeg made \$14,000 commission on the sale of annuities. The government is taking a loss on annuities and paying a commission to people who sell them. That is a kind of high finance which I cannot understand.

Hon. Mr. BOUFFARD: Is it not so, Mr. Bryce, that the government sells annuities cheaper than insurance companies do?

Mr. BRYCE: I think it is probably correct to say that government annuities are based on an interest rate which is higher than most insurance companies use. But I am not certain about the mortality tables, and a lot depends on them. I think, sir, it would be better to ask for a comparison from those responsible for the annuities scheme.

Hon. Mr. VIEN: Would the mortality tables differ from those used by the insurance companies? You could not very easily compare life insurance with annuities?

Mr. BRYCE: No, sir, but in deciding what is an appropriate premium it is of course necessary to assume certain tables of mortality. The mortality has been changing in recent years and it is a question whether the tables used are up to date. I believe the present tables are reasonably up to date. And of course in selling annuities the normal practice is to make some adjustment of the tables. That is, you take an age that is one or two years higher than the actual age, or something like that.

Hon. Mr. VIEN: My point is that the mortality tables used for this scheme and by insurance companies might be the same, might they not?

Mr. BRYCE: As I understand it, one of a number of standard tables is used. But there is some choice, and there is also some discretion as to adjustment to tables that were made up to date some years ago.

Hon. Mr. BOUFFARD: There is a deficit of about \$1½ million in the fund?

Mr. BRYCE: In recent years, yes, sir.

Hon. Mr. HAIG: Last year Mr. MacNamara, the Deputy Minister of Labour—the department which administers the Annuities Act—was called before this Committee and thoroughly examined. I am not here to defend annuities but I do want to see this matter discussed in proper perspective. If the Committee wishes to follow Senator Reid's suggestion, the only thing to do is to call Mr. MacNamara and get the facts from him. As I remember it, he pointed out to us that they calculated a certain rate of interest on the money collected, and for a considerable period of years while annuities were being sold the rate of interest on government bonds was about 5 per cent. I know that I bought some Dominion Government Bonds that yielded me more than 5 per cent.

Hon. Mr. HUGESSEN: Free of income tax.

Hon. Mr. HAIG: Yes. Of course, the income tax did not amount to much in those days. But in recent years the government has kept the rate of interest down—do not misunderstand me—and it would still be down if the government were willing to buy its bonds today at par. It will no longer do that, and so today you can buy Dominion Government 3 per cent bonds at a price that will yield more than 3 per cent. A year or so ago the province of Ontario was selling bonds on which the rate was less than 3 per cent, but for its latest issue it had to raise the rate to 3½ per cent and the bonds were offered at \$99.50. Mr. MacNamara told us that three or four years ago, when the new rates for annuities were set, the department tried to figure the thing out in a way that would be most favourable to it as against the annuity buyer. As we say in the

wheat business, it took the break of the beam, so that the government would not lose any money even when interest rates were low, and would only have to stand the cost of administering the scheme. Of course, with these new rates of interest the department should make some money, and I do not think the interest rates will go back to the old level for many years.

I think that we had better be very careful before we recommend doing away with annuities. I say candidly that I am in favour of them. Many people think it is wise to invest in annuities, and all the money that was put aside for this purpose is taken out of circulation on the market. I know many men who began to purchase annuities for their children years ago. They are still paying premiums on those annuities, and that money is taken out of circulation. If I may I shall give a personal illustration. I am paying \$375 a year to the Annuities Branch for annuities on five of my children. If I did not do that, I presume I would give the money to the children, but by this means it is taken out of circulation. In about thirty years time, when the youngest child gets the annuity, the dollar may be worth fifty cents, but at the moment, as I say, it takes the money out of circulation.

Senator Horner mentioned what happened about fifteen years ago, but the government has revised its rates so that no agent can earn over a certain amount. The man that brought about that change is now one of the heads of the Great West Life Insurance Company in Ontario. They realized what a good man he was, and grabbed him up.

I still think that annuities at present rates can be made pay, with the rate of interest going up the way it is; secondly, for the next twenty-five or thirty years the money will be taken out of circulation and, in my case, when I die my children will each have to take over his own annuity. I know that the life insurance companies sell annuities, but I do not think they object very strenuously to the government also selling them. The companies like to sell life insurance; that is their business.

Hon. Mr. REID: They did object until the rate was changed and brought more into line with theirs.

Hon. Mr. HAIG: I agree with that. If we really intend to make a recommendation on this subject we ought to ask Mr. MacNamara to come before us; he is an able man, and he can give us an idea of the type of report we should make. I am not urging that it be done, but if we intend to recommend anything about annuities we ought to hear Mr. MacNamara.

Hon. Mr. REID: This department exemplifies the fact that things may be started by the government, but once they are started they are difficult to stop. It might surprise Senator Haig to know how many people of 65 and 70 years of age have put all their money into annuities. I speak particularly of the Province of British Columbia, where I know of one man and his wife who said they are going to get \$100 a month from the government, without putting up a red cent; while another man and his wife had to put up \$30,000 to get the same amount. In the welfare state we are going to get gifts and bonuses without any contribution. I think we would be making a good move, if we brought Mr. MacNamara here to review this annuities question. There is the amount of \$1½ million, and it will go up.

Hon. Mr. HAIG: I agree with the last statement of my friend, but not the first.

Hon. Mr. HORNER: I disagree with Senator Haig. Since when is it a laudable proposition to take money out of circulation? This country has suffered more from lack of money than from too much.

The CHAIRMAN: We must maintain order in the family.

Hon. Mr. ISNOR: Mr. Chairman, I should like to ask if the \$1½ million which was paid into the fund last year to make up the deficit, was in addition to the \$805,000 which it cost to administer the Annuities Branch?

Mr. BRYCE: Yes, it was.

Hon. Mr. REID: I do not know whether I can get any support from the committee, but I would move that we have Mr. MacNamara brought before us.

The CHAIRMAN: I was going to say, in regard to Senator Haig's suggestion, that it might be well to leave that and see how we get along. We have only a few weeks in which to work, and if we get to the point where we have a few special things that we want to look into we could perhaps then have Mr. MacNamara come before us.

Hon. Mr. GOLDING: Did we have him here last year?

Hon. Mr. HAIG: Yes.

Hon. Mr. REID: I submitted the same statement, and I asked him to contradict it or substantiate it.

The CHAIRMAN: The only point that is to be added before we pass on is that the cost of administration is outside this item altogether; it shows up in Civil Service Salaries, Pensions and the like.

Hon. Mr. REID: I should like to ask Mr. Bryce about superannuation, on a point that intrigues me. Has any research ever been made to see whether those who are earning \$5,000 a year and upwards are not receiving more from the Treasury by way of superannuation than those from \$5,000 down? I have often wondered whether it was wise to have superannuation for a man being paid \$10,000 a year and the country paying half of it. I know if I were earning \$10,000 a year I would not need superannuation. But perhaps I was brought up in a country where I learned thrift. Here we are paying 50 per cent of the superannuation, and I wonder if it should not be limited to a certain salary.

Mr. BRYCE: There is a limit at \$15,000, sir; parliament put that limitation into the Act. That of course is a question of policy, and gets into rather a delicate matter. I would suggest this for your consideration: I believe it is the general impression that senior officers in the public service are frequently able to earn more in other employment, but one of the things that retains them in the public service is the pension they get. Secondly it is of considerable advantage when they in fact get to the age where they ought to retire, that they are prepared to retire. I know from experience that when senior civil servants get to the pension age and have not got a pension to retire on, it often presents an awkward administrative problem. However tough one wants to be, it is rather difficult to overlook this matter.

The CHAIRMAN: We come now to Item 22: "All Other Expenditures (other than Special Categories)." Are there any questions on that item?

Mr. BRYCE: This is just a residual figure, and it is very difficult to say anything about it.

The CHAIRMAN: A sort of a basket item.

Mr. BRYCE: This is a collection of those items that we could not classify anywhere else.

The CHAIRMAN: I do not think we need spend any time on that. Then we turn over the page and take the Special Categories.

Hon. Mr. GOLDING: I wonder if, before you leave that page, we could return for a moment to Number 1, Civil Salaries and Wages. This shows quite a step-up each year. We know that there has been a tremendous step-up in the business of the nation, but have you ever made any comparison, for instance, with some private company, as to how salaries and wages of such a company have stepped up as a result of their recent business? Have you ever tried to make such a comparison?

Mr. BRYCE: We have made comparisons, sir, in regard to the rates of pay for those classes of employees for whom it is possible to get a reasonably clear comparison. We have not for the total amounts concerned, because it depends, of course, whether the business is expanding and at what rate it is expanding.

Hon. Mr. GOLDING: And the nature of the business, too.

Mr. BRYCE: Yes.

Hon. Mr. GOLDING: But what I was thinking about was if you could get some kind of comparison with an ordinary business which has stepped up five or six times and has also increased its salaries and wages. Have you ever tried to make a comparison between government employees in that respect, and employees of private companies?

Hon. Mr. HORNER: Mr. Bryce made that yesterday. Perhaps you were not here. He explained that the increased expenditure was due entirely to an increase in wages.

Hon. Mr. GOLDING: I was here, but I don't think we asked if he had ever made a comparison with some private company whose business has increased.

The CHAIRMAN: I think in the main it is due to the very great expansion of services, which apparently is still going on, necessitating more servants, and in the second place, to recognition of an increasing cost of living, by bonuses or increases of salary.

Hon. Mr. GOLDING: I know. Well, a private company is up against all these things. I was wondering if Mr. Bryce had made any comparison as to whether conditions are on the same basis in the government and in a private company where the business has increased five or six times.

Mr. BRYCE: Perhaps one of the most comprehensive comparisons of that nature can be made quite readily by taking the figure for the total salaries, wages and supplementary labour income for the nation as a whole, which is compiled now by the Bureau of Statistics. If you look at page 36 of the Budget, it shows that in 1939 there was a total of \$2,583 million. In 1950 the over-all is estimated at \$8,300 million. So that you have there an increase of three and a fraction times. I mean that the recent figure, the 1950 figure, is between three and four times what the pre-war figure was. The comparable year here would be 1950-51, and the increase in the government's payroll would be a little short of four times. So that the total payroll of the government has not increased much more rapidly than the total payroll of the nation.

Hon. Mr. GOLDING: That is just what I was trying to get at.

Hon. Mr. ISNOR: Except that there would be a very important factor there. Our production capacity has increased to a very very marked extent from a trading standpoint, and that is a factor in so far as the country's growth is concerned. But can you say the same applies to the government, or is it just a matter of the employees?

Mr. BRYCE: In terms of productivity?

Hon. Mr. ISNOR: Yes: You are only dealing from the angle of employees, I think.

Mr. BYRCE: It is very difficult to say how the productivity of public service compares.

Hon. Mr. ISNOR: Yes. I do not think that the comparison you made there is very sound.

Hon. Mr. VIEN: In other words, there is no necessity that a constant relativity should exist as between the payroll of the government and the payroll of the nation, because the business of the nation multiplies and increases very rapidly, and you have left to managerial discretion curbs here and there to be applied as required; whereas in the government there is a totally different story.

As a matter of fact, I wondered if we shall have to come back to that in the course of our investigation, Mr. Chairman. I don't know if we shall have the occasion to discuss with any proper officials of the government the question of the number of branches and the number of divisions and the number of directors of branches in each particular department, and the expediency or opportunity of contracting this expansion, of combining two or three branches together. I would not suggest that that be done by throwing out of employment the present incumbents, but I would suggest that it might be possible to foresee a better co-ordination of the Civil Service in every department, combining branches and appointing one director instead of two or three, and sub-directors or assistant directors, and executive assistants, in each branch, so as to reduce the cost of the Civil Service without hardship on the present incumbents. When a post is abolished, the service of the incumbent might be continued until he comes to superannuation age, and so on. I believe we have a case in point in Montreal. For instance, when the government initiated, about a year ago, its policy of reducing the Civil Service and reducing expenditures in that connection, the axe fell on the heads of three or four, or five or six men, or perhaps a few more in the category of non-permanent employees, and most of them paid by the day. I had the case of a man who had been employed in the Department of Public Works as a cleaner in various public offices. He was sixty-eight years of age. He had been there for thirty years. Of course the superannuation limit is sixty-five. In his case there was no superannuation, because he was not a permanent employee. So he was thrown upon the community as a public charge two years before he could claim his old age pension for himself and his wife. Therefore I say we have saved very little by discharging five or six day labourers. But we could save millions of dollars, probably, through a better co-ordination of our set-up in various branches of departments, co-ordinating and contracting the set-up so as to call upon one director to do the job of two or three. These men could be continued in office. We should have a well-studied, well-thought-out program to be applied in the course of five or six years. In the Senate, those who drop out by death or resignation represent almost 10 per cent. I understand that in the Civil Service about 5 to 7 per cent every year drop out on account of arrival at superannuation age. If this plan were applied it would show a great deal of difference over a period of ten years. I was wondering if we are going to study this point at any given time?

The CHAIRMAN: That is a very interesting point. I hope that before our hearings are concluded we shall have some evidence before us as to the actual increase in the production of goods and services year by year. We must not deceive ourselves that inflation has tremendously disguised this whole picture. We hope to have this.

Hon. MR. HAIG: I move that we adjourn before we start the next item.

The committee adjourned until tomorrow. Thursday, May 24, at 11.30 a.m.

1951

THE SENATE OF CANADA



PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1952

No. 5

THURSDAY, MAY 24, 1951

THE HONOURABLE THOMAS A. CRERAR, P.C.,
CHAIRMAN

WITNESS:

Mr. R. B. Bryce, Assistant Deputy Minister, Department of Finance.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY

1951

STANDING COMMITTEE ON FINANCE

The Honourable Thomas A. CRERAR, P.C., *Chairman*

The Honourable Senators

Aseltine	Fafard	Hurtubise	Petten
Baird	Farquhar	Hushion	Pirie
Barbour	Farris	Isnor	Reid
Beaubien	Fogo	King	Robertson
Bouffard	Golding	Lacasse	Roebuck
Buchanan	Gouin	Lambert	Ross
Burchill	Haig	McDonald	Taylor
Campbell	Hayden	McIntyre	Turgeon
Crerar	Horner	McKeen	Vaillancourt
Davies	Howard	McLean	Vien
DuTremblay	Howden	Moraud	Veniot
Euler	Hugessen	Paterson	Wilson

ORDER OF REFERENCE

EXTRACT from the Minutes of the Proceedings of the Senate, Wednesday,
March 14, 1951.

“That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1952, in advance of the Bills based on the said estimates reaching the Senate: That it be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal governments in Canada, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records.”

L. C. MOYER,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

THURSDAY, May 24, 1951.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11.30 a.m.

Present: The Honourable Senators: Crerar, Chairman; Barbour, Beaubien, Buchanan, Farquhar, Golding, Haig, Horner, Hugessen, Isnor, McLean, Petten, Reid, Taylor, Turgeon, Vien and Wilson—17.

In attendance: The official reporters of the Senate.

Consideration of the order of reference of March 14 1951, was resumed.

Mr. R. B. Bryce, Assistant Deputy Minister, Treasury Board Division, Department of Finance, was again heard.

At 1.00 p.m. the Committee adjourned until Tuesday, May 29, 1951, at 10.30 a.m.

Attest.

JOHN A. HINDS,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE

OTTAWA, Thursday, May 24, 1951.

The Standing Committee on Finance, which was authorized to examine Estimates laid before Parliament for the fiscal year ending March 31, 1952, met this day at 11.30 a.m.

Hon. Mr. CRERAR in the Chair.

The CHAIRMAN: Honourable senators, will you please come to order.

Hon. Mr. REID: Before we proceed with the further consideration of the Estimates I should like to make a comment. Yesterday morning I made some criticism and asked certain questions regarding the Dominion Bureau of Statistics. In substantiation of some of my remarks I should like to draw to the attention of the committee some of the questions which are being asked by the census takers. I would just ask the members of the committee if they think that these questions are sensible. Question 20 is: "What did you do mostly during the week ending June 2, 1951" I do not think there is anything more ridiculous than a question like that being asked on a census. Another question is: "Did you do any work for pay or profit?" Another question: "How many hours did you work?"

I should like to point out to the members of the committee that before Easter no member of parliament, including the House of Commons and the Senate, was able to get a copy of the questionnaire that was going out to the census takers, and yet when I reached home I received from the Royal Bank of Canada a facsimile of all the questions that would be asked and all the information pertaining to the census. This information was denied the members of the House of Commons and the Senate. I think it is high time we took some note about the controls the Dominion Bureau of Statistics as to the questions, reviews and surveys they carry out. I expect to have in my possession at our next meeting the questions being asked now by a census taker who is visiting my neighbourhood for the third time and who claims he is coming back a fourth time. I believe I possess average intelligence, and to my way of thinking these questions are quite silly.

Hon. Mr. HUGESSEN: This rather interests me because I happened to be in England last month. They were in the process of taking a census in that country, and there was a great deal of criticism about the questions that were being asked. They were asking more questions than our census takers are. One question gave rise to a great deal of criticism, and that was "Do you share the kitchen sink?" We are at least not asking that much.

Hon. Mr. REID: No, but if we do not put a stop to it I am afraid we shall.

The CHAIRMAN: I take it, Senator Reid, that you are bringing this matter to our notice as an example of an unnecessary expenditure?

Hon. Mr. REID: I am.

The CHAIRMAN: Good. It stands on the record. We shall turn now to Item 23. Before we proceed with this section, however, Mr. Bryce has some information in regard to a question asked by Senator Haig yesterday or the day before. You do not wish this put on the record, do you Senator Haig?

Hon. Mr. HAIG: No, it can be handed to me. That is all I want.

Mr. BRYCE: I have here the list of the premises leased by the Department of Public Works in the City of Winnipeg, giving the area in square feet and the rent per annum and the rate in square feet per annum.

Hon. Mr. HAIG: Thank you very much. I do not want it put on the record.

The CHAIRMAN: We shall now take up the consideration of Item 23. "Interest on Public Debt and other Debt Charges". There has been an increase over the twelve years from \$132 million to \$437 million, and the latter is an increase of about \$4½ million over that of 1950-51. What is included, Mr. Bryce, under "Other Debt Charges"?

Mr. BRYCE: This includes costs of issuing new loans, annual amortization of bond discount, premiums and commissions, and other costs of servicing the public debt.

The CHAIRMAN: Are there any further questions?

Hon. Mr. REID: I should like to ask Mr. Bryce a question. I take it there is an increase predicted for 1951-52. I understood that the policy of the government was to take as much as possible by taxation for the increased expenditures, and that some of our debt was reduced last year. If this is so, how is it that there is a predicted increase in the interest rate?

Mr. BRYCE: Senator, if you will note in the volume of estimates on page 17, the increase in interest is not on the funded debt outstanding, but it is on other liabilities which include the annuities fund, pension funds and various trust funds and things of that sort that keep gradually accumulating so that the increase there is not of the character associated with normal borrowing operations, but rather with the increase of these trust funds. In addition, on the other side of our balance sheet, various assets of the government are going up. These normally do not yield as much interest as the interest that is paid here on the build-up of things like pension funds, trust funds, and annuities funds.

The CHAIRMAN: Is there any further question? We shall pass on to Item 24 "Subsidies and Special Payments to the Provinces". In 1938-39 the figure was \$21 million, and it has increased to \$115 million.

Hon. Mr. HAIG: That is covered under these agreements.

The CHAIRMAN: I presume that is due almost fully to the interprovincial agreements?

Mr. BRYCE: Yes. It not only includes the statutory subsidies under the British North America Act, but the payments under the tax-rentals agreements as well.

The CHAIRMAN: Anything further on that?

Some Hon. SENATORS: Carried.

The CHAIRMAN: The next is item 25 "Family Allowance Payments".

Hon. Mr. REID: I should like to ask whether any survey has been made recently as to where the payments of family allowances are going? Everyone here knows the object of family allowances, but I ask my question in view of the situation that is arising in British Columbia and perhaps in other provinces as well. Many of our school boards are becoming alarmed about the rise in truancy amongst boys and, in some cases, amongst girls. I refer to the age group of fifteen to eighteen. I know that when I travel along in my car I can see these children by the two's and three's hitch hiking on the highways. They are not at school and they are not at work. The question is being raised about this floating population of boys and girls who should be at school. When the question was discussed a short time ago a school trustee said that these young people were reluctant to stay at school because they lacked money to spend. Now I

have observed at a new high school a group of boys—and sometimes girls too—smoking cigarettes and eating candies. It has been estimated that it costs about \$1 a day to keep these youths at school. Today young people are kept at school, whether or not they have any ability to do well in their studies, at an age when they could be doing useful work outside. One man told me that the family allowances do not begin to pay for what his children require by way of extras, such as cigarettes, pop and candies. Apparently there is a growing tendency to spend money in this way, and I am wondering if it would not be well to have a survey of the uses to which family allowances are being put. Of course, I am not suggesting that all the money received by people for family allowances is wasted. A great deal of it is wisely spent in providing better clothing and food for children. My point is that it is a common experience to see high school students spending money on cigarettes, candies and soft drinks. Any dentist will tell you that these soft drinks are injurious, yet there is no doubt that a lot of money received for family allowances is being spent on these things. I bring up this matter because I wonder whether there is anything to the contention that increased truancy is caused to some degree by lack of money for children to spend.

Hon. Mr. BARBOUR: I understand that the family allowances are paid to the mother and not to the children.

Hon. Mr. REID: That is right.

Hon. Mr. BARBOUR: The mother should be able to control the expenditure.

Hon. Mr. REID: No doubt many mothers do, but certainly it is not possible for all of them to exercise control over what their children spend.

Hon. Mr. GOLDING: If a child does not attend school the family allowance with respect to him is liable to be cut off.

Hon. Mr. BARBOUR: It is cut off.

Hon. Mr. GOLDING: That is my understanding.

Hon. Mr. REID: I wonder just how strict the department is in seeing to it that the allowance is cut off in such cases.

Hon. Mr. BARBOUR: It is pretty strict.

Mr. BRYCE: I do not know if I am expected to reply to Senator Reid.

Hon. Mr. REID: No. I am just making a suggestion for officers of the Treasury Board.

The CHAIRMAN: Senator Reid has drawn this matter to our attention and his comments are on the record.

Hon. Mr. HORNER: I agree with Senator Reid that a lot of money is spent by young people on cigarettes and soft drinks, and on beer too. It is all very well to say that the family allowance is paid to the mother, but in most cases a child going to high school will get the money himself. And, as Senator Reid says, under our present system children are kept at school, whether they show any special aptitude for school or not, when many of them could do better by being at work.

The CHAIRMAN: Are there any other questions on this item? If not, we shall go to item 26, "Old Age Pensions, including Pensions to the Blind". The increase under this item over the twelve years is from \$30,541,000 to \$111,350,000.

Hon. Mr. HAIG: Mr. Chairman, I would suggest that we look carefully at this figure of \$111 million, because we shall never see such a low figure for Old Age Pensions again. This estimate should be placed in a museum, where people in years to come will look at it and say "What old duffers those senators and members of the House of Commons were in 1951 to regard \$111 million as a large sum for Old Age Pensions." Before long the age at which people will become eligible for Old Age Pension without a means test will be reduced to

sixty-five, and later on to sixty, and in the not distant future the total payments for pensions will amount to a billion.

Hon. Mr. REID: In future this item should be placed under a new heading, "Old Age Pensions and Bonuses to those who are well off".

Hon. Mr. HAIG: The pensions next year will cost the country \$400 million, but that will look small in time, when the total bill runs to a couple of billions.

Hon. Mr. REID: I remember the Honourable Mr. Dunning holding up his hands in holy horror in the House of Commons at the prospect of an expenditure of \$75 million and asking how we could ever raise that amount. He was so excited at the idea that he simply shook.

The CHAIRMAN: There will be some compensation for you, Senator Haig, in that you yourself will be receiving an old age pension.

Hon. Mr. HAIG: But I shall have to pay income tax on it. In my youth I did not think there would be any old age pension for me. I thought I would have to save money to take care of myself when I became old. I never expected to be a senator or to hold any other public office, so I planned to put by a few dollars to help me out later on. Unfortunately I still have those dollars and they now give me an income on which I have to pay a tax, so the \$480 that the country will pay me as a pension will not help me very much.

The CHAIRMAN: Those ideas about saving are a bit old fashioned now.

Hon. Mr. HAIG: I realize that.

Hon. Mr. HUGESSEN: The pension will keep you in cigarettes and pop.

Hon. Mr. HAIG: But I neither smoke nor drink pop.

Hon. Mr. BEAUBIEN: You can use that money to treat your friends.

Hon. Mr. HAIG: But they are better off than I am.

The CHAIRMAN: Mr. Bryce, can you tell us how much of the amount in this item is for pensions to the blind?

Mr. BRYCE: I am afraid, sir, that I have not that information before me. It is a few million dollars. (Added later: approximately four million dollars.)

Hon. Mr. HAIG: We do not object to those pensions.

The CHAIRMAN: Are there any further comments on Item 26?

Hon. Mr. HAIG: Pass.

The CHAIRMAN: Then we shall pass on to Item 27, "Veterans Disability Pensions and Other Payments under the Pension Act."

Hon. Mr. HAIG: We cannot do anything about that item.

The CHAIRMAN: Can you give a word of explanation about this item, Mr. Bryce? Does it include the item known as Veterans Allowances?

Mr. BRYCE: No, sir. During the war or immediately after the war there were two or three orders in council passed which authorized certain persons other than those covered directly under the Pensions Act to be granted pensions. I have forgotten the details, but I think these orders in council applied to such persons as widows of employees of the government killed in unscheduled aircraft flights, and other special cases. This item covers just the one large vote No. 546 in the Estimates, and the details are given there.

Hon. Mr. REID: May I ask if 1949-1950 was the peak year and whether the amount will be decreasing from now on? I notice that the 1950-1951 and the 1951-52 were down; the 1949-50 was the highest. I am wondering if that was the peak year.

Mr. BRYCE: I can verify that in a moment.

Hon. Mr. HAIG: The deputy minister was before the committee a few years ago, and he told us that was the peak year, and it would go down. He gave us the figures to show it.

Mr. BRYCE: It appears, Senator, that 1948-49 was the peak year in terms of pensions. The expenditures in 1948-49, as recorded at page 97 of the papers accompanying the budget, show that \$103 million was spent in that year.

The CHAIRMAN: That has tended to decline steadily?

Mr. BRYCE: Yes, very slightly.

Hon. Mr. HUGESSEN: About \$2 million a year.

Hon. Mr. HAIG: That is what we were told in 1948 or 1949, by the deputy minister, when he was before us. Now, Korea may put it up.

The CHAIRMAN: Yes, it may.

Hon. Mr. HAIG: But not very much yet.

The CHAIRMAN: We come now to Item 28, Other Payments to Veterans and Dependents. How do you distinguish, Mr. Bryce, between Item 27 and Item 28?

Mr. BRYCE: We made that distinction, sir, because Item 27 is the largest and more clear cut of these payments; also, it is the one that is most permanent. The biggest item in 28 is War Veterans Allowances, the details of which will be found in the votes for Veterans Affairs. Some of the other large items are Hospital Allowances, Post-Discharge Rehabilitation Benefits in the sum of \$6,400,000, and Re-Establishment Credits of \$15 million for the current year.

The CHAIRMAN: Those latter two items would arise out of the last war.

Mr. BRYCE: Yes, sir; these are the rehabilitation grants out of the last war.

The CHAIRMAN: Have you got the figures for the amounts paid in Veterans Allowances?

Mr. BRYCE: That is the amount provided in the Estimates for Veterans Allowances of \$26,585,000; in addition to that, however, you may recall that there is a vote for an assistance fund to supplement the Veterans Allowances under certain circumstances, in the amount of \$850,000.

Hon. Mr. HUGESSEN: I suppose this Item 28 would also include university training, and things of that sort?

Mr. BRYCE: Yes, sir.

Hon. Mr. HAIG: Of course that is going down.

Hon. Mr. HUGESSEN: Yes.

Hon. Mr. HAIG: This is about the last year.

Hon. Mr. VIEN: What is the division as between the first war and the second war, in relation to the expenditures for veterans?

Mr. BRYCE: We do not have that in the Estimates. I believe in the detailed Public Accounts in the past years at least a distinction has been made in connection with the payment of pensions. Naturally, there is very little in the way of War Veterans Allowances being paid except for veterans of the First World War, and almost nothing in the way of rehabilitation benefits for veterans of that war.

Hon. Mr. ISNOR: I think the figure is 24 to 1.

The CHAIRMAN: Is there anything further on Item 28?

Hon. Mr. REID: I should like to ask Mr. Bryce a question on the matter of decisions rendered by the Treasury Board, upon questions being asked by the various departmental heads. Do these questions go before a special officer or before the Treasury Board as a whole for consideration?

Mr. BRYCE: Any decision of the Board normally has been before the Board, but prior to looking at it, the board requests the staff to get the material bearing on it examined and prepared in summary fashion, so that it can deal with it quickly. The problem in dealing with administrative matters of this sort is the huge volume and the necessity for segregating the purely routine cases from the important ones.

Hon. Mr. REID: What I had in mind was the case of a ruling made apparently under the old Soldiers' Settlement Act. I disputed it at the time, and I am still disputing it. They told me the Treasury Board had made a ruling, and having done so the director said they could do nothing. I am still of the opinion that there was something read into the Act which is not there. I was wondering whether it was the decision of a certain individual or of the Treasury Board as a whole.

Mr. BRYCE: In cases of that kind, I can assure you the ministers would look at it very carefully.

The CHAIRMAN: Item 29, Government's Contribution to the Unemployment Insurance Fund. I do not think that requires much explanation.

Hon. Mr. HAIG: No; we can't do anything about it.

Hon. Mr. REID: What part of the contribution does the government pay?

Mr. BRYCE: I believe it pays 20 per cent of the total. Some minor changes were made last year which have altered the simplicity of the former fraction, but it is roughly 20 per cent.

Hon. Mr. REID: What employees would come under Unemployment Insurance?

Mr. BRYCE: There are millions of employees.

Hon. Mr. REID: In every province?

Mr. BRYCE: In every province. There is a very elaborate schedule defining the occupations.

Hon. Mr. HUGESSEN: I understand there are about $3\frac{1}{2}$ million in it.

Hon. Mr. HAIG: And there are a lot of people under it who got hooked; they will never get any benefits out of it. I refer to the law students and young men in banks and places of that kind, who have no hope of benefiting by it.

The CHAIRMAN: At any rate, this represents about 20 per cent. My recollection is that in addition to its contribution the government provides the administrative machinery for handling the department?

Mr. BRYCE: Yes. The administrative costs are, of course, distributed under other headings.

The CHAIRMAN: They are under other headings, but the administrative costs are in addition to the contribution.

Mr. BRYCE: I can give you the amount of the administrative costs.

The CHAIRMAN: It would be interesting to have that information.

Mr. BRYCE: It is about \$24 million for the current year.

Hon. Mr. BEAUBIEN: How does that compare with last year?

Mr. BRYCE: Last year the administrative cost was about \$22.4 million; there is an increase of \$1.5 million, roughly. That is subject to special supplementary estimates at the end of last year; but, I do not think there was anything significant added, sir.

The CHAIRMAN: At any rate, the administrative costs and government contribution is more than \$50 million a year?

Mr. BRYCE: Yes, sir.

The CHAIRMAN: Any further questions on that point?

Hon. Mr. REID: Does the government keep stenographers, clerks and people of that kind under Unemployment Insurance.

Mr. BRYCE: I believe those who are temporary—

Hon. Mr. REID: I am wondering if the permanent staff are under Unemployment Insurance?

Mr. BRYCE: There are regulations of the Unemployment Insurance Commission as to what civil servants are included; broadly speaking, I believe that temporary civil servants are covered by Unemployment Insurance until they have worked for a sufficient period of years to indicate that there is every reason to expect them to work indefinitely for the government. It has been a matter of some controversy, I believe, as to what is the appropriate test as to when a temporary civil servant should go off unemployment insurance.

Hon. Mr. REID: For instance, you would not be covered by Unemployment Insurance.

Mr. BRYCE: No, not as a permanent officer.

Hon. Mr. REID: You are classified as a permanent officer?

Mr. BRYCE: Yes.

Hon. Mr. REID: The permanent officers do not come under it.

Mr. BRYCE: Yes; of course there is also an income test. A person with a salary over a certain level does not come under it.

Hon. Mr. HAIG: \$4,000.

Mr. BRYCE: Those with salaries of more than \$4,000 a year are not covered.

The CHAIRMAN: I think we can now pass on to Item 30, General Health Grants, which stands at the same amount as a year ago.

Hon. Mr. GOLDING: Yes, but from 1949-50 there is quite a reduction.

Mr. BRYCE: That is only a reduction in the estimate; the actual expenditures have in fact been increasing. When we found that the expenditures were limited by practical considerations, the government decided that it did not need to provide for the total amount that theoretically could be expended under the grants; the \$25 million represents rather an upper limit on the amounts that it is felt could be spent under the grants.

Hon. Mr. VIEN: Have you the exact amount expended?

Mr. BRYCE: I have it here for the latest year for which the figure is available. For the fiscal year 1949-50 the expenditures were \$15,716,000. For the past fiscal year just concluded, 1950-51, the forecast, as we put it in the estimates, was \$22.3 million; and consequently the \$25,000,000 provided for in the estimates allows some increase over the actual expenditure of last year. I am just looking to see whether in the budget we had a slightly more up-to-date forecast of the total.

Hon. Mr. VIEN: What page?

Mr. BRYCE: In the budget pamphlet, page 97, you will see that the forecast made at that time for the expenditures on the general health grants in 1950-51, on the right-hand column about the eighth line down, is \$19,300,000. That forecast was made a couple of months later than the one printed in the estimates book.

Hon. Mr. REID: Are you not of the opinion that the other grants amounting to probably \$250,000 should be under this item, "General Health"? I speak of the grants to health organizations,—the Canadian Mental Health Association, the Health League of Canada, and all those various grants that are on the estimates sheet, which are over \$25,000,000, item Number 283, \$25,000,000 for General Health grants. Should not those also be under General Health grants, because after all their object is health?

Mr. BRYCE: That is quite true. The only reason we have segregated these special categories is that these particular items are so large that they would swamp our general classes that the committee has been going over, Numbers 1 to 22. The small grants to the other organizations are included in item Number 20 for "Grants and Subsidies", under the Department of National Health, but if

we put this \$25,000,000 of the General Health grants to the Provinces into column 20 they would so swamp all others as to make comparison much less fruitful, we felt, and that is the reason we pulled them out here.

The CHAIRMAN: The next item should be good for some comment: "Trans-Canada Highway Contributions".

Hon. Mr. GOLDING: A little less this year than last year.

The CHAIRMAN: \$15,000,000 is estimated this year.

Hon. Mr. VIEN: Compared with \$20,000,000. How much of the \$20,000,000 was actually spent?

Hon. Mr. HAIG: Not very much. There won't be much spent this year, either.

Mr. BRYCE: I have that in the details of the estimates. A good deal less than the amount provided for in the estimates was in fact spent.

Hon. Mr. VIEN: And the unexpended portion lapses, does it?

Mr. BRYCE: No, sir. The contribution is a statutory expenditure, and the amount we put in the estimate is simply a forecast.

Hon. Mr. VIEN: But it is voted by parliament in resolutions?

Mr. BRYCE: No, sir, it has been authorized by parliament in a statute already.

Hon. Mr. VIEN: Right, but would the unexpended portion of the authorization made by parliament by way of resolution lapse or not, if not expended?

Mr. BRYCE: No. The authorization by parliament is entirely in the form of a statute; it does not lapse, but is good for seven years.

The CHAIRMAN: What was spent last year on the Trans-Canada Highway?

Mr. BRYCE: There were no expenditures in 1949-50, of course. The actual expenditures up to January 31, 1951—that is, about three months ago—were \$1,605,000. The anticipated expenditures in the remainder of the fiscal year, that is, cleaning up the balance of that year, were \$6,300,000, making a total of \$8,000,000 for the fiscal year that is closed. Now that may have been a relatively optimistic estimate of how many of the bills would be submitted and you will note that in the estimates a portion is described as in effect a re-vote; \$12,000,000 is taken to represent the parts of the highway that it was originally anticipated would be constructed and paid for last year.

Hon. Mr. BEAUBIEN: That money has to be re-voted?

Mr. BRYCE: Well, it is really a statutory appropriation, but we thought it would be clearer if we put in that designation to indicate that, of the \$15,000,000, \$12,000,000 is the portions that were planned last year and are being carried through.

Hon. Mr. VIEN: Is there anywhere a description of the work that is being actually carried out? What I mean, how was that money spent? How much was expended in construction work, and otherwise?

Mr. BRYCE: As you may recall, the act authorizes a certain amount of compensation to be paid to the provinces for prior construction, that is for those portions of the highway that have been constructed in the past. Now I am sorry I cannot give you the division.

Hon. Mr. VIEN: Can you find it anywhere in the public books?

Mr. BRYCE: It will be in the public accounts when they come out. In the meantime I would think that a question on the Order Paper or something of that sort would secure from the appropriate department the division of the payments into various categories.

Hon. Mr. VIEN: Are we carrying out under federal supervision actual construction work, or is the work carried out by provincial governments?

Hon. Mr. HAIG: I can answer the question. The provincial governments do the work; the Dominion Government have inspectors, engineers on every division. There is one for Manitoba, there is one for Saskatchewan, and there is one for Alberta. About a year ago they were appointed. I presume that the rest of Canada does the same.

Hon. Mr. REID: It would be interesting to know if any provincial government have obtained moneys for highways already constructed and yet have not of themselves started to build any uncompleted portions of the Trans-Canada highway.

Mr. BRYCE: I believe that the act and the agreements require that they can only get payments for earlier work done in proportion to the amount of new work that they do.

Hon. Mr. VIEN: Have we anywhere a map of the course of the Trans-Canada highway and the nature of the specifications for the construction of it?

Mr. BRYCE: A number of maps have been prepared at various stages. I believe that the location of certain portions of the road has been a matter requiring decisions by provincial governments, and some of these decisions may not yet have been taken.

Hon. Mr. BEAUBIEN: Lots of them have not been taken.

Mr. BRYCE: How far these decisions have been taken I could not tell you.

Hon. Mr. VIEN: What department would this come under?

Mr. BRYCE: I believe that would come under Mr. Wardle of the Department of Resources and Development.

Hon. Mr. VIEN: Thank you.

Hon. Mr. HORNER: Before we spend any more money on the Trans-Canada Highway I think we should come to some decision about the trucking and bus service that will be permitted on this road. Buses could take away from the railway passenger traffic and the trucking could take away from the railway service, causing an increase in our freight rates. At the same time we have no roads running north and south that amount to anything. Are we going to have some kind of a toll on this road? Are we going to allow huge vans to clutter up the road from Vancouver to Halifax?

The CHAIRMAN: Any further questions on this item?

Mr. BEAUBIEN: This is something that affects the provincial governments.

Hon. Mr. REID: It is true that the provincial governments are in charge, but I do not think we can quietly sit by and contribute 50 per cent of the cost not only to the construction of the Trans-Canada Highway but to its upkeep. Despite the fine roads they have in the United States, that country is finding that 50-ton trucks are knocking the blazes out of their roads. If that happens here the dominion government will be called upon to maintain the roads.

Hon. Mr. BEAUBIEN: You cannot invade the jurisdiction of the provinces so as to determine what traffic will be allowed on the Trans-Canada Highway within the various provinces.

Hon. Mr. VIEN: I would suggest that Mr. Bryce has given us all the information we can reasonably expect from him. As to the policy of the department, Mr. Bryce has indicated that the Minister of Resources and Development is responsible for carrying out the federal government end of it. If at a later date an occasion arises, we can have the Minister or the Deputy Minister of that department explain to us how they proceed and what safeguards they are providing in that respect.

Hon. Mr. GOLDING: Mr. Bryce, in connection with the agreement between the federal and provincial governments to put these roads down, is there any agreement also to provide for their upkeep later on?

Mr. BRYCE: I do not believe so.

Hon. Mr. GOLDING: That is what I thought.

Mr. BRYCE: I think this only relates to the capital cost.

Hon. Mr. GOLDING: Yes.

Mr. BRYCE: The provinces will be responsible for the maintenance of the road.

Hon. Mr. HAIG: The federal government will be asked for the maintenance of the road just as sure as tomorrow's sun will go down.

Hon. Mr. GOLDING: But there is no agreement at the present time about the upkeep of the highway?

Mr. BRYCE: No.

Hon. Mr. HAIG: Supposing Manitoba passes a law prohibiting any truck weighing more than two tons from passing over the Trans-Canada Highway running through Manitoba. What will happen to a truck of that weight when proceeding from Ontario to Saskatchewan?

Hon. Mr. BEAUBIEN: It will be violating the laws of the province of Manitoba if it proceeds through that province.

Hon. Mr. GOLDING: Ontario has laws of that kind too.

Hon. Mr. HAIG: There will be competition for the railroads, and every person who buys a licence for his private car will be affected. I came up to Ottawa the other day from Montreal on No. 17 highway and I was alarmed at the way five and six ton buses whizzed by us.

Hon. Mr. VIEN: They are fifty feet long.

Hon. Mr. HAIG: It was a new car and we were driving along at forty miles an hour and these buses just went by us as though we were standing still.

The CHAIRMAN: May I suggest to the committee that we will not get very far by discussing this matter. I think Senator Vien's suggestion was a good one. If later on we find an opportunity to do so we can get more detailed information.

Hon. Mr. BEAUBIEN: I just wanted to get this thing right. That is the only reason I interfered.

The CHAIRMAN: Shall we carry on to item 32 "Movement of Mail by Land, Air and Water (Post Office)". Twelve years ago it was \$15 million and last year it was \$36 million, an increase of roughly \$3 million over the previous year. I do not suppose there is anything here that calls for comment.

Hon. Mr. HAIG: There is just one comment I should like to make. I want to thank the Post Office Department for the efficient service it is giving us for mail from Manitoba to Ottawa.

The CHAIRMAN: I think that is a well-deserved compliment. Is there anything further on item 32?

Hon. Mr. ISNOR: Mr. Bryce, do you have any jurisdiction, or, would the Post Office authorities come before you in connection with increases such as they propose in the rates of newspapers as covered in the recent statement by the Postmaster General?

Hon. Mr. HAIG: That is a question of policy.

Mr. BRYCE: This legislation is dealt with normally by the Cabinet and, of course, the Minister of Finance normally wishes to look at it. He did ask me to examine the financial provision of the postal Bill.

Hon. Mr. ISNOR: Then it would come before you and you would have an opportunity to decide as to whether rural route papers in comparison with weeklies—

An Hon. SENATOR: Oh, now!

Hon. Mr. ISNOR: Well, just let the witness answer the question.

Mr. BRYCE: The departmental officials do not decide on matters of this kind. The departmental officials merely provide their Minister with information and any advice the Minister asks for.

Hon. Mr. ISNOR: I see, that is as far as you go. You would not be in a position to say that there is discrimination in the rural districts because of an increase in the newspaper rates?

Mr. BRYCE: No, sir.

Hon. Mr. BEAUBIEN: Does the revenue of the post office cover the expenditures fairly well?

Mr. BRYCE: Broadly speaking, yes. Naturally each year there might be a slight difference one way or another.

The CHAIRMAN: That is after carrying scores of tons of franked mail?

Hon. Mr. HAIG: Yes.

Hon. Mr. GOLDING: How do they stand after paying rent for their buildings and so on?

Mr. BRYCE: I believe last year they had a small deficit of a few million dollars in a business of roughly \$90 million. The Post Office endeavours to cover its costs out of its revenues. It is true that the rental value of the buildings they occupy might be 5, 6 or 7 million dollars, but, on the other hand, they do provide to the government departments and members and senators, services worth some millions of dollars as well.

Hon. Mr. HAIG: Quite right.

Mr. BRYCE: If all the accounts were in and they were charged for building facilities they occupy, and if they charged government departments, as least, for all the mail they carry on their behalf, we do not believe it would greatly affect the outcome. We think in the Department of Finance that it would make a clearer picture for parliament and the public to understand.

Hon. Mr. VIEN: Post offices are public buildings administered by the Department of Public Works?

Mr. BRYCE: Yes, sir.

Hon. Mr. VIEN: Does the Post Office Department lease the premises?

Mr. BRYCE: No, sir.

Hon. Mr. VIEN: They are supplied free of charge?

Mr. BRYCE: Yes, sir.

Hon. Mr. VIEN: So the expense of maintaining public buildings for the postal service comes under "Public Buildings" in the Department of Public Works.

Mr. BRYCE: Yes, sir. I believe, sir, that the costs for some of the very small post offices are paid out of revenue.

The CHAIRMAN: For instance, a revenue postmaster who gets a commission on the sale of stamps and orders would heat his own premises, I take it?

Hon. Mr. VIEN: Not always.

Mr. BRYCE: I hesitate to generalize, Mr. Chairman, because I believe there are certain differences of detail.

Hon. Mr. VIEN: In Montreal—and I believe the same is true of Toronto and elsewhere—the sale of stamps is a concession to individuals, who get a commission on the volume of sales they make.

The CHAIRMAN: What I had in mind was a post office in a small village of, say, fifty persons. The postmaster there usually does not receive a salary, but gets a commission on the stamps and orders he sells. I think it will be found that he provides his premises and heats them.

Hon. Mr. BEAUBIEN: He gets a certain rental.

Hon. Mr. HAIG: Some do and some do not.

Hon. Mr. ISNOR: Mr. Chairman, may I ask Mr. Bryce a question? Did I understand you correctly, Mr. Bryce, to say that apart from last year, when there was a small deficit, the Post Office Department has for a number of years had an operating surplus?

Mr. BRYCE: I hesitate to speak definitely, sir, without looking at the figures. At page 328 of the main Estimates it will be seen that the Post Office net revenue forecast for the year 1950-1951 is \$89 million. The total of all votes for the Post Office Department in that year was \$87.6 million. In addition, however, there was a supplementary estimate at the end of the year, I believe largely to meet increased cost of railway mail service, of \$5 million, if I remember correctly; so that all told the votes amounted to \$92.6 million, and the forecast revenue was \$89 million.

Hon. Mr. ISNOR: On those figures there would be a deficit of how much?

Mr. BRYCE: A deficit of something more than \$3 million.

Hon. Mr. REID: The table that we have before us contains four columns of figures: one for 1938-39, one for 1949-50, one for 1950-51 and one for 1951-52. The figures shown for 1951-52 are of course estimates. Are the figures for 1950-51 the total expenditures for that year, including the millions of dollars voted as supplementary estimates, or are they merely the amounts shown in the main estimates for that year? What I want to find out is if we have a fair basis of comparison between these two years.

Mr. BRYCE: The figures for 1950-51, sir, are the estimates for that year with the exception of the final supplementary estimates at the end of March. I may say that I always have considerable difficulty in explaining to the Press that the main estimates endeavour to cover all intended expenditures that are decided upon at the time the estimates are tabled and that nothing is deliberately or knowingly postponed until the supplementary estimates are brought in. And in so far as the supplementary estimates for the previous year cover new developments, new programs, new policies and so on, the costs for these are included the following year in the main estimates. But experience has shown that towards the end of every session it is necessary to bring down supplementary estimates to cover expenditures that had not been decided upon when the main estimates were introduced. I would add that traditionally the deficits of the Canadian National Railways and Trans-Canada Airways are voted at the end of the fiscal year, and of course, these are not shown in the figures in this table for either 1950-51 or 1951-52.

Hon. Mr. REID: The total of the figures given here for the year 1950-51 is \$1,957,972,000, and the total for the year 1951-52 is \$1,922,704,000. On the face of it that looks like a decrease in expenditures this year, but we are unable to tell whether this is so without knowing the amount of the supplementary estimates. When all the figures are included there might be an increase this year?

Mr. BRYCE: That might well be.

Hon. Mr. REID: We should keep that picture clearly before us. It is not necessarily a reduction that we are looking at, for we have not the final supplementary estimates before us.

The CHAIRMAN: Quite true. We come now to Item 33, Deficits-Government Owned Enterprises.

Hon. Mr. HAIG: Tell us what they include.

Hon. Mr. REID: They include the C.B.C.

Mr. BRYCE: It includes provision for the deficits incurred in the operation of the Hudson Bay Railway, the Northwest Communications System, the Prince Edward Island Car Ferry and Terminals, the Canadian National (West Indies)

Steamships Limited, Churchill Harbour, and the Canadian Broadcasting Corporation, when we supply anything for its deficit; and for the years prior to 1950-51 the figures include in the table the deficit of the Canadian National Railway and the Trans-Canada Airways.

Hon. Mr. REID: Why does it include the Canadian National (West Indies) Steamships Limited, and not the C.N.R., which is operated by the government?

Mr. BRYCE: We are able to make some rough anticipation of the steamships deficit, but as to the Canadian National Railways deficit, it is the relatively small difference between two huge figures; at the beginning of the year it is impossible to say whether it will be \$3 million or \$30 million.

Hon. Mr. REID: Item 33 does not include all government owned enterprises?

Mr. BRYCE: No sir, because it does not include the final supplementary estimates.

Hon. Mr. HORNER: The government owned synthetic rubber plant is not included here.

Hon. Mr. HAIG: But they are making some money there.

Mr. BRYCE: They have been making some money, that is true.

Hon. Mr. ISNOR: Does it include the operations of the Canadian Commercial Corporation?

Mr. BRYCE: No, the C.C.C. does not normally operate at a deficit. Certain funds are voted to meet the costs incurred by the C.C.C. in its purchasing for National Defence. Those are voted as a special appropriation in themselves.

Hon. Mr. ISNOR: I note at page 102 of the green book, the Budget Speech, there is shown for the C.C.C. the sum of \$2,500,000.

Mr. BRYCE: Yes; those figures were for 1947.

Hon. Mr. ISNOR: And it shows a credit to the Canadian Wool Board. That is an operation carried on by the C.C.C., is it not?

Mr. BRYCE: No; it was carried on separately, I think, under the Wartime Prices and Trade Board.

Hon. Mr. ISNOR: But is now carried on by the C.C.C.?

Mr. BRYCE: Well, it was until the end of March, and now by the Defence Production Department.

Hon. Mr. ISNOR: The main point I want to make is that it shows a credit of \$6,457,000.

Mr. BRYCE: That is repayments of moneys that have been advanced to them, or profits they made in their operations.

Hon. Mr. ISNOR: Is it profit or the repayment of funds?

Mr. BRYCE: It is a repayment, or a credit of that nature, a payment to the Crown.

Hon. Mr. ISNOR: You are not in a position to say that it is a profit as a result of their transactions?

Mr. BRYCE: I am sorry, but that happened more than five years ago, and I cannot now recollect what it was.

Hon. Mr. ISNOR: I am thinking more of the present day, whether their operations would be on a par with that.

Mr. BRYCE: Well, wool prices go up and down, and it is pretty hard to say what is going to happen.

The CHAIRMAN: Are there any further questions?

Hon. Mr. HAIG: Pass.

The CHAIRMAN: That brings us to the end of the special categories. There is shown here the total of the special categories, and from that is taken the

Estimated Savings and Recoverable Items. If Mr. Bryce can, I think he should give us a word of explanation on that.

Mr. BRYCE: In the Department of Veterans Affairs you will find, for example, one of the largest of the recoverable items. They recover certain of the costs of operating their hospitals, from patients or departments, or the armed services, who are not entitled to free treatment.

Hon. Mr. HAIG: And they are renting some space in the hospitals to the public, under certain conditions.

Mr. BRYCE: Yes, I think so.

Hon. Mr. HAIG: Where there is space, the public is being allowed to use it and is being charged for it.

Mr. BRYCE: For example, if you look on page 517 of the Estimates you will see an amount recoverable for treatment of patients who are not the responsibility of the Department of Veterans Affairs, an amount of \$2,900,000. As you see, that covers well over half of this item; and in certain other cases there are similar—

Hon. Mr. HAIG: They are doing it in Toronto, I know.

Hon. Mr. ISNOR: Would there be a recoverable item from sick mariners, by the Department of Transport?

Mr. BRYCE: There might be some for sick mariners; there might be some from the Department of National Defence, and some from R.C.M.P.

The CHAIRMAN: Any further questions?

Hon. Mr. VIEN: What is the nature of the estimated savings?

Mr. BRYCE: That is one of the more complicated small items. In some cases we have provided an over-all figure in the votes for this, that and the other; then, at the bottom we deducted an estimated savings in the total as compared with the total of the individual items.

Hon. Mr. VIEN: Savings means, I take it, that the total amount estimated may not be expended, and the savings is to cover the margin.

Mr. BRYCE: Yes, that is right, sir.

Hon. Mr. VIEN: It is not savings in the ordinary sense of the word?

Mr. BRYCE: No. There was no easy and perfectly accurate word to be used, and we thought "savings" would probably be better understood than anything else.

The CHAIRMAN: If there are no further questions, that concludes this part of the inquiry. The committee will adjourn until Tuesday next, when Mr. Bryce will again be with us.

The committee adjourned until Tuesday, May 29, at 10.30 a.m.

1951

THE SENATE OF CANADA



PROCEEDINGS
OF THE
STANDING COMMITTEE
ON
FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1952

No. 6

TUESDAY, MAY 29, 1951

THE HONOURABLE THOMAS A. CRERAR, P.C.,
CHAIRMAN

WITNESSES:

Mr. J. H. Lowther, Director, Public Finance and Transportation Division,
Dominion Bureau of Statistics.

Mr. H. Marshall, Dominion Statistician.

APPENDIX "C"

Combined Revenues and Expenditures—All Governments in Canada
(Fiscal Years ending nearest to December 31, 1939, 1948 and 1949).

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951

THE STANDING COMMITTEE ON FINANCE

The Honourable THOMAS A. CRERAR, P.C., Chairman.

The Honourable Senators

Aseltine	Golding	McKeen
Baird	Gouin	McLean
Barbour	Haig	Moraud
Beaubien	Hayden	Paterson
Bouffard	Horner	Petten
Buchanan	Howard	Pirie
Burchill	Howden	Reid
Campbell	Hugessen	Robertson
Crerar	Hurtubise	Roebuck
Davies	Hushion	Ross
DuTremblay	Isnor	Taylor
Euler	King	Turgeon
Fafard	Lacasse	Vaillancourt
Farquhar	Lambert	Veniot
Farris	McDonald	Vien
Fogo	McIntyre	Wilson

ORDER OF REFERENCE

EXTRACT from the Minutes of the Proceedings of the Senate, Wednesday, March 14, 1951.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1952, in advance of the Bills based on the said estimates reaching the Senate: That it be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal governments in Canada, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

L. C. MOYER,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

TUESDAY, MAY 29, 1951.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.30 a.m.

Present: The Honourable Senators, Crerar Chairman, Aseltine, Barbour, Beaubien, Buchanan, Euler, Golding, Gouin, Haig, Horner, Isnor, King, Lambert, McDonald, Reid, Taylor and Vaillancourt.—17.

In attendance: The official reporters of the Senate.

Consideration of the order of reference of March 14, 1951, was resumed.

The following were heard:

Mr. J. H. Lowther, Director, Public Finance and Transportation Division, Dominion Bureau of Statistics.

Mr. H. Marshall, Dominion Statistician.

Mr. Lowther filed a document showing the combined revenues and expenditures—all governments in Canada, for the fiscal years ending nearest to December 31, 1939, 1948 and 1949.

Ordered that the said document be printed as an Appendix to Proceedings No. 6.

At 12.15 p.m. the Committee adjourned until tomorrow, Wednesday, May 30, 1951, when the Senate rises.

Attest.

JOHN A. HINDS,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE

OTTAWA, Tuesday, May 29, 1951.

The standing Committee on Finance, which was authorized to examine the Estimates laid before parliament for the fiscal year ending March 31, 1952, met this day at 10.30 a.m.

Hon. Mr. Crerar in the Chair.

The CHAIRMAN: Will the Committee please come to order. I mentioned in the house last evening that Mr. Bryce would not be here this morning; he told me on Monday that he had another important meeting to attend today, and I have arranged with Mr. Lowther of the Public Finance Division of the Bureau of Statistics to come and talk to us about the results of his inquiries into the total of government revenues and government expenditures at all levels of government in Canada. The statement was circulated to members of the Committee, and I hope that you have brought it with you today. I will now ask Mr. Lowther to come forward.

Perhaps I should explain to the Committee that in the Bureau there is a time lag in getting the detailed accurate figures together. I have asked Mr. Lowther to make an estimate of the total revenues and expenditures of all governments for 1950 and 1951. He will explain to us the basis upon which these estimates are worked out.

The estimates for 1951 are taken from the budget speeches of the provincial governments, all of which Mr. Lowther has for this year. The information on all municipalities is not available, but Mr. Lowther will, I think, explain that his estimates for this year are approximate but that they will be accurate within a narrow margin. He is assuming that in 1951 the municipalities will spend not less than they spent in 1950, in the aggregate; the probability is that they will spend somewhat more, for in my observation of the struggles of municipal councils in the larger cities, their budgets this year tend to go up, and there is a constant effort to find new revenues to meet additional expenditures.

With that preliminary word, it might be well to have Mr. Lowther indicate briefly what the Bureau hopes to achieve in getting these figures together, and explain to us how they are arrived at.

Hon. Mr. McDONALD: Mr. Chairman, what is included in the municipalities revenues and expenditures? Does that include all municipalities and cities?

The CHAIRMAN: Municipalities and cities.

Hon. Mr. ASELTINE: Cities are municipalities.

Hon. Mr. McDONALD: I understood the Chairman to say that it is not complete. In what sense is it not complete, Mr. Chairman?

The CHAIRMAN: It is not complete for 1951, in the sense that these figures have not yet all come in to the Bureau; there is, however, a safe assumption that the municipalities over all will not spend less in 1951 than they spent in 1950. I mentioned a moment ago that such evidence as we have is that the tendency in the larger cities is to increase their expenditures. So it is a safe assumption, I think, to take the 1950 level of expenditures by municipalities and apply that to 1951; and if anything we will be erring on the safe side.

I have just one word more. These statements which we have before us are very interesting. They are headed "Combined Expenditures—All Governments in Canada for 1939, 1948 and 1949". As I have already stated, the figures for 1950 can be accepted as correct within a narrow margin, and probably the 1951 figures can also be accepted. The complete data have not come into the Bureau so that they can be estimated down to the last decimal point.

You will observe on this first statement of combined revenues that there is an analysis of the source from which taxation is derived, and they are grouped under headings: Income and Corporation Taxes; No. 6 is Succession Duties, and shows the total taken out of the public for that purpose. Nos. 7-15 includes Real and Personal Property which is practically all municipal; Customs Duties and other Import Taxes; Excise Duties and Sales Taxes; Gasoline Tax, Liquor including Liquor Control; Tobacco; General Sales Tax; Amusement Tax; Other Commodities and Services; and then Licences, Permits and Fees; C.N.R. Income Surplus, if any; Municipal Public Utility Contributions, and a basket item called Other Revenue.

You will observe that on the expenditure side there is an analysis of where all the revenue goes; Debt Charges; Public Welfare, and Items 2-7 cover the various divisions. Item 10 shows the amount spent on Transportation, Highways, Bridges, Airways, Railways, Waterways, etc. The next item is Agriculture, followed by Public Domain, National Defence, Veterans' Pensions and Aftercare; the item of mutual aid, what we spend on expansion of industry, and these other items. Now that will give a picture of what we are trying to probe today, and I shall ask Mr. Lowther to give an explanation as fully as he cares to make it of the manner in which, as Director of the Public Finance Division of the Bureau, he gathers that data and analyses it and puts it in the form that we have it before us today.

Hon. Mr. ISNOR: Just before Mr. Lowther goes on with his statement; under what column would I find a complete total of the amount spent for transportation, highways, etc., by the federal government, provinces and municipalities,—the grand total?

Mr. J. H. LOWTHER: In the first group of columns on the second statement, sir, opposite item 10, 1949, total expenditures by all levels of government on transportation, highways, bridges and so forth are \$514,825,000.

Mr. ISNOR: That represents what?

Mr. LOWTHER: That represents the total expenditures by the federal, provincial and municipal governments on roads and highways, assistance in building waterways, and that sort of thing.

The CHAIRMAN: Now, shall Mr. Lowther proceed? Very good, Mr. Lowther.

Mr. LOWTHER: To begin with, there are three principal points which I think might be explained in order that your Committee will be thoroughly aware of the basis upon which these figures are drawn up. First, as honourable senators will probably all know, not all governments have the same fiscal year end. So the first problem is to reduce the statistics, so to speak, to the nearest common fiscal period applicable to the majority of the levels of government; so that we take fiscal years ending nearest to December 31st in each of the years shown. Thus, when I refer to 1949, as it applies to the federal government that would be the fiscal year ended March 31, 1950; and similarly with the provincial governments whose fiscal years end March 31st. During this period there are only two provinces whose fiscal years ended other than on March 31st. One of them was October 31st and one was November 30. So that, as I said before, in compiling these data we use fiscal periods ending nearest to December 31st, thereby bringing the operations of all levels of government into one grand total for the most common fiscal period.

That also explains, I should add, the reason why, as your Chairman pointed out in his opening remarks, at this date we are not able to give you complete details of revenues or expenditures for 1950 or 1951. 1950, for instance, would be the fiscal year ended March 31, 1951; and as you all probably know, the provincial governments' public accounts are never available until some time anywhere from a year to fourteen months after the end of the fiscal year. Consequently, any figures that I quote to you this morning for 1950, or for the 1951 period, which will be the estimates for March 31, 1952, will be purely estimates, and, as your Chairman pointed out, would be subject to a margin of say error or a degree of change when the final figures do become available.

The CHAIRMAN: Just there: those would be however approximately correct, within a narrow margin of error?

Mr. LOWTHER: Well, I would think so, yes. They would certainly be good enough for considerations of the type that your committee is giving to this problem. They would not have the same degree of accuracy as an audited financial statement, but they would be satisfactory for the purpose of a broad consideration of the economic impact of government transactions.

The second point, which is rather important, is our treatment of payments made by one government to another government. There are two classes of payments involved in such transactions, one being grants towards the cost of certain services that are performed by another level of government. For instance, one of the best illustrations of this point is in the case of old age pensions. As you all know, the actual expenditure on the pensions is made by the provincial government, with the federal government contributing a percentage or a portion of that cost. In other words, the federal government itself does not pay any old age pensions, but it pays the money to the provinces, and the provinces in turn pay the pension recipients. For the purpose of these statistics, we try to avoid duplication. As you will appreciate, if we show that expenditure for old age pensions—the amount paid by the federal government—as an expenditure, and if we also show as an expenditure the total amount paid by the provinces to the recipients of old age pensions, there would be a duplication to the extent of the federal government's contribution towards those costs. Consequently, in the case of any grants in aid, so to speak, towards the cost of services made or provided by provincial or municipal governments, the revenues they receive or the grants these governments receive from other governments are deducted from their expenditure, so that our expenditures represent the net cost of all of these services to the governments in question. Thus, the amount shown as expenditures on old age pensions under the columns headed "Provincial Government" would be the net cost to the provinces for old age pensions, after deducting what they get from the federal government. The same situation will apply in respect to the federal health grant system. What we show as expenditure for health will be the net provincial expenditures upon health.

Hon. Mr. HAIG: Good roads would be the same way? Highways?

Mr. LOWTHER: That is right.

Hon. Mr. HAIG: The Trans-Canada highway would be the same?

Mr. LOWTHER: That is right. The same would apply between municipal and provincial governments.

The second type of transaction, however, which we treat differently is general subsidies or grants that are made by one level of government to another, without any specific purpose being attached to the payment, such as the British North America Act subsidies, for instance. They are not necessarily related to any particular service that is rendered by the provincial government. Neither are the payments made by the federal government to the provinces under the Dominion-Provincial tax agreements. Those payments, therefore, in these

tables are excluded from the revenues of the provinces and also excluded from the expenditures of the federal government. If you look at line 24, for instance, of your first extended table, the totals on that line will indicate the total revenues derived from the general public, so to speak, by all levels of government. Similarly, on table 2, line 19 indicates the total amount spent by all levels of government, exclusive of those inter-governmental transfers, as I mentioned previously. For balancing purposes these are also left out of the revenue side, but shown below in each table. If you are looking at the transactions of any one level of government you can find out their total revenues or expenditures by adding back the inter-governmental items. In 1949, on this basis of compilation the revenues of the dominion were \$2,411,000,000, and their expenditures, exclusive of what they paid to the provinces by way of subsidies, were \$2,011,000,000. In addition to this they paid \$105 million in subsidies, making their total expenditures \$2,116,000,000. Those are the two principal features of this type of compilation where you are adding the revenues and expenditures of payments between the different levels of government in order to avoid duplication in your aggregate totals for the three levels of government concerned.

The fourth point which might be of some value by way of explanation is the reason why we use terms or classifications which may not be completely familiar to you gentlemen, or which may be in conflict in some instances with the terms and expressions or classifications used in the official public accounts of the governments in question. In some respects it will also account for the fact that what we show as total revenues or total expenditures of the dominion or of the provinces may not be in absolute agreement with the total revenues and expenditures as appearing in the Public Accounts. As in the case of dominion-provincial grants, for instance, which are offset against provincial expenditures, we separate any revenues of a government that are directly associated with or related to a given service or type of expenditure, and these are deducted from that expenditure to show the net costs of the service to the government in question. That procedure is followed throughout each of these series both in the federal, provincial and municipal fields. In other words, these are what we refer to as the net combined revenues and expenditures of governments.

For the purpose of these statistics we have classified the expenditures of all governments according to what we call functions of expenditure. They represent the services rather than the administrative agency or arm of government that is responsible for rendering the service. Similarly we have established a standard classification for allocating revenues of all levels of government in order to bring them all into perspective according to common terms. I think, Mr. Chairman, subject to any question the members might wish to ask, that this explanation might suffice for the time being.

Hon. Mr. REID: Has any check or survey been made comparing budget estimates with expenditures? What I have in mind is that there seems to be a tendency on the part of most governments today to put out as lean a budget as possible, but they over-expend. I was wondering if the trend today is that way or am I wrong in my thinking? It seems to me that the budget puts out a fairly nice picture but when you check the expenditures the following year with the budget you see that there is a great deal of difference. I am thinking of provincial and dominion levels. Do you find that tendency?

Mr. LOWTHER: Generally speaking as to revenues, I think that would be the case in the majority of instances with the exception of municipal governments.

Hon. Mr. REID: They do not put out a budget; they just put out a balance sheet.

Mr. LOWTHER: They all have to budget on some basis or other but their method of raising revenue is vastly different from the method of raising revenue that is used by the provincial and federal governments. Therefore, when they levy a tax, that is all the money they have. It is not a question of them getting more taxes as the result of a higher level of employment and income in a given fiscal period. When they fix the tax rate and it is applied to the assessed value, that is all the revenue they get in that year regardless of the general level of economy in the country; whereas in the provincial and federal fields a higher level of economic activity will automatically, in many instances, result in a greater revenue yield than was originally anticipated when the estimates were first struck.

Hon. Mr. REID: This may not be a fair question to ask but do you find in your surveys that budget speeches of most governments are not always a true and correct picture? I am referring particularly to my own province of British Columbia. When the Minister of Finance brings down his budget he wants to present a nice picture, but it does not always reveal a true picture. To me it seems that this tendency is growing more and more. In other words, they are endeavouring to put it over on the public.

Hon. Mr. GOLDING: I think every municipality has to have a budget whether it is a city, town or township. It is on that that they base their tax rate for the year. It may not be as elaborately prepared as a provincial or federal budget but nevertheless you have to have a budget to fix your taxes.

Mr. LOWTHER: That is right.

Hon. Mr. REID: I think that is understood but they usually do not give a set budget speech outlining the exact finances of the municipality. The municipal council meet and they present an estimate of the expenditures and thereby set the mill rate. The provincial governments bring down a budget speech purporting to show the facts.

Hon. Mr. EULER: You would hardly expect this witness to express an opinion as to whether the governments are trying to put anything over on the public.

Hon. Mr. REID: I think Senator Euler is reading something into my question which I did not mean to be there. I asked the witness a specific question. I know just what the witness can answer as well as anybody else.

The CHAIRMAN: Please address all remarks to the chair.

Hon. Mr. ISNOR: I should like to ask the witness where I would find the total cost of our highway systems, dominion, provincial and municipal costs?

Mr. LOWTHER: You mean the total cost to date?

Hon. Mr. ISNOR: No, for any one year. Take 1949, including the upkeep.

Mr. LOWTHER: Well, it would be included in that same item—

Hon. Mr. ISNOR: No. 10.

Mr. LOWTHER: —that I referred to before; but you could not assume that the figures shown relate solely to highway expenditures. There are other items of expenditures for other transportation costs which will also be included in that figure.

Hon. Mr. ISNOR: Does that include capital expenditure plus maintenance?

Mr. LOWTHER: That is right.

Hon. Mr. ISNOR: What other items besides highways, bridges, airways, etc.?

Mr. LOWTHER: For instance, the federal government spends a good deal of money on canals, waterways, rivers and breakwaters, maintenance and services in the Department of Transport through aids to navigation and that sort of thing.

Hon. Mr. ISNOR: Would it be safe to say that that is the total cost apart from railways and airways?

Mr. LOWTHER: I do not follow your question, sir.

Hon. Mr. ISNOR: I am trying to arrive at the transportation charges, and I use highways as an illustration. What are the total transportation costs to the public?

Mr. LOWTHER: Well, these figures that appear on this line would indicate the total expenditures by governments on transportation facilities—public transport facilities.

The CHAIRMAN: By way of illustration, this item of expenditure, Transportation, Highways, Bridges, Airways, Railways, Waterways, etc., include roads, harbours, canals and everything of that sort. The total expenditure in 1949 of all governments was \$514 million, and the total expenditure by the Dominion was \$157 million, and the provinces spent \$254 million, and the municipalities \$102 million. Those are all in round figures.

Hon. Mr. ISNOR: I come back now to my question which I asked a moment ago; that is the total expenditure in so far as our transportation system is concerned, apart from the cost of railways and airlines, is that correct?

Mr. LOWTHER: It would include, for instance, these figures for the federal government, including the deficits of the C.N.R. in the years in which a deficit occurred, and a deficit was incurred in each of these years shown here. It will be observed that there is a footnote² which appears opposite the item under the columns, Dominion. That footnote reads "Includes deficits (net after deducting profits) of miscellaneous government-owned transportation enterprises—Prince Edward Island Car Ferry, Hudson Bay Railway, Canadian National Railways, Trans-Canada Airlines, Quebec and Churchill Harbours, and Canadian National (West Indies) Steamships Limited".

Hon. Mr. EULER: Do you mean to say that the Hudson Bay Railway shows a profit?

Mr. LOWTHER: No; that it is in the deficits included in these figures of expenditures; in other words, if any transportation enterprise of the government incurs a deficit which is met out of the Consolidated Revenue Fund, it would be shown as part of the expenditure on transportation for that particular year.

The CHAIRMAN: It might be useful to look for a moment at the details of where the revenues come from.

Hon. Mr. BARBOUR: Mr. Chairman, before going to that, I observe that most of our increases arise from five items: Item No. 2, Health and Hospital Care; No. 3, Labour and Unemployment Insurance; No. 5, Old Age Pensions; No. 6, Family Allowances; and No. 18, Other Expenditures. In Item 18 there seems to be an increase to \$494 million. What does that include, National Defence?

Mr. LOWTHER: No; National Defence is shown under a separate item, at Line 13.

Hon. Mr. BARBOUR: But it seems to me that the bulk of the increased expenditures are contained in these five items; and, these are things which have contributed to increasing the provincial governments' budgets.

The CHAIRMAN: Under that heading, Senator, if you take the group Nos. 2-7, those are all under public welfare. The total spent in 1949 by all governments was \$801 million, of which the federal government spent \$477 million the provincial governments \$217 million and the municipalities \$107 million. That is the classification by levels of governments of this total item for public welfare of \$801 million. By the way, Mr. Lowther, have you got the figures for 1950 in total?

Mr. LOWTHER: No, I could not give you those in detail. The only figures I could even express an opinion on for 1950 or 1951 would be in totals only. As I pointed out earlier, 1950 means March 31, 1951, and some of the provinces would not even have their books closed by now, so the actual figures would not be available.

The CHAIRMAN: From what knowledge you have, is that tending to go upward or downward?

Mr. LOWTHER: Do you mean the total public welfare?

The CHAIRMAN: The total of \$801 million.

Hon. Mr. ASELTINE: Up.

Mr. LOWTHER: On the basis of these figures here the trend seems to be upward. There isn't any indication that I am aware of that the program in the future will be any less than it is today.

The CHAIRMAN: It is interesting to note that the figures under the heading "Public Welfare" show, for 1939, a total of \$208 million, for 1948 an expenditure of \$659 million, and for 1949, \$801 million. The tendency during those years, at any rate, has been upward; and it will be interesting, when we get the figures in detail next year or the year following, to see what trend it is taking.

Hon. Mr. EULER: I am sure they can't help but be upward, with the Old Age Pension increases and Children Allowance increase.

The CHAIRMAN: I should think with Old Age Pension and Family Allowance, it would increase. For instance, the Family Allowance expenditures were \$299 million, and this year it will be, I think, \$320 million. That is all federal.

Hon. Mr. EULER: If old age pensions are increased, certainly the total figure will go up.

The CHAIRMAN: With old age pensions, the amount of expenditure is tending to rise. It tends to rise also by reason of veterans allowances, that is expenditures for veterans unable to work any more; they will also rise by reason of pensions to be paid to soldiers of the Korean war; public health, and practically all divisions of public welfare will bring about an upward trend. We will have to wait for the detailed figures for another year or so.

Hon. Mr. REID: One of the greatest percentages of increase is in the matter of education, which is always looked upon as a provincial matter, and which has risen from \$3½ million in 1939 to \$28,691,000 in the last fiscal year. I mention that because there is little relief given municipalities in so far as taxes are concerned, taxes on the land, as we are still paying over 50 per cent of the entire educational cost, or were in the last fiscal year,—1949.

The CHAIRMAN: The total amount spent on education by all governments in 1939 was \$128 million; in 1948, \$364 million; in 1949, \$406 million. Of this latter figure the Dominion spent \$28,000,000. I do not know just where that came in. The provinces spent \$156 million and the municipalities spent \$221 million.

Hon. Mr. REID: I am not raising any objection to it, because I know how the municipalities are placed with regard to education. But it rather intrigued me that the Dominion, which under the British North America Act leave education to the provinces, are beginning to increase the education grants. As I say, I am not raising it by way of objection, but I would like some information as to where these grants are going.

Mr. LOWTHER: I might explain what represents the Dominion's expenditures on education. That item includes, in so far as the federal government is concerned, education of Indians, including the grants to residential Indian

schools and the expenses and administration of the Vocational Training Co-ordination Act, 1942 under the Department of Labour, and vocational training for discharged members of the armed services. We look on that as educational costs rather than post-war veterans' rehabilitation costs. So it should not be construed from these figures that, while there is an increase in the federal expenditure on education, that represents a direct payment by the federal government towards what are commonly understood as being educational systems maintained by the municipalities.

Hon. Mr. EULER: May I ask a question?—I understood when the committee first assembled that it was the opinion of the majority that we could not very profitably go into various items of expenditure, and that we were going to confine our efforts this year pretty much to having people come here, experts, some from the United States, some from Canada, to give us a sort of over-all picture of the reasons for the expansion, and that sort of thing. Now, I think we are doing just about the same as we did last year, and in a similar way. I am just wondering what we get out of this, and are we departing from what, to my mind, we decided on doing.

The CHAIRMAN: There is something to that point, Senator Euler, all right. We must try and keep ourselves, if we can, to the increase in the over-all expenditures and the increase in taxation. I think the really important point that not only this committee but parliament and the country have to realize is this, that our expenditures, no matter how worthy they may be, under these different headings of expenditures that we have outlined before us in this report from Mr. Lowther, are tending steadily to rise. We see a steadily rising level of taxes; we see some provinces and many municipalities hard put to it to find where they can levy some additional taxes. The moral, it seems to me, that we may be able to draw from that is that we are increasing our expenditures at a rate much beyond the increase in our total production,—I mean, in actual production. The figures of our production are disguised very greatly by inflation, and we must keep that in mind. But speaking for myself, the more I study these figures of expenditures and of revenues, the more I observe the problems that all governments have in financing the operations they undertake, the more convinced I am that we are putting a burden upon our productive power in this country that is soon going to reach, if it has not already reached, the line of diminishing returns, and that is a thing that is very very important for the national welfare, as it is for the individual. If the individual, in the conduct of his personal business, is spending at a greater rate than he is producing, there is only one end to his show.

Hon. Mr. LAMBERT: Mr. Chairman, may I interrupt your sequence of thought for a minute?

The CHAIRMAN: Yes.

Hon. Mr. LAMBERT: Would Mr. Lowther be able to give us any light on the national welfare items, which now amount to over a billion dollars a year, including the cost of veterans' pensions and after care and the total charges for public welfare? Have you any basis on which you can compare this expenditure in relation to Canada and any other country?

Mr. LOWTHER: No, I have not.

Hon. Mr. LAMBERT: A country with a similar national income?

Mr. LOWTHER: No, I have not, sir.

Hon. Mr. LAMBERT: It would be possible to get that information, I suppose. I am not suggesting that it is the function of the Bureau of Statistics to do it, but the Department of National Welfare might have it.

Mr. LOWTHER: It would be possible to get relatively approximate expenditures of the same kind for other countries, I presume. Maybe not for such a late fiscal period.

Hon. Mr. LAMBERT: Well, would we be justified in assuming that the total figure for this current fiscal year would be probably a couple of hundred million dollars higher than that?

Mr. LOWTHER: I would not want to say whether it would or would not. A lot will depend, as the Chairman mentioned a few minutes ago, on the program of old age pensions, which may have a material effect on these totals.

Hon. Mr. LAMBERT: It practically means that one-third of our expenditures are now devoted to these items of pensions and national welfare.

Mr. LOWTHER: Well, practically one-third for the year in question.

Hon. Mr. LAMBERT: That is what I mean. These figures show \$3,496 million, and the total figure is something over a billion (and a half). So we have roughly one to three and a half.

Mr. LOWTHER: Yes.

Hon. Mr. LAMBERT: I think it would be interesting to try to relate that total item to the total expenditure and also our national income in comparison with other countries. For example, I believe that Sweden had an experiment of this kind, and it had to abandon it years ago because it was found economically impossible to support it. I may be wrong, but if my memory serves me right that actually happened. Now if economic conditions in Canada are affected to any extent, say by a possible cessation of war efforts, thus reducing our national income figure, the national welfare figure would remain practically the same, or increase; and I think that we should attempt to draw some conclusions, at any rate, regarding the percentage of that expenditure on national welfare in relation to our capacity to bear it.

The CHAIRMAN: Did I understand you to say, Mr. Lowther, in answer to Senator Lambert's question, that you would estimate our total overall expenditures at all levels of government under this heading of Public Welfare at a billion dollars?

Mr. LOWTHER: Well, Senator Lambert was including the figure for veterans' pensions and aftercare. The two figures together amount to a little over a billion dollars.

The CHAIRMAN: Can you give the committee any estimate of what these corresponding figures might be for 1951?

Mr. LOWTHER: No, I could not. Family allowances for 1951 are estimated at \$322 million, including administration, so as compared with the item of 1949, which is \$300 million, we find an increase of \$22 million. Old age pensions would obviously reflect a greater expenditure than is shown here, as the result of the program now under consideration.

Hon. Mr. GOULD: It would mean in all events that public welfare is increasing all the time. It would be interesting if we could have the proportion of that increase, but we cannot get an accurate picture of the situation because the inflation factor distorts everything. We receive a certain amount of money but it does not have the same purchasing power as it had before, and so on. You would have to reconcile the value of our Canadian dollar in 1939 as compared with 1949, and so on.

The CHAIRMAN: Are there any further questions? We have a great maze of figures before us.

Hon. Mr. BARBOUR: There must be a cause for the increased cost of provincial governments. I suggest that the increased cost of living is one of the first charges

on the civil service of the provincial governments. Then, on account of the inter-provincial agreements that have been made during the last two or three years, I think in some cases the dominion government has deliberately spent more money in order to make a more favourable agreement when the time comes. I think that has something to do with the increased cost of provincial governments.

Hon. Mr. ISNOR: I should like to have a word following up Senators Euler and Lambert. I do not think it matters which year you take. I thought your steering committee had under consideration—and I hoped you would make a report either at the last meeting or today—as to how we would travel along our road of investigation with a view to ascertaining our total income and what amount we are paying out, particularly in relation to our social services and in comparison with other countries. I thought we were endeavouring to find out whether we could afford to continue on our present scale of increase or whether we should decrease our spending. I thought that was what the steering committee was going to do. Did your steering committee consider that angle as we suggested it at our first and second meetings?

The CHAIRMAN: I should think that we should not ask Mr. Lowther any question that might imply criticism of public policies, and what he thinks might happen in certain eventualities. After all, Mr. Lowther is a civil servant. He has given us a very excellent analysis of the sources from which our taxes arise at all levels of government. He has also told us what is done with that money at all levels of government after it has been obtained. These figures have been compiled for us so that we can get a fairly accurate picture, for instance, of what the nation is spending on public health and welfare, education, transportation, highways, bridges, and so on; what it is spending on national defence. Then we have under public welfare the items broken down under half a dozen headings. This is very useful information if we want to get a true picture of our whole national economy. Then on the revenue side we find where the taxes come from. There is one group of personal income tax, corporate income tax, corporate taxes, withholding taxes. Then the next group is indirect taxes, custom and excise taxes, gasoline taxes, liquor, tobacco and general sales taxes. For instance, it is interesting to note on the general sales tax in 1939 we took \$144 million out of the Canadian people. In 1949 we took \$478 million out of them. With the increase in the sales tax that item will be up in 1951, assuming that we do the same volume of business nationally. I think it is very useful information in getting an analysis of the state of our economic health.

Hon. Mr. ISNOR: I do not wish to ask Mr. Lowther any embarrassing questions in regard to policy. I appreciate the fact that this is a very valuable document. I was trying to find out whether your steering committee had considered the all-over picture and were in a position to report as to our future program. On two occasions you told us that the steering committee would take up this matter and make a report. Have you considered the program?

The CHAIRMAN: Would you care to answer that, Mr. Lowther?

Hon. Mr. ISNOR: I am not asking Mr. Lowther, I am asking you, Mr. Chairman.

The CHAIRMAN: I am afraid you will have to repeat it.

Hon. Mr. EULER: He wants to know what your steering committee proposes to do, especially with regard to the decision arrived at that we are not going to go into a discussion of more or less small items, but in making a general survey of finances because of inflation. We should get some one here who can give us an intelligent opinion on this—and of course, that is no reflection on the present witness. I thought we were going to proceed entirely different from last year, leaving out any discussion on the small items. I think we are wasting time.

Hon. Mr. ISNOR: May I put it another way, Mr. Chairman? In business one estimates the amount of business he is going to do for the year, say 1950. We know what we have taken in here over a period of years, as shown by this table, from 1939 to 1949; we know what certain of our expenditures are. I thought that perhaps the committee would make a survey as to the possibilities of further expenditures along the line of social services, as mentioned by Senator Lambert, and consider whether Canada was in a financial position to embark on a further program of that nature. My understanding further was that your Steering Committee would think over that angle and make a report to us. I am asking you, did you do so and are you prepared to make that report today?

The CHAIRMAN: If I understand your question correctly, that would involve an examination of our economy, and in the light of that examination perhaps a judgment could be reached as to the desirability of increasing welfare expenditures. Is that what you mean?

Hon. Mr. ISNOR: Something like that. I want to know whether your committee met and laid out a program.

The CHAIRMAN: The answer to that must be no.

Hon. Mr. ISNOR: No what?

Hon. Mr. EULER: Just "no".

The CHAIRMAN: What we are conducting now is an inquiry to enlighten us on the total volume of expenditures, and particularly the effect government spending has on inflationary pressure.

Hon. Mr. EULER: Is that the determination of your Steering Committee? Have you met and have you decided that we will proceed along certain lines?

The CHAIRMAN: No, that was not the decision of the Steering Committee; that was the decision of this committee at the commencement, when we decided to drop for this session the examination into individual departments, because of the lack of time. That was a decision of the committee.

Hon. Mr. GOLDING: Mr. Chairman, I do not know but I imagine the other members of the committee are somewhat in the same position as I am. I do not worry about the revenues and expenditures as long as there is a full employment and revenues are buoyant and you are making ends meet. What does concern me is when any government, or municipality, becomes involved in fixed expenditures from which there is no withdrawal, should the revenues cease to be as buoyant as they are today. I think the government should always keep that situation in mind, before it becomes involved too deeply in fixed expenditures.

Hon. Mr. REID: May I ask the witness a question? I do not know whether he had anything to do with the information placed before the committee about National Income and Gross National Expenditure, but if he did I would point out to him an item that rather intrigues me. It shows Salaries, Wages and Supplementary Labour Income at \$8 billion 300 million; that is personal income. Personal expenditures are shown at \$11 billion \$810 million. I was wondering how one could reconcile the difference of approximately \$3 billion? Where did it come from? That has to do with personal expenditure on consumer goods and services, of \$11 billion \$810 million, out of an income of \$8 billion 300 million.

Hon. Mr. LAMBERT: You would have to add the investment income; you would not have a deficit then of \$3 billion.

Hon. Mr. REID: That may be the answer.

Hon. Mr. LAMBERT: People spend their wages and their investment incomes.

The CHAIRMAN: Are there any further questions to be asked on these statements? Mr. Lowther has explained the method by which they are arrived at. If there are any further questions Mr. Marshall, who is the Dominion Statistician, is here with one of his assistants. I understand they can give us some information on what is called our Gross National Product and the method by which we arrive at the net national income.

Hon. Mr. LAMBERT: That is very important.

The CHAIRMAN: I think there is general agreement amongst economists who study these matters about Gross National Product and net national income, that they should have a very direct relationship to the total volume of spending. If we are spending too lavishly in comparison with our total income, we are either going in debt or it is disguised by inflation. That to my mind is the most crucial thing today: There is no doubt that the inflation we have has tremendously disguised our whole economic situation. We have a dollar today which is worth in purchasing power a little more than half of what it was worth twelve years ago. We can see huge figures in dollars of our national production and our national income, but when we put those dollars back to the level of 1939 dollars, the picture is vastly different. All we are doing is deceiving ourselves. Are we through with Mr. Lowther?

Hon. Mr. ISNOR: I have one further question to ask of Mr. Lowther concerning the first item, Debt Charges, which shows a total item of \$492,265,000. The provinces, I note, decreased between 1939 and 1949 by something like \$7 million; the municipalities also show a decrease, but the federal shows a very large increase. Would Mr. Lowther tell us as to where the large increase took place?

Mr. LOWTHER: It would result from the extensive incurring of public debt that was necessary to finance the war.

Hon. Mr. ISNOR: 1939?

Mr. LOWTHER: The federal debt has increased tremendously since 1939, and that would automatically result in an increase in interest on the public debt.

For instance, the federal debt at the end of 1948 had reached a total of over \$17 billion. Even in 1944 it was \$15 billion. In 1939 it would be considerably less than that. The net debt at the end of 1939 of the federal government would be just a little over \$3 billion. The increase could not help but be reflected by a substantial increase in your debt carrying charges.

Hon. Mr. GOLDING: If the witness would just call the attention of the committee to these pages that he is now quoting from, I think the members of the committee will get some mighty valuable information in those few pages in regard to debt and expenditure and things of that kind. It goes back for more years than we are dealing with here, and it is all available in that book.

Mr. LOWTHER: For the sake of the record, Mr. Chairman, I was referring to the section on Public Finance, 285 and following pages, in the publication "Canada, 1951", a hand-book which is published by the Dominion Bureau of Statistics.

The CHAIRMAN: Copies of that would be available for members?

Mr. LOWTHER: Oh, yes. They have been sent out.

Hon. Mr. McDONALD: Might I ask Mr. Lowther what is included in item 18? There is a large expenditure there, increasing from \$185 million to \$494 million.

Mr. LOWTHER: That item includes mainly the overhead expenses of the government; for instance, in the case of the federal government; Department of Finance; Civil Service Commission; Secretary of State Department; part of the Department of Trade and Commerce; the Department of Immigration; External Affairs; the Royal Canadian Mounted Police; the Senate and House of Commons; all those service departments rather than the departments which render service to the public, so to speak.

Hon. Mr. McDONALD: Could I find from these or other records anywhere the total expenditure for publicity by the federal government?

Mr. LOWTHER: Not from our statements; but I believe that in the statement that Mr. Bryce was reviewing with you previously some reference is included. For instance, item 10 of the statement, "Films, Displays, Broadcasting, Advertising, etc." That might be so; I do not know; I would not want to comment on that myself. But it may be from Mr. Bryce's statement he could give you the information you want.

Hon. Mr. McDONALD: I was unavoidably absent last week, Mr. Chairman. Perhaps you can tell us. Is the total publicity all included under item 10?

The CHAIRMAN: No. The only explanation there is of that will be found on the back of this sheet (referring to Summary of Standard Objects of Expenditure and Special Categories, appearing as an appendix to the Estimates for the Fiscal Year ending March 31, 1952).

10. Films, Displays, Advertising and Other Informational Publicity with the exception of Publications.

Includes provision for Films, Displays and other Visual Materials; Advertising for publicity and general purposes such as for bids, tenders, purchase or sale of properties and publication of proclamations, announcements, notices, etc., and other forms of educational and informational publicity by Radio, Poster, Press and other means. Total provision for the National Film Board is coded to this Item.

Hon. Mr. McDONALD: We can work that out ourselves.

The CHAIRMAN: Well, Mr. Lowther, we have not discussed that item yet on the first page of this document (referring to mimeographed Summary of Annual Estimates), but we might be able to get more details from Mr. Bryce when he will be here on Thursday.

Hon. Mr. GOUIN: Part of number 9 deals with Publicity.

The CHAIRMAN: Yes. We want more to keep to these figures that we have here today. Any further questions? I have just one question. I want to ask Mr. Lowther—can you give us any data, provisional in character, of what the total expenditures estimated for 1950 and 1951 are?

Mr. LOWTHER: Well, as indicated in the small sheet in the folder which we are looking at, there is an approximate figure for 1950 where we estimate that total expenditures for all levels of government, exclusive of inter-governmental transfers, run in the neighbourhood of \$4,105 million. For 1951, as I indicated previously, while we have not final data available, based on a very, very rough survey of such information as is available, it would appear that the combined expenditure of all levels of government in the current fiscal year to March 31, 1952, will run pretty close to \$5 billion—federal, provincial and municipal. That will be dependent, I might add, upon a number of factors; for instance, the extent that the provinces and municipalities as well as the federal government are able to carry out their capital expenditure program as presently envisaged. It may be that with the changeover from civilian to defence production and preparation for the national defence, materials and supplies and labour that might otherwise be available for capital construction work will not be available. It may be that both the provinces and municipalities might have to curtail on that account their anticipated expenditure program.

Hon. Mr. LAMBERT: The increase in defence expenditure will pretty near bring that up to \$5 billion—alone?

Mr. LOWTHER: Yes.

Hon. Mr. ISNOR: Will you give us a definition of the term "National Income and Gross National Product"?

Mr. LOWTHER: That is a little bit out of my field, sir. However, there are other officials here who could give you that definition.

Hon. Mr. ISNOR: I thought, on account of the financial angle, you might answer that from the financial standpoint.

Mr. LOWTHER: Well, it is a subject which other people are more familiar with than I am, and I would not care to attempt to give you a definition of it.

Hon. Mr. ISNOR: That is all right.

The CHAIRMAN: Any other questions? If not, we will excuse Mr. Lowther and thank him for his presence here today and for the information he has given us.

Mr. Marshall, would you be good enough to give us some data on national gross production figures and national income figures, and how we arrive at them? I daresay that all members of the committee are well aware of the fact that Mr. Marshall is the Chief Dominion Statistician, the man who supervises the gathering of all these statistics. I think it is a fact that there is scarcely anything connected with the public business of Canada in any of its fields upon which definite information cannot be secured from our Bureau of Statistics. It is probably one of the most efficient bureaus that serves any government in the world. Now, with that little bouquet, Mr. Marshall, perhaps you could tell us what is meant by gross national production and the net national production, and how the difference between the two arises, and just what is the most useful figure for us to take for the economic state of our health.

HERBERT MARSHALL, Dominion Statistician: Mr. Chairman, and senators, I shall certainly do my best after that nice bouquet which the Chairman has presented to the Bureau. I may say that in following the discussion here this morning I have come to the conclusion that it might be a good thing if we arranged for each of the Committee members to have a copy of this pamphlet or report which I have in my hand: National Accounts, Income and Expenditure, Revised Preliminary for 1950. This report goes to great lengths to explain the various items in our national accounts and our national income statements. It has a lot of definitions at the beginning. There are so many items and so many classifications in these national accounts and national income statements, that it would be rather difficult for me in a short space of time to satisfy all the questions which you may have. What I would suggest is this, if it is in order for me to make a suggestion.

The CHAIRMAN: Quite.

Mr. MARSHALL: I would suggest that we put in the hands of all of you a copy of this report. The script part of it is not very long. It could be read and thought over and then I would come again, if you wished, and bring along with me our best experts on the national accounts and the national income. In that way I think you would have a profitable discussion and I feel sure you would understand how these accounts are made up. During the course of this morning's discussion the figure of \$8,300,000,000 for salaries, wages and supplementary labour income was mentioned. Well, of course, that is only one item in the national income. You have to add to that the military pay and allowances of \$137 million; the investment income of \$2,996,000,000; then the income of agriculture and other unincorporated business, and that gives you a net national income for the year 1950 of \$14,308,000,000. In order to get at what we call gross national product at market prices we say that this \$14,308,000,000 is net national income at factor cost. That simply means, of course, that these figures here indicate the costs or the receipts, as it were, of the various factors of production. We all know that the factors of production are land, labour and capital. In labour you have the salaries, wages and

supplementary labour income of \$8,300,000,000. Then, of course, you have military pay and allowances, which is another type of labour. Then the income from capital, \$2,996,000,000. Then there is other capital from the farm and other unincorporated businesses. You include also the income from land. So these are the amounts of income from the various factors of production: land, labour and capital. Then, in order to get at what we call the gross national product at market prices you have to add something to these costs of labour, capital and land. You have to add the indirect taxes less subsidies of \$2 billion, and depreciation allowances and similar business costs of \$1,471,000,000. Then at the end you get the gross national product at market prices. So that is the income side. Then you have the corresponding table on the other side of the page where we show what has been the disposition of this income in the year 1951. Some of it is related to personal expenditure on consumer goods and services, \$11,810,000,000.

Hon. Mr. ISNOR: Would you enlarge on that first item?

Mr. MARSHALL: On personal expenditure on consumer goods and services?

Hon. Mr. ISNOR: Yes.

Mr. MARSHALL: That means the purchasing of food, clothing, and so on. If you go to the barber and get a haircut, that is taken into consideration, and so on. All these things come under the first item. Then comes the item of government expenditures on goods and services. Then there is the item of gross home investment. There is investment in plant, equipment and housing. Then there is the item of change in inventories. That all goes on the expenditure side.

Hon. Mr. ISNOR: Before you leave that item of change in inventories, what does this figure of \$805 million mean?

Mr. MARSHALL: This means the accumulation of inventories during the year 1950. You consider the inventory value at the beginning of the year and the one at the end of the year, and these figures are the result.

Hon. Mr. ISNOR: By whom?

Mr. MARSHALL: Business firms, wholesale and retail stores, and so on.

Hon. Mr. LAMBERT: Rising prices have a good deal to do with this.

Mr. MARSHALL: That is true, but we have in another table made a calculation of national income deflated. That is based on 1939 cost in dollars.

The CHAIRMAN: We have not got copies of this report, but Mr. Marshall has been kind enough to say that he can supply us with them. May I suggest that we wait for an examination of this until we have these copies before us? We should have an opportunity of examining it. Then some day this week Mr. Marshall, if you and your assistants could come over when the Senate rises, we might take a couple of hours in the afternoon to go into this. Would that be convenient to you?

Mr. MARSHALL: I would be very glad to do that.

The CHAIRMAN: Does that meet with the wishes of the committee?

Hon. Mr. GOLDING: I think that is a good idea.

The CHAIRMAN: I have a feeling that we are proceeding a little in the dark here.

Mr. MARSHALL: May I make one more suggestion? One question which came up this morning was as to the percentage of our gross national expenditures which was devoted to welfare services. We could get that figure for you; as a matter of fact, we can give a figure now, but it is a rough approximation. Our recollection is that it is about 7 per cent of our gross national expenditures, and that figure approximates the percentage in the United States and is a fair amount lower than the percentage in the United Kingdom.

Hon. Mr. LAMBERT: That is very useful.

The CHAIRMAN: That is the gross national product?

Mr. MARSHALL: The gross national expenditures.

The CHAIRMAN: What is the most useful figure to take, the net national income or the gross national product?

Mr. MARSHALL: It depends a lot on what you are to use it for.

Hon. Mr. LAMBERT: In the particular question I asked this morning it was based on the total expenditure at the 1949 figure, of practically \$3½ billion. Veterans' pensions and aftercare, plus the total of public welfare, amounted to something over \$1 billion. I assume that about one-third of the expenditures for a year is represented in these social services.

Mr. MARSHALL: Yes.

Hon. Mr. LAMBERT: I mentioned that just by way of example to try and figure out a comparison of percentage to see whether the country could afford to devote that much to that sort of thing. One might say the same about national defence, although there is no limit to what the country can afford when it has to spend the money. I do not know whether you would put Public Welfare and National Defence in similar categories.

Mr. MARSHALL: It would be difficult for us to give an opinion, of course, as to the amount that could be spent for such things as that, but we can do something about percentages based on the actual facts.

Hon. Mr. LAMBERT: You mentioned the figure of 7 per cent of national income, which I know is the general basis on which social welfare expenditures are made; but that national income figure is going to decline a lot faster than social welfare charges will decline, should we run into anything like economic adverses. We must think about a mean level of these expenditures in relation to income.

Hon. Mr. REID: May I ask Mr. Marshall if the 7 per cent applies to all governments?

Mr. MARSHALL: That is for the total social welfare program in Canada, I understand.

Hon. Mr. REID: The reason I asked the question is that I know many municipalities spend more than 7 per cent for social welfare. Perhaps spreading it over the provinces and the Dominion, it might average out to 7 per cent.

Mr. MARSHALL: I have just given this figure from memory. I did not look it up before we came here, so please do not regard it as final. We can ascertain the precise figure for you later.

Hon. Mr. GOUIN: It would be interesting to know what proportion of expenditures for public welfare is represented in our total national expenditures.

Mr. MARSHALL: Yes.

The CHAIRMAN: I would suggest, Mr. Marshall, that it might be useful also to have the relationship of that percentage to the net national income—is that the way you describe it?

Mr. MARSHALL: Yes.

The CHAIRMAN: For instance, about \$1½ billion disappears in depreciation.

Mr. MARSHALL: Yes.

The CHAIRMAN: That is, all over Canada machines are wearing out; they are not as valuable at January 1, 1951 as they were at the same period in 1950, and consequently that amount disappears into thin air. Is it agreeable to follow the program that has been suggested?

Hon. Mr. GOLDING: Yes.

The CHAIRMAN: When could you let us have that information, Mr. Marshall?

Mr. MARSHALL: We shall send you the copies of the national accounts right away.

The CHAIRMAN: If it arrives before 6 o'clock I shall have it placed in the members' mailboxes. You will have a chance to look it over, and be prepared to meet after the Senate rises tomorrow afternoon.

The committee adjourned until after the Senate rises Wednesday, May 30, 1951.

APPENDIX "C"

COMBINED REVENUES AND EXPENDITURES—ALL GOVERNMENTS IN CANADA

Fiscal Years ended nearest to December 31, 1939, 1948 and 1949

STATEMENTS ATTACHED

Source: 1939—"Comparative Statistics of Public Finance", prepared for the Dominion-Provincial Conference on Reconstruction, 1945.

1948 and 1949—Based on compilations of the Dominion Bureau of Statistics and Bank of Canada, for comparative purposes.

Explanatory Note: The totals appearing on line 24 of the revenue table and line 19 of the expenditure table do not include inter-governmental transfers in the form of general subsidy payments, which are set out separately at the foot of each table. For instance, the Dominion B.N.A. Act and Tax Agreement Subsidies to the provinces are excluded from expenditures of the Dominion and correspondingly omitted from the revenues of the provinces. However, grants-in-aid for specific services, such as for health or old age pensions, are included as expenditures of the government making the grant but deducted from the gross expenses of the other level of government which received the grant.

These procedures are followed to avoid duplication in order to produce additive totals of both revenue and expenditure for all levels of government.

REVENUES AND EXPENDITURES FOR ALL GOVERNMENTS, WITHOUT DETAILS FOR 1948, 1949 AND 1950

Fiscal Year Ended Nearest to
December 31st
(Millions of Dollars)

	1948	1949	1950
REVENUES ¹			
Total	\$ 3,674	\$ 3,625	\$ 4,112
Federal	2,576	2,411	2,864
Provincial	635	703 ²	708 ²
Municipal	463	511 ²	540 ²
EXPENDITURES ¹			
Total	3,121	3,497	4,105
Federal	1,799	2,011 ³	2,518
Provincial	776	865 ²	936 ²
Municipal	546	621 ²	651 ²

Footnotes:

¹—Exclusive of Inter-governmental Transfers.

²—Includes Newfoundland.

³—Excludes \$62 millions debt assumed from Newfoundland.

NOTE:—The foregoing figures for 1950 should be viewed as approximations only as they are subject to revision and adjustment when final accounts for the fiscal periods concerned may be available.

COMBINED REVENUES—ALL GOVERNMENTS IN CANADA FOR 1939, 1948 AND 1949

SUMMARY BY SOURCES

Fiscal Years Ended Nearest December 31

(Thousands of Dollars)

Item No.	Total			Dominion			Provincial			Municipal			Item No.	
	1939	1948	1949 ¹	1939	1948	1949	1939	1948	1949 ¹	1939	1948	1949 ¹		
Taxes:														
Income and Corporation Taxes—														
1.	Personal Income Tax	60,678	762,749	622,012	45,407	762,563	621,982	12,113	186	30	3,158		1.	
2.	Corporate Income Taxes	89,452	623,029	702,876	77,920	536,782	601,415	11,082	86,247	101,461	450		2.	
3.	Other Corporation Taxes	23,153	23,267	24,661	24,661	1,875 ²	3,505 ²	3,900 ²	21,278	17,762	20,761		3.	
4.	Withholding Tax	11,122	43,445	47,475	11,122 ³	43,445 ³	47,457 ³						4.	
5.	Sub-Total (Items 1 to 4)	184,405	1,452,490	1,397,024	136,324	1,346,295	1,274,772	44,473	106,195	122,252	3,608		5.	
6.	Succession Duties	27,850	54,672	58,391		25,550	29,920	27,850	29,122	28,471			6.	
7.	Real and Personal Property	248,922	341,265	375,501				5,504	4,709	4,779	243,418	336,556	370,722	7.
8.	Customs Duties and Other Import Taxes	106,819	223,786	226,403	106,819	223,786	226,403						8.	
Excise Duties and Sales Taxes—														
9.	Gasoline Tax	53,069	124,305	136,601				53,069	124,305	136,601			9.	
10.	Liquor including Liquor Control	54,423	229,712	237,876	21,014	100,875	107,077	33,409	128,837	130,799			10.	
11.	Tobacco	42,447	199,398	216,791	42,447	190,501	207,234		8,897	9,557			11.	
12.	General Sales Tax	144,861	440,502	478,718	137,446	377,303	403,437	2,717	48,351	59,274	4,698	14,848	16,007	12.
13.	Amusement Tax	2,615	19,735	17,571		2,588		2,615	17,147	17,571			13.	
14.	Other Commodities and Services	24,175	169,244	74,274	24,175 ⁴	169,244 ⁴	74,274						14.	
15.	Other Taxes	25,547	48,471	54,553				2,624	7,324	7,785	22,923	41,147	46,768	15.
16.	Total Taxes (Items 5 to 15)	915,133	3,303,580	3,273,703	468,225	2,436,142	2,323,117	172,261	474,887	517,089	274,647	392,551	433,497	16.
Licences, Permits and Fees—														
17.	Motor Vehicle	28,092	51,471	55,939				28,092	51,471	55,939				17.
18.	Other	18,498	30,793	32,656	2,542	2,977	3,430	8,975	16,118	16,356	6,981	11,698	12,870	18.
19.	Sub-Total (Items 17 and 18)	46,590	82,264	88,595	2,542	2,977	3,430	37,067	67,589	72,295	6,981	11,698	12,870	19.
20.	Public Domain	24,745	74,228	89,751	736	2,315	1,790	24,018	71,913	87,781				20.
21.	C.N.R. Income Surplus ⁵										10,181	20,415	24,378	21.
22.	Municipal Public Utility Contributions	10,181	20,415	24,378							25,155	38,313	39,866	22.
23.	Other Revenue	36,556	193,701	148,562	8,524	134,080 ⁶	82,881 ⁶	2,877	21,308	25,815				23.
24.	Total Revenue	1,033,214	3,674,188	3,624,809	480,027	2,575,514	2,411,218	236,223	635,697	702,980	316,964	462,977	510,611	24.

INTER-GOVERNMENT TRANSFERS NOT INCLUDED IN ABOVE SUMMARY														
25.	Dominion Subsidies to Provinces	19,184	17,034	18,673				19,184	17,034	18,673		25.		
26.	Provincial Subsidies to Municipalities	4,507	8,192	10,075						4,507	8,192	10,075	26.	
27.	Tax Suspension Agreements		84,279	102,913					84,279	102,913 ⁶			27.	
28.	Interest on Common School Fund and School Lands Fund Debentures	1,585	1,466	1,466				1,585	1,466	1,466			28.	
29.	Gasoline Tax Guarantee												29.	
30.	Nova Scotia Highway Tax	452	342	251				452	342	251			30.	
31.	Manitoba Municipal Commissioner	828	1,303	400				828	1,303	400			31.	
32.	TOTAL ⁷	26,556	112,616	133,778				22,049	104,424	123,703	4,507	8,192	10,075	32.

FOOTNOTES

- ¹ Preliminary; also includes Newfoundland for first time.
- ² Consists of Chartered Banks' Note Circulation Tax, and Insurance Companies Tax on Net Premiums.
- ³ Chiefly on non-residents.
- ⁴ The 3% tax on imports is excluded here and included in item 8.
- ⁵ Includes 86,142 (1948) and 31,596 (1949) being excess of refunds over expenditure re: Expansion of Industry.
- ⁶ Includes transitional grant to Newfoundland 6,500.
- ⁷ Discrepancies between the amounts shown on this table and on the expenditure table as Inter-Governmental Transfers are due to variations in the fiscal year ends and accounting practices of governments.
- ⁸ Deficits were incurred in the years shown and are included in item 10 of the expenditure table.

COMBINED EXPENDITURES—ALL GOVERNMENTS IN CANADA FOR 1939, 1948 AND 1949

CURRENT AND CAPITAL ACCOUNTS—SUMMARY BY SERVICES

Fiscal Years Ended Nearest December 31

(Thousands of Dollars)

Item No.		Total			Dominion			Provincial			Municipal			Item No.
		1939	1948	1949 ¹	1939	1948	1949	1939	1948	1949 ¹	1939	1948	1949 ¹	
1.	Debt Charges, Net, Excluding Debt Retirement.....	264,300	475,136	492,265	151,653	395,242	408,232	60,719	51,491	53,323	51,928	28,403	30,710	1.
	Public Welfare—													
2.	Health and Hospital Care.....	47,145	137,738	183,363	1,153	11,091	19,451	30,432	93,425	127,564	15,560	33,222	36,348	2.
3.	Labour and Unemployment Insurance.....	3,272	45,466	52,404	1,282	41,905	48,310	1,990	3,561	4,094				3.
4.	Relief.....	82,629	10,992	16,558	23,620			42,811	6,927	11,050	16,198	4,065	5,508	4.
5.	Old Age Pensions.....	39,587	93,938	127,868	29,121	64,296	89,725	10,279	29,308	38,143	187	334		5.
6.	Family Allowances.....		272,608	299,347		272,608	299,347							6.
7.	Other.....	35,613	98,705	121,994	4,433	16,131	20,482	12,371	29,536	36,180	18,809	53,038	65,332	7.
8.	Sub-Total (Items 2 to 7).....	208,246	659,447	801,534	59,609	406,031	477,315	97,883	162,757	217,031	50,754	90,659	107,188	8.
9.	Education.....	128,682	364,405	406,434	3,543	37,040	28,691	38,004	139,054	156,232	87,135	188,311	221,511	9.
10.	Transportation, Highways, Bridges, Airways, Railways, Waterways, etc.....	163,159	467,703	514,825	46,041 ²	119,810 ²	157,612 ²	89,103	257,738	254,294	28,015	90,155	102,919	10.
11.	Agriculture.....	60,498	89,971	106,544	53,151	67,879	82,339	7,347	22,092	24,205				11.
12.	Public Domain.....	37,648	91,304	102,558	14,577	38,416	53,574	23,071	52,888	48,984				12.
13.	National Defence.....	126,915	256,092	372,596	126,915	256,092	372,596							13.
14.	Veterans' Pensions and Aftercare.....	55,267	235,578	202,466	55,267	235,578	202,466							14.
15.	Mutual Aid.....													15.
16.	Expansion of Industry.....	247			247									16.
17.	Price Control and Rationing.....	55	30,721	2,748	55	30,721	2,748							17.
18.	Other Expenditures.....	185,644	450,257	494,596	60,140	212,595 ⁴	225,214 ⁴	38,756	89,794	110,629	86,748	147,868	158,753	18.
19.	Total Expenditure.....	1,230,661	3,120,614 ⁴	3,496,566	571,198	1,799,404	2,010,787	354,883	775,814	864,698	304,580	545,396	621,081	19.

INTER-GOVERNMENT TRANSFERS NOT INCLUDED IN THE ABOVE SUMMARY														
20.	Dominion Subsidies to Provinces.....	19,244	17,095	19,170	19,244	17,095	19,170					20.		
21.	Provincial Subsidies to Municipalities.....	4,511	10,930	11,846				4,511	10,930	11,846		21.		
22.	Tax Suspension Agreements.....		84,387	84,756		84,387	84,756 ⁵					22.		
23.	Gasoline Tax Guarantee.....											23.		
24.	Interest on Common School Fund and School Lands Fund Debentures.....	1,585	1,466	1,466	1,585	1,466	1,466					24.		
25.	Nova Scotia Highway Tax.....	455	321	246						455	321	246	25.	
26.	Manitoba Municipal Commissioner.....	763	1,314	473						763	1,314	473	26.	
27.	TOTAL ⁶	26,558	115,513	117,957	20,829	102,948	105,392	4,511	10,930	11,846	1,218	1,635	719	27.

FOOTNOTES

¹ Preliminary; also includes Newfoundland for first time.

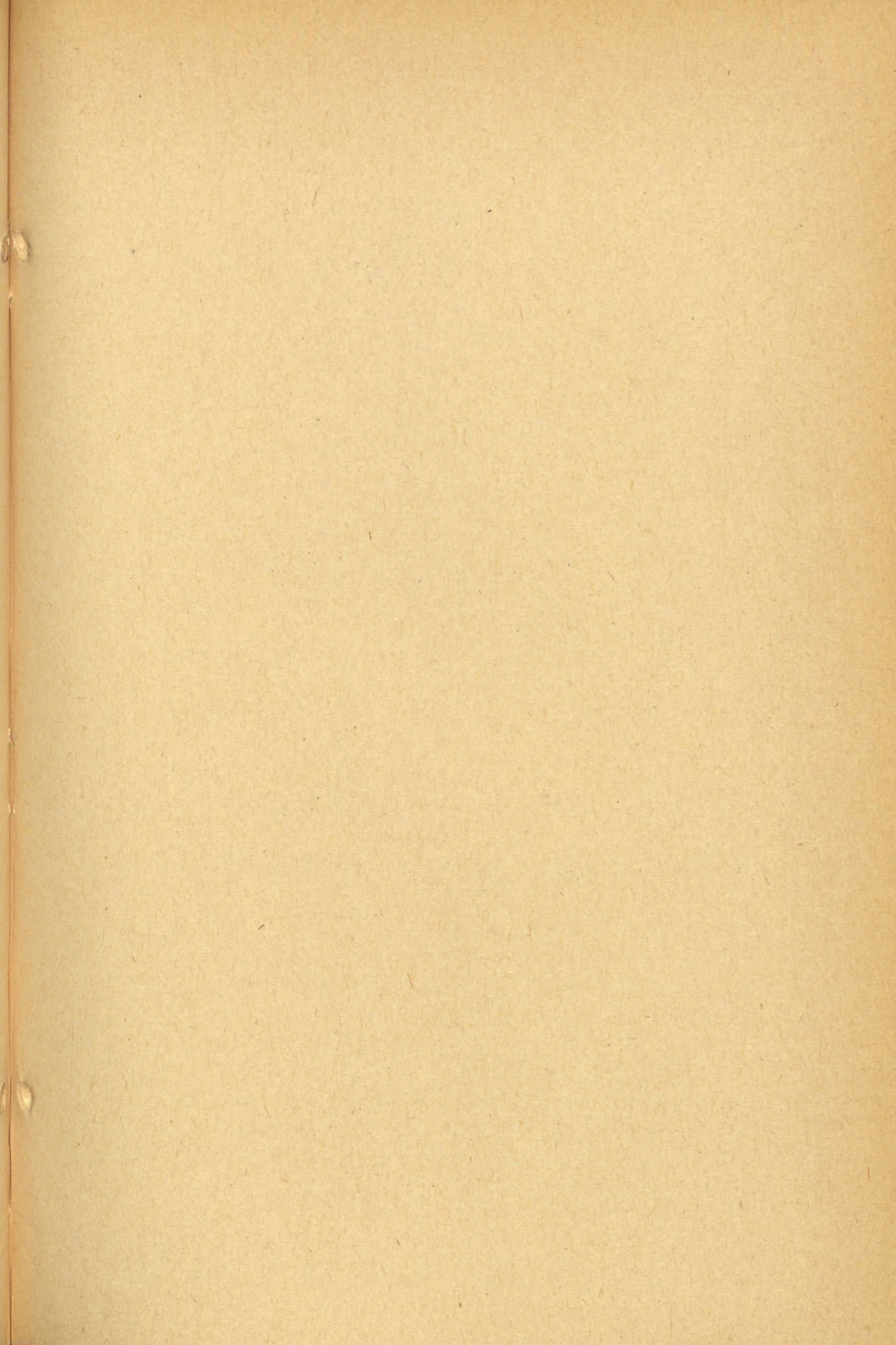
² Includes deficits (net after deducting profits) of miscellaneous government-owned transportation enterprises—Prince Edward Island Car Ferry, Hudson Bay Railway, Canadian National Railways, Trans-Canada Airlines, Quebec and Churchill Harbours, and Canadian National (West Indies) Steamships Limited.

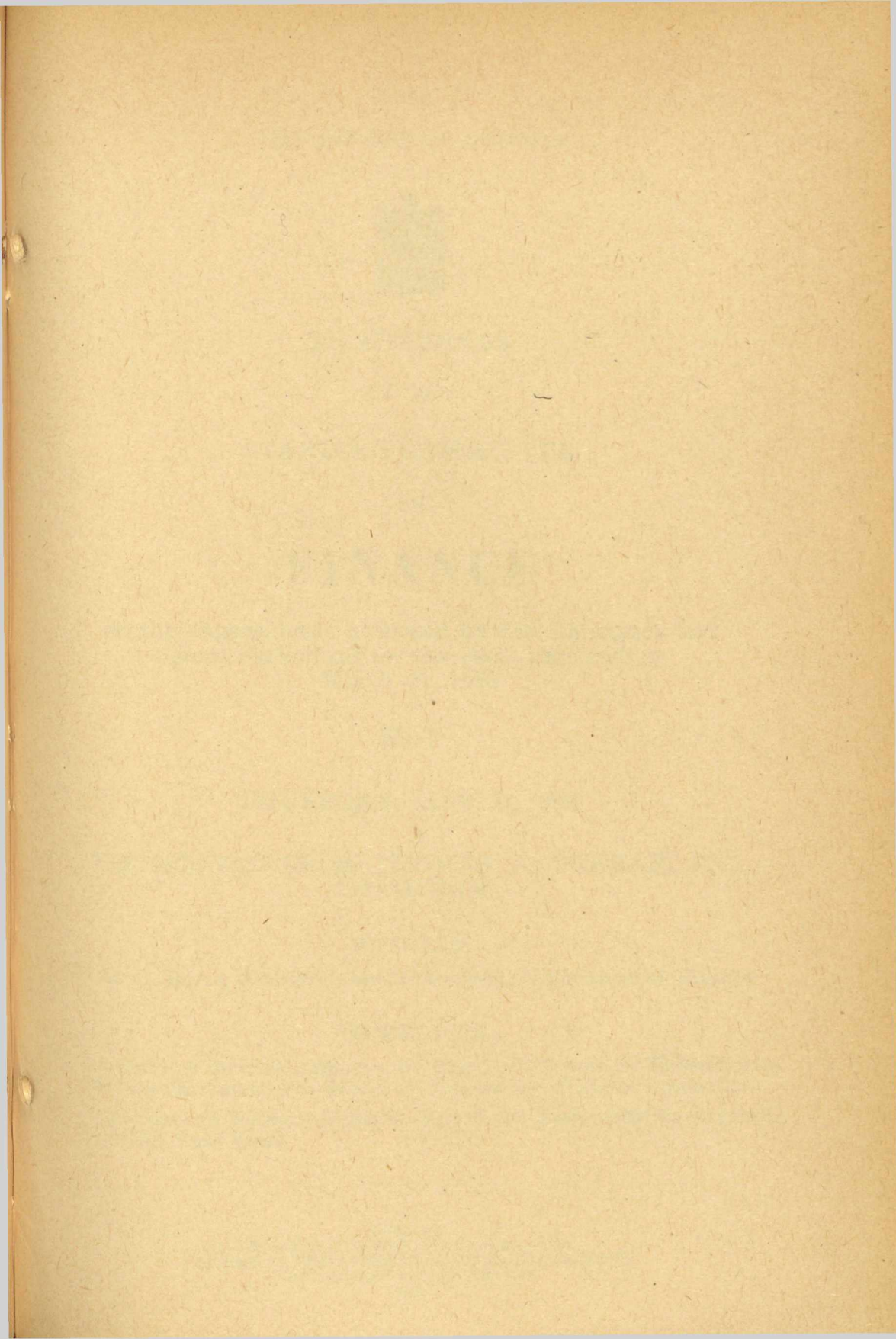
³ Refund of expenditures re: Expansion of Industry exceeded expenditures. See Footnote 5—Revenue.

⁴ Includes 345 (1948) and 1,132 (1949) post U.N.R.R.A. relief.

⁵ Includes transitional grant to Newfoundland 6,500.

⁶ Discrepancies between the amounts shown on this table and on the revenue table as Inter-Governmental Transfers are due to variations in the fiscal years ends and accounting practices of governments.





1951

THE SENATE OF CANADA



PROCEEDINGS
OF THE
STANDING COMMITTEE
ON
FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1952

No. 7

THURSDAY, MAY 31, 1951

THE HONOURABLE THOMAS A. CRERAR, P.C.,
CHAIRMAN

WITNESS:

Mr. R. B. Bryce, Assistant Deputy Minister, Department of Finance.

APPENDICES

- D. Summary of Annual Estimates by Standard Objects of Expenditures and Special Categories—National Defence and Defence Production.
- E. Department of National Defence—Travel and Transportation Expenditures for Four Years.

THE STANDING COMMITTEE ON FINANCE

The Honourable THOMAS A. CRERAR, P.C., Chairman.

The Honourable Senators

Aseltine	Golding	McLean
Baird	Gouin	Moraud
Barbour	Haig	Paterson
Basha	Hayden	Petten
Beaubien	Horner	Pirie
Bouffard	Howard	Quinton
Buchanan	Howden	Reid
Burchill	Hugessen	Robertson
Campbell	Hurtubise	Roebuck
Crerar	Hushion	Ross
Davies	Isnor	Taylor
DuTremblay	King	Turgeon
Euler	Lacasse	Vaillancourt
Fafard	Lambert	Veniot
Farquhar	McDonald	Vien
Farris	McIntyre	Wilson
Fogo	McKeen	

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Wednesday, March 14, 1951.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31st, 1952, in advance of the Bills based on the said Estimates reaching the Senate: That it be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal governments in Canada, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

L. C. MOYER,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

THURSDAY, May 31, 1951.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11.00 a.m.

Present: The Honourable Senators Crerar, Chairman; Aseltine, Beaubien, Euler, Golding, Gouin, Haig, Howden, Hugessen, Hurtubise, Isnor, King, Lambert, McDonald, Paterson, Petten, Roebuck, Taylor and Vaillancourt—19.

In attendance: The official Reporters of the Senate.

Consideration of the order of reference of March 14, 1951, was resumed.

Mr. R. B. Bryce, Assistant Deputy Minister, Department of Finance, was again heard.

The following documents, filed by Mr. Bryce, were ordered to be printed as appendices to Proceedings No. 7:

“D”—Summary of Annual Estimates by Standard Objects of Expenditures and Special Categories—National Defence and Defence Production.

“E”—Department of National Defence—Travel and Transportation Expenditures for Four Years.

At 12.45 p.m. the Committee adjourned until Wednesday, June 6, 1951, at 11.00 a.m.

Attest.

JOHN A. HINDS,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE

OTTAWA, Thursday, May 31, 1951.

The CHAIRMAN: There being a quorum present, we shall proceed. This morning we have Mr. Bryce again, and we had better take him when we can get him; if he will come forward we will proceed. We hope to conclude with Mr. Bryce today, and in order to do so we will probably need to make progress more rapidly than heretofore.

What we will take up this morning is National Defence and Defence Production combined, which appear on the first page of the statement you have before you.

I have forgotten for the moment who it was, but someone asked for an analysis of travel and transportation expenditures under Defence. We had not reached that item, and perhaps we will just let this stand until we come to it. It is number 5 on the sheet before you.

The first item we have is "Civil Salaries and Wages." It will be kept in mind that this is in Defence Production, and apart altogether from the ordinary civilian business of government. This item shows an increase from \$2½ million in 1938-39 to over \$61 million in 1951-52, which again is an increase from \$44 million in 1950-51. Perhaps Mr. Bryce might give us a word of explanation about that item.

Mr. R. B. BRYCE: Well sir, perhaps I should say that the great bulk of it is the Department of National Defence itself. Defence Production is only \$3 million out of a total of \$61 million. Under National Defence, I believe, the Minister of National Defence has been giving an explanation in the House of Commons recently in regard to certain of the practices concerning the employment of civilians in lieu of military personnel, as well as civilians employed on construction projects and civilians employed in administration at headquarters. I think that it is already in *Hansard* fairly compactly. I have to admit that I have not been able to read it all over yet; I ran over it quite quickly last night.

The CHAIRMAN: I think the statement was made that we had either already or would have before long about 30,000 civilian personnel in the Defence Department. Any further questions on No. 1?

Hon. Mr. HAIG: No.

The CHAIRMAN: Then we will take No. 2, "Civilian Allowances". Just what is meant by "Civilian Allowances", Mr. Bryce?

Mr. BRYCE: That, sir, would be, I think, largely northern allowances and allowances for staff abroad, or a few cases, perhaps, of staff who get what we call terminable allowances that are really extra salaries for taking on for a limited period additional duties. I can think of one senior officer in the Department of National Defence proper who gets a terminable allowance for the fact that his duties are regarded as considerably larger than normal, because of the married quarters construction program that the Defence Services have undertaken for a period of two or three years.

Hon. Mr. HAIG: I want to say just one word. I am against all that kind of thing. A man can only do one service, and I do not think we should give special pay because he is doing something else. He cannot do his first job if he is doing something else. He can only do one job, and should get only one pay.

I can call myself this or that or the other thing, but that does not increase my efficiency one iota. This kind of thing is becoming too common, not only in the federal but in the provincial employment services, and I think it is a very, very bad principle, as either the man does not do the new job properly, or he neglects the old job. If he is an exceptionally efficient man he should be paid a bigger salary and given a bigger job.

Mr. BRYCE: Mr. Chairman, might I say a word of explanation on that? I am not very sure that the senator understood what I really was describing. In certain cases a particular job that a man is doing is temporarily a larger job than it normally is. If he is a permanent civil servant, the Treasury and also the Civil Service Commission have been reluctant to classify him in a higher grade for an indefinite or permanent period at the new level of duties, if the duties are such that it appears they will only last for a matter of two or three or four years. In such cases, rather than give him a higher permanent salary for the position, they add to the normal salary for the position a temporary addition.

Hon. Mr. HAIG: But he is not doing two jobs.

Mr. BRYCE: No, he is not doing two jobs.

Hon. Mr. HAIG: That is all I am objecting to, the doing of two jobs.

Mr. BRYCE: The job is temporarily at a higher level of responsibility than it would normally be.

Hon. Mr. HAIG: That is all right. I don't object to that. I object to two jobs.

Mr. BRYCE: I may say that these cases are always reviewed by the Civil Service Commission in the same way as they review the ordinary classifications for positions in the Civil Service.

Hon. Mr. HAIG: That is O.K.

Hon. Mr. GOUIN: Mr. Chairman, if I understand correctly, the description of civilian allowances includes a great variety of items. It starts with living allowances, special stenographic allowances, and so on, and ends up with expense allowances to senators and members of the House of Commons. There are all kinds of amounts which are grouped together.

Hon. Mr. GOLDING: That would not come under this item.

Mr. BRYCE: The allowances to members and senators, for example, would not come under this item but would come under "legislation". They would be under this column but under the appropriate department and not under National Defence.

Hon. Mr. HAIG: This is purely for National Defence.

Mr. BRYCE: Yes, and there are some in Defence Production, \$302,000.

The CHAIRMAN: That is roughly a little less than a quarter of the total amount.

Mr. BRYCE: Yes.

The CHAIRMAN: Are there any further questions on No. 2? Next is Item 3, Pay and Allowances, Defence Forces and R.C.M. Police. In 1938-39 the sum was \$11,395,000. For the period 1950-51, which is probably more comparable, the sum was \$138,346,000. This year it is \$209,184,000. There is one question I should like to ask. Under Item 3 of Civilian Expenses other than Defence and Defence Production, we have the Mounted Police included there.

Mr. BRYCE: Yes, sir.

The CHAIRMAN: They also appear here. Can you explain that?

Mr. BRYCE: We have used the general wording that appears at the top of the column of the large table. This particular figure of \$209 million is for the pay and allowances of the members of the military services.

The CHAIRMAN: There will be nothing in that for the police?

Mr. BRYCE: No.

The CHAIRMAN: That clears that point.

Hon. Mr. ISNOR: Mr. Bryce, does the Treasury Board ever figure as to gross payment of the various ranks of the army, such as captain, major and general, taking into consideration the rate of pay received, and the allowances in full such as housing and living expenses, and so on? Could you tell us what that gross sum would be for a captain, a major, and a general?

Mr. BRYCE: Well, senator, in the white paper that was tabled by the Minister of National Defence, those figures are given on page 14 and they show the basic pay for a major. I speak subject to memory but I believe that the basic pay for a major varies in accordance with the length of time he has served. That is, there is progressive pay depending on length of service up to a certain number of years.

Hon. Mr. ISNOR: Take any one of those figures.

Mr. BRYCE: The basic pay for a major is given at \$312 a month. If he is living out of quarters and not getting other rations or quarters, he receives in addition a subsistence allowance of \$98. He receives a marriage allowance, if he is married, of \$40. If he is separated from his family for service reasons and has one or more dependent children, he gets a separated family allowance of \$98 a month; so that, whether married or single, if he is not being supplied with quarters or rations he would get \$410 a month. Then he would get more if married, and more still if married and required to live apart from his family.

Hon. Mr. LAMBERT: What rank is that?

Mr. BRYCE: Major or the equivalent in other services.

Hon. Mr. ISNOR: In the case you have quoted it would amount to \$548 per month.

Mr. BRYCE: If married and living apart from his family. Perhaps I should say that normally when they are married and living apart from their families they would probably be furnished with quarters or rations because they are on duty at some place with a unit, or something of that sort. So he may not be getting subsistence allowance but getting subsistence in kind, but we normally regard that as the equivalent.

Hon. Mr. HOWDEN: What is the top amount he would get under any circumstances?

Mr. BRYCE: He might conceivably receive \$548 per month.

Hon. Mr. HAIG: He pays income tax though?

Mr. BRYCE: Oh, yes.

Hon. Mr. HOWDEN: \$548 a month, you say?

Mr. BRYCE: Yes, conceivably. Again I should say that this basic rate of \$312 is only one of a range depending on the length of time the man has served.

Hon. Mr. HOWDEN: He gets that on active service and also when there is no active service?

Mr. BRYCE: Technically I believe the army is on active service now.

Hon. Mr. ISNOR: Let me put this to you another way. In reference to this \$548 per month which a major may receive, his basic rate of pay is \$312 leaving \$232 additional in the way of expenses of various kinds?

Mr. BRYCE: Yes, \$236, sir.

Hon. Mr. ISNOR: Yes, \$236. That is the figure.

Mr. BRYCE: That is right, but which he receives only in certain contingencies.

Hon. Mr. ISNOR: Yes, I know, but he could receive \$236 extra?

Mr. BRYCE: Yes.

The CHAIRMAN: The amount he receives in certain contingencies will not be taxable.

Hon. Mr. HAIG: The contingencies would not be taxable.

Mr. BRYCE: I believe the subsistence allowance would be taxable but I am not sure that the separated family allowance is taxable. It is regarded as the reimbursement of additional expenses which the officer incurs by reason of being posted in a place where he cannot take his family.

Hon. Mr. HAIG: The income tax people do not give the prerogative to the members of parliament. I have a house in Winnipeg but the income tax people do not recognize the fact that I have to maintain one here while in Ottawa.

Mr. BRYCE: I am speaking from memory.

Hon. Mr. HAIG: I am speaking about facts.

The CHAIRMAN: Are there any further questions?

Hon. Mr. ISNOR: Yes, I want the last statement clarified. Prior to Confederation, civilian employees working for defence in Newfoundland were allowed a tax exemption. In so far as troops stationed in Halifax and Vancouver and other places are concerned, are officers who are transferred to these places allowed a tax exemption in regard to their married quarter expenses?

Mr. BRYCE: I do not believe, sir, that he would be allowed any exemption in respect of the value of married quarters provided to him, or of subsistence allowance. I am sorry that I cannot tell you the situation clearly in regard to the separated family allowance. I am not sure whether that is regarded as taxable or not.

Hon. Mr. ISNOR: I think we should have that cleared up, Mr. Chairman. It has a bearing on some other matters that may be discussed later, as to separated families.

Mr. BRYCE: I would be glad to get the facts and give them to the chairman of the committee, in regard to the extent to which the various emoluments are taxable and under what circumstances.

The CHAIRMAN: Would that be satisfactory?

Hon. Mr. ISNOR: That would be quite satisfactory. Would you mind giving us the same information in regard to a general?

Mr. BRYCE: If you wish I would have it related to this table which Mr. Claxton has put in his white paper, and that runs all the way from a private upon entrance, to a major-general.

Hon. Mr. ISNOR: Would you put the facts as to a major-general on the record in the same way?

Hon. Mr. HOWDEN: This impresses me as being very interesting, but, like the weather, there is nothing we can do about it.

Hon. Mr. ISNOR: I will not answer Senator Howden, except through you. This matter has a direct bearing on some other cases that we may have to consider, as to whether separate allowances are exempt.

The CHAIRMAN: Mr. Bryce has said that he can prepare a statement.

Hon. Mr. HAIG: I am not objecting to the question which my honourable friend from Halifax is urging, but I have the feeling in my heart that we should not go too strongly into the Defence Estimates. As far as I am concerned, I have no desire to do that, for we are in a war, and a lot of majors were killed in both wars. They do not get to be majors by somebody nodding their head at them; they generally get that rank because they are efficient soldiers. The whole Army depends on the men who lead them. The public may feel that these officers are getting too much, but I believe that we cannot compare a man on active service with any other field of employment. Most of us who are here can remember well the two World Wars. I recall, for instance, that a Winnipeg

battalion went into Vimy, a thousand men strong, and the regular complement of officers, and come out a hundred and twenty-five men and one officer. No money can ever repay the officers that led that battalion.

I do not object to my friend's questions, but like Senator Howden, I think we should slow down a little. I may see fit to object to the superannuation that certain officers receive after they retire, but during their active service period I do not wish to raise any question as to their being overpaid. I share the attitude of the people in my province, that if we can spend a little money now on defence and prevent another world war, then we should not stint our spending. This attitude may be wrong, but that is the view I hold.

The CHAIRMAN: I take it that what Senator Isnor has in mind is—

Hon. Mr. ISNOR: If you are going to answer for me, very well.

The CHAIRMAN: —to ascertain the principle on which the remuneration is given to officers. As I understand his suggestion, he took a major-general, for instance, and a major, with a view to determining what principle applied in the matter of taxation. That does not imply any criticism.

Hon. Mr. HAIG: That is the effect of it.

Hon. Mr. HOWDEN: It couldn't be anything else, when you investigate the pay of fighting men, now that a war is on.

Hon. Mr. ISNOR: Mr. Chairman, after the long speech that Senator Haig made implying certain motives on my part, I wish to say that I had no thought of questioning soldiers' pay. Halifax has had as many men in its garrison as Winnipeg has had.

Hon. Mr. HAIG: Maybe you have had more, but not as many men volunteered from Nova Scotia as volunteered from Manitoba.

The CHAIRMAN: Order.

Hon. Mr. ISNOR. Look at the Navy in the last war, that will satisfy me. We in Nova Scotia have always done our part; don't worry about that.

I do not want to make a speech like Senator Haig made, but I wished to ask a question as direct as possible with a view to using the information later on some constructive thoughts; superannuation will enter into the picture, and we must know the total wages and living allowance granted to the various ranks. I took only two, a major and a major-general. Instead of talking all around this question, I think we should get a direct answer from Mr. Bryce in regard to similar cases, so far as a major-general is concerned.

Hon. Mr. LAMBERT: Following what Senator Isnor has said, we are here to examine, or supposed to, the effect on public spending on the cost of living and inflation. How are you going to judge that unless you analyse typical cases? It is not attempting to probe into the question of whether a major is getting adequate pay or not. It is just Exhibit A and Exhibit B in relation to our general objective which, as I said before, is to determine the relation of public spending to inflation. How are we going to get that unless we have some basis for the Estimates?

The CHAIRMAN: Is it agreeable to the members of the committee that Mr. Bryce furnish us with a statement at a later sitting, of the principle applied in determining income tax payable by officers in regard to the various allowances they get?

Hon. Mr. LAMBERT: May I make this situation a little more clear? There is a very important point involved in this question. There is the old question of the standard at which the services are going to be maintained; it does not necessarily apply to only men on active service; there are officers in the regular forces who are, of course, to a certain extent always on active service. There is the

standard of pay received, the amount of separation allowance or living allowance, and also the standard on which they are retired and the pensions they receive.

The general principle adopted, as I understand it, since the reorganization of the department, is that men are taken into the services as young as possible; they are trained as general purpose personnel, perhaps to do office work or work in the field. They leave the service in the prime of life, at around 50 or 55 with a rank probably not higher than majority. If they are particularly good they are kept on and may reach the rank of colonelcy before retirement. I submit that this is a very important item in the standard of our expenditures in this country on National Defence, but it is not a criticism of National Defence. I think that a statement showing the pay and the basis on which men are retired should be given to us.

The CHAIRMAN: Would you suggest, Senator Lambert, that we get that information from Mr. Bryce as it applies from privates to major-generals?

Hon. Mr. LAMBERT: I do not want too much information, but I think we should take the ranks that Senator Isnor mentioned. It is almost impossible to think that a man would stay in the regular forces for 30 years and remain at the rank of private, and then be retired at the age of 50 when he is too old to be of use in modern warfare. I was thinking more of the rank of major or major-general.

The CHAIRMAN: Let us ask Mr. Bryce to give us the information that Senator Isnor has requested as it affects a major-general and a major.

Hon. Mr. ISNOR: He has given us the particulars about the major. All he has to do—and he has it right there—is to give us the figures for the major-general.

The CHAIRMAN: But what I had in mind was the application of income tax.

Hon. Mr. ISNOR: That is another question.

The CHAIRMAN: I suppose the same principle will run all the way through.

Mr. BRYCE: Yes, sir, the same principle with regard to taxability of the various allowances runs all the way through.

Hon. Mr. HAIG: How many major-generals are there in the Army?

Mr. BRYCE: I could only state this from memory, sir.

Hon. Mr. HAIG: On active service.

Mr. BRYCE: It would be of the order of about ten or a dozen.

Hon. Mr. HAIG: That is a very important inquiry, to find out how much those ten get. It is very important that we should have how much those ten men get! The country is going to be ruined if they are paid too much. I am in favour of Mr. Isnor being given that information.

The CHAIRMAN: Very good. Then we will get it.

Hon. Mr. ISNOR: That is a little bit of sarcasm. I am concerned with the principle involved.

Hon. Mr. HAIG: Oh, no. Perish the thought.

The CHAIRMAN: Will you give us the salaries now.

Mr. BRYCE: The basic monthly pay for a major-general, a rear-admiral, and air vice-marshal is \$786 a month. The subsistence allowance provided if in fact the officer is not provided with quarters and rations is \$135. The marriage allowance is the same as for the other officers that I spoke of,—\$40 a month. And the separated family allowance, in the relatively unlikely event that a major-general was required to live apart from his family, would be \$135.

Hon. Mr. ISNOR: And that totals \$1,057 a month? Is that right?

Mr. BRYCE: I think it is \$1,096.

Hon. Mr. LAMBERT: Are they given any housing accommodation?

Mr. BRYCE: Well, if he is furnished with married quarters he would not receive a portion of the subsistence allowance; and I believe, when they are furnished with married quarters, officers and men alike lose a part—I think it is \$10 a month—of their marriage allowance. Yes, \$10 a month is withheld, and a portion of the subsistence allowance.

Hon. Mr. HAIG: I think we ought to have that. We will save a lot of money by cutting that!

Hon. Mr. GOLDING: My understanding of the situation here was that the committee agreed not to go into particular details, but to get an over-all picture of government expenditure and try to relate that to inflation. Is not that what the committee has to do?

The CHAIRMAN: That is correct, but it may be rather difficult to get the dividing line. If we find that, in our judgment, there is, shall I say, extravagant or unnecessary expenditure in connection with some particular item of public administration, I think we are quite within our reference in examining into that, and if we agree to do so, reporting upon it. I have in mind, for instance, the matter of publications that we were considering a few days ago. It is quite within the scope of our reference to examine into the total expenditures and how they arise. However, we have got along very well.

Hon. Mr. GOLDING: On more than one occasion already this point has been raised when we attempted to spend too much time on one particular item. You wanted to get the general picture, and that is why we called these witnesses here.

The CHAIRMAN: Quite right. Now we can leave that matter, I think, and Mr. Bryce will supply us with this information. Is that satisfactory?

Hon. Mr. HAIG: Well, it is not, to me. I am opposed to this kind of inquiry altogether. I say that quite candidly. To inquire into what ten men out of our whole army are getting, whether they get \$10 a month too much or \$10 a month too little,—I don't believe in that kind of policy. I agree entirely with the honourable senator who has just spoken, that that will not accomplish anything for our committee, and will make us the laughing stock of this country. That is my opinion. I am in a minority. I know where I stand. I am willing to abide by the decision of the majority, but I am opposed to this.

The CHAIRMAN: We will settle this matter very quickly. All those who favour Mr. Bryce supplying us with this information will hold up their hands.

Hon. Mr. GOLDING: He has supplied it.

Hon. Mr. ISNOR: He has supplied the information. He answered the question I asked, and I am satisfied. I may use it later on.

The CHAIRMAN: Are you satisfied?

Hon. Mr. ISNOR: Yes, I am satisfied.

Hon. Mr. HAIG: Then we will let the matter drop. But I do not like the honourable member from Halifax (Hon. Mr. Isnor) suggesting that I don't know what I am talking about. I do know what I am talking about. I have been here a lot longer than my honourable friend, and I represented my native city in the legislature several times, and I was never licked once. In this matter I speak because I know. I do not want us to go into these estimates in that kind of a way. The senator knew before he asked this question what the answer was. It can only have been asked for some other purpose than helping us to solve the problems that we are facing, and I object very strongly to it.

The CHAIRMAN: Well, we will stop the discussion right here and we will take the next item, Number 4, "Professional and Special Services," \$8,700,000.

Hon. Mr. HAIG: What does that include?

Mr. BRYCE: Well, it is difficult to say what are the important categories for National Defence. I would believe that these include, outstandingly, architectural and engineering fields for the large construction program that is under way. That would fall under this category. I know there are some millions of that in this current estimate. Secondly, the services of the Canadian Corps of Commissionaires, in watchmen's duties, for instance in the dockyards, I believe. Thirdly, there is a certain amount for inspection services carried on by outside bodies to meet extra requirements, not the normal load.

Hon. Mr. HAIG: Does that include anything for the experimental inquiries that are made in the Army? At Fort Churchill they have an experimental station. Would it cover that?

Mr. BRYCE: That would largely be covered in the Defence Research votes themselves.

Hon. Mr. HAIG: Not under this?

Mr. BRYCE: No, sir. Now, if they hired an outside expert to do a special job, at a professional fee, for so much a day or so much for the job, it would come under this, yes.

The CHAIRMAN: Any further questions on Number 4? Number 5, "Travelling and Removal Expenses". This is up from about \$14,000,000 to \$22,300,000 this year. I think the explanation for that is fairly obvious.

Mr. BRYCE: Well, sir, a question was asked about these figures previously, and I had a table prepared setting the figures forth in some detail. If the committee wish, I could provide it for the record. I have copies here, if the honourable senators wish to look at the figures at the moment. It is an analysis that I was requested to obtain of the travel and transportation expenditures in terms of the strength of the services and civilians involved, and the average amounts per year before the war and in the recent years. This can either be put on the record, or distributed if you wish.

Hon. Mr. LAMBERT: Does that include the cost of moving troops overseas?

Mr. BRYCE: Yes, and it also includes the cost of the Canadian Pacific Air Lines Airlift to Japan for the year 1950-51.

The CHAIRMAN: We have copies here for each member of the committee.

Hon. Mr. HAIG: Let us have them, please.

(See Appendix for table on Travel and Transportation Expenditures for Four Years, Department of National Defence.)

Mr. BRYCE: The expenditure figures given here are the actual expenditures and not the amounts provided in the estimates. The figure for the fiscal year 1951-52 (estimated) is \$20,630,380. That differs slightly from the figure in the estimates. The reason for that figure differing from that shown in the large table is that we have not attempted here to deal with the Defence Research Board item or the Cadet Services.

The CHAIRMAN: The interesting thing about this table, which has been circulated, is that in 1938-39 the per capita expense for the active forces was \$76, is that right?

Mr. BRYCE: Yes, sir.

The CHAIRMAN: For 1949-50 it was \$146. In 1950-51, \$234, and for 1951-52, \$229. I do not suppose there is any special explanation required here?

Mr. BRYCE: Perhaps I may draw the attention of the committee to the paragraphs on the second page. Paragraph 1 indicates the authorized allowances for meals and living accommodation when on travel status, and also the change that has occurred since before the war in the rates paid per mile to the railways for the transportation of military personnel. Perhaps I should read paragraph 2:

"The difference in the pre and post-war per capita costs is accounted for by the change in the nature of the armed services; in 1938-39 the Forces were composed of numerically small static groups functioning at relatively few locations whereas in post-war years, the strength of the Forces has been maintained at a much higher level, and in order to meet current requirements, the Forces have had to become a much more mobile force. The opening up of new training centres and the military development of the northern areas resulted in the greater movement of personnel and dependents which is reflected in the travel costs of each of the three Services."

Perhaps I might conclude by drawing attention to the last paragraph which notes certain special items in the last year: Enlistment, movement for training and some discharges, embarkation leaves, movement of part of Force to Korea. In the case of the air force it includes removal expenses of household effects formerly charged to "Freight and Express" properly recorded in 1950-51 under Costs of Travel and Transportation. It notes that the cost of the Canadian Pacific Air Lines Airlift is included at \$2 million, and the movement of the 426 Squadron from Tacoma, Washington, to Tokyo, Japan.

The CHAIRMAN: Is there anything further on this item? Then we will come to the next item, Freight Express and Cartage. Are there any questions on this? Then we shall take No. 7, Postage. Could you give us a word about this, Mr. Bryce?

Mr. BRYCE: Ordinarily it would cover the postage of the Department of National Defence mailed from other places than Ottawa.

The CHAIRMAN: Is the mail to and from the forces in Korea paid by the individual or is it at public expense?

Mr. BRYCE: Mail sent to the forces in Korea is, of course, normal mail from Canada. Mail sent by the forces is something else. I think the terms on which this is to be carried out are at the present time under discussion between the Post Office, National Defence and ourselves. I would be anticipating the decisions in those circumstances, but I believe I can say that the view of the Treasury Board has been that the cost of the postage should be borne by the Department of National Defence rather than by the Post Office.

The CHAIRMAN: I agree with that. Next is Item 8, Telephone, Telegrams and Other Communication Services.

Hon. Mr. HAIG: Some question has been raised about the use of the long distance telephone.

Mr. BRYCE: That matter has been noted in commenting on the figures for Civilian Requirements as something to be controlled by each department rather than by central agencies such as the Treasury Board. In the case of National Defence they have a large teletype service which carries the great bulk of their messages between different centres. Part of the cost of that teletype service will be in here because it involves the lease of certain wires. Part of it will be reflected in Pay and Allowances and Civilian Salaries because of the cost of the employees who operate it. I should say that this large communication and teletype network of the Department of National Defence has served civilian departments of the government as well in recent years, but it is necessary now for us to make other arrangements for civilian departments because, as the military traffic increases, there is not any longer room for the civilian departments' messages.

Hon. Mr. LAMBERT: The Department of External Affairs has a teletype service of its own too, has it not?

Mr. BRYCE: Yes, and so has the Department of Transport, as we noted some days ago.

Hon. Mr. HAIG: Those are not included here?

Mr. BRYCE: No.

Hon. Mr. HAIG: I am referring to long distance telephone calls within Canada. Is there any check on that at all? For instance, if I am in the armed services and I want to telephone from Ottawa to Winnipeg, how is that call checked?

Mr. BRYCE: Well, senator, within individual departments there is a check made in one manner or another. Perhaps I might say that we operate in the Department of Finance a switchboard through which go the private lines that the government has to Toronto and Montreal. We have several leased lines to both these centres which enable us to cut our long distance bills by thousands of dollars a month. I have arranged that our telephone office will note any excessively long conversations, which we pick up, of course, from the charges which we make to the department at so much a minute. The attention of the departments is drawn to any long conversations, that is conversations extending over a certain number of minutes. The attention of departmental officers is called to it so that they may see whether Mr. X or Mr. Y is frequently using the telephone for longer periods than would appear normal. That is the only check we are able to make, as a central agency.

Hon. Mr. HAIG: Has the Army a similar check on the long distance telephone calls, through their central operator?

Mr. BRYCE: Yes, sir; but, of course, with their huge organization they would no doubt have to decentralize any scrutiny of this kind. It is exceedingly difficult to judge when it is necessary for a man to use the long distance telephone.

Hon. Mr. HAIG: In case, for instance, of an attack upon Canada by Russia by air, would their inter-communication systems be interrupted? Your telephone system of course would be.

Mr. BRYCE: That is something on which I have information and opinion, but I am not sure I should state it.

Hon. Mr. HAIG: All right, I will not press the question.

Hon. Mr. LAMBERT: There is no control of the subject matters of these long distance telephone or teletype messages; in other words, you have a check on the length of the conversation, but you must depend entirely on the discretion of the departmental people who use the telephone to decide whether or not the business is urgent enough to indulge in a long distance message?

Mr. BRYCE: Yes. Of course within our own department, as an example, each month the long distance telephone bills are scrutinized by the senior officers of the department that are concerned, and each individual has to be responsible for the calls he has placed, and he has to be in a position to explain why it was necessary for him to use the long distance telephone.

Hon. Mr. LAMBERT: I have no doubt at all that this item could be cut in half, if there was a conscious appreciation on the part of the people who use the telephone—

Hon. Mr. HAIG: Hear, hear.

Hon. Mr. LAMBERT: —as to the importance of the occasion for using it. But that is true in every business office in Canada, except that they can check up in ordinary instances.

Hon. Mr. HAIG: It is awfully hard to do.

Hon. Mr. LAMBERT: It gets to be a mania.

Hon. Mr. HAIG: Yes; I entirely agree with what you say, but I say that it is hard to check it.

Hon. Mr. LAMBERT: It is necessary to cultivate a supervision in the departments.

Hon. Mr. HAIG: There is one other point, Mr. Chairman, that I should like to call Mr. Bryce's attention to. I quite appreciate what his department is doing, but they are people who are used to using the telephone and they have early learned the cost of long distance phoning; but I do not think that is true of our Defence, where there are many people who have not been accustomed to using the long distance telephone. They might like the experience, and speak a little too long.

The CHAIRMAN: In other words, they might use the long distance telephone when an airmail letter would do just as well.

Hon. Mr. HAIG: And be better; or a night letter.

Hon. Mr. LAMBERT: Airmail services are so good now.

Hon. Mr. HAIG: I should perhaps say that if business is of an urgent nature, where a decision has to be made quickly, you can't beat the long distance telephone; but it has to be sufficiently important and involving enough to make it worthwhile. For instance, if one were buying grain and he had to get his tender in within a few hours, it would be well for him to call long distance; but if he had two days to place his tender, it would be a different matter.

Hon. Mr. LAMBERT: I suppose on most of the important messages there would be a written confirmation through the mail?

Mr. BRYCE: Yes. I think that in the armed forces the great bulk of messages that must go rapidly go by teletype, where there is a record kept.

It is only fair to point out that these figures include some cost for transmitting message for civil departments. In so far as it was necessary to maintain a communication network for National Defence and for Defence purposes, when there was any additional capacity the government gave instructions that civil message should be sent over it as long as such could be done without additional expense.

Hon. Mr. HAIG: But I must point out that this item \$3,689,000 is a lot of money for that purpose.

Mr. BRYCE: It certainly is.

The CHAIRMAN: But the total for the National Defence and Defence Production and such is \$8½ million. But this is a very considerable sum of money.

Hon. Mr. HAIG: That is what I am getting at.

Hon. Mr. HOWDEN: Mr. Chairman, I do not like to appear ridiculous, but what rankles in my mind is that we have no authority to whom we may appeal for advice when we find that some items are superfluous. We take it as it is printed, and I don't see that we are getting anywhere.

The CHAIRMAN: Criticism of the items may be useful in certain places. Is there any further discussion on that item.

Hon. Mr. HAIG: Passed.

The CHAIRMAN: We come now to Item 9.

Hon. Mr. LAMBERT: Could you take Items 9 and 10 together; they are the same.

The CHAIRMAN: Perhaps we can take Item 9 first. The total expenditures for all government departments is more than \$6 million; of that the Defence and National Defence is about \$2¼ million.

Hon. Mr. HAIG: Is that for printing orders and regulations?

Mr. BRYCE: Yes, that includes printing of orders, regulations, instruction manuals.

Hon. Mr. HAIG: That is the part that goes into the *Canada Gazette*; I see pages and pages of it.

Mr. BRYCE: No, that would be paid out of the King's Printer's Account for the *Canada Gazette*.

The CHAIRMAN: Does Item 9 include advertising?

Hon. Mr. HAIG: Pardon me, Mr. Chairman, I did not get the answer. I see in the *Gazette* pages and pages of military orders showing so and so being promoted. Who pays for that?

Mr. BRYCE: The cost of printing the *Canada Gazette* is borne by the King's Printer, out of a vote for that.

Hon. Mr. HAIG: The military does not pay for that?

Mr. BRYCE: No, they do not.

Hon. Mr. HAIG: Then there is none of that cost included in this item.

Mr. BRYCE: No; but that is a very small amount of the printing compared with the internal printing.

Hon. Mr. HAIG: What internal printing do they do?

Mr. BRYCE: They have a tremendous number of orders that are not printed in the *Canada Gazette*; there are many other printed orders, regulations and administrative matters.

Hon. Mr. LAMBERT: Mimeographed stuff.

Mr. BRYCE: Some of it is mimeographed, some of it would be multilith, some would be printed by regular letter press. They are saving a very considerable amount in recent years by using the multilith process.

Hon. Mr. LAMBERT: Have you any idea what is the cost of the annual report of the department, the blue book?

Mr. BRYCE: No, I could not say; it would be a very small fraction of this, probably a few thousand dollars.

The CHAIRMAN: Is advertising included in this item?

Mr. BRYCE: No; it is No. 10.

The CHAIRMAN: We will pass on to No. 10, Films, Displays, Broadcasting, Advertising, Etc., \$3,800,000. This has practically doubled since last year.

Hon. Mr. HAIG: Is that not to get recruits into the Army?

Mr. BRYCE: That includes a good deal for recruiting expenses.

The CHAIRMAN: I have noticed for several weeks that there are large advertisements appearing in the various newspapers encouraging enlistments. That comes under Item No. 10?

Mr. BRYCE: Yes.

Hon. Mr. ISNOR: We allowed Item 10 to stand; I think Senator Reid had some questions to ask of a general nature.

Hon. Mr. GOLDING: Not on this item.

Hon. Mr. ISNOR: No, but this is part of it.

Hon. Mr. LAMBERT: This is really half of the total.

Hon. Mr. HAIG: I agree with Senator Isnor, and I would suggest that this item be allowed to stand with the other one. Senator Reid wants to deal with the question of Films, and they are kindred subjects.

The CHAIRMAN: But not in relation to military expense.

Hon. Mr. HAIG: Maybe not.

The CHAIRMAN: I think we can pass on to No. 11: Office Stationery, Supplies, Equipment and Furnishings. This item has mushroomed upward from \$2,400,000 last year to \$6,300,000 this year.

Hon. Mr. HAIG: That is for equipment.

Mr. BRYCE: That is only office equipment, sir. I would not like to leave the impression that it was military equipment.

The CHAIRMAN: Tell me this. At the end of the last war there were thousands of desks and typewriters and adding machines and equipment of that kind.

Hon. Mr. LAMBERT: War assets.

The CHAIRMAN: Why is it necessary now to have so large an item here for office stationery, supplies and equipment and so forth? What happened to what was left after the last war?

Mr. BRYCE: Well, sir, we did save the typewriters and keep those for the government's future requirements, because it was realized that the government had a normal demand for typewriters at all times; but I think, with the exception of that item, the large stocks of these surplus things were sold for civil use. I think it was part of the government's general policy that excess supplies of a specialized character or things that were in excess of the government's normal requirements for a year or two ahead should be sold.

Hon. Mr. LAMBERT: War Assets Corporation handled those?

Mr. BRYCE: It was sold through War Assets. Of course one must recall that in 1945 and 1946 there was a shortage of goods for civil purposes, and I think it was the policy at the time to sell things like that—desks and adding machines—to meet civil requirements.

The CHAIRMAN: Could you give us any information as to the value secured on the sale of this equipment?

Mr. BRYCE: I fear you would have to get that from someone else,—War Assets, or Crown Disposal Assets Corporation, as it is now.

The CHAIRMAN: Do you know any instances of war equipment of this kind being disposed of through War Assets Corporation and having been re-purchased?

Mr. BRYCE: I believe there has been some testimony on the part of officers of the Department of National Defence before the Public Accounts Committee on that subject. I have no further information than what has been provided there, and I would hesitate to try and recall the details.

The CHAIRMAN: Quite. That is Number 11. Now Number 12, "Materials and Supplies".

Hon. Mr. GOLDING: May I ask Mr. Bryce what is included in "Materials and Supplies". What is involved in this item?

Mr. BRYCE: Oh, it would include building materials, which are often required of course for the maintenance of the huge number of defence installations. It will also include fuel for ships, fuel for aircraft; it would include food and other supplies for operation of military camps and for airports. It is all the consumable stores for the vast organization which the Canadian forces now comprise.

Hon. Mr. ISNOR: Have we passed Number 4?

Hon. Mr. GOLDING: There is quite a set-up there, but if you know what it is for, it is not surprising.

Mr. BRYCE: No, sir. I think this is a fair measure of the scale of activity of the services; and of course in the past year and this year we have got not only larger services but they are carrying on much greater operations for example, in flying; they are operating of course in the field, in Korea, now.

Hon. Mr. HAIG: I don't see how we can understand the figures at all. I think we had better pass them,—\$375 million, and \$362 million, and a little further down \$737 million. I don't see how we can figure those out.

The CHAIRMAN: We will come to those items. I agree with Senator Haig that when you take the total it looks a little staggering.

Hon. Mr. HAIG: It certainly does.

Hon. Mr. ISNOR: I have just one simple question I would like to ask Mr. Bryce in regard to Number 11. Has the Public Works Department any jurisdiction in regard to the purchasing of office supplies, equipment and furnishings in so far as the Defence Department is concerned?

Mr. BRYCE: I think, sir, it would furnish their offices in Ottawa with office furnishings. Whether it furnishes any offices outside of Ottawa I cannot tell from memory. But when one gets into the equipment and supplies, Public Works Department does not provide adding machines, typewriters, things of that sort. Those are purchased through the King's Printer. There is a question as to whether supplies required for the services of things like adding machines will be bought through the King's Printer, as the civil departments do, or through the Canadian Commercial Corporation or the Defence Production Department, as the military do for their other equipment; and I could not tell you where the boundary line is drawn. It is only an administrative boundary line.

The CHAIRMAN: So we pass that item? The next item is Number 13. Now this covers the general heading of "Buildings and Works, including Land". Number 13 includes Acquisition and Construction, and amounts to \$362 million. Now, that is up over \$300 million from a year ago. That, I suppose, covers all this expenditure everywhere for building airports, providing housing at airports, except at places like Churchill, and all that sort of thing.

Hon. Mr. McDONALD: Does the Public Works Department purchase for the Defence Department?

Mr. BRYCE: No. The responsibility for having construction work done on behalf of National Defence is now vested in Defence Construction Limited, and the management of the actual construction operations in turn, I believe, is carried out by the Central Mortgage and Housing Corporation, for a good many types of the construction. The airdrome development, the engineering work on runways and such are done by the Department of Transport, who do it for civil purposes, and do it on behalf of National Defence. They let the contracts and supervise the construction of runways, etc.

The CHAIRMAN: Defence Construction would supervise the building of new structures and development, as has taken place at Churchill?

Mr. BRYCE: Yes, sir. They make use of two corporate agencies: Defence Construction Limited, which is the body, I think, which lets the actual contracts, and the Central Mortgage and Housing Corporation provides certain inspection and other services in connection with the carrying out of those contracts.

The CHAIRMAN: These two agencies do this work on requisition from National Defence?

Mr. BRYCE: Yes, sir, and under the general supervision of the Minister of Defence Production.

Hon. Mr. McDONALD: Would it not have been sound economically for the Public Works Department to have looked after this purchasing for the Defence Department as well as other departments of government?

Mr. BRYCE: For the construction work, sir?

Hon. Mr. McDONALD: Yes.

Mr. BRYCE: Except that this program is so huge by comparison with their own that whoever undertook it would have to get together additional staff for the purpose, and the government came to the conclusion that it was easier to develop that staff in these forms that I have described than it would be to expand the Public Works Department for the purpose.

Hon. Mr. ISNOR: Could you break down those two items, Acquisition and Construction?

Mr. BRYCE: In the estimates the amounts are shown under the various services.

Hon. Mr. ISNOR: I don't want a lot of items. I just wondered if you had a division between the two.

Mr. BRYCE: Yes, I could quickly give you the amount appropriate to each service. There is \$3,350,000 for those purposes in Departmental Administration. Some of that is for civil defence, and Mr. Martin has explained that in the House. Under the Navy there is \$24 million for this item 13 for the current year. Under the Army there is \$75.5 million. Under the Northwest Highway System in the army there is another \$4 million.

Hon. Mr. HUGESSEN: The Northwest Highway System, is that the Alaska Highway?

Mr. BRYCE: Yes. In the Army there is also \$3 million for this item in the Reserve Forces of the Army. There is a small amount under the Northwest Territories and Yukon Radio System. It is about \$10,000. Under Air Force this item is almost entirely covered by the general heading for the Air Force as a whole, and there is \$194 million, to the nearest million. There is a small amount for what we call the Northwest Staging Route, which is the chain of airfields up to Alaska. The amount here is \$325,000. In Defence Research and Development there is \$6 million for this construction. I think that is all, sir. I am not sure that I have accounted for the total there.

Hon. Mr. HUGESSEN: More than half of it is for the Air Force?

Mr. BRYCE: The Air Force has far and away the biggest part of the construction program.

Hon. Mr. HUGESSEN: You said \$190 million, I think.

Mr. BRYCE: \$194 million.

Hon. Mr. HAIG: That is what you said.

Hon. Mr. HUGESSEN: Out of \$362 million.

Mr. BRYCE: Yes.

The CHAIRMAN: Is there anything further on Item 13?

Hon. Mr. HAIG: I do not suppose Mr. Bryce can answer this question because it may be one of policy, but who decided to spend all this money on equipment at Churchill?

Mr. BRYCE: All the construction at Churchill?

Hon. Mr. HAIG: Yes, the military equipment.

Mr. BRYCE: The decision to establish the Arctic base at Churchill was taken by the government itself some years ago after examining those places where Arctic research could be carried on most effectively. Churchill, of course, has the great advantage of being in the Arctic climatic area and yet it is at the end of a railroad. Now, the individual buildings and items of the program are considered from time to time on the recommendation of the Minister of National Defence, and they are approved in the estimates each year by the Treasury Board and the Cabinet.

Hon. Mr. HAIG: Thank you.

Hon. Mr. McDONALD: Mr. Bryce, I think Senator Isnor wanted that \$362 million broken down as between acquisition and construction.

Mr. BRYCE: Oh, I am sorry. The vast majority of it is construction. There would be the purchase of an occasional building here or there, but the very nature of the defence program means that the great bulk of the construction must be put at air force stations or army camps or the various places where there are not already civilian buildings.

The CHAIRMAN: Let us take the next item of \$30 million for Repairs and Upkeep. It was \$20 million a year ago, and \$15 million the year before that.

Hon. Mr. HAIG: We have no way of telling whether it is good, bad or indifferent.

The CHAIRMAN: What is it?

Mr. BRYCE: I should say in answer to that question that because of the nature of the buildings which were created here for the services during the war, this item of Repairs and Upkeep is very high because the services got along very largely by using temporary buildings. They had not expected to have had to use them for more than five or six years. We are now getting along to about ten years, and the upkeep of many of these buildings is very high indeed. One of the real problems in settling upon the construction program now is to decide how permanent the buildings should be. That has been one of the important questions of policy that the Treasury Board has reviewed in going over the building programs for the services.

Hon. Mr. HAIG: You could not ask Mr. Stalin about it, could you?

Hon. Mr. HUGESSEN: As to how long the emergency will last.

Some Hon. SENATORS: Oh, oh.

Mr. BRYCE: That is it. I think it is important to say that these figures are as high as they are because the buildings constructed during the war were of a temporary character. As the result, to keep them in shape for use it is necessary to go to great expense in their repair and upkeep.

Hon. Mr. ISNOR: It is quite true that they were of a temporary nature, but I remember questions being asked of the experts who appeared before a certain committee and they stated that while they were of a temporary nature, the wooden huts and so on had a life of something like thirty years. That is what I had in mind when I asked for a breakdown as between acquisition and construction. I was wondering what amount had been used for purchasing new lands, and then the construction cost?

Mr. BRYCE: I am sorry, sir. The amount for land under Acquisition would be a significant amount, but I could not tell you what it is. As you know, in the case of the air force they have had to acquire some substantial additional properties. As to the wooden buildings constructed during the war lasting for thirty years, I think it depends on the nature of their foundations and the central structural members. Many of the buildings now being constructed of an essentially wooden character are being put upon good foundations, so that they will, if required, last for some thirty years with modest upkeep. The difficulty with the wartime structures has been in the foundations.

The CHAIRMAN: We come down to Item 16, Acquisition and Construction. This is under the main heading of Equipment. I see here the figure of \$737,-444,000. That would be for guns, ships, and airplanes?

Mr. BRYCE: Airplanes make up the largest part of that. Then come ships, guns and tanks.

The CHAIRMAN: The repairs and upkeep under this item comes to \$131,-333,000. I suppose that is almost self-explanatory?

Mr. BRYCE: A large proportion of that is for aircraft overhaul and things of that kind.

The CHAIRMAN: Rentals—we have nothing there. It is encouraging to find one item where there is no expenditure. Shall we come to Item 19, Municipal and Public Utility Services?

Hon. Mr. HAIG: That is taxes and electricity, is it not?

Mr. BRYCE: Yes, sir, local improvement taxes, electricity, water and things of that sort.

Hon. Mr. HAIG: What about No. 20, Grants, Subsidies, etc.?

Hon. Mr. GOLDING: What sort of grants?

Mr. BRYCE: I should like to check that, sir. I think these are largely grants to defence associations.

Hon. Mr. HAIG: I think you give a grant to Air Force cadets in training. I am chairman of the Winnipeg Association, and I know that we get a grant every year for the number of men we have in training and who attend the training camp. I do not recall how much, but it is quite a bit.

Mr. BRYCE: Yes. They are listed in the Estimates at pages 275 and 276, Grants to Military Associations and Others and then there are grants to the cadet services, and other things.

The CHAIRMAN: I suppose that is important, although perhaps during the stress of heavy expenditure for war preparations—

Hon. Mr. HAIG: It is money well spent. I may be biased by reason of being chairman of the Winnipeg group, but I know that a great number of airmen got their start in this very training camp.

The CHAIRMAN: We come now to Item 21, Pensions, Superannuation and Other Benefits. These are purely pensions for military personnel, and do not include disability pensions to soldiers?

Mr. BRYCE: No, it is not disability pensions under the Pension Act. These are long-service pensions. They are made up mainly by contributions made by the government to the pension fund, to which the military personnel also contribute.

The CHAIRMAN: Let us get that clear. For instance a Major-General in the permanent service would ultimately retire at 60 years of age or earlier. Does he make a contribution towards his pension?

Mr. BRYCE: Yes, sir, he does under the present plan. There were pre-war plans under which he did not contribute; the pension then was granted entirely by the Crown. Those are Parts I to IV of the Militia Pensions Act. The estimated payments under those parts this year is \$5 million. The details are shown on page 277 of the Estimates. The main pension now for the service is under Part V of the Militia Pensions Act, under which the government makes a contribution and the servicemen make a contribution. For the current year the government's contribution is estimated at \$16,700,000.

Hon. Mr. ISNOR: When did that new plan come into effect?

Mr. BRYCE: I think it was in 1947, sir, but I am speaking from memory more or less.

Hon. Mr. ISNOR: Prior to that the government paid all the superannuation and pension allowance?

Mr. BRYCE: Yes, sir.

Hon. Mr. HAIG: It amounts to \$5 million, I think, for this year.

Mr. BRYCE: Yes, the current payments out are estimated at \$5 million, which is the same as last year, and the payment into the new pension fund is \$16,700,000.

Hon. Mr. ISNOR: Could you tell us the basis on which the pensions are paid? Does the government pay 5 per cent?

Mr. BRYCE: Under the new scheme, as I recall it, the soldier contributes 6 per cent of his pay and certain allowances. I cannot tell just exactly what that is calculated on. The government pays in the amount of, I think, 10 per cent. The government pays more in the case of the militia pensions than it does in civil pensions because, as has been mentioned, the retirement age is normally earlier. Persons are normally not retained in the services beyond a certain age, depending on their ranks.

Hon. Mr. ISNOR: The average would be about 55 years, if I remember rightly?

Mr. BRYCE: I think it goes up to 55 for senior officers, but junior officers go out as low as 45.

Hon. Mr. GOVIN: Did you say that when they were retained in the services they would receive part of the pension, or is it paid only on retirement?

Mr. BRYCE: Only when they retire.

Hon. Mr. ISNOR: Has the long-service pensions any connection with superannuation?

Mr. BRYCE: These are long-service pensions that I have been speaking of; they correspond with the Superannuation Act for civil servants.

Hon. Mr. ISNOR: Do long-service pensions apply to officers as well as to the servicemen?

Mr. BRYCE: Yes, they apply to all ranks.

The CHAIRMAN: Are there many officers who retire before the normal age of retirement?

Mr. BRYCE: There are instances from time to time. Of course officers are expected to make their career in the service until they reach the normal retirement age, but if an officer is found to be unsuitable for promotion he may be retired on the grounds that are set forth in the Militia Pensions Act.

Hon. Mr. HAIG: They must serve about 20 years.

Mr. BRYCE: Yes; there are other elaborate provisions, which I cannot recall.

Hon. Mr. HAIG: And active service counts double.

The CHAIRMAN: But if an officer is found to be misfit in the Army, they may wish to get rid of him to make room for somebody else.

Hon. Mr. HAIG: I think it applies mostly to officers who are not satisfactory on other grounds.

The CHAIRMAN: Then he is a misfit.

Mr. BRYCE: It has been my experience frequently to see cases go through the Treasury Board of an officer who could carry his duties while a relatively young man, but when he reached the point in life where he must assume administrative work, he was found to be unsuitable.

Hon. Mr. HAIG: And there are other cases too.

Mr. BRYCE: In this case he may be retired at that stage; and I believe that is, in the long run, in the interests of the economy of the country. We would not want to have as administrative officers men who are not suitable for that type of work.

Hon. Mr. HAIG: Yes, but there are some others; the home base is not as well handled as the base at the front. I have some personal things in mind.

The CHAIRMAN: We come now to Section 22, All Other Expenditures. This item is reduced considerably from the previous year. Could you tell us briefly what this item includes?

Mr. BRYCE: Frankly, I am a little surprised that it should be so high; I should like a minute to look at it. The huge amount there is expenditure under Section 3 of the Defence Appropriation Act of last year, on behalf of allied governments; it is really a mutual aid expenditure, that is included in that item.

Hon. Mr. HAIG: That is for arms that we gave to Belgium and other countries?

Mr. BRYCE: That is correct. The bulk of it is to pay the cost of equipment to be transferred; it really belongs under Item 16.

The CHAIRMAN: That would cover equipment sent, for instance, to Holland, Denmark and other countries.

Mr. BRYCE: As has been announced by the government, it has transferred the bulk of equipment for three divisions, one to Belgium, one to Holland and one to Italy.

The CHAIRMAN: Those are covered in this item?

Mr. BRYCE: Yes.

The CHAIRMAN: Are there any further questions?

Hon. Mr. HAIG: No.

The CHAIRMAN: That brings us to the end of these special categories. The "Total Standard Objects and Special Categories," \$2,177 million, less estimated savings and recoverable items. It might be interesting to have some explanation of Number 34.

Mr. BRYCE: On the military side, sir?

The CHAIRMAN: Yes.

Mr. BRYCE: That arises from the nature of the Defence estimates presented to the house. If honourable senators would look in the Estimates Volume, on page 275, you will notice that the total of the program for all the services adds up to \$1,924 million. From that is deducted \$512 million most of which is called in our internal slang "twilight". First, we take off \$183 million of items which we can expect to be financed out of the Mutual Aid fund. That is to say, there are certain equipment purchases that will be financed out of the Mutual Aid fund, the funds that are going to be found from the Suspense Account. For instance, when we transferred a division worth of equipment to Belgium, the estimated cost of replacing that equipment, which amounted to something of the order of \$57 million, is placed in a Suspense Account which we call the Replacement Account. The Defence Appropriation Act of last September authorized that when these stocks of existing equipment were transferred to another country, the current value of that equipment should be placed in a Replacement Account, and the money in that Replacement Account can be used to replace the equipment that has been transferred to the allied country. We now have in that Replacement Account a good many millions of dollars; and from the total of the estimated cost of the Defence Services program as a whole we have first deducted \$183 million for amounts that it appears can be met out of that Replacement Account, or amounts, as in the case of air training, that can be directly charged to the appropriation for aid to allied governments.

The CHAIRMAN: Where does the Replacement Account have its birth?

Mr. BRYCE: The Replacement Account had its birth out of the Defence Appropriation Act of last September, section 3, subsection (3).

The CHAIRMAN: That authorized the Governor in Council to transfer from the Defence Appropriation Act certain amounts to the fund you have just mentioned?

Mr. BRYCE: Yes, sir.

The CHAIRMAN: Replacement fund.

Mr. BRYCE: It is a brief section. I can read it.

The CHAIRMAN: Let us have it.

Mr. BRYCE: "When any transfer of defence equipment or supplies is made under this section, and the costs of such equipment or supplies have not been paid from the appropriation made in this section, the estimated present value of such equipment or supplies shall be charged to that appropriation and a corre-

sponding amount shall be paid into a special account in the Consolidated Revenue Fund which may be used at any time, subject to the approval of the Governor in Council, to purchase equipment or supplies, for the Naval, Army or Air services of the Canadian forces."

Hon. Mr. HUGESSEN: That \$300 million was voted in last year's estimates?

Mr. BRYCE: Yes.

Hon. Mr. HUGESSEN: This is a matter of sort of recouping it.

Mr. BRYCE: What has happened is that when any existing equipment held, for instance, by the Army is transferred, let us say, to Belgium, we charge the \$300 million vote—

Hon. Mr. HUGESSEN: Already voted.

Mr. BRYCE: —with the estimated value of that equipment, and the amount that is charged there is put into this special account and may be used to replace equipment. That is the means by which the replacement is being financed.

Hon. Mr. HUGESSEN: You reduce to that extent the necessity for these appropriations?

Mr. BRYCE: Yes.

Hon. Mr. HAIG: That is where you got the \$513 million?

Mr. BRYCE: That is where \$183 million of it comes. The remaining \$329 million, I must explain, is the "twilight". That is what, by experience, we find is the margin between the total of these various items for which it is necessary for the services to make commitments that ostensibly will fall due in the current fiscal year, but where by experience we know they will not all in fact fall due, so we are able to discount to that extent this huge total and only ask parliament for a smaller amount of cash.

Hon. Mr. HUGESSEN: How do you estimate that? Is it a percentage of the total vote?

Mr. BRYCE: That, sir, is a most complicated process that takes place between the Department of Finance and the Department of National Defence.

Hon. Mr. McDONALD: On a percentage basis?

Mr. BRYCE: We look at the type of expenditure that is involved. For instance, we will have regard to the size of the construction program, and whether or not they are likely in fact to get all their contracts placed; whether the work under these contracts, although they may nominally call for work to be done during the current fiscal year, will in fact get done. We try to make allowances for that sort of thing. You cannot allow for it in any particular item, but when you have many hundreds of millions of dollars involved you feel pretty safe in allowing for it over all. That is the sort of savings that we try to make allowance for here, and it is a combination of that and the replacement fund that makes up this \$513 million.

Hon. Mr. BEAUBIEN: You deduct five hundred and some odd million dollars from the total of \$2,100 million?

Mr. BRYCE: Yes.

Hon. Mr. BEAUBIEN: How you can guess before the year even starts?

Mr. BRYCE: We have to, in order to ask parliament for a fairly realistic figure of appropriation. It is a hazardous figure. We quite appreciate that.

Hon. Mr. BEAUBIEN: It usually works out fairly accurately?

Mr. BRYCE: In the past, yes. The practice of making an allowance of that kind was introduced by the Minister of National Defence about three or four years ago, after experience in the years immediately following the war had shown that in fact we were having to ask for a larger appropriation than would be spent, in order to provide a margin of this kind.

The CHAIRMAN: But your guess is that the amount will not be taken up?

Mr. BRYCE: Yes, as of the date the estimates are made up.

Hon. Mr. TAYLOR: It is an estimate on the information available. Would not "an estimate" be better than "a guess"?

Hon. Mr. HAIG: It is experience.

The CHAIRMAN: Perhaps.

Any further questions on this item?

Hon. Mr. HAIG: Are we through with Mr. Bryce?

The CHAIRMAN: Yes, unless you wish to bring him back.

Hon. Mr. HAIG: On behalf of the committee members I wish to move a vote of thanks to Mr. Bryce for the very able service he has rendered us.

Some Hon. SENATORS: Hear, hear.

The committee adjourned until Wednesday, June 6, 1951.

APPENDIX D

SUMMARY OF ANNUAL ESTIMATES BY STANDARD OBJECTS OF EXPENDITURES
AND SPECIAL CATEGORIES

NATIONAL DEFENCE AND *DEFENCE PRODUCTION

	1951-52 (000's omitted)	1950-51 (000's omitted)	1949-50 (000's omitted)	1938-39 (000's omitted)
(1) Civil Salaries and Wages	\$ 61,035	\$ 44,625	\$ 41,611	\$ 2,586
(2) Civilian Allowances	1,191	487	316	2
(3) Pay and Allowances Defence Forces, and R.C.M. Police	209,184	138,346	112,526	11,395
(4) Professional and Special Services	8,771	4,822	3,897	198
(5) Travelling and Removal Expenses	22,363	13,985	10,964	1,101
(6) Freight, Express and Cartage	10,935	8,660	5,974	167
(7) Postage	483	255	253	6
(8) Telephones, Telegrams, and Other Com- munication Services	3,689	2,409	2,074	57
(9) Printing of Departmental Reports and Other Publications	2,269	1,381	1,276	....
(10) Films, Displays, Broadcasting, Advertising, etc.	3,862	1,995	1,022	5
(11) Office Stationery, Supplies, Equipment and Furnishings	6,327	2,488	1,622	232
(12) Materials and Supplies	375,918	108,225	64,568	190
Buildings and Works, including Land—				
(13) Acquisition and Construction	362,767	57,750	52,384	4,261
(14) Repairs and Upkeep	30,334	20,537	15,448	1,046
(15) Rental	1,086	974	840	....
Equipment—				
(16) Acquisition and Construction	737,444	127,142	73,988	12,265
(17) Repairs and Upkeep	131,333	62,074	45,604	588
(18) Rentals .....	....	....	....	....
(19) Municipal and Public Utility Services....	3,702	3,402	2,964	....
(20) Grants, Subsidies, etc., not included else- where	2,320	4,190	1,383	104
(21) Pensions, Superannuation and Other Benefits	22,214	16,163	14,365	2
(22) All Other Expenditures (other than Special Categories)	180,096	205,859	6,838	1,762
Total Standard Objects	\$2,177,323	\$825,769	\$459,957	\$35,967
(23)-(33) Special Categories .....	....	....	....	....
Total Standard Objects and Special Categories	\$2,177,323	\$825,769	\$459,957	\$35,967
(34) Less Estimated Savings and Recoverable Items	513,111	55,186	68,823	....
Net Total Estimated Expenditures	\$1,664,212	\$770,583	\$391,134	\$35,967

*No provision for Defence Production during 1938-39. For 1949-50, only Canadian
Arsenals, Limited, is included in the figures in this table.

APPENDIX E

DEPARTMENT OF NATIONAL DEFENCE

TRAVEL AND TRANSPORTATION EXPENDITURES FOR FOUR YEARS

Sources:

Departmental Reports
Public Accounts
Departmental Estimates

Fiscal Year 1938-39 (Actual)

	Strength	Expenditures	Average Per Capita
Active Forces	\$ 7,945	\$ 602,925	\$ 76
Reserves	54,055	483,321	9
Civil Servants	2,236	.....	..
	64,236	\$1,086,246	

Fiscal Year 1949-50 (Actual)

Active Forces	47,185	\$6,890,369	\$146
Reserves	49,017	1,326,809	27
Civil Servants	13,398	510,380	38
	109,600	\$8,727,558	

Fiscal Year 1950-51 (Actual)

Active Forces	68,427	\$16,054,521	\$234
Reserves	53,467	1,560,290	29
Civil Servants	13,544	627,869	46
	135,438	\$18,242,680	

Fiscal Year 1951-52 (Estimated)

Active Force	77,211	\$17,688,860	\$229
Reserves	67,800	2,457,220	36
Civil Servants	14,217	484,300	34
	159,228	\$20,630,380	

(This table does not include any reference to Cadet Services nor Defence Research Board)

1. From 1939, consequent upon the general increases in the costs of meals and accommodation, the provision in Pay and Allowances intended to reimburse personnel for these costs when travelling, has been revised in line with the following:

	1939 per diem	1942 per diem	1947 per diem	1950 per diem
Colonel	\$8.00	\$8.00	\$10.00	\$10.50
Captain	5.00	6.00	8.00	8.50
W.O. II and Sergeants	3.00	5.00	5.50	7.00
Below Sergeant	2.75	3.50	5.00	7.00

The Canadian railways have been granted increases in the mileage rates charged for the transportation of military personnel. In 1939 the rates effective were 2·5c. per mile for first class accommodation and 1·66c. for coach class; at the present time, the rates are 3·25c. per mile for first class and 2·33c. for coach.

2. The difference in the pre- and post-war per capita costs is accounted for by the change in the nature of the armed services; in 1938-39 the Forces were composed of numerically small static groups functioning at relatively few locations whereas in post-war years, the strength of the Forces has been maintained at a much higher level, and in order to meet current requirements, the Forces have had to become a much more mobile force. The opening up of new training centres and the military development of the northern areas resulted in the greater movement of personnel and dependents which is reflected in the travel costs of each of the three Services.

3. The increase in 1950-51 over the 1949-50 per capita costs is almost wholly attributable to the Canadian commitments under international agreements. Some indication of what these undertakings mean in travel expenditures is as follows:

ARMY: The increase in the Army was roughly \$2 million. Strength increased from 22,000 to 35,000. The special factors relating to the increase are:

Special Force—

Enlistment, movement for training and some discharges ..	\$1,538,000
Embarkation leaves	674,000
Movement of part of Force to Korea	108,000

AIR FORCE:

Removal Expenses of household effects formerly charged to "Freight and Express" properly recorded in 1950-51 under costs of Travel and Transportation

\$ 654,000

Special Force—

C.P.A. Airlift	2,063,000
426 Squadron from Tacoma to Tokyo	95,000

NAVY: Little change is recorded in the travel costs of Naval personnel other than that resulting from the increased strength.

1951

THE SENATE OF CANADA



PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1952

No. 8

WEDNESDAY, JUNE 6, 1951

THE HONOURABLE THOMAS A. CRERAR, P.C.,
CHAIRMAN

WITNESSES:

Mr. S. A. Goldberg, Director, Research and Development Division, Dominion Bureau of Statistics.

Mr. W. Arthur Irwin, Government Film Commissioner, National Film Board.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951

THE STANDING COMMITTEE ON FINANCE

The Honourable THOMAS A. CRERAR, P.C., Chairman.

The Honourable Senators

Aseltine	Golding	McKeen
Baird	Gouin	McLean
Barbour	Haig	Paterson
Basha	Hayden	Petten
Beaubien	Horner	Pirie
Bouffard	Howard	Quinton
Buchanan	Howden	Reid
Burchill	Hugessen	Robertson
Campbell	Hurtubise	Roebuck
Crerar	Hushion	Ross
Davies	Isnor	Taylor
DuTremblay	King	Turgeon
Euler	Lacasse	Vaillancourt
Fafard	Lambert	Veniot
Farquhar	McDonald	Vien
Farris	McIntyre	Wilson
Fogo		

ORDER OF REFERENCE

EXTRACT from the Minutes of the Proceedings of the Senate, Wednesday, March 14, 1951.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1952, in advance of the Bills based on the said estimates reaching the Senate: That it be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal governments in Canada, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

L. C. MOYER,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

WEDNESDAY, June 6, 1951.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11.00 a.m.

Present: The Honourable Senators Crerar, Chairman; Barbour, Basha, Beaubien, Bouffard, Buchanan, Burchill, Euler, Golding, Gouin, Haig, Horner, Howard, Howden, Hugessen, Isnor, King, McLean, Quinton, Reid, Taylor and Wilson.—22.

In attendance: The official reporters of the Senate.

Consideration of the order of reference of March 14, 1951, was resumed.

The following were heard:

Mr. S. A. Goldberg, Director, Research and Development Division, Dominion Bureau of Statistics.

Mr. W. Arthur Irwin, Government Film Commissioner, National Film Board.

At 1.00 p.m., the Committee adjourned until tomorrow, Thursday, June 7, 1951, at 11.00 a.m.

Attest.

JOHN A. HINDS,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE

OTTAWA, Wednesday, June 6, 1951.

The Standing Committee on Finance, which was authorized to examine the Estimates laid before Parliament for the fiscal year ending March 31, 1952, met this day at 11 a.m.

Hon. Mr. Crerar in the Chair.

The CHAIRMAN: Gentlemen, the committee should come to order. We have this morning Mr. Goldberg from the Bureau of Statistics. You will recall that last week Mr. Marshall was here and he had hoped to come himself again to explain to the committee the problem of gross national production and net national income and how they are arrived at. Mr. Marshall was called to Washington on some conference and he got in touch with me before he left. Mr. Goldberg is the officer in the Bureau responsible for these statistics, and I arranged with Mr. Marshall that Mr. Goldberg would come and give the committee his views on the problem and answer any questions the committee might wish to ask. I hope we will dispose of this within an hour. Mr. Irwin of the Film Board is coming at 12 o'clock. It will be recalled that when we were discussing one of the items—I think it was No. 10 relating to Films, Displays, Broadcasting, Advertising, etc.—the committee suggested we should have a representative from the Film Board and also a representative from the Broadcasting Corporation to explain in more detail their expenditures. Mr. Irwin, who is the head of the Film Board, will be here at noon. I would hope that we would dispose then of Mr. Goldberg this morning and also Mr. Irwin. I am hoping to have a meeting tomorrow at which we may probably have the Film Board people. Some of the witnesses we wanted to call here are out of town. Dr. Gilbert Jackson is coming on Tuesday morning next at 11 o'clock. It is the only day he has available and we will give him the full session. I think he will make a useful contribution. With these preliminary remarks we shall ask Mr. Goldberg to come to the table. Mr. Goldberg might give us an opening statement as to what gross national production means, how the totals are arrived at, what changes are made in that figure to arrive at net national income, and any other information that members of the committee may desire through asking questions.

S. A. GOLDBERG, Director, Research and Development Division, Bureau of Statistics: Gentlemen, you will note that the heading of the booklet you have before you is National Accounts. The first question is: what are the national accounts? This can be answered in one or two sentences. Briefly the national accounts are a set of books on the economy as a whole, analogous to the books that corporations use in deliberating on policy and making judgments on their past operations. The second question which may be of interest here is: what are they used for and perhaps how they are made up? In answering this question I come to the first point that the Chairman mentioned—gross national product. One use of the account is to get an estimate of the value of the year's production. You know that we start out a year with a certain amount of capital equipment. We have certain natural resources. We have a labour force. The latter is applied to our capital equipment and to the natural resources, and out of this flow goods and services for our material use. The

total value of these goods and services is called gross national product or gross national production. We try to answer the question; "what is the value of our year's efforts", not directly, but indirectly. We use, so to speak, an encircling movement in getting at our objectives and not a frontal attack. A direct approach would consist of adding up the output of different industries, making certain adjustments for industries' use of materials, obtained from other industries and other adjustments. We do not do that in this booklet. What we do is to measure the value of the year's goods and services indirectly in two different ways. Why do we use the indirect approach? We do this for two reasons. First, because the available statistics lend themselves more readily to this approach, and secondly because we can obtain and summarize a great deal more useful information through using this approach.

Let me say a few words more about this. One way of measuring the year's production of goods and services is by adding up all earnings and other costs which arise in the course of production. We know that this sum necessarily adds up to the value of new goods and services produced. The earnings are salaries and wages, profits, and a mixture of profits and salaries and wages which is known as net income of unincorporated business, including agricultural income. This total is called the national income. We add to that indirect taxes and depreciation allowances to make up for the value of capital equipment used up in the course of production, and the result is the market value of goods and services produced, known as the gross national product. If you turn to Table 1 you will see before you a classification of the main earnings which arise in the course of production. You see how the totals are added up to, first, the national income; and the additional items that need to be added to obtain the gross national product at market prices, and this table adds up to the value of goods and services produced. This is one way of measuring the value of goods and services produced.

There is another way, and it consists simply in this. We start off by asking the question: What have been the total final sales in the economy? I say "final", because if a manufacturer sells first to a retailer, say boots and shoes, and then they are sold again to a consumer, we do not count these things twice, we count them only at the final disposition, when the consumer gets them.

Then we add up these sales and we adjust them for inventories and for imports, because in these final sales imported goods are included, and then we get what is known as the gross national expenditure at market prices. You will see that on page 2. Now we know that this procedure has to add up to the value of all the goods and services produced during the year, because what is produced must either be sold or added to inventories. In this way we get at our objective through the encircling movement that I mentioned before.

Our first objective then is to measure the market value of goods and services, and we do that in two different ways. Now, since these two different ways measure the same thing, they naturally must add up to the same total. If in fact there are differences between them, it is purely because of statistical reasons. You will understand that we cannot have estimates with the same dollar and cents precision that a company has in its books, because in our measurements we have to include transactions of groups in the economy that do not keep books at all, or if they keep books do not make the necessary information available to us yet, and so we have to make estimates. And in the course of these estimates we of course have to have a certain residuum—it would be just an accident if we came out precisely to the dollar.

Here is one advantage of this approach. We measure production, but we do it through two ways and so we get a check. One way is a check on the other. In addition to this we get—as you will see if you look at tables 1 and 2—an account of the absorption of production by the main groups in the economy. For instance, the personal absorption by consumers of goods and services in 1950 was \$11,810

million of the gross national expenditure of \$17,791 million. The main classes of sales are shown separately, and this facilitates analysis. So much for gross national product and expenditure.

I have already indicated one use of this approach. Another use is that this approach enables us to estimate separately the income and expenditure transactions of the main groups in the economy. For instance, if you turn to page 5 you will see before you the income and expenditure transactions of all persons in the economy, you will see the sources of personal income and the disposition of personal income. Similarly, if you turn to pages 11 and 12 you will see the main sources of government revenue and the disposition of government revenue. We have these portrayed separately and also in such a way as to show the relationship between the income and expenditure of these groups, persons and governments, in the examples I have taken, and the economy as a whole and with other groups. For example, you will note that on page 6 we show separately personal income taxes. If you turn to the government table on page 11 you will see the recipient of these taxes. Similarly with other components, as you go through the booklet.

So may I just summarize? In addition to measuring production, this set of tables before you constitute a perspective within which you can appraise the different elements of income and expenditure of separate groups in the economy, such as governments and persons and others. It is a perspective to appraise orders of magnitude. Secondly, these tables show a clear relationship between the transactions of different groups in the economy, and in this way the interrelationship of transactions in the economy as a whole is emphasized. Thus this set of tables can be used as a framework for studying the functioning of the economy over any period of time, and together with other data it enables people to form judgments about the course of future events.

I do not know, Mr. Chairman, whether I should say a few words about the sources of the statistics for the accounts.

The CHAIRMAN: That would be interesting and useful.

Mr. GOLDBERG: I will try to be brief. As you know, in Canada we have a centralized system of statistics—the Bureau of Statistics constitutes a centralized system. Most of the information which is incorporated in these accounts is obtained right at the source, in the Bureau of Statistics. Through the questionnaires that the Bureau has to send out anyway to business and other organizations we get figures of salaries and wages, of purchases by individuals of goods and services, of exports and imports, and of capital investment. In addition to the Bureau sources we use the published government accounts—the accounts of the federal government, of the provincial governments and the municipal governments. We also use information published by other government departments. For instance, the figures of corporation profits shown on page 9 are based largely on a publication issued by the Department of National Revenue, Taxation Division. That gives you a bird's-eye view of the main sources that we have available and use.

There is one additional point which I think is relevant. As I said at the outset, certain groups in the economy do not keep books; for example, the corner grocer and many farm operators do not keep detailed books; others may keep books, but the information is not available to us. We have to make special estimates for the income and expenditure transactions of these groups on the basis of miscellaneous information that we have available at the Bureau.

That, I think, summarizes as briefly as I can the main elements in this national accounting framework.

The CHAIRMAN: Mr. Goldberg, could you draw an analogy between the national housekeeping in this respect, and the individual's housekeeping? Let

me explain, if I can, and I admit that when we get into this question we are in fairly deep water.

Hon. Mr. HAIG: Hear, hear.

The CHAIRMAN: At least, I am.

Hon. Mr. EULER: So am I.

The CHAIRMAN: For instance, an individual conducting a business has certain gross intake from his operations. If he is a manufacturer he has certain charges against that gross intake: his machines tend to wear out, and at some future date they will require to be replaced. Consequently, he has lost something there. There may be other charges of that kind which he has incurred in the operation of his business. When he takes those charges off he has a result that might be described as his net income after expenses. Would I be correct in assuming that the gross intake that he has corresponds to your gross national production, as an analogy, and that the deductions he is required to make through depreciation and other charges of that kind, which enables him to arrive at his net, are the same sort of charges that you make in your estimates to arrive at what you call the net national income?

Mr. GOLDBERG: I think the analogy is correct, but I should like to make one observation. To the extent that the businessman, such as you have taken as an example, purchases materials which are produced by other businesses, you would have to deduct that in order to get the figure which is analogous to our gross national product, because it will be counted in the product of the other business. But to the extent that this business has been self-contained as far as purchases from other businesses are concerned, your analogy is correct. Salaries and wages which he pays out are included in national income; his net income, the residual, is included in the net income of agriculture and other unincorporated business; if the business is incorporated it will be included in corporation profits, and deductions for depreciation will be included in our depreciation figures. But to the extent that he uses the products from other businesses, this would have to be deducted from his gross.

The CHAIRMAN: I will conclude with one further question. How are these figures of gross national production and net national income affected by an increase in price levels, in other words by inflation? To put it another way, the true measure of our increase in wealth depends on the actual volume in increase of products and services. If prices rise then it seems to me that our picture is disguised. In other words, our gross national product in 1939, for instance, was how much?

Mr. GOLDBERG: I have the figure right here from the Budget Appendix. In 1939 the gross national product was \$5 billion 598 million.

The CHAIRMAN: That illustrates what I am getting at. The gross national product as shown for 1950 was almost \$18 billion; that is an increase in those twelve years from \$5.6 billion to \$18 billion, an increase of about 2½ times.

Mr. GOLDBERG: That is right, a little less, an increase of about 220 per cent.

The CHAIRMAN: Our actual increase in production certainly did not keep pace with that. So when we look at these figures of gross national production of nearly \$18 billion, and the Finance Minister indicated that he expected the figures for this year might reach \$20 billions are we not in a measure deceiving ourselves if we take those figures as an actual representation of our increase in the production of goods and services.

Mr. GOLDBERG: Of course we are not deceiving ourselves if we see the problem as clearly as you have outlined it. You are quite correct. We measure, in the first instance, goods and services produced in a year in terms of dollars of that particular year. Let me give a hypothetical example. We are now in a

period of full employment more or less: we can add to our labour forces a little, but compared with the situation in the thirties, this is a full employment economy. In a situation like this it stands to reason that our expansion of real production in a year is limited. It is limited by our resources, since most of our resources are already employed. It depends on judgment whether this expansion will go up by 3 per cent, 4 per cent or 5 per cent, but its limits are clear.

So, as far as physical production is concerned the limits are evident, but if prices go up and you value the physical production in terms of the increased price, you get a higher figure because of this price increase.

My colleague, Mr. Leacy, has just handed me a table in which he made an estimate that the real output of the Canadian economy—speaking in approximate terms—was in 1950 approximately 80 per cent above the pre-war year of 1939. The real output in 1950, that is the level of goods and services produced, was 80 per cent higher, if you allow for the price increases.

The CHAIRMAN: The 80 per cent increase might be roughly described as physical production.

Mr. GOLDBERG: Yes, of goods and services, in terms of constant 1935-39 dollars.

The CHAIRMAN: But as reflected in the values represented in the figures you have given us, it is an increase from about \$5.6 billion to almost \$18 billion.

Mr. GOLDBERG: That is right.

The CHAIRMAN: But that would be about 320 per cent of the 1939 figure, an increase of 220 per cent.

Mr. GOLDBERG: About that, a little less. The precise increase is 218 per cent.

The CHAIRMAN: I think that is a very important point for us to keep in mind.

Hon. Mr. REID: Have you worked out the percentage of increase in volume compared with the increase in prices? You can tell us that personal expenditures have increased so much on our national income, but it would be interesting to know what percentage of the volume of goods has been—

Hon. Mr. HAIG: He says 80 per cent.

Mr. GOLDBERG: From 1939.

Hon. Mr. REID: For instance, are people eating more butter and eggs and buying more suits of clothes? You can show that personal expenditure has increased in 1950 over 1949, but I am interested to know if people are actually buying more things, and what percentage they are buying with the increased cost in 1950, as compared with 1949.

Mr. GOLDBERG: Well, 1950 compared to 1949? If you would be good enough to turn to page 4, we have there "Percentage changes in value, volume and price", Table 2, 1949 to 1950. I state again that these are approximations. As we get more information and as we study these problems we try to improve the estimates. But as they are now, we estimate that personal expenditure on consumer goods and services from 1949 to 1950 has gone up in value terms 6.5—and now you have your point of this—the price was 3.5 and the volume 3.0 per cent.

Hon. Mr. EULER: You say that in 1939 the amount was \$5 billions, was it?

Mr. GOLDBERG: 5.6.

Hon. Mr. EULER: Which has now expanded to an anticipated \$18 billion, or perhaps even \$20 billion. Will you make a comparison by estimating the present amount on the basis of the dollars that were used in 1939? Would that be the comparison of what the actual increase is?

Mr. GOLDBERG: Yes, sir.

Hon. Mr. EULER: What would that be, then? Instead of almost \$18 billion what would it be in terms of the old dollar of 1939?

Mr. GOLDBERG: It would be nearly \$10 billion for 1950, in terms of constant 1935-39 dollars.

Hon. Mr. EULER: About double?

Mr. GOLDBERG: \$9,982 millions. Your question is what the volume was; has the volume doubled?

Hon. Mr. EULER: As compared with 1939, in terms of the old dollar.

Mr. GOLDBERG: Yes. It has not quite doubled, because we started from 5·5; so it went up about 80 per cent, slightly over 80 per cent.

Hon. Mr. EULER: Making it something like \$9 billion?

Mr. GOLDBERG: From 5,523 millions to nearly \$10 billion, using 1935-39 dollars.

Hon. Mr. EULER: That is the 80 per cent you gave us before?

Mr. GOLDBERG: Yes.

Hon. Mr. EULER: That gives us a fair comparison?

Mr. GOLDBERG: That gives us a comparison in terms of volume of goods and services, using 1935-39 dollars.

Hon. Mr. HAIG: That does not say that there were not a greater number of people employed. There would be more people employed in 1950 than in 1939?

Mr. GOLDBERG: That is right.

Hon. Mr. HAIG: And a very much larger investment in capital machinery?

Mr. GOLDBERG: That is very true.

Hon. Mr. REID: That has not quite answered the question I asked.

Mr. GOLDBERG: You asked me, from 1949 to 1950 how much has the volume increase been in percentage terms of expenditures on consumer goods and services. It is 3 per cent. The value is 6·5, the volume 3·0 per cent and the price 3·5.

Hon. Mr. GOLDING: Take the volume from 1939 to the present time: what is that?

Mr. GOLDBERG: Of consumer expenditure?

Hon. Mr. GOLDING: Volume of production.

Mr. GOLDBERG: This is 80 per cent, slightly over 80 per cent. The volume of production from 1939 to 1950 went up about 80 per cent.

The CHAIRMAN: And in terms again of 1939 our gross national product in 1950 would be worth about—?

Mr. GOLDBERG: About \$10 billion.

Hon. Mr. BURCHILL: But that question of Senator Reid's was, between 1949 and 1950. I think we would be interested in knowing the figures between 1939 and 1950.

Mr. GOLDBERG: On consumer expenditures?

Hon. Mr. BURCHILL: Yes. Have you got that at all there?

Mr. GOLDBERG: It is about the same. It is a little over 80 per cent above pre-war.

Hon. Mr. PRATT: In making these calculations—and after all, figures of this nature are valuable chiefly for purposes of comparisons—has the same formula say from 1939 to this date been followed, so that the comparisons would run true, or have there been new factors injected into the calculation of figures which would upset the true picture?

Mr. GOLDBERG: I think that is an excellent point. In the course of our work this is something we try to watch very carefully, because as you say, the value of these figures is much greater if they are completely comparable, and it is true that we follow the same formula as far as concept is concerned. We have quite a detailed conceptual framework which is now established and which attempts to

keep our procedures in line with international practice, so that you not only have comparability within Canada over time, but you can make comparisons with other countries, particularly the United States and the United Kingdom. In addition to conceptual comparability we have statistical comparability. When we change a method we try to make it applicable to the whole series. We try not to break the series, because if we do so we invalidate comparisons. So far as I know, and so far as is feasible, our data are comparable.

Hon. Mr. BURCHILL: You speak of making comparisons with other countries, such as the United States. Do they use the same pattern down there when they are making their figures?

Mr. GOLDBERG: In broad outlines, yes, sir. Some time ago we had a number of conferences with experts there and we agreed on a broad framework of national accounting. Because of individual differences between countries, as there are between people, we have to make some adjustments to suit the special purposes of Canada, but as we make adjustments we try to show them with sufficient detail to enable people to study these figures for purposes of comparisons with the United States and the United Kingdom.

Hon. Mr. EULER: Do you follow the same practice in Canada as they do in the United States when you are figuring out the cost of living—I do not know what it is now—179, as compared with the basis of 100 in 1939.

Mr. GOLDBERG: 1935 to 1939.

Hon. Mr. EULER: When you figure the increase in the cost of living,—what is it now?

Mr. GOLDBERG: 182.

Hon. Mr. EULER: Now, in figuring that out you take just certain important commodities; I don't know what they are. You have above 28 or 30, have you not?

Mr. GOLDBERG: There are many more than that.

Hon. Mr. EULER: Do you think that gives you a fair reflection, because many other commodities are left outside of that calculation altogether, are they not? A good many?

Mr. GOLDBERG: You have a cross-section for certain average income groups.

Hon. Mr. EULER: And do you follow the same practice here as they do in the United States? Does our cost of living correspond fairly? I mean, the way you do it, does it correspond fairly with that of the United States? Because we always compare our cost of living with that in the United States.

Mr. GOLDBERG: I want to say I am not an expert in cost-of-living statistics. It is my understanding that, broadly speaking, they are comparable with those in the United States. Because our economies are interrelated we try to keep as many of our own estimates as possible within a comparable framework between the United States and, where possible, the United Kingdom and other countries.

Hon. Mr. BEAUBIEN: Mr. Goldberg, can you tell me why you take the period from 1935 to 1939 to make this comparison in the cost of living index? Food commodities were at a very low price during that period, and the food prices are a very big item in the present-day cost of living. Is it a fair way of appraising the increased cost of living to take 100 per cent for the period from 1935 to 1939 and arrive at 182 or 183 per cent for today?

Mr. GOLDBERG: Let me repeat that the cost of living is not exactly in my terrain, but as far as I can answer the question I think you probably know that the Bureau is in the course of revising its cost of living index, and the Prices Section has been working very hard for some time in this connection.

Hon. Mr. REID: As to the cost of living what would be included, for instance, in personal expenditures?

Mr. GOLDBERG: I could not make from memory a detailed comparison but I can give one or two examples. Certain luxuries would not be included in the cost of living index, but they will be included here because our purpose here is to measure a totality. We want to measure all personal expenditures on goods and services and the cost of living index is constructed for other specific purposes. So, while there are wide common areas, there are also exclusions.

Hon. Mr. HAIG: As to the cost of living did not the government between the years 1935 and 1939 send out trained young women to canvass certain income groups to see what they expended their salaries on?

Mr. GOLDBERG: That is correct, sir. I think this was done for 1937-38. At that time the Bureau endeavoured to get the most representative expenditure pattern for the group in which they were interested. Over time you have to change these patterns. You will understand that it is a big undertaking to get the patterns in exact terms as they change. The Bureau made a survey, if you will recall, a couple of years ago or so and we are using the result of this survey—at least the Prices Section is—to bring the cost of living index as up to date as possible.

Hon. Mr. HAIG: These people tried to find out how a family of say, five or six was spending its income of, say, \$3,000 or \$4,000. They wanted to find out how the money was distributed.

Mr. GOLDBERG: That is correct.

Hon. Mr. HAIG: And they took that as a basis of getting at the cost of living?

Mr. GOLDBERG: To get weights for the index.

Hon. Mr. BEAUBIEN: You took the prices existing between 1935 and 1939.

Mr. GOLDBERG: That is 100 per cent.

Hon. Mr. BEAUBIEN: Will you admit that it is not a fair comparison to compare the cost of living, especially with regard to foodstuffs, today with that of the period 1935 to 1939? My point is that during that latter period the price of farm products was down. Beef was down and wheat was down. So I do not see how you can take 100 per cent for that period and compare it to the present-day cost of living and arrive at a figure of 182 per cent. I do not understand how that is a fair comparison.

Hon. Mr. HAIG: You have to think of it as a family of, say, five and what they have to eat and pay out to clothe themselves and to meet their doctor bills and other expenses. It may only be the food that has gone up.

Hon. Mr. BEAUBIEN: Everything else has gone up.

Hon. Mr. HAIG: All right. The point is that a man and woman with three children have to spend so much money on food, and it is not a question of whether the cost of foodstuffs was low during the period from 1937 to 1938.

Hon. Mr. BEAUBIEN: You do not understand my question. Why take a figure between 1935 and 1939, which was not a normal period?

Hon. Mr. HAIG: The figure is based on the years 1937-38, to be exact.

Mr. GOLDBERG: That is for the expenditure pattern.

Hon. Mr. BEAUBIEN: You claim you get a figure of 100 per cent for the year 1937-38. This was not a normal period. If you took a figure in 1926 you would have a higher one than in 1937-38.

Hon. Mr. McLEAN: They did that—

The CHAIRMAN: Gentlemen, the Chair is a bit sensitive and wants all questions directed this way.

Hon. Mr. BEAUBIEN: I should like my question answered, if I could keep your committee members quiet for a minute. I am asking this question: Is it a fair comparison to take the basic figure in a period when a large percentage

of commodities, food products in particular, were selling at a lower price than usual, and in this way arrive at your cost of living figure for today?

Mr. GOLDBERG: Of course, it is possible to make your comparison with any period. You can transform it to 1946, 1947 or 1948 as 100 per cent. When it comes to fairness, it is a value judgment. When you make the judgment you have before you the annual statistics and you can transform them. For instance, you can take the per cent increase from 1949 to 1950, and you can take the per cent increase from 1939 to 1950. You can transform them to whatever period you wish, as the base for calculating percentages.

Hon. Mr. REID: Is it under your department that certain investigational surveys for information are carried out? I am wondering whether it is under your department that a certain survey is being conducted at the present time in my district? I think a lot of silly questions are being asked in this survey and that there is a great deal of money being wasted on it.

Mr. GOLDBERG: My own division is Research and Development. The Bar Association approached us some time ago and asked us to make a survey on the incomes in the legal profession. It so happened that we needed this information too for our national accounts. We were delighted to co-operate with them and it was a very useful study. Other surveys, however, are made through other divisions. It all depends on the type of survey.

Hon. Mr. REID: In regard to national income I have in mind fishermen who catch quantities of fish and whose income from that would be taken down and recorded. These fish are sent to a manufacturing plant where they are turned into canned products. The fish take on another value. Do you check up and are you careful that the value of the fish is not counted twice?

Mr. GOLDBERG: That is one of the problems involved in national accounting which we have to watch out for. You are quite right. If we counted twice, then the gross national product would be higher than it should be. We take great care not to count it twice. As I said, our method, our approach, aims at avoiding double counting.

Hon. Mr. REID: I notice from this booklet that the initial price paid to farmers for wheat in 1950 was lower by 11 per cent than in 1949. Is that based on actual figures?

Mr. GOLDBERG: The initial price is the price that farmers got from the Wheat Board when they turned their wheat over. The cash income figure was 11 per cent lower.

The CHAIRMAN: That is a border-line question.

Hon. Mr. HAIG: It is a question that I should like to follow up.

Hon. Mr. ISNOR: There is a question that I should like to ask about table 2 on page 4. Senator Euler asked a question along the same line. How does the Bureau arrive at the difference in price and value for 1950 as compared with 1949? If I remember correctly, the information requested by the Bureau's merchandising section is the volume of sales for the month in question in 1950 as compared with the same month in 1949, and also the purchases for the same period. Now how do you get the unit figures?

Mr. GOLDBERG: We ask for the value of sales and then we deduct from that different expenses, and we get the net income from the sale of goods. From the questionnaires which are filled out by the storekeepers we get the value of sales, and then we have price data which come from another Bureau division, and we try to compute from these two figures. In some cases we have to estimate our own prices as best we can. Through dividing prices into value we get volume for the economy as a whole.

Hon. Mr. ISNOR: The monthly report that you get from a department store gives its total sales for a month, and the only other information you get from

the store is the value of its purchases for that period. Now how is it possible for you to arrive at the unit increase or decrease for any one particular line, such as refrigerators, or what I happen to know about, suits, let us say? How is it possible for you to know the number of units of suits that I have sold over a period of one month or two or three months, from the reports that you procure from merchants?

Mr. GOLDBERG: We cannot ascertain in detail how much an individual store-keeper has sold in terms of units, unless that information appears on the questionnaire. What we do is to add up the sales such as you are talking about, and other sales by other outlets, and in this way we get the total of sales. The next step is to get an average price applicable to this total of sales. It is not an individual thing that we are after; we are after aggregates. Once we have the value of sales—say of clothing—and we have the average price for that commodity, we have the instrument whereby to deflate the value figures and get the movements in physical volume on the basis of the price of the particular year which is selected as the base.

Hon. Mr. REID: I wish to ask a question under the head of national income. Apart from interest and dividends, what is the percentage of moneys in the national income earned by all those receiving family allowances, old age pensions, and so on, in 1950, and how does it compare with 1949? What I am trying to find out is the amount that is going out from the various governments in these direct payments.

Mr. GOLDBERG: The government transfer payments are made up of family allowances, war service gratuities, rehabilitation benefits, pensions of World War I and World War II veterans, unemployment insurance and so on. If you will turn to table 3 you will see that the value of all these in 1949 was \$947 million. That includes transfer payments to persons from federal, provincial and municipal governments. In 1950 the amount was \$1,016 million. Does that answer you question, sir?

Hon. Mr. REID: Yes.

Hon. Mr. EULER: I suppose that one source of national income is revenue from tourist traffic, especially from tourists from the United States. How do you arrive at the amount these people spend here, and how do you arrive at the deduction that has to be made because of expenditures made abroad by Canadians, when you are computing the net income?

Mr. GOLDBERG: All the international transactions included in our accounts come from the Balance of Payments Section of the Bureau. They have records of tourists expenditures in Canada, and of expenditures made by Canadians abroad. We use these estimates.

Hon. Mr. EULER: These figures are simply estimates, are they not?

Hon. Mr. REID: It is not difficult to find out how many American tourists come into Canada in a year. But how can you tell how much they spend? Many of the people who drive up from across the border bring with them enough food and other necessities to last them as long as they stay in this country. There may be four persons in a car, and their only expenditures up here may be for gas. Is this practice not simply to make an estimate of how much each person spends and then multiply that amount by the total number of people who have come in? I cannot see how the figure you arrive at is anything more than a guess. In fact, I claim it is a wild guess.

Hon. Mr. HORNER: You would get information from your Balance of Payments Section that you mention?

Mr. GOLDBERG: Yes, sir. These questions would be better answered by the person in charge of that section.

Hon. Mr. REID: What we are trying to find out is whether the figure you use for income from tourist traffic is reliable. You must accept that figure from some source.

Mr. GOLDBERG: Yes, we accept it from the Balance of Payments Section in the Bureau, and that section has sources of information from which it makes estimates. I think it is fair to say that the Canadian balance of payments figures are considered among the most reliable in the world. I know that.

Hon. Mr. REID: There is no way of checking how much American tourists spend here.

Hon. Mr. HAIG: How do the Americans check the tourists? For instance, a young woman may get on a plane at Winnipeg, and buy a return ticket to Los Angeles. There she visits with a friend for eight days, getting her room and board, and returns to Winnipeg without having spent a nickel in the United States. How do you estimate the expenditure on a trip of that kind?

Hon. Mr. EULER: They ask her at the border how much she spent.

Mr. GOLDBERG: At the port of entry she has to answer questions.

Hon. Mr. HAIG: As to how much money she has.

Mr. GOLDBERG: How much she has, and what she purchased.

Hon. Mr. EULER: They just ask you what you spent over there. I was in the United States last week, and that's all they asked me. They did not ask me what I had or how much I bought, but just how much I spent. I presume we ask the American tourists how much they spend in Canada, when they leave here. How can we tell, if they are not asked something of that sort? They might answer that it is none of our business.

Hon. Mr. REID: They make up a nice picture, depending on what bureau it is for.

The CHAIRMAN: Are there any further questions? We have reached the limit of the hour, and Mr. Irwin is here to give us information on the Film Board.

Hon. Mr. HAIG: There is just one observation I have to make. The whole country is interested in the cost of living. I think you should have an expert from the department come here and tell us how the figures as to cost of living are arrived at. I would like him to bring to us the figures on the trend in the cost of living for the following periods: 1910 to 1915, 1915 to 1920, 1920 to 1925, 1925 to 1930, 1930 to 1935, 1935 to 1940. I think we will find that the cost of living was higher in 1935 to 1939 than it was in 1909 to 1914.

The CHAIRMAN: That would involve, Senator Haig, getting someone from the Bureau who is familiar with the manner in which the cost of living index is arrived at.

Hon. Mr. HAIG: Yes.

The CHAIRMAN: I shall see what I can do about that matter this afternoon.

Hon. Mr. HAIG: Thank you.

The CHAIRMAN: Any further questions?

Hon. Mr. HAIG: I am pretty slow, but I don't understand very much that the witness has said, though I bet it is good. I could follow some of his explanations, but not all of them.

The CHAIRMAN: When the Hansard report comes out we can study it and perhaps get a little more enlightenment.

Hon. Mr. BURCHILL: May I ask one question before the witness leaves the chair? I should like to have his honest opinion as to what percentage of accuracy he really thinks these figures show. I admit that is a general question, but like Senator Isnor and some others, I have been puzzled as to the infor-

mation supplied from time to time. I know that a great many people have not furnished information, and I often marvel at how anything approaching accuracy could be worked out from such information as is furnished by individual producers, manufacturers and so on. I just wonder if you really think in your heart and soul that these figures are accurate.

The CHAIRMAN: You would like to know, Senator Burchill, what is the margin of error. Perhaps Mr. Goldberg can give us an opinion on that.

Mr. GOLDBERG: As you were speaking I was searching my heart and soul, and I shall try to give you my findings. First of all, what is unknown, we don't know. You ask, how accurate are the estimates in relation to reality. Well, we say our estimates are the best appraisal of reality that is humanly possible with the resources that we have. If at any stage we get more statistics or more light thrown on the subject through experience to convince us that we should make some adjustments, we do so at the first opportunity. My answer is that our results are the best we can produce with the information and resources which we have. Exactly how far we are out is to a large extent indicated through our two-way method of measuring the same thing. You will note that there is a residual error estimated on pages 1 and 2.

Hon. Mr. EULER: Would you care to say what the maximum margin of error might be?

Mr. GOLDBERG: If you will turn to pages 1 and 2 you will see that the error, as far as we can find out—of course what we don't know, we can't incorporate in the figures—is the residual. If we measure the same things in two different ways, and get a residual, there must be an error. We don't know just where it is, but we put half of it on one side and half on the other side. That is made very explicit, it is not hidden, we spell it out clearly in our publications. Let me say that we are dealing here with overall magnitudes for the economy as a whole, and for many purposes it is not important to have a hundred per cent accuracy. For many purposes, if we have say, 95 per cent accuracy, it fulfils them. In these cases, why go through the additional expense to get the other 5 per cent?

Hon. Mr. EULER: If you say it is only 5 per cent, that is the answer.

Mr. GOLDBERG: No; it varies. You will notice that the residual error varies from year to year. There is one other point. Someone mentioned comparability, that the figures should be comparable from year to year. In answer to the present question it might be pointed out that the preciseness of our figures should be appraised in terms of similar figures in other countries. I think if that is done, we stand up pretty well.

Hon. Mr. HORNER: Pretty well in comparison with other countries?

Mr. GOLDBERG: Yes, sir.

Hon. Mr. HORNER: There is one question, Mr. Chairman, I should like to ask, but I do not suppose the Bureau of Statistics has made any particular study of the subject. It would be enlightening to the senator from Waterloo, and I should like to know, if any study has been made of the effect of the introduction of margarine on the cost of living, and its consequential effect on the curtailment of milk production and dairy herds.

The CHAIRMAN: I think that question is going a little too much into detail, and should be ruled out.

Hon. Mr. HORNER: It is a very pertinent question.

Hon. Mr. BEAUBIEN: It is a good question, Mr. Chairman.

The CHAIRMAN: It does appear to me that the explanation given by Mr. Goldberg as to the margin of error—

Hon. Mr. BEAUBIEN: Did you say "margarine"?

The CHAIRMAN: —is very small in relation to the volume involved.

Hon. Mr. EULER: If it is 5 per cent, I do not think anybody would find fault.

The CHAIRMAN: If there are no further questions, we will thank Mr. Goldberg for his attendance here this morning, and assure him that we shall endeavour to digest this intricate information.

Hon. Mr. EULER: I think he understands what he said much better than some of us do, but that is no reflection on him at all.

The CHAIRMAN: We will excuse Mr. Goldberg.

As I intimated at the commencement of the session, it was decided at one of the previous meetings during a discussion of expenditures under Films and Broadcasting, that we should endeavour to have the representatives from the Film Board, and at a different time have the representatives from the Canadian Broadcasting Corporation, to give us the information about their operations. Mr. Irwin is here now, and I would ask him to come forward and occupy the chair. Perhaps to begin with you would like to make an explanatory statement, Mr. Irwin.

Mr. W. ARTHUR IRWIN: Very well, Mr. Chairman. It might be useful if I were to sketch in outline what the Film Board is, its operational record for the last year, and perhaps say a word about some of the changes that have taken place during the last year.

The Film Board, first of all, is a group of people. At the end of March there were 533 of an actual working staff. This compares with a peak of 787 at the close of the war. The distribution staff is 166 people, of whom 100 were in the field outside Ottawa, in Canada, and 15 in offices overseas.

We maintain regional offices in each of the ten provinces and distribution offices in New York, Chicago and London.

In Ottawa we are housed in seven operational buildings, none of which were designed for film production operation, and most of which are inadequate for the purposes for which they are now being used. We also have three storage buildings. Investment in equipment is \$992,000.

Our gross expenditure last year was \$3,048,000.

Hon. Mr. HAIG: Does that include salaries?

Mr. IRWIN: Yes. Of that expenditure, the direct parliamentary vote to the National Film Board totalled \$2,307,000. The rest of the income came from sponsored operations, that is funds paid by other departments for the production of visual aids by the Film Board, and from non-governmental sources. The revenue from outside sources last year was \$238,000. Our film production last year totalled \$1,155,000. The distribution cost was \$961,000. If you want me to elaborate on the details of how those expenditures were divided up, I can do that.

Hon. Mr. HAIG: What was the revenue you received from all these developments?

Mr. IRWIN: The total revenue from the government?

Hon. Mr. HAIG: How much did you spend and how much did you take in?

Mr. IRWIN: We received \$3,048,000 and we spent \$3,011,000.

Hon. Mr. HAIG: Your total revenue was not \$3,048,000, because you got \$2,307,000 from the government. What did you sell the product of your work for?

Mr. IRWIN: May I say this? We have revenue from three sources: one, direct vote by Parliament; two, indirect vote of parliament through other departments; three, from the general public.

Hon. Mr. HAIG: What did you get from the general public?

Mr. IRWIN: \$238,000.

Hon. Mr. HAIG: That is what I wanted to know.

Mr. IRWIN: During the year just closed the staff was reduced from 577 to 533,—a reduction of just under 8 per cent. During the year we finished 187 film projects. That compares with 177 for the previous year. Of these film projects, 130 were full-length films of one reel or more. We also produced 37 news stories which went to international distribution in the United States, Europe and Asia. We produced 45 filmstrips as compared with 33 in the previous year. We also produced approximately 114,000 still-photo prints, largely for other departments of government. During the year our laboratory down at John street processed 11,278,000 feet of film. That represented an increase of 5.4 per cent over the previous year, and is the highest footage that the Board has processed since it was established in 1939. During the year the technical staff which handled that output was reduced by 7.1 per cent.

Looking at distribution: briefly, we have four main channels of distribution. One is theatrical films, Canadian and international; another, non-theatrical, Canadian and international; third, television, which at the moment is international; fourth, direct sale of prints, which are turned over to purchasers who use them as they see fit. Last year for the whole year our Canadian theatrical bookings were up 15 per cent. As of now they are running between 90 and 100 per cent above what they were at this time last year. In television our bookings for the year are up 262 per cent. That is almost entirely United States business. Our non-theatrical distribution in Canada is up 8 per cent during the year, and this year will reach an audience of something approximating—I have records for only the first ten months—9,600,000 people for the twelve months. In international, our audience was up 27 per cent—I am speaking now of non-theatrical—with a total audience of approximately 8,000,000 by the end of the year. During the year we placed 12,475 film prints in operation in Canada and abroad.

During the year the Board won 19 awards at various film festivals.

Hon. Mr. EULER: You made some free distribution of films?

Mr. IRWIN: That includes both free and purchased films.

Hon. Mr. EULER: Who purchased them? Theatres?

Mr. IRWIN: The theatrical distribution is entirely on a rental and royalty basis. There is no free distribution theatrically except in news reels. The distribution of 16 mm film is partly free and partly by sale of prints.

Perhaps I should say something about the changes that have taken place during the year in organization. As you know, I came in as Film Commissioner a year ago last February. A report was made shortly after that by the Woods-Gordon people, who made suggestions as to reorganization that should take place. One of the suggestions in this report was that the Commissioner should examine the operation of the Board and see what functions could be eliminated, if any. As a result of that the displays division, which manufactured displays for other government departments, was transferred to the exhibitions division of the Department of Trade and Commerce, which does similar work. The posters and publications design section, which designs publications for other departments, was transferred to the King's Printer; and a small microfilming operation which had been given to the Board during the war was also transferred to the King's Printer. As a result, what was known as the graphics production section was truncated, so to speak, and the other two sections remaining under graphics—still photos and film strips—were put under the Director of Production, so that the films, film strips and still photos are all administered by one director. This is in line with the recommendation of the Woods-Gordon report, and this did reduce overhead.

Hon. Mr. HAIG: The overhead is just transferred from your department to some other department?

Mr. IRWIN: Actually, sir, one could put it that way but the total cost of overhead was reduced. The net effect of this was to reduce total overhead.

Hon. Mr. HAIG: In your department?

Mr. IRWIN: In the government as a whole. Instead of having two administrative units you now have one.

Hon. Mr. HAIG: I cannot hazard a guess as to its amount because I have nothing to do with the other department.

Hon. Mr. HAIG: What I can't understand is where your products go. I do not frequent the theatres very often but I do not see any of your productions in the theatres I go to. I see the odd newsreel sort of thing but I do not see anything else. Where do we taxpayers get any benefit from this?

Mr. IRWIN: Let us look at newsreels first. Last year we shot thirty-seven news stories. These are sent to the newsreel pool in New York City. All the Canadian newsreels are made up in New York and are called the Canadian Locals. This material is fed into that pool and the operators there make a choice of the material they want to put on the Canadian screens.

Hon. Mr. HAIG: When I see a newsreel, part of which is produced by the National Film Board, will I recognize it as such?

Mr. IRWIN: It will not be earmarked as a product of the National Film Board even though it is a National Film Board news shot. It cannot be identified as such.

In the theatrical field we run two main series in both languages. We have Canada Carries On which is produced twelve times a year. Then we have En Avant Canada which is its counterpart in French, which is also produced twelve times a year. Then we have a news magazine type of reel, which deals with three or four subjects, and this is called Eye Witness.

Hon. Mr. EULER: Like you had last evening in the Railway Committee Room?

Mr. IRWIN: Yes.

Hon. Mr. EULER: Very few were there to see it.

Mr. IRWIN: There would have been a better audience had it not been so warm. Then we have Coup d'Oeil, which is the French counterpart of Eye Witness, for distribution in Quebec. Then we have a French series called Vigie. It may be that you did not happen to see any of these when you went to the theatre but they are shown as of now in approximately 750 theatres a month.

Hon. Mr. HAIG: The theatre gets the benefit.

Mr. IRWIN: The theatre rents these films on the ordinary commercial basis. They pay for them. They get benefit of the revenue from the audience. We get benefit because we are able to distribute our product, and I think it is fair to say that the country as a whole gets a benefit because audiences in all parts of the country see the development of Canadian life in other parts of the country.

Hon. Mr. REID: I was at a local theatre the other night and I saw part of a film I had seen in the Railway Committee Room a short time previous to that. This was at the Capitol Theatre. It was an Eye Witness film, and I recognized it as part of the film produced by the National Film Board that I had seen in the Railway Committee Room. Do you receive the revenue from the theatre or is there some intermediary party who takes a cut?

Mr. IRWIN: We distribute through a commercial distributor, following the trade practice. In Canada it is Columbia Pictures.

Hon. Mr. REID: Why should we not have our own name on the film? It did not say National Film Board. It gave no indication of where the film came from. Most films give the names of the actors, the directors, the producers and so on. This film had no such identification.

Mr. IRWIN: Was this in a theatre here?

Hon. Mr. REID: Yes.

Mr. IRWIN: The policy is that every film that comes out of the National Film Board is identified on the screen as such.

Hon. Mr. REID: The theatre takes the film from the distributor and I think perhaps they are taking the benefit.

Mr. IRWIN: Did you see both the lead-in titles and the end titles?

Hon. Mr. REID: Yes.

Mr. IRWIN: I should like to know more about this. I will investigate the matter because it is contrary to policy.

Hon. Mr. REID: I happened to see the same film in the Railway Committee Room. It is all very well to say that these films are educational and entertaining, but I am wondering just what we get out of it.

Mr. IRWIN: We get the distribution but we should get identification as well.

Hon. Mr. EULER: I thought you said a moment ago that you cannot always tell that it is a National Film Board products?

Mr. IRWIN: That is in newsreel shots.

Hon. Mr. EULER: Why not?

Mr. IRWIN: Because you may have ten subjects in a ten minute reel, and they may have come from all over the world. It is a trade practice not to identify individual news shots. We simply follow the trade practice.

Hon. Mr. REID: When they take a reel from you and exhibit in the theatre just a portion of it, do you get paid for the whole reel or just the portion that is shown?

Mr. IRWIN: I must confess that I am puzzled by your report and I shall certainly look into it. First of all, we get rentals for anything we show in the theatres apart from newsreels. They cannot break down one of our films without our approval.

Hon. Mr. HORNER: Do you mean that they have to show the whole of it?

Mr. IRWIN: No person can change one of our films without our permission any more than they can publish half a novel without the author's permission.

Hon. Mr. REID: In the film I am referring to which was shown at the Capitol Theatre they gave a half-minute shot from the Eye Witness film I had seen in the Railway Committee Room the night before. They must have had the whole reel and taken one portion of it.

Mr. IRWIN: Was this in a newsreel?

Hon. Mr. REID: No.

Mr. IRWIN: Did it show in the theatre as an Eye Witness?

Hon. Mr. REID: Yes.

Mr. IRWIN: I cannot understand that.

Hon. Mr. REID: It was not the same Eye Witness all the way through as the picture I had seen in the Railway Committee Room. It was just a portion of it.

Mr. IRWIN: The only explanation I can think of offhand is that it may have been a stock shot.

Hon. Mr. REID: I was interested in it because it showed a member of parliament and his family. This is what brought my attention to the picture. Then the film went on to something else. I am wondering whether they had the whole reel and just used that portion of it, because it was not the same reel that I had seen before. They did not continue to show the scene of the smelting company that was shown in the other film. I am wondering how you get paid

for that. If the whole reel is hired out do you get paid for that or do you just get paid for the portion that is used? The country is paying for these reels and we should know about this.

Hon. Mr. HAIG: Yes.

Mr. IRWIN: No theatre can show any of our films without paying rental for them.

Hon. Mr. EULER: Do you go after that business? Do you try to distribute it?

Mr. IRWIN: Yes.

Hon. Mr. EULER: Do you have a selling organization?

Mr. IRWIN: Yes. As a matter of fact, that is the point I wanted to raise. Since the turn of the year we have established a commercial distribution section in the distribution department. There wasn't such a thing before.

Hon. Mr. EULER: It goes right after the business, does it? You do not wait until the theatres come to you?

Mr. IRWIN: Not at all, and we are intending to push that intensively. The man who is at the head of this section was formerly in business.

Hon. Mr. REID: You had a special film called Red Runs the Salmon in which we of the International Pacific Salmon Fisheries Commission were interested. Theatres across the country advertised it and drew very favourable comment. When I made inquiries I found out that it had been sold to Hollywood.

Mr. IRWIN: When was this, may I ask?

Hon. Mr. REID: A year and a half ago. After going to all the expense of making such a beautiful film why did we turn around and sell it to Hollywood? I should like some information about that. The taxpayers of this country paid for it and I should like some information as to what it cost to produce and what we got for its sale.

Hon. Mr. HAIG: That is exactly what we want to know.

Mr. IRWIN: I cannot answer that now. I shall get the information and give it to the committee. We are discussing here something with which I am not familiar. I have no opinion about it until I know the facts.

Hon. Mr. BASHA: Could not two photographers be taking the same scene? This would answer the question.

Mr. IRWIN: That is perfectly possible.

Hon. Mr. McLEAN: Duplicate reels.

Hon. Mr. REID: No, this is a special one of Hell's Gate Canyon, taken when we were operating the fisheries.

Hon. Mr. ISNOR: Mr. Irwin, you spoke of transfers of certain employees to other departments. How many employees were involved in those transfers?

Mr. IRWIN: Speaking from memory, I think there were eighteen.

Hon. Mr. ISNOR: Then are you showing an increase or a decrease in employees this year?

Mr. IRWIN: Do you mean overall?

Hon. Mr. ISNOR: Yes.

Mr. IRWIN: A net decrease.

Hon. Mr. ISNOR: There were only eighteen employees involved in the transfers?

Mr. IRWIN: That is right.

The CHAIRMAN: The Film Board produces films and pictures of various aspects of Canadian life. As I understand it, these are distributed to a large

number of theatres in the United States and other countries. How many theatres in the United States use these pictures, Mr. Irwin?

Mr. IRWIN: At the moment our theatrical distribution in the United States is not as large as I think it should be. That is one reason why we are setting up this commercial distribution department.

The CHAIRMAN: Precisely what distribution are you getting now?

Mr. IRWIN: In gross bookings, roughly between five and six thousand.

The CHAIRMAN: That is bookings?

Mr. IRWIN: That would be individual theatres.

The CHAIRMAN: What circulation have you in other countries? Have you any in South America?

Mr. IRWIN: You are talking now of theatrical or non-theatrical or television?

The CHAIRMAN: I am referring to pictures of Canada that are shown outside of Canada through your agency.

Mr. IRWIN: We operate in the non-theatrical field through External Affairs and we have non-theatrical distribution in forty-four countries.

The CHAIRMAN: Just explain to us, will you, how that is done.

Mr. IRWIN: We have libraries in fifty-seven Canadian posts in those forty-four countries. Those libraries are maintained at the embassies or posts and serviced by their information personnel.

The CHAIRMAN: What happens from there on?

Mr. IRWIN: They have screenings for selected groups. They may send our films for use in schools, for use by adult educational groups, and so on, depending on the country. We keep detailed records and we get reports every three months from each of the posts, and so we are able to say that in such and such period so many people in Malaya, for instance, saw these pictures.

Hon. Mr. REID: What is the object of that?

The CHAIRMAN: Just a moment. These pictures distributed in that way are pictures dealing with some phase of Canadian activity?

Mr. IRWIN: That is right, sir.

The CHAIRMAN: Outside of that you have the theatrical distribution?

Mr. IRWIN: Yes, sir.

The CHAIRMAN: In what countries have you theatrical distribution?

Mr. IRWIN: The main countries where we have theatrical distribution are Great Britain, the United States, North Africa, France, and some in Australia and some in New Zealand. There are some twenty other countries in which we have contracts, but these are small. I do not think we have more than touched the fringe of the potential of theatrical distribution.

The CHAIRMAN: I think that is very important. I take it that these pictures are shown in theatres of some kind or other.

Mr. IRWIN: That is right.

The CHAIRMAN: Have you any idea of the audiences you reach in that way, the total number of people?

Mr. IRWIN: In the past various figures have been given, up to as high as 200 million a year, but I do not think we should use these figures, because they are little better than a guess. A little while ago we took some shots of a reindeer round-up in the Northwest Territories. We were doing some other work up there for the Department of Resources and Development and the camera man was instructed to pick up whatever news shots he might be able to get. One of these was of a reindeer round-up, and that went into the newsreel pool and was used in four reels in Canada and in two of the major reels in the United States

and in three in South America. It is estimated that that newsreel might have reached an audience of 200 million people.

Hon. Mr. HORNER: But what revenue did that bring in?

Mr. IRWIN: There was no revenue from it. That distribution was for information purposes.

Hon. Mr. HAIG: What puzzles me is why we want to show in the United States pictures of a round-up of reindeer in the Northwest Territories. That kind of thing cannot do Canada any good at all. I am a hombre who has to pay income tax and I do not like to see my money spent on the showing of pictures of reindeer to people in the United States or Brazil or other countries. I should like Mr. Irwin to tell us what good Canada gets from the distribution of these pictures.

The CHAIRMAN: Just a minute.

Hon. Mr. HAIG: You have talked a good deal, Mr. Chairman. You have talked more than any of us this morning. Give the rest of us a chance.

The CHAIRMAN: Just a moment, Senator Haig. You will have your question answered. I have sat back here and listened pretty patiently, I think.

Hon. Mr. HAIG: You have talked more than any other member of the committee this morning. That is not fair. The chairman is supposed to listen.

The CHAIRMAN: We shall try to get someone to count the words later.

Hon. Mr. HAIG: I want to ask Mr. Irwin what is the object of all this, whether he can show me the justification for advertising a round-up of reindeer and other such things to people in the United States and a lot of other countries. How under heaven can Canada get any good from the showing in these countries of a picture of a round-up of reindeer?

Hon. Mr. BEAUBIEN: It advertises Canada.

Hon. Mr. HAIG: In what way?

Hon. Mr. BEAUBIEN: In various ways.

Hon. Mr. HAIG: I cannot see any advertising value in that. This spring I saw a picture of cariboo running across the Churchill river. It was a nice picture to watch, but what good does Canada get out of the showing of a picture like that? I want an answer to this general question: what is the value to Canada of all this propaganda?

The CHAIRMAN: Now that Mr. Irwin has a chance to speak, he will no doubt answer the question.

Mr. IRWIN: Mr. Chairman, under the National Film Board Act, 1950, the Board is charged with the duty of using film as a medium of transmitting information about Canada and Canadian activities to Canadians themselves and to the people of other countries. That duty is imposed upon the board by parliament. We are asked at the moment why we should show abroad a picture of Canadian reindeer. In the first place, it seems to me that whether or not we are going to have information about Canada disseminated abroad through any government agency is a matter of government policy, and as a civil servant I am not in a position to comment on government policy.

Hon. Mr. REID: Who designates the various countries to which films are sent? There are countries which, in my opinion, are of no great value in which to advertise Canada. When I look at the sixty or eighty countries of the world I would pick out certain ones; I do not think it is wise to publicize Canada in every country, because we have no dealings with at least twenty of them. I am wondering who sets the policy as to the countries. For instance, take the Latin American countries where there are some 1370 bookings; I can't see more than a dozen Latin Americans coming up to Canada. It may be

a nice gesture to educate the children and show them what Canada is, but who tells you the countries that we should send films to?

Mr. IRWIN: Any decision as to policy in respect of distribution abroad is made in close collaboration with the Department of External Affairs and the Department of Trade and Commerce.

Hon. Mr. REID: But is it the minister, or the departmental officials? Does the Minister of External Affairs and the Minister of Trade and Commerce direct that policy, or is it the departmental officials, that is what I should like to know?

Mr. IRWIN: In dealing with any department we must deal with the minister or his designated official.

Hon. Mr. GOLDING: Mr. Chairman, the answer that the witness gave to Senator Haig was the answer to a question that I was about to ask. It seems to me we are questioning this witness on matters which are entirely government policy. If we want to get that information, we should have the minister here instead of this witness. This man is a civil servant, and he is only carrying out the duties and responsibility of a department that was established by Act of Parliament. He is not the witness we should be questioning as to matters of policy.

Hon. Mr. REID: What question is Senator Golding referring to now? Is he raising an objection to any questions I have asked as to what revenue we get from theatres?

Hon. Mr. GOLDING: No.

Hon. Mr. REID: The witness does not need that protection from me; I don't want any statements as to policy. I only want information about his department.

Hon. Mr. GOLDING: Will my friend allow me to ask a question? I am not referring to any question he asked, but as to one asked by our good friend Senator Haig. Don't shut off everybody else from asking a question once in a while.

Hon. Mr. ISNOR: Mr. Chairman, I am one of those who is strongly in favour of the good work being done by the National Film Board, and in that way I differ from many of my colleagues.

Hon. Mr. BEAUBIEN: You don't differ from me.

Hon. Mr. ISNOR: I said "many". Mr. Irwin must know of the criticism, which I think centres largely around expenditures. The public would like to know what it costs to produce stills, for instance, and what revenue is received in return for them, what good they are doing and their distribution. Could you give us that information, Mr. Irwin? Tell us the total cost of your stills, and the total revenue from them, so that we can place one against the other and know whether your department's activities on stills is worthwhile.

Hon. Mr. REID: And add to that—

Hon. Mr. ISNOR: Now, stop there, and do not get the matter confused.

The CHAIRMAN: Order!

Hon. Mr. BEAUBIEN: I think Mr. Irwin should be allowed to continue with his statement. That was the agreement at the outset. Let him make a statement. and then we can ask questions afterwards.

The CHAIRMAN: The questions are quite in order.

Hon. Mr. BEAUBIEN: You are not getting anywhere with them.

Mr. IRWIN: May I put on the record an answer to the question as to our expenditures on various types of production last year? On films we spent \$1,155,000, on film strips \$47,000.

Hon. Mr. ISNOR: Stick to the question I asked as to stills.

Mr. IRWIN: On the stills service operation as a whole we spent \$121,000.

Hon. Mr. ISNOR: And your revenue?

Mr. IRWIN: The total revenue from all three of these—

Hon. Mr. ISNOR: From the stills.

Mr. IRWIN: What do you mean by "revenue"? We had better define our terms.

Hon. Mr. ISNOR: You know more about them than I do. You know the term "stills"; you have used it, and it shows in your report. You have given us the figure of \$121,000 for the production of stills, and of course you know what stills are.

Mr. IRWIN: Yes.

Hon. Mr. McLEAN: What kind?

Hon. Mr. ISNOR: I am asking you for the revenue resulting from the use of stills.

Mr. IRWIN: The total revenue was \$121,000.

Hon. Mr. ISNOR: The total revenue?

Mr. IRWIN: Yes.

Hon. Mr. ISNOR: I thought you gave us that as the production cost.

Mr. IRWIN: \$121,000. We have to balance our books.

Hon. Mr. ISNOR: Your total production costs on all stills was \$121,000?

Mr. IRWIN: Yes.

Hon. Mr. ISNOR: And your revenue was exactly \$121,000?

Mr. IRWIN: Yes.

Hon. Mr. ISNOR: How do you get that revenue?

Mr. IRWIN: We get it from three sources; a direct vote by parliament—

Hon. Mr. ISNOR: Is that a revenue?

Hon. Mr. HAIG: That is what he told me.

Hon. Mr. ISNOR: That is why I am following up your questions. From a business standpoint, Mr. Irwin, we set up the cost of certain articles of production . . .

Mr. IRWIN: Yes.

Hon. Mr. ISNOR: In this particular case your cost is \$121,000.

Mr. IRWIN: That is right.

Hon. Mr. ISNOR: From the use of that production on stills you get a certain return in the way of dollars and cents. Would you mention the source, apart from the government, and show what the actual income or revenue is from these stills?

Mr. IRWIN: The direct vote is \$75,000.

Hon. Mr. ISNOR: That is the vote from the government.

Mr. IRWIN: That is right; that is a direct vote to the Film Board by parliament. And the payment by other departments of government was \$41,000. We do not sell to the trade; we do not operate a commercial still photographs business.

Hon. Mr. ISNOR: Then you get no revenue other than from the government source?

Mr. IRWIN: Sales to outside purchasers were \$6,900 last year.

Hon. Mr. ISNOR: Thank you very much, that is the answer. Out of \$121,000 cost of production you get \$6,900 return from outside sources?

Mr. IRWIN: That is right; but we are not operating in the commercial field. It is a deliberate policy that we don't do so.

Hon. Mr. ISNOR: I just wanted to find out what you are doing with your stills.

Hon. Mr. BEAUBIEN: What is a "still"?

Mr. IRWIN: It is an ordinary photograph.

The CHAIRMAN: Are you through, Senator Isnor?

Hon. Mr. ISNOR: I think I have an answer.

The CHAIRMAN: If I may be permitted to make an observation—

Hon. Mr. BEAUBIEN: We will permit you to, Mr. Chairman.

The CHAIRMAN: —it is this: Taking the reindeer film which was shown in South America as an illustration, the government of Canada, at considerable expense, maintains trade agents in foreign countries. There is a substantial number of these trade agents in South America, in the United States and elsewhere, and today they are trying to establish trade connection in countries in which they, for the time being, are representing Canada and are interested in increasing the volume of trade and getting people in these countries familiar with Canada. It seems to me that the chief value that comes out of the distribution of films, if it is economically and efficiently done—that is always of prime consideration—is the advertising value. Now, Senator Isnor is a merchant—

Hon. Mr. ISNOR: Forget that angle.

The CHAIRMAN: Just a moment, please.

Hon. Mr. ISNOR: The other senators want to know those figures too.

The CHAIRMAN: Just a moment. Senator Isnor is a merchant; he may spend \$50,000 a year in advertising. If you ask him, "Now, you show me the direct results in sales that you got from So-and-So and So-and-So and So-and-So through your advertising", he cannot do it.

Hon. Mr. ISNOR: Yes, he can do it. Not exactly, but he can say that radio produces so much, direct mail produces so much, newspaper advertising produces so much. That is what we are getting at.

The CHAIRMAN: But that would not be accurate.

Hon. Mr. ISNOR: No, but it would be accurate enough to satisfy the man who is interested in advertising.

The CHAIRMAN: After all, the business of advertising is to build up goodwill among customers.

Hon. Mr. REID: I wonder if I might have an answer to my question.

The CHAIRMAN: I venture that observation as a consideration which should not be overlooked when we are considering these expenditures. The two basically important considerations are, is the work being done efficiently, and is it being done economically?

Hon. Mr. BEAUBIEN: To the benefit of the country.

The CHAIRMAN: For the benefit of the country as a whole.

Hon. Mr. REID: I think, in fairness to Mr. Isnor it should be said that all of us, or at any rate most of us, are in favour of the Film Board, but some of us who are asking these questions are a little alarmed at its ramifications and are beginning to wonder where it is going. That is why I personally have asked these questions. I am not, and I do not think others are, against the Film Board, and I think that should be made clear. But I do want to know what is the revenue received for the films which Canadian and other theatres take from the National Film Board, and how it compares with the cost of production. You may produce a mighty nice film, and it may be acceptable to Canadian or United States theatre-goers, but it may have cost considerable money—the cost would vary, of course, according to the film and the length of the reel—so I would like to know what revenue you get from the Canadian theatres for the

use of these films and how it compares with the cost to the country. But in asking questions of this kind I do not want anyone to think that I am against the National Film Board. I am not, but I am alarmed about where we are going. It is now 1 o'clock, but I have other questions to ask yet when Mr. Irwin comes back.

Hon. Mr. GOLDING: I think it is perfectly right and proper for this committee to ask for all information in regard to expenditure and revenue in connection with this department. Those questions are perfectly in order to be addressed to this witness. But when it comes to the matter of policy, it must be remembered that this department is set up for certain purposes, and if we want to ask those questions we should have the Minister here.

Hon. Mr. REID: That is perfectly right. When I asked Mr. Irwin who sets the policy I was not putting him on the spot as to policy. But in looking over the list of countries in which you operate, it is interesting to note that in 1950 you had in Latin America nine distributors and 1,370 bookings, and in the United Kingdom, a country with which we do a great trade, there were only five distributors and about twice as many bookings as in Latin America. Naturally the thought arises in my mind, why are we going into Latin America? What is the object? You can easily have a good many bookings in Canada, and no doubt many come. Who would not go to a free show? Why do we provide films free? Who sets the policy about going into Latin America with a greater number of distributors than there are in Great Britain, and with only 50 per cent of the bookings as compared with a great trading country like Britain? If I were looking for settlers, if I were looking for trade, I would think that greater emphasis should be placed on operations in the United States and in Great Britain. At least I would do so if my purpose was to let people know what a lovely country this is, and how many fine things we have in the Dominion of Canada. If I were interested in these objects I would go to the countries from which we expect people to come here. But no one, at least very few, come from Latin America to Canada to stay. So naturally the thought arises in my mind, who told you to make all these bookings in Latin America? I think the matter should be reviewed.

Mr. IRWIN: Mr. Chairman, I am not sure which question you want answered first. I don't know if I can remember them all.

Hon. Mr. REID: The first is as regards the revenues from theatres.

Mr. IRWIN: Let me deal first with Latin America. I think I agree with the implication of the senator's question. I think our circulation in the United Kingdom and other Western European countries should be markedly increased. At the moment we are not putting any pressure on South America. The committee may be interested to know, Mr. Chairman, that in the last six weeks we have had a trained distribution man in Europe examining the possibilities of expanding the distribution of the Film Board pictures in the countries of Western Europe. This man returned to Canada on Monday, and I expect to have his final report in the next ten days. He was loaned to us by the chief theatrical organizations in Canada, or for that matter, in the world. He is a highly trained man, and went to Europe for the specific purpose of developing channels of the kind you are talking about.

Hon. Mr. REID: I can see the good of that, but not—

Hon. Mr. BEAUBIEN: Mr. Chairman, it is 1 o'clock, and I think we have done pretty well.

The CHAIRMAN: We will not ask Mr. Irwin to come back again, because we have not the time.

Hon. Mr. REID: There is one very important question about which we should know something, and that is television. We are not yet in television, but

here is an item for it, and I would like to have the story. I know that we shall probably use the National Film Board when television gets in operation in Montreal or Toronto, but it is not there yet, and personally I should like to know why we are making films for television for some other country, especially when you read the report that has just been tabled in parliament by this commission.

Hon. Mr. HAIG: As far as I am concerned, I do not need Mr. Irwin back, because he answers my question by telling me "It is a matter of public policy, and I can't answer it." Any further questions I would ask are "passed out". He was not able to answer my questions because he sheltered himself behind government policy, and the committee endorsed that, so I cannot go any further, because I am shut up. So far as I am concerned there is no necessity for him to come back.

Hon. Mr. BEAUBIEN: Well, surely other people would like to ask questions.

Mr. IRWIN: I do not know what the status of a civil servant is in this connection, but the statement was made that I could not answer a question.

Hon. Mr. HAIG: I asked you why the policy was such-and-such a thing, and you said "It is a government matter, and I cannot answer it"; and Senator Golding said that your answer was quite a proper one.

The CHAIRMAN: Order.

Hon. Mr. HORNER: You have no business to ask the question!

The CHAIRMAN: Probably the Broadcasting Corporation officials could give us more information on television than Mr. Irwin can.

Hon. Mr. REID: No, they are making the films for television. I would like to hear the story of that. We are not yet in television in Canada; and the report that has been brought down does mention specifically films and the relationship in future with the Canadian Broadcasting Corporation.

Mr. IRWIN: In the first place the films now in distribution were not made for television, they were taken from stock made for theatrical showing. In the second place, new techniques in the production of films are developing, as a result of television: it is hoped that these techniques will reduce the cost of producing films, first for television, and secondly for theatrical presentation. We in the Board have been experimenting with some of these techniques on a modest scale, to see whether or not we can get our cost of production down to a point where it will be possible to use films for television. Third, the CBC is charged by parliament with the duty of developing a television system in Canada. That is none of our business. Where films may be used in television, however, we have been in consultation with the Canadian Broadcasting Corporation about how they may want to use films. Our approach to the whole problem is that there should be no duplication of government services in respect of film and in the television field.

Hon. Mr. REID: Have any of the films which have been developed for television been sent across the border to the United States or to other countries?

Mr. IRWIN: Not yet. The experimental work has only been done in the last few months.

Hon. Mr. REID: It is experimental work, looking to the future?

Mr. IRWIN: Yes.

Hon. Mr. BEAUBIEN: I move that we adjourn.

The CHAIRMAN: Before the committee adjourns I want to say that I am going to try to have a meeting tomorrow morning and if it is possible we shall endeavour to get the C.B.C. people here. I am sure we shall have an interesting session.

The committee adjourned until tomorrow morning at 11 a.m.

1951

THE SENATE OF CANADA



PROCEEDINGS
OF THE
STANDING COMMITTEE
ON
FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1952

No. 9

THURSDAY, JUNE 7, 1951

THE HONOURABLE THOMAS A. CRERAR, P.C.,
CHAIRMAN

WITNESSES:

- Mr. H. F. Greenway, Director, Labour and Prices Division, Dominion Bureau of Statistics.
- Mr. L. E. Rowebottom, Prices Section Chief, Labour and Prices Division, Dominion Bureau of Statistics.
- Mr. A. D. Dunton, Chairman of the Board of Governors, Canadian Broadcasting Corporation.

STANDING COMMITTEE ON FINANCE

The Honourable Thomas A. CRERAR, P.C., Chairman

The Honourable Senators

Aseltine	Golding	McKeen
Baird	Gouin	McLean
Barbour	Haig	Paterson
Basha	Hayden	Petten
Beaubien	Horner	Pirie
Bouffard	Howard	Quinton
Buchanan	Howden	Reid
Burchill	Hugessen	Robertson
Campbell	Hurtubise	Roebuck
Crerar	Hushion	Ross
Davies	Isnor	Taylor
DuTremblay	King	Turgeon
Euler	Lacasse	Vaillancourt
Fafard	Lambert	Vien
Farquhar	McDonald	Veniot
Farris	McIntyre	Wilson
Fogo		

ORDER OF REFERENCE

EXTRACT from the Minutes of the Proceedings of the Senate, Wednesday,
March 14, 1951.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1952, in advance of the Bills based on the said estimates reaching the Senate: That it be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal governments in Canada, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

L. C. MOYER,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

THURSDAY, JUNE 7, 1951

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11.00 a.m.

Present:—The Honourable Senators: Crerar, Chairman; Aseltine, Barbour, Basha, Buchanan, Burchill, Euler, Farquhar, Golding, Haig, Horner, Howden, Hugessen, Isnor, McLean, Petten, Reid and Wilson—18.

In attendance: The official reporters of the Senate.

Consideration of the order of reference of March 14, 1951, was resumed.

The following were heard:—

Mr. H. F. Greenway, Director, Labour and Prices Division, Dominion Bureau of Statistics.

Mr. L. E. Rowebottom, Prices Section Chief, Labour and Prices Division, Dominion Bureau of Statistics.

Mr. A. D. Dunton, Chairman of the Board of Governors, Canadian Broadcasting Corporation.

At 1.00 p.m. the Committee adjourned.

At 4.00 p.m. the Committee resumed.

Present:—The Honourable Senators: Crerar, Chairman; Aseltine, Barbour, Basha, Buchanan, Burchill, Farquhar, Fogo, Golding, Haig, Howden, Isnor, King, Lambert, McLean, Quinton and Reid—17.

Mr. A. D. Dunton, Chairman of the Board of Governors, Canadian Broadcasting Corporation, was further heard.

At 5.30 p.m. the Committee adjourned until Tuesday, June 12, 1951, at 11.00 a.m.

Attest.

JOHN A. HINDS,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE

OTTAWA, Thursday, June 7, 1951.

The Standing Committee on Finance, which was authorized to examine the Estimates laid before parliament for the fiscal year ending March 31, 1952, met this day at 11 a.m.

Hon. Mr. Crerar in the Chair.

The CHAIRMAN: Gentlemen, I can briefly state the matters for this meeting of the Committee. Yesterday some questions arose as to how the cost of living index was worked out, that is those interesting figures we get each month showing how much more or how much less we pay for our requirements. There was a further question as to why a certain period—I think it was 1935-39—was chosen as a base period. We have present this morning Mr. H. F. Greenway, Director of the Labour and Prices Division of the Dominion Bureau of Statistics, and Mr. L. E. Rowebottom, also of the Bureau. I would suggest that, if this meets with the wishes of the Committee, that Mr. Greenway or Mr. Rowebottom give us a short survey of the development of the cost of living index.

Mr. H. F. GREENWAY, Director, Labour and Prices Division, Dominion Bureau of Statistics: Mr. Chairman and honourable members of the Senate Committee on Finance, I believe that Mr. Goldberg told you a good deal about the cost of living index yesterday, and that all that should be required now is a brief comment on some of the more detailed points regarding the construction of the index and the fundamental purpose that we have in making the index. I think it is particularly important to be clear at the start that we are trying to measure price changes only. A considerable amount of confusion has been created in one way or another regarding the purpose of this index. It is sometimes considered to be what we might call a double-barrelled affair, a measurement not only of price changes but also of changes in the standard of living. It is not correct to use it in this sense. It is purely a measurement of changes in consumer prices from month to month and year to year. More specifically, it is designed to measure the influence of changes in prices of goods and services upon the cost of a representative urban wage-earner's family budget.

I think the main point of interest that you are concerned with this morning is the question of how a measure of this kind is constructed. The answer is simply this: by pricing essentially the same family budget from month to month over considerable periods of time. The first point following on from there is, what budget is used. Since the index has been constructed we have used a series of different budgets. The history of the index goes back to 1913. It is obviously not reasonable to maintain a 1913 budget indefinitely, and we have made periodic changes. Following from the original 1913 budget there was a new one established in 1926. The one we are now using is based on a survey of wage-earner family expenditures in 1937 and 1938, as I believe Mr. Goldberg told you. At that time we organized a staff of trained investigators who canvassed families in twelve representative cities from Charlottetown to Vancouver, and they took a representative sample of actual family expenditure records. The families included in this survey had earnings ranging up to about \$2,400 or \$2,500 a year. They were families with from one to five

children; they lived in self-contained dwellings—that is, they had their own private homes; and they were completely self-supporting. We aimed to get a budget which would be representative of a typical wage-earner family.

This budget is divided for purposes of index use into six sections, and we can relate these sections to what we call the consumer dollar. I think it will be of interest to you to summarize briefly the proportion of this dollar that went into each of these main groups. On an average 31 cents was spent for foods, 19 cents for rent, 6 cents for fuel, 12 cents for clothing, 9 cents for home furnishings and services and 23 cents for the remaining items in the budget, which include health care, transportation, recreation and other items.

Hon. Mr. BURCHILL: Would you mind running over those figures again?

Mr. GREENWAY: Certainly. The consumer dollar was divided this way: 31 cents for food, 19 cents for rent, 6 cents for fuel and light, 12 cents for clothing, 9 cents for home furnishings, that is furnishing the home and supplying it with services such as laundry and telephone, and for the remaining 23 cents such items as health care, recreation, transportation and a few of the incidental items.

Hon. Mr. HUGESSEN: Does that include such items as savings, insurance and that sort of thing?

Mr. GREENWAY: It does include insurance as a consumer expenditure, but it does not include savings such as the money you put in the bank or the bonds or annuities you buy.

Hon. Mr. HUGESSEN: But it does include insurance?

Mr. GREENWAY: It does include insurance. Those figures are important because we use them in figuring out the final importance of these main groups in the overall cost of living index. In other words, food at 31 cents will be roughly five times as important as fuel at 6 cents.

Hon. Mr. ASELTINE: Why?

Mr. GREENWAY: Well, because you spend five times as much on food as you do on fuel; therefore, it is reasonable, I think, to give food that degree of importance in relation to fuel.

Hon. Mr. ASELTINE: We now have 16 inches of snow out West and this year we have to heat our homes all summer.

Mr. GREENWAY: According to the survey you are able to do that. This of course adds up to quite a few dollars in the course of a year.

Hon. Mr. ASELTINE: What part of the country does that apply to?

Mr. GREENWAY: It is a Canada figure, sir. We have only one cost of living index. It would be of interest to have regional figures. I might say that we have certain city costs of living index; that is of some importance from your point of view. These city indexes show almost exactly the same ups and downs over a period of time as the main index for Canada shows.

Hon. Mr. BUCHANAN: Are the percentages that you have given based on 1937-38 survey?

Mr. GREENWAY: That is right, sir.

Hon. Mr. BUCHANAN: Do the same percentages apply today?

Mr. GREENWAY: They still apply to the index we are issuing today.

Hon. Mr. BUCHANAN: There is no difference in the percentages?

Mr. GREENWAY: No.

Hon. Mr. BUCHANAN: That is, between 1937-38 and say 1950-51?

Mr. GREENWAY: This is in line with the procedure that I outlined in the beginning of my remarks. We are now working upon a further general revision in the index that will change these figures somewhat.

Hon. Mr. HOWDEN: It is reasonable to assume that it would change a point or two from season to season?

Mr. GREENWAY: That is right.

Hon. Mr. HOWDEN: One very rugged season, so far as the weather was concerned, would require another season that wasn't so severe to balance the figure?

Mr. GREENWAY: That is quite true, but in order to get at this basic idea of following price change only—and not confusing that with changes in the various amounts of goods and services—we have to accept the limitation of a constant budget. There are very minor changes made from time to time in the composition of the budgets.

Hon. Mr. HOWDEN: That is the nearest you can come to the mean average?

Mr. GREENWAY: That is true, sir.

Hon. Mr. HAIG: You said that the rent figure was 19 cents out of the dollar?

Mr. GREENWAY: Right.

Hon. Mr. HAIG: And that was in a self-contained owned residence?

Mr. GREENWAY: No; simply self-contained.

Hon. Mr. HAIG: You gathered the rentals at that time, but when you came to 1941 and subsequent years you ran into rent controls. Rent controls are now slipping; I mean by that that under the new regulations of later years we did away with rent control if a tenant moved out of a building or if the building was constructed after January of, I think, 1947 or 1948. Which one of those figures did you use, those on the controlled houses or those that were not controlled, when you made your estimate in 1949-50?

Mr. GREENWAY: We used them both. I should like, if I may, to comment on the prices of goods and services used in the various sections of the index.

Hon. Mr. HAIG: Very well.

Hon. Mr. ASELTINE: That is roughly one-fifth of the dollar goes for rent?

Mr. GREENWAY: Yes.

Hon. Mr. ASELTINE: Is that quite in line with the usual costs for rent?

Mr. GREENWAY: The figure of one-fifth has been used very widely and seems to have been typical of shelter costs in general up until the post-war period. It may seem strange, but the results of our post-war survey and of similar surveys in other countries, in the United States and I believe elsewhere, show that this percentage is declining, presumably because incomes are rising faster than shelter costs.

Hon. Mr. ASELTINE: Or because of controls.

Mr. GREENWAY: Partly on account of them. It is true that a great many homes were still controlled at the time of our survey.

Hon. Mr. REID: Is any allowance made for the various provinces? I have in mind that in Vancouver 85 per cent of the people own their own homes and do not rent, whereas in a city like Ottawa, perhaps only 15 per cent own their homes and the rest rent. Does it make any difference in the general comparison? I realize you have to strike an average, but you have given the figure of 19 cents for rent.

Mr. ROWEBOTTOM: That 19 cents covers shelter; it is not for rent, but is an accommodation expenditure.

Hon. Mr. HUGESSEN: In cases where the man owns his home, it would cover taxes.

Mr. GREENWAY: The 19 cents, as Mr. Rowebottom has pointed out, is an average for shelter including an owned home, but the index is an index of a charge for rent. No country in the world has to date succeeded in establishing what we might call a true shelter index; it has been based in all cases on the assumption that rents and costs of maintaining owned homes move pretty closely together. Now of course our experience during the war was quite different from that, because the rents were controlled, and your owner-occupied shelter expenses were not subject to the same limits of control. We are now endeavouring to come up with something better in the way of a shelter index. We are working on these problems that have been baffling index number-makers up to now, and we have reasonable hope of coming up with a series which will measure both rents and home-owner costs. Of course we cannot promise that, but I just simply say this to make it clear that we are aware of the limitation of using rents alone.

Hon. Mr. EMMERSON: The cost of shelter is not very different to the one who rents and the one who owns his own property?

Mr. GREENWAY: That is true.

Hon. Mr. HAIG: Unless there is control. Once you put control in you upset the whole thing.

Hon. Mr. ASELTINE: It seems to me it costs more to own a home in Ottawa than it does to rent one, because of high taxes and high upkeep.

Mr. ROWEBOTTOM: What we are measuring is not the absolute cost of owning a home as against renting a home. All we are concerned with in this index is measuring the change in the cost of either renting or owning, and it seems to be true that the changes in either of them are very close together. It may cost more. But what we are measuring is the change in cost of owning a home or renting a home, as the case may be.

Hon. Mr. EMMERSON: But the difference is not very great.

Mr. ROWEBOTTOM: It does not seem to be. That is quite true.

Mr. GREENWAY: If I may conclude with one or two remarks on the pricing of this budget, which will take account of Senator Haig's question on the material used to measure changes in shelter costs, that would be all I would have to add, sir. The prices that we use in computing this index each month are collected directly from storekeepers, grocers, butchers, department stores, doctors, in the case of medical fees, and so on. The basic idea is to collect prices right from the people who know most about these prices. We have a small but competent staff of price collectors situated in some of the larger cities, and in other cities not quite so large but which are key distributing points throughout the Dominion, and we are very careful to get prices for exactly the same grade and quality of each commodity from month to month. It is necessary from time to time to change from one quality to another, depending on things that are available in the market. But when these changes are necessary we take care to match prices for the new specification or new brand so that we can compare this month and last month on exactly the same basis.

Rent information is obtained directly from tenant occupants. At quarterly intervals the Bureau's labour force field staff makes a special inquiry on a sample basis which provides us with matched records of rents in new homes, homes of all ages, homes which during the control period were controlled and those which were not controlled, on a basis which should give proper weight to all tenant-occupied homes. This is a procedure which it has been possible to follow only in the last five years, and represents one of the major improvements in our price collection work that has been possible as a result of the establishment of the labour force staff.

I think that in view of the time limitation that is all that I had better say. It covers the main points which I had in mind.

Hon. Mr. BUCHANAN: Has a survey enabled you to find out if the cost of living is less in some provinces than in others?

Mr. GREENWAY: No, sir, it simply enables us to follow the movements in price levels across the country and for the eight separate cities for which we construct individual cost-of-living indexes.

Hon. Mr. EULER: But you do find prices varying in different parts of the country? Perhaps in the extreme west you pay more, or less, for meat than you do in Ontario? Or do you average these up?

Mr. GREENWAY: That is right.

Hon. Mr. ISNOR: What are the cities?

Mr. GREENWAY: Halifax, Saint John, Montreal, Toronto, Winnipeg, Saskatoon, Edmonton and Vancouver.

Hon. Mr. REID: You have none in St. John's, Newfoundland?

Mr. GREENWAY: We are presently working in co-operation with the Newfoundland Department of Supply on a series for the city of St. John's.

The CHAIRMAN: You spoke a moment ago about an inquiry you are conducting at present. You are looking to the possibility of establishing a new index. Is that under way?

Mr. GREENWAY: Yes, sir.

The CHAIRMAN: Well, then, would I be right in assuming that as a result of this inquiry you will establish an index probably on the basis of the present price level?

Mr. GREENWAY: Are you referring to the period of time that we will call 100?

The CHAIRMAN: Yes.

Mr. GREENWAY: No decision has been made regarding the period which will be considered as 100. That is still to be decided.

The CHAIRMAN: At the present time you take the average of prices on the base period from 1936 to 1939?

Mr. GREENWAY: From 1935 to 1939.

The CHAIRMAN: With regard to these figures here you take 100 for that period?

Mr. GREENWAY: Yes.

The CHAIRMAN: Comparing prices in May with the base period, which was roughly twelve to fourteen years ago, we find that at the beginning of May it is 182; so that means that the average cost of this family budget has increased by 82 per cent?

Mr. GREENWAY: That is correct.

The CHAIRMAN: Does your branch or anyone in the Bureau relate the cost of living index to a wage level? In other words, have you any idea of what the wage level over a certain range, say, 1936 to 1939, would be as compared with today?

Mr. GREENWAY: There are several measurements possible as between the cost of living index and wages. I cannot recall any of the wage series figures precisely, but I could say that I am quite confident that the index of wage rates as compiled by the Dominion Department of Labour in relation to 1935-39 now stands at least 100 per cent higher than it did in the base period.

Hon. Mr. EULER: It would mean that the wages have advanced more rapidly than the general cost of living?

Mr. GREENWAY: Wage rates have undoubtedly according to this record.

Hon. Mr. EULER: As 82 would compare with 100?

Mr. GREENWAY: Yes. There are other measurements that will show slightly different results. You can compare figures that represent average weekly earnings. These figures take account of variations in the length of the work week and other factors such as overtime. I do not have that material at hand.

Hon. Mr. EULER: I was curious yesterday to find out something about the list on which you base your index. How many items have you in the list roughly?

Mr. GREENWAY: The count is roughly 150. As a matter of fact, Mr. Rowebottom has brought along this morning an outline statement of the method of constructing the index.

Hon. Mr. EULER: Is that static or do you occasionally drop some items and put some others in?

Mr. GREENWAY: We do make occasional changes such as the introduction of nylon hose for ladies and similar major changes in commodity composition.

Hon. Mr. EULER: Does your list correspond pretty well with that of the United States?

Mr. GREENWAY: Yes.

Hon. Mr. EULER: But you do find it necessary sometimes to perhaps delete some items and insert others?

Mr. GREENWAY: Yes.

Hon. Mr. HAIG: As I understand it there are a number of management-labour agreements in Canada to the effect that wages are based on the cost of living. I am putting that mildly. Now, if you change the basis of computing the cost of living you will upset that whole comparison between wages and the cost of living, will you not?

Mr. GREENWAY: These agreements ordinarily assign a certain money value to a point change in the index.

Hon. Mr. HAIG: I know that, but you suggest that you are working on a new plan. Now, the new plan may not be on the same basis as the old one.

Mr. GREENWAY: There is no escape from this problem, senator. We have to change our plan occasionally—

Hon. Mr. HAIG: I understand that.

Mr. GREENWAY: —as the consumption pattern changes.

Hon. Mr. HAIG: Yes, but I thought you said that you were working on a new basis to get at the cost of living. I would think that if you changed your basis you would upset the whole arrangement as between wages and the cost of living.

Mr. ROWEBOTTOM: If I may comment on that, senator: This merely constitutes a revision or will constitute a revision in the cost of living index as it is now calculated. There probably will be some discussion when this revised index becomes available, but the revised index will be exactly the same thing as the present index does. If labour and management are in agreement that an escalator clause is desirable, we do not expect too much difficulty as to their switching from one index to another.

Hon. Mr. EULER: Have you any idea at all as to what the changes might be? Can you tell us why you might have to make these changes? I grant you that it is probably advisable to make these changes but can you tell us what compels you to make such changes?

Mr. ROWEBOTTOM: It is merely a procedure whereby we attempt to keep the index up to date. It has been standard international procedure.

Hon. Mr. EULER: There is a difference in principle, is there?

Mr. ROWEBOTTOM: No.

Hon. Mr. EULER: Oh, the principle stays the same.

Hon. Mr. HAIG: That is all right then.

Hon. Mr. HUGESSEN: If you make a revised index what you basically have to do is to go back to an investigation of the proportions that the average family across the nation spends on these various items. Is that what you are doing now?

Mr. ROWEBOTTOM: Exactly.

Hon. Mr. HUGESSEN: You are trying to find out whether these proportions which you gave us earlier have changed, and I suppose you are doing this by conducting investigations among the average families in the country. When you have done that you will construct your revised index, taking into account the changes and the 1935-1939 base figure. Is that it?

Mr. GREENWAY: Yes.

Hon. Mr. HUGESSEN: How far have you gone? Have you started investigating yet?

Mr. GREENWAY: Yes. As we have indicated, we have the results of the survey, which has produced a set of family expenditure records in much the same way as we got it in establishing the current index.

Hon. Mr. HUGESSEN: You have finished that and now you are digesting the results?

Mr. GREENWAY: Yes, sir.

Hon. Mr. HAIG: Were you in the department in 1937-38 when the other investigation was made?

Mr. GREENWAY: Yes, sir.

Hon. Mr. HAIG: If you do as well this time as you did then, you will do a good job. I know that the investigation with regard to Winnipeg was done extremely well.

Hon. Mr. GOLDING: Mr. Chairman, I want to ask Mr. Greenway about a point that was raised yesterday by Senator Beaubien, who is not here today. Senator Beaubien's point was that he did not think the period 1935-39 was a fair period to take in establishing the base of one hundred, because of the fact that in that period food prices were extremely low. He was of the opinion that it would have been fairer to take 1926 as a base. I would like to know what Mr. Greenway has to say about that.

Mr. GREENWAY: The period 1935-39 was chosen as a period which would be as reasonable as possible a base for use in constructing various types of index numbers. It is a matter of some concern to be able to compare the cost of living index, for example, with a wage rate index, or an index of production, and so on, and with indexes in other countries, such as the United States, which had the same base period for its cost of living series. There is no ideal base period for all purposes. With the knowledge that you have at the time you make a selection of a period. As time goes on, just what this period is becomes of less and less concern. In dealing with wages, for example, at the present time nobody cares particularly what the base period is. More generally, people will be interested in what the level of the index was just before the outbreak of hostilities in Korea. Soon after the construction of the present index, August 1939 became the focal point. Too much importance should not be attached, we feel, to the actual time selected as a base. We turn these figures out so that you can make percentage comparisons simply by dividing the index, we will say, for December 1949 or 1950 into the current index, and in that way you can find out the percentage relationship to price levels. Or if it is a question of points in relation to money values assigned for wage adjustment purposes, you concern yourself with the exact number of index points that is involved in the change between two periods of time.

Hon. Mr. GOLDING: But you do admit that prices of almost everything were unusually low in that period 1935-39? They were not as low as in the period 1930-35, but they were unusually low. When you use 1935-39 as a base period you are using a period when the prices of food, clothing and everything else were unusually low.

Mr. GREENWAY: When the decision was made, sir, this period did not look to be one of particularly low prices. We had just come out of the depression and price levels for farm products as well as other commodity prices were very much above those of the depression depths.

Hon. Mr. GOLDING: How did the level of prices in 1926 compare with the level in the period 1935-39?

Mr. GREENWAY: Prices in 1926 were of course substantially higher than in 1935-39, but the 1926 pattern of family living expenditures was out of date and we deliberately moved forward from that time to take care of that problem.

Hon. Mr. GOLDING: Do you agree now that wages have actually increased more than the cost of living?

Mr. GREENWAY: Since 1935-39, yes.

Hon. Mr. GERSHAW: Mr. Greenway, one family will cook porridge for breakfast and another will use a prepared cereal that is purchased in cartons; one family will bake its pastry, and another family will buy it. There is such a difference between the way in which families live that I wonder how you estimate the cost of living.

Mr. GREENWAY: We base our budget on the collective experience of all families within what we call this target group that I referred to, families with earnings up to \$2,500 and with so many children. We go to these families and question them individually as to how they are actually spending their money, how they live. We cannot construct an index for each one of them; we have to make a figure that is as representative as can be made for the whole group. That is our problem.

Hon. Mr. EULER: In the list of commodities consumed by families I am sure you would include butter, would you not?

Mr. GREENWAY: Yes, sir.

Hon. Mr. EULER: You do not include margarine?

Mr. GREENWAY: Margarine will be considered in the new index.

Hon. Mr. REID: A statement was made in the House of Commons a short time ago that the rising price of butter had changed the cost of living index. I often wonder why it was said that that one item raised the index. We know some of the people are not eating butter.

Hon. Mr. GOLDING: It went up to 82 cents.

Hon. Mr. REID: But how could that bring about the change? I think this committee could do well to spend some time on this question of the index; there is nothing more important in our economy today. Every group in Canada looks to this index.

The CHAIRMAN: I agree that it is very important, but it is unfortunate that we cannot devote more time to it at this stage of our inquiry. I should like to ask a question.

Hon. Mr. HAIG: Before you do I should like to follow up what Senator Gershaw asked. His question indicated to me that he does not know about the original canvass that was made in 1937-38. The young lady who made the canvass in the city of Winnipeg was Miss Christine Fisher, B.Sc., of the University of Manitoba; she was a girl friend of my daughter's, and was at the house many times. She went out from house to house for a period of nearly five

months. When she got into a house she inquired as to whether the housewife bought her pies or made them, whether she made porridge from rolled oats or bought it in a carton, and from all those interviews she prepared reports. That is the way it was done in my city; I don't know what happened elsewhere.

Mr. GREENWAY: Exactly the same everywhere.

Hon. Mr. REID: I should like to get an answer to that question about the butter and why it increased the index. The statement was given out by a cabinet minister and received wide publicity.

Mr. ROWEBOTTOM: There was a large increase in the price of butter.

Hon. Mr. REID: But there are many people who use a spread instead of butter. Old age pensioners and wage earners look at this index, and immediately it goes up they ask for more pension and better remuneration. There is nothing more important in the life of the people today than the cost of living index; all eyes are on it. I would like to know the answer to this statement about the butter, because I simply did not believe it. I do not think the index went up just because of one item. How can it be determined unless you know the proportion of the people who eat butter?

Mr. GREENWAY: I might say that presumably the price of butter went up, because butter was scarce; people did not stop eating butter, and it was treated as an important item during that period of time just as it was at the time the survey was taken.

Hon. Mr. REID: But the consumption of butter went down and margarine went up. It is a well known fact that when margarine came in the butter consumption dropped. Even some farmers eat margarine.

Hon. Mr. EULER: Lots of them.

Hon. Mr. REID: I should like that question cleared up, as to how one item could raise the cost of living index.

Mr. ROWEBOTTOM: Margarine at the moment is not in the index. We must of necessity from time to time make decisions as to whether or not the basket of commodities contained in the index should be changed. An example of a change that has been made fairly recently, referred to by Mr. Greenway, was the inclusion of nylon hose in the index, in place of rayon hose which were purchased before nylons became available. That change was so sharp that we felt we had no alternative but to make it. In the case of margarine the relative importance of butter and margarine has not, up until very recently, become stabilized, and we felt that we could not make a decision on the relative importance of those two items. Thus, up to the present time we have in effect measured the price of both butter and margarine by the price of butter.

Hon. Mr. HOWDEN: What do you mean by relative importance?

Mr. ROWEBOTTOM: The relative consumption, the relative importance to the families. In addition to the fact that the situation was flexible and fluid, we were anticipating this revision, and we concluded that it would be better to wait until we had more specific information before introducing margarine into the index.

Hon. Mr. REID: Regardless of the fact that margarine has been used for much more than a year.

Mr. ROWEBOTTOM: It has been used for some time.

Hon. Mr. HORNER: You will find that it makes no difference, because it takes a pound and a half of margarine to go as far as a pound of butter.

The CHAIRMAN: Order!

Mr. ROWEBOTTOM: I would like to make this point in regard to the effect of the inclusion or exclusion of margarine from the index. The inclusion of margarine would have the effect only in so far as the price movement in margarine has been different from the price movement of butter.

Hon. Mr. REID: Is the statement correct, that the price of butter influenced the index all over Canada, when in some provinces hardly any butter is consumed?

Mr. ROWEBOTTOM: Butter is sold in all provinces. The statement is correct that the price movement of butter did increase the index.

Hon. Mr. HUGESSEN: Your point is that if the price movement on margarine had gone up in the same way, it would have made no difference?

Mr. ROWEBOTTOM: It would have made no difference, that is quite true.

Hon. Mr. FARQUHAR: Did I understand you to say that wages had caused a greater increase in the cost of living than had either consumer goods or rent?

Mr. GREENWAY: Since 1935-39?

Hon. Mr. FARQUHAR: Going back ten or fifteen years.

Mr. GREENWAY: No.

Mr. ROWEBOTTOM: Was your question, had it increased the cost of living?

Hon. Mr. FARQUHAR: I wanted to know if wages had increased the cost of living more than had consumer goods or rents, and about what percentage.

Mr. GREENWAY: I mentioned the figure for wage rates of 100 per cent, approximately.

Hon. Mr. EULER: And the cost of living at 82 per cent, with a difference of 18 per cent.

Mr. GREENWAY: Yes, sir.

Hon. Mr. ISNOR: Mr. Chairman, my question is of a rather broader nature, and perhaps I could explain my position. I am going to make reference to the 18 point difference in the increase in labour or wages as compared to the general cost of living index. I think our standard of living has a direct connection with our cost of living index. My question is: Do you in any of your tables or records relate your cost of living index to the earning power of say 1935 as compared with 1950? Is that question clear?

Mr. GREENWAY: I think so, sir.

Hon. Mr. ISNOR: Before you answer may I say this, Mr. Chairman, that everybody looks at the cost of living index. They refer to Canada as having increased 80 points since 1935-39. They do not take into consideration the all-over picture of our earning power in relation to that. That is why I am asking that question.

Mr. GREENWAY: I would like to refer again to what I said earlier, namely that there are several measures of what we may consider broadly as earning power. Wage rates would be only one of those items. I mentioned average weekly earnings as being another. Now, the increase in average weekly earnings will not be as great as the increase in wage rates, because the average hours of work are somewhat lower now than they were in 1939. Another series of interest is a constituent of the figures that Mr. Goldberg, I believe, was discussing yesterday: the aggregate of wages and salaries. In aggregate the amount of wages and salaries has gone up very much more than the rise in wage rates. That is, in aggregate. All of these factors have to be taken into consideration in any analysis of the impact of living costs upon the worker.

Hon. Mr. ISNOR: You do not answer my question yet.

Mr. GREENWAY: I am sorry, sir. You want to know, then, if we ourselves come up with a single figure showing this. We do not publish such a figure, Senator Isnor.

Hon. Mr. ISNOR: Then I contend that we have not got the true picture of the relation between the two. We might be in a very happy position and be able to say to the world, "Why, look at Canada; look at the fine standard of living which we enjoy in this country as compared with other countries". The figure of 180 does not reflect a true picture of our living conditions. That is what I want to emphasize.

Hon. Mr. HAIG: Of course it doesn't, but it shows the difference in the costs from 1935-39 and what it is now—the cost of the individual earnings, which they take.

Hon. Mr. ISNOR: I accept that as Number 1 table.

Hon. Mr. HAIG: That is all you can take.

Hon. Mr. ISNOR: And then I ask the simple question, if you have a similar table relating your cost of living index to the earning power for those two periods.

Mr. GREENWAY: The problem, sir, is that from time to time different reference periods are—

Hon. Mr. ISNOR: I take the same period.

Mr. GREENWAY: —of interest. In your case you might want a comparison based, we will say, on the 1935-39 average. Other people would be interested in similar figures on as limited a time period as, say, 1949 to 1951. There are many many different reference points in time that have particular interest to different individuals and different groups, and those individuals or groups can make calculations fairly readily by taking the various series that are available and comparing the two. Mr. Rowebottom has just reminded me that the Dominion Department of Labour does from time to time issue a comparison which it makes, if I am not mistaken, in this way: It takes the cost of living index and the wage rate index and it divides the cost of living figure into the corresponding wage rate figure.

The CHAIRMAN: This is a very important point that Senator Isnor has raised. But I doubt if we can get complete data from Mr. Greenway. He gives us the increase in the cost of living index. He makes the rather general observation that the period from 1935-39 as compared with the present, wages had increased about 100 per cent while the cost of living index has gone up 80 per cent. Now we have to be careful in these assumptions, it seems to me, without definite data. There is an interesting thing: If you look at the information Mr. Goldberg gave us yesterday, he gives the increase in salaries, wages and supplementary labour income—

Hon. Mr. HUGESSEN: What page is that?

The CHAIRMAN: That is on page 1 of the statement that he had yesterday. Salaries, Wages and Supplementary Income were \$7,139 million in 1948. In 1950 they are given as \$8,300 million. That includes, it must be said, the data for Newfoundland, which was not included in the 1948 figure. Now, taking those two figures, an increase from \$7,139 million to \$8,300 million from 1948 to 1950 we find that the cost of living index increased in that period from 155 to 166.5. That would indicate that at any rate salaries, wages and supplementary income during those two years were fully keeping pace with the increase in the cost of living.

Hon. Mr. ISNOR: That is a good point, and that is something like I was trying to get at. The only point I would stress is that Mr. Greenway's answer, with all due respect to you, is no doubt "No, we have no such table

in so far as our Bureau is concerned." Still, my observation is that I believe, to have a true picture, you have to have such a table as I have suggested.

Hon. Mr. HAIG: Should not the Labour Department give us that?

The CHAIRMAN: I think so.

Hon. Mr. ISNOR: They might. But we look to the Bureau for figures of that kind.

The CHAIRMAN: That particular bit of information, Senator Isnor, I think is outside the boundaries of Mr. Greenway's responsibility.

Hon. Mr. REID: In going around to different groups—say, going to farmers to find out how they are spending their dollars—do you change the groups that you are contacting? For instance, how many houses do you contact? Is it every tenth house in a group? If an investigator goes into a certain district one month will he go into another district three months later? How is this all tied up?

Mr. GREENWAY: These inquiries which produce figures on family expenditures are made only at lengthy intervals. The last one was in 1937-38 and that is the one that the present index is made from.

Hon. Mr. REID: How can you tell that the average family is spending 31 cents on food and 19 cents on rent today if you have not asked these families about these things since 1937-38? That is a long time back so your information cannot be up to date. I thought they were asking the families every few months about these things.

Mr. GREENWAY: Only in the case of rents, sir.

Hon. Mr. REID: What about food? The food picture has been changed. People with more money may be buying more food, and that would change your index.

Mr. GREENWAY: As I mentioned to begin with we are concerned not with changing the quantities or standard of living but simply in finding out the ups and downs in the price level.

Hon. Mr. HAIG: Sure.

Hon. Mr. REID: I cannot get it clearly through my head how you can take 31 cents for food out of a dollar. Food is one of the most important items, and how can you determine that a family spends 31 cents on food out of each dollar?

Mr. GREENWAY: It is not the quantity; it is the increase or decrease in price which the index measures.

The CHAIRMAN: I think we shall have to conclude this part of our inquiry this morning because we have the representatives of the C.B.C. with us and their time is limited.

Hon. Mr. HORNER: With reference to the cost of living is there a noticeable depreciation in the per capita consumption of what we consider to be basic food such as beef?

The CHAIRMAN: Have you any comment to make on that, Mr. Greenway?

Mr. GREENWAY: No, sir.

Hon. Mr. ISNOR: Would you give us the cost of living index for 1948?

The CHAIRMAN: I shall remind the committee that several meetings ago honourable senators wanted representatives of the C.B.C. to be brought here. We cannot have them back after today probably, and we can easily run out of time if we do not bring this discussion to a close.

Mr. GREENWAY: Sir, the 1948 cost of living index was 155.0.

Hon. Mr. REID: Do I take it from the witness that 31 cents for food and 19 cents for rent is what the Bureau believes an average family spends out of a dollar, or is that based on information obtained from families?

Mr. ROWEBOTTOM: That information was supplied to us by the families themselves.

Hon. Mr. REID: And you have not asked them any questions since 1937?

Mr. ROWEBOTTOM: The last survey was completed in 1948-49 and on the basis of the information obtained at that time we hope to revise these figures of 31 cents and 19 cents.

Hon. Mr. REID: We want to get this clear because it is very important.

Mr. ROWEBOTTOM: They have not been revised because the essential purpose of the index is to measure the changing cost, if you like, of purchasing a base period basket of goods. Now, if we keep on changing that base basket then our purpose becomes very fuzzy.

Hon. Mr. BARBOUR: One of our great difficulties is that this basic period from 1935-39 to 1951 is entirely different from the other periods of 1913-26 and 1926-35, because in both those periods we had depressions. In this one we have gone from boom to boom and we have had no depression at all. That is why we see such a great difference between 1935-39 and the present time.

The CHAIRMAN: It is interesting to speculate on what might happen if tomorrow it were announced that all this tension in the world had ceased and the danger of war was over and we could go back to normal pursuits. It would be interesting to speculate what would happen to our economy in the next two or three years. There would probably be another depression.

Hon. Mr. HAIG: I suggest we adjourn this part of the meeting.

The CHAIRMAN: Very good. We thank Mr. Greenway and Mr. Rowebottom for coming here this morning. This is a matter which perhaps at some future time could be inquired into a little bit further.

Hon. Mr. ASELTINE: It has been very interesting.

Mr. GREENWAY: I should like to make one final comment. We have been discussing weights and I indicated that weights are one of the fundamental things in making a price index. I should just like to say that the accuracy of our price information, we know from experience, to be more fundamental than changes in weights. That is not to say that weights are not important, but the accuracy of prices will have much more bearing on the movement of the index than minor or even fairly big changes in weights.

The CHAIRMAN: This statement which is being circulated amongst you is an explanatory statement incorporating all revisions made to January 2, 1951.

Hon. Mr. REID: It is too bad we did not have it before the witnesses came this morning.

The CHAIRMAN: We are just a bit out of luck on that, for we did not have it until a few moments ago.

Now we will allow these gentlemen to go and we will give Mr. Dunton and his colleagues an opportunity to tell us about the Canadian Broadcasting Corporation.

Hon. Mr. HAIG: Now we go to town.

The CHAIRMAN: We will now hear from Mr. A. D. Dunton, Chairman of the Board of Governors of the Canadian Broadcasting Corporation. I am looking forward to an interesting time. I suggest we might allow Mr. Dunton to make an opening statement and then we can pelt him with questions.

Hon. Mr. HAIG: Mr. Chairman, I do not intend to sit here while an official makes a long statement and we are left with about five minutes to ask questions before we are shut off. We have a lot of questions to ask about the Canadian Broadcasting Corporation and I think we should be allowed to ask them now.

The CHAIRMAN: Perhaps we can decide the matter by a show of hands. I will first ask those who think we should proceed at once with questions to put up their hands. The number is seven. Now, those who are against that. The number is five. I gather that we must proceed to questions at once. Now, Senator Haig, you have the floor.

Hon. Mr. HAIG: I have here a record of a broadcast made, I presume with the approval of the Canadian Broadcasting Corporation, on November 26, 1950. Do you approve in advance of the broadcasts over all stations?

Mr. A. D. DUNTON, Chairman of the Board of Governors, Canadian Broadcasting Corporation: Was that broadcast made over a C.B.C. station, sir?

Hon. Mr. HAIG: It is headed "CKNX".

Hon. Mr. GOLDING: But it was made from here by Radio Bureau.

Mr. DUNTON: I might say, senator, that we do not approve in advance or approve in any way broadcasts from private stations. The corporation has power to make general regulations, published regulations, regarding broadcasting on all stations, but we do not check any broadcasts in advance.

Hon. Mr. HAIG: What do you do when a broadcast like this is brought to your attention?

Mr. DUNTON: If it is brought to our attention and complaint is made we look it up to see if there has been a violation of a regulation.

The CHAIRMAN: What is the regulation?

Mr. DUNTON: We have a series of published booklets containing our regulations. Under our Act we have to publish our regulations, so that they will be known to broadcasting stations and to the public and people can know if any regulation is being violated.

Hon. Mr. HAIG: I want to know if the station that broadcast this violated your regulations.

Mr. DUNTON: I do not know what the broadcast is, sir. I have not heard of it before.

Hon. Mr. HAIG: Oh, yes, you have. Let me read some of it. It is headed "Report from Parliament Hill," and it begins in this way:

When it comes to the Canadian Senate, one could paraphrase the famous saying about the weather—"Everyone talks about the Senate, but no one can ever do anything about it."

They've been talking about the Senate now ever since Confederation. A short time after a United Canada came into being, a leading newspaper *The Week*, commented on the Senate in this manner:

The Senate of Sir John Macdonald is nothing but a political infirmary and a bribery fund, nor is it possible to conceive any case in which a body so destitute of moral weight could render any real service to the nation.

That is very nice, is it not? However, we were not in the Senate of those days, so the attack is not on us. The broadcast continues:

However, Goldwin Smith put the government's point of view in these words:—

"For every vacancy there is a claimant who has done something, or expended something for the party, and whose claim cannot be set aside.

"The minister," he continued, "may feel as strongly as his critics how much the Senate would be strengthened, and his own reputation enhanced, by the introduction of some of the merit, ability and experience which do not take the stump. But party demands its pound of flesh," he concluded. When the Macdonald government was in power, the motto of the Liberals was "Reform the Senate!" But once the Liberals were in power, Senate appointments by party continued. The only difference was—it was a different party.

I need not read it all. On the next page of the report there is this:

Today, most of us think of the Senate in terms of modern description that it "does nothing in particular, and does it very well." It has even been suggested that the words "Rest in Peace" should be inscribed over the entrance to the Senate Chamber. Actually, however, the Senate is still capable of "preventing other people from doing a great many things." While the government and the majority in the Senate are of the same political temperament, the Senate is content to drowse, concern itself with divorce bills, and occasionally make speeches about reforming the House of Commons. When a government of a different complexion is in power, however, things can be much different.

A Liberal Senate, for example, prevented the Conservative Borden government from achieving passage of a naval bill, even though it was passed by the house under the ominous shadow of German aggression. Not many people realize that the Canadian Senate has a thousand times more power than the British House of Lords—that this body, which is not responsible to the people and which is appointed for life, can virtually stop all legislation passed by the elected members of the people.

The Senate today has the power to hold up not only ordinary legislation but also constitutional amendments. It can veto amendments which do not require a British Act; and—by custom—those which do require a British Act are now always preceded by a joint address from the Senate and the Commons.

Some comparison is then made between the Senate and the House of Lords, and a little further along we find this:

In Great Britain, if the House of Lords becomes obstinate, the government can "swamp" it. That is, the government can appoint enough new Lords to outvote the opposition. But the same is not true in Canada. Section 26 of the British North America Act gives our government power to appoint only four or eight extra Senators (over and above the normal 102).

Four or eight extra senators at the present time wouldn't do much good. Just imagine that a Progressive Conservative government has come to power at Ottawa, and the Senate is throwing out every bill passed by the government. In other words, the Liberal Senate completely refuses to play ball with a Conservative government.

To counteract this, the Prime Minister would be able to appoint a maximum of eight new senators. At present, there are eleven Progressive Conservative senators. The rest are all Liberals. If the Liberals stay in power for another three or four years, there might not be a single opposition supporter in the Senate. In a situation like this, how far would appointing eight new senators go? And the worst of it is, senators are appointed for life—and they are notoriously long-livers on their old age pension of six thousand dollars a year.

Canvass any one of the fourteen million Canadians that the census taker will be talking to next year, and he will probably tell you that reform of the Senate would be a good idea. Canvass any of the M.P.'s

on Parliament Hill, and they will tell you the same thing. However, it just seems to be one of the jobs that is never done—and in the meantime it's costing Canadians several million dollars a session. Besides that, there is the clerical staff at the Senate, the Senate *Hansard* reporters, and all the rest of the general upkeep.

In fact, if Mr. Abbott wants a nice quick way to realize a saving of several million dollars a year, he could abolish the Senate. It would probably bring complaints from only 96 of Canada's fourteen million people. Those ninety-six, of course, would be the Senators, who are—according to Senator John T. Haig—"the highest class of pensioners in Canada". There is only one weakness to this plan, however. The Senate probably wouldn't pass the bill—and the Senate's consent is needed to make it law!

Besides there is little likelihood of the government trying to save money in this attractive way. Since the Senate is always packed with retired House of Commons supporters of the government of the day, the party which happens to be in power always feels that reform is a good thing, but that it isn't a good idea to rush into it. And opposition M.P.'s—who have as much chance of receiving a six thousand dollar-a-year-for-life Senate job while they're in opposition as they have of being appointed government whip—are usually all for reform—while they're in opposition. Afterwards, when the Opposition members are devout supporters of the government, the need doesn't seem so urgent.

And yet Ottawa visitors who wander into the Red Chamber when it is supposed to be in session, always come away disgusted. There is absenteeism in the House of Commons, but most of the M.P.'s should get gold stars for attendance compared to the Senators. Twelve Senators in attendance—out of ninety-six—is a crowd.

Suppose the rest of it were all true, a quorum is fifteen. Yet your department or your regulations allowed that statement to be made over the air and to be carried by a great many stations in this country. I will go on, but first may I say that I want you to tell me what you did when this matter was brought to your attention, as is must have been.

The CHAIRMAN: Are you through reading, Senator Haig?

Hon. Mr. HAIG: No, I am just starting.

Hon. Mrs. WILSON: Spare us.

Hon. Mr. HAIG: I will read a few words more.

Why don't more Senators attend to Senate business? Well, in the first place, there's so very little Senate business to do. With the Senate made up of members of the party in power in the House of Commons, it has become completely a rubber stamp for the Commons. Bills are passed automatically—rarely discussed. One indication of the unimportance of the Senate is the scant space it gets in the news reports to the nation. Lots of news about the House of Commons in session—yes, but nary a word of the Senate, unless it's a plan to reform it.

Many of the Senators, of course, are unable to work if there was work for them to do. Men of eighty and ninety; men who are crippled; men who are constantly under a doctor's care, can't be expected to labour over legislation. But there's no reason either, why the country should be paying such men six thousand dollars a year.

There are, of course, able Senators. Stanley McKeen, the successful Vancouver business man is one. The self-made publisher, Rupert Davies, is another. The veteran newspaperman, Charles Bishop is a third. The two women Senators, Iva Fallis and Cairine Wilson are both able persons.

So is hard-headed, business-minded Norman Paterson, and the business tycoon, Alexander Neil McLean. That valiant fighter against oppression, Thomas D. Bouchard is yet another able Senator. It is easy to name them—but it is also tragic that there is so little for them to do. Originally, the Senate was planned as being a protection of provincial rights. Each section of the country is given equal representation in the Red Chamber. The Maritimes have 24 members.

I will not read further, because I might embarrass other members if I do. What I would like to know is what was done to the private stations who carried that broadcast over the air.

The CHAIRMAN: It might be interesting to know who made this broadcast.

Hon. Mr. ASELTINE: I listened to the whole speech.

The CHAIRMAN: Have you got the party's name?

Hon. Mr. GOLDING: Yes. It was Mrs. Frances Baldwin, 6 Percy Street, Ottawa.

Hon. Mr. EULER: Who is she?

Hon. Mr. HAIG: She was the woman appointed the other day.

The CHAIRMAN: Order!

Hon. Mr. GOLDING: To follow up what Senator Haig has said, I was sitting in the house on Sunday afternoon, November 26th last and heard just the tail end of this broadcast which gave no announcement as to who the speaker was. It came over Station CKNX from Wingham. I wrote the Wingham station and asked for information as to who the speaker was, and I was told that this was prepared and delivered from the Radio Bureau here in Ottawa, and it was suggested that I write to the bureau and get that information. I did that and in return received a letter informing me that it was Mrs. Baldwin. I wrote to her and pointed out some of the inaccuracies in the statements made in the address to which Senator Haig has referred. One of them was the cost of several million dollars a year, another was that twelve senators in attendance of ninety-six was a crowd. Incidentally, the Senate has twice refused to pass the Address, once in 1914 and again in 1936. I obtained all this information from the Clerk of the House. The statement of the cost is definitely not true, and I think everybody knows that.

Hon. Mr. ASELTINE: What is the average cost over the past fifty years?

The CHAIRMAN: As Senator Haig wishes to ask a question, I don't want to interrupt him.

Hon. Mr. HAIG: This conversation has to do with my question. We do not want to take any advantage of the gentlemen here, and we want them to know what was said.

The CHAIRMAN: All right.

Hon. Mr. GOLDING: The accountant here gave me a statement showing that the average cost over the past five years, in one of which there were two sessions of parliament, was \$893,124; the average over the past ten years was \$737,850; and the average over the past thirty years was \$608,745. That is a long ways from several million dollars a year. As to the other statement that twelve senators in attendance out of ninety-six is a crowd, I cannot imagine how anybody with any sense of responsibility at all would make a statement like that over the air. Surely it is known that a record of attendance is kept in the Senate, and that information would be available to anyone who wishes to write an article on the subject. It appears to me that this lady—and there are some other writers like her—has adopted the technique that the more sarcasm one gets into an article the more effective it is. Personally, I do not think the public agree

with that. I think anybody has the right to discuss the Senate, the House of Commons, municipal government or anything else. We must expect criticism of all kinds. But no good purpose is ever served by making statements which are not true. I do not know who is responsible for curbing a thing like that over the radio, but I think that somebody should have the responsibility of checking on matters of that kind. They do no good. There was one time in 1939 when "Canadian Business", a monthly magazine got out by the Chamber of Commerce, had a story that the Senate was costing \$5,000,000 a year. Well, I wrote to that magazine and I said, "I don't know what purpose is ever going to be served by telling a story like that, when this information is available for you"; and they had the courtesy to write back and tell me that they were in error, and they tried to make it appear that it was a typographical error. But they did publish my letter in the magazine to try and make what correction they could.

I had some correspondence with Mr. Allard, who, I suppose, is the man who made the talk, and in the last paragraph of his letter of January 10, 1951, he said this: "Again, my sincere thanks for your very kind interest. We shall do whatever we possibly can to rectify the inaccuracies of our original statements, and meantime let me thank you for your very kind wishes and reciprocate these most warmly." He indicated in that letter that they would try to correct the statements, which were false, and could serve no good purpose whatsoever. But I don't know what has been done or what effort he has made to correct the statements at all.

I do not object at all to criticism. I think everybody who serves the public must expect that. But I do not want to have people resort to lies in their criticisms. That is the objection I take. I was under the impression that the Canadian Broadcasting Corporation had control over what went over these private stations. I think our friend Senator Haig had the same idea. That is the reason why I am bringing this matter to your attention this morning. I don't know, but I think it is pretty disgraceful to use the facilities of the radio, by which you get in touch with thousands of people, to tell stuff like that, in which there is no truth. How can you ever rectify it? How can you ever get together that same crowd that you have talked to? There is no chance at all. He admits that in his letter: It is not possible. So that is one good reason why they should exercise a good deal more care before they make a broadcast of that sort.

Hon. Mr. HAIG: What control have you over this?

Mr. DUNTON: We have no control over a thing like that.

Hon. Mr. HAIG: None at all?

Mr. DUNTON: We have the power and responsibility of making regulations, of which we have made a series. Those regulations do not include any check on accuracy of statements or on opinions expressed. That would amount to censorship.

Hon. Mr. EULER: Could you make such regulations?

Mr. DUNTON: Yes. We have a book of our regulations here.

Hon. Mr. EULER: I say, could you make regulations which would enable you to control a thing of this sort?

Mr. DUNTON: I suppose we could. Under the act we are given fairly wide powers to control the character of programs, to see that political time is fairly distributed. I would think we would have such powers. But I would question very much the wisdom of doing so, because that would amount to censorship by the Corporation of matters of fact and of opinion.

Hon. Mr. EULER: Would you regard it as at all practicable to have these scripts, I believe you call them, submitted to you before they are put on the air?

Mr. DUNTON: It is a responsibility which I think the Corporation would not wish to have.

Hon. Mr. HAIG: Do you not do that now in political broadcasts?

Mr. DUNTON: No.

Hon. Mr. HAIG: In an election, if I want to speak over the radio, I have to deliver my script to you before I can make the broadcast.

Mr. DUNTON: No, sir. Not to the C.B.C. There is nothing we do that compels a station to ask you to file your script in advance. That is on their own responsibility. That is up to the station. We only hold the station responsible for following the regulations.

Hon. Mr. HAIG: If I want to make an election broadcast over C.B.C. I have to submit my address.

Mr. DUNTON: No political party can buy time on the C.B.C. facilities: We provide free time to the different political parties.

Hon. Mr. HAIG: If I want to make a broadcast I cannot do it without giving a copy of what I deliver first.

Mr. DUNTON: On a C.B.C. station, in the first place, you cannot hire time. We may give it to you under our plan of providing time for the different political parties. Then it is up to the local manager. There is no rule about it. The local manager must see that no rules are violated. He may wish to look at your script first, not to check on any opinions or facts, but to make sure that nothing has gone wrong with regard to the regulations.

Hon. Mr. HAIG: Are you sure of that?

Mr. DUNTON: Yes.

Hon. Mr. HAIG: Is that what Winnipeg does?

Mr. DUNTON: I do not know, sir, what they do.

Hon. Mr. HAIG: I can tell you what they do. They make you deliver it twenty-four hours before it is delivered, to the C.B.C., and if they don't like something in it, you have got to strike that out.

Mr. DUNTON: Is that opinion?

Hon. Mr. HAIG: These are given as statements of fact. You would have to strike out supposed inaccuracies.

Mr. DUNTON: I would like to get particulars of that, because our people have definite instructions not to question statements of fact or opinion.

Hon. Mr. HAIG: They ask for the script twenty-four hours in advance.

Mr. DUNTON: That is a matter of local responsibility, for our managers to see that the regulations are followed, but many managers do not ask for the script in advance. Can you tell me if that was done?

Hon. Mr. HAIG: Yes.

Hon. Mr. HOWDEN: We all have to submit our scripts of what we are going to say, in advance.

Mr. DUNTON: Can you tell me the date?

Hon. Mr. HAIG: It has been going on for some years.

Mr. DUNTON: You are not referring to conditions in war-time, when war regulations applied?

Hon. Mr. HAIG: I was running from 1920 to 1935.

Mr. DUNTON: Well, the Corporation only came in existence in 1936.

Hon. Mr. HAIG: I know what has been going on, because I have been giving speeches for other people.

Mr. DUNTON: If you will give me some dates I would like to investigate if any employee of the Corporation has tried to change any facts or statements of opinion, because they have specific instructions about that.

Hon. Mr. HAIG: They just tell you "That statement should not be made".

Mr. DUNTON: They should not.

Hon. Mr. HAIG: I can't tell what you have in your head, but I know what goes on.

Hon. Mr. EULER: It seems evident from what Mr. Dunton has said that the body of which he is Chairman has no control whatsoever over the kind of thing that has been read by Senator Haig. Is that right?

Mr. DUNTON: That is right.

Hon. Mr. EULER: Then the question arises whether it should take those powers, whether it would be advisable to do so. Have you considered that?

Mr. DUNTON: Yes. The Corporation has always thought that it should avoid anything in the nature of censorship of opinions or facts.

Hon. Mr. GOLDING: I for one would oppose very definitely restricting anyone from expressing his opinions on any subject, either in the press or on the radio. But at the same time I would definitely oppose the right of anyone to say things in the press or over the radio that are not true.

Hon. Mr. EULER: You might have recourse in the courts against that sort of thing, if it is libelous or slanderous.

Hon. Mr. GOLDING: While we are on this subject I am going to deal with this other point. It says here that the Senate has twice refused to pass the Address, once in 1914 and once in 1936.

Hon. Mr. HAIG: That is not true.

Hon. Mr. GOLDING: Now, I was here in 1936 and when I read that I could not recall the Senate having refused to pass the Address, so I went to our Clerk and I got the following information:

On June 11, 1914, a message was brought to the Senate from the House of Commons asking the Senate to concur in an Address to His Majesty praying that he give his consent to submitting a measure to the parliament of the United Kingdom to amend certain provisions of the British North America Act, 1867. The proposed amendments related primarily to the proposition of increasing the number of senators. The proposed message and Address were considered in Committee of the Whole, and action thereon was adjourned until the following day.

On June 12, 1914, the Senate passed the Address with an amendment to which they desired the concurrence of the House of Commons.

The House of Commons refused to concur in the Senate's proposed amendment, but the Senate insisted and as the Governor General was waiting to prorogue parliament the matter was automatically dropped.

That had nothing to do with the passing of the Address as we know it.

Hon. Mr. ASELTINE: The Speech from the Throne.

Hon. Mr. GOLDING: The Speech from the Throne, and that is the conclusion that anyone reading that article or hearing this over the radio would come to, just as I did. The Clerk also supplied me with this information.

On May 19, 1936, a message was received from the House of Commons in which the Senate was asked to concur in an Address to His Majesty praying for the necessary action in the Parliament of the United Kingdom to amend Section 92 of the British North America Act, 1867, in certain respects. On June 10, 1936, Senator Hardy moved an amendment

to the said proposed Address, which amendment was lost on a recorded vote of 15 to 40. The question was then put on the main motion, and the original proposed Address was approved by a recorded vote of 15 to 40.

Hon. Mr. ASELTINE: There must have been more than twelve there that day.

Hon. Mr. GOLDING: Now, these are the only two instances they have any record of and, as I say, they did not deal at all with the Address as the public generally knows it—the Speech from the Throne. I resented this very much.

Mr. DUNTON: I would be very surprised to hear that the private stations organization had not been given an opportunity for the presentation of the other side.

Hon. Mr. ASELTINE: I heard this matter myself. It went over the air from coast to coast under the heading Report from Parliament Hill. Everyone I met on the street thought this was a C.B.C. broadcast.

Mr. DUNTON: We are blamed for a lot of things and quite often for things of which we are not guilty. Sometimes we are guilty.

Hon. Mr. ASELTINE: I investigated the matter partially myself. I wrote to Senator Lambert and it was disclosed that this was not a C.B.C. broadcast.

Hon. Mr. HOWDEN: Is it not time that we should be thinking about some remedy for this matter?

Hon. Mr. HAIG: Yes.

Hon. Mr. BUCHANAN: I did not hear this broadcast myself, but how could a broadcast emanating from a private station be a national broadcast? Senator Aseltine heard this broadcast in Saskatchewan.

Mr. DUNTON: I understand that the Radio Bureau is operated in connection with the Canadian Association of Broadcasters and it makes transcriptions here on wax records of speeches, some made by members of the House of Commons, to be played in their constituencies, and some by commentators such as this one. I gather those are sent to all the stations who support the Radio Bureau. I think most of the members of the Canadian Association of Broadcasters do support the Radio Bureau and so they would each get a disk of this commentary and could play it. That is how it could be heard so widely.

Hon. Mr. HAIG: I think this article is a joke but nevertheless I am offended by it. Before I put a question to you I should like to say that I like the C.B.C. My part of the country needs the C.B.C. very badly and we recognize the importance of it. So anything I say is not to be interpreted as a criticism of the C.B.C. I want that understood. But I want to know what assurance I can get or anybody can get that this kind of thing cannot happen again. Mr. Dunton, you ought to know that.

Mr. DUNTON: Could I make one suggestion? In my opinion—and I think it is the opinion of our board—it would be dangerous to institute a system of censorship because, as I think you will agree, it would mark the end of free speech. In this case I would think that the best method would be to approach the private station organization, and I think they would do something voluntarily. If they did not co-operate then we would insist, under our regulations, that private stations give a fair show to the other side in such matters as this. Nominally we do not deal with the Radio Bureau but we do deal with the licensed stations. I think the Radio Bureau would be reasonable and would co-operate, but if not we would certainly insist that private stations make provision for the presentation of the other side. I wonder if that is not the best way to approach this problem.

Hon. Mr. EULER: Have you control over the licences of these private stations?

Mr. DUNTON: We make recommendations. Each application comes to us from the Department of Transport.

Hon. Mr. EULER: I think it would be very salutary for you to say that if they repeat something like that their licence will be cancelled.

The CHAIRMAN: If I may interject here, there is a rather important point at issue. I do not think anyone desires to do anything that will interfere with free speech.

Hon. Mr. GOLDING: Certainly not.

The CHAIRMAN: Mr. Dunton tells us the regulations are general in character, but those using a radio station are expected to be certain of their facts and to avoid anything of a libelous character. How far the local station in this particular incident was responsible for checking the item of what the Senate costs and some of the other allegations made as facts—

Hon. Mr. GOLDING: Mr. Chairman, that was made right here in Ottawa.

Hon. Mr. McLEAN: Could I make a statement?

The CHAIRMAN: Just a moment. I am trying to state a general principle using this broadcast as an illustration. For instance, take a political broadcast. Some of us believe at times that these broadcasts contain statements that are not in accordance with the facts. Are we going to put the obligation on someone to say that such a broadcast cannot be made? If we do, where shall we reach the limit of our interference?

Hon. Mr. HAIG: Mr. Chairman, I am in favour of private stations, if they want to operate, but I have always understood—apparently I was wrong—that the C.B.C. has a very great degree of control over private stations. If private stations are going to be allowed to distribute the kind of nonsense that I have drawn attention to this morning, where is the thing going to end? They might make a similar attack against a political party—it might be the C.C.F. today, the Social Credit party tomorrow, the Progressive Conservative party next day, and so on. I think Mr. Dunton should bring this matter before the Board of Governors of the C.B.C. and have the private stations notified that if any more of this kind of thing is broadcast there will be a report made to the government and a request for appropriate action. And I am persuaded that public opinion would back action against this kind of thing. I suggest that Mr. Dunton notify the private stations that this is not in accordance with the best ethics of broadcasting. We are not out to kill the private stations. Certainly I am not, and I am sure Senator Golding is not.

Hon. Mr. GOLDING: No.

Hon. Mr. HAIG: Neither are we out to kill the C.B.C. I am frank to say that my part of the country needs the C.B.C., because we cannot hear other stations out there. But we do not want this kind of stuff put out over stations, and I am asking Mr. Dunton to take whatever action he thinks advisable. I do not think anything should be done to stop public discussion, but honestly it seems to me there must be some complete absence of responsibility on the part of private stations when they allow nonsense like this to be broadcast all over Canada.

Hon. Mr. McLEAN: Mr. Chairman, I think that radio stations are subject to the law of libel just as newspapers are. The Canadian Association of Broadcasters, which has its headquarters in Toronto, is the responsible body to which all these private stations belong. The association has lots of money. It sends representatives here to Ottawa, to appear at parliamentary committees in opposition to the C.B.C., as we have observed many times. I think that the broadcast which has been referred to here this morning should be brought to the attention of that association in a legal way. The broadcast was of course ridiculous, and it seems to me that anyone who listened to it would know that it was being made by someone who had no regard for accuracy.

Hon. Mr. HOWDEN: Mr. Chairman, the C.B.C. is a public body, incorporated for serving the people of Canada. I should think that one of its prime functions would be the taking of means to prevent the slandering and libelling of Canadian people and institutions over the radio. It seems to me that the C.B.C. should evolve some process to prevent a recurrence of a broadcast such as we have heard described here. It is a libel and slander, and surely we should be protected against that.

Hon. Mr. BUCHANAN: Mr. Dunton, is there any method by which a privately owned station which broadcasts a misrepresentation of someone or something can be compelled to broadcast a correction?

Mr. DUNTON: We have general regulations which provide that if an opinion broadcast is made, there must be an opportunity for the broadcast of opposing opinion. Sometimes the question of whether a certain thing is right or not is a matter of opinion. We do not prevent the broadcasting of such an opinion, but we do insist that the other side have an opportunity to express its opinion.

Hon. Mr. BUCHANAN: As a newspaper publisher I know that often people take exception to editorial opinion and they will write to the editor, pointing out the alleged misrepresentation, and the practice is for the paper to publish the letter of complaint. Can a private radio station be asked to make a broadcast in reply to a broadcast which somebody considers to be inaccurate?

Mr. DUNTON: As I say, sir, if a station broadcasts the opinion of one side on something or other, we insist that the other side be given an opportunity to broadcast its opinion. We believe that that is perhaps the best way of attacking the problem.

Hon. Mr. BUCHANAN: The stations that broadcast this report would have looked ridiculous if they had been compelled to announce over the air that a number of statements in the report were false. It seems to me that if a newspaper can be compelled to make a correction in order to avoid a libel action, a radio station should be subject to the same law.

Hon. Mr. REID: I should like to ask a question as to how the C.B.C. gets its news about the activities of parliament.

Mr. DUNTON: We get our news, including the parliamentary news, from the main news agencies, the Canadian Press and the British United Press.

Hon. Mr. REID: And you never check up as to whether these news items are biased? There are news items which go out about parliament, the Senate and the Commons, which though not untrue, are in many instances biased. If you simply take a newspaper account and report that, you are reporting the bias that appears in the press. I claim you should check up on some of these news items. I do not propose to mention any of the instances on which news of a biased nature has come over C.B.C., but I believe that you should check up on the news that comes to you or have a reporter of your own on the job.

Hon. Mr. HAIG: I suggest, Mr. Chairman, that we adjourn this hearing until the Senate rises this afternoon.

Hon. Mr. REID: We have only scratched the surface this morning. We have heard one item only, and I have fifty questions to ask. Let us consider this one item finished when we come back.

Hon. Mr. GOLDING: Just before we adjourn, Mr. Chairman, may I refer to the suggestion made by my good friend Senator McLean, that some action might be taken against persons who make such statements as we have been referring to. That is not practical at all. This statement was made about a branch of parliament; much of the statement was not true, and that is the only point I am objecting to. People can go out and criticize me all they want to, but I don't want them to tell lies in doing so.

Hon. Mr. HAIG: I move we adjourn.

The CHAIRMAN: We will come back after the Senate rises this afternoon and try to finish up the evidence of the broadcasting people.

At 1:15 the committee adjourned.

The Committee resumed at 4 o'clock p.m.

The CHAIRMAN: We have a quorum, and we will proceed. We had reached the point of asking questions from Mr. Dunton, and I presume we may continue right from there.

Hon. Mr. HAIG: When we adjourned Senator Reid had the floor, and I suggest that he be allowed to have it now, to ask questions.

Hon. Mr. REID: I will try to go easy and not monopolize all the afternoon. But there are a few pertinent questions I would like to ask Mr. Dunton. Taking the International Service first, I note in reading the report for 1950—I am not sure if I have the latest report, but the same question would apply whether the report is for 1950 or 1951—it says that a regular coverage of the United Nations in various languages is provided by the C.B.C. correspondent and other correspondents at Lake Success. At the request of the United Nations the international service has continued. Does that duty fall upon the International Radio of Canada from the United Nations? Are there any other nations of the United Nations Assembly there, such as the United States, who do broadcasting from the United Nations and send out the matters that transpire for the benefit of listeners in Europe?

Mr. DUNTON: Yes. The United States also does that. After all, perhaps only the United States and Canada could do it, because Lake Success of course is in the United States, and we are close to the United States and have transmitters. What that amounts to is that there is a line between New York and our headquarters in Montreal, and at certain times we pick up material from the United Nations which the United Nations Organization has arranged to broadcast to different countries. They allot a certain time to various national delegations to broadcast back to their own countries. It is really a piece of Canadian co-operation with the United Nations organization.

Hon. Mr. REID: Why would the International Service be required in an attempt to overcome the scarcity of distinctive Canadian songs? I am all for Canadian songs. The competition is open to all composers living in Canada. I would have thought that would have been a matter for the Canadian Broadcasting Corporation itself to put on a competition for the songs. Why would a job of that kind be placed under the International Service?

Mr. DUNTON: It arose because our International Service has found that there is a great demand for distinctively Canadian music in other countries. We get many requests from radio organizations abroad for something distinctively Canadian.

Hon. Mr. REID: But this is a competition open to Canadians living in Canada to come forward with a song that would be suitable—a chore which I would have thought could be done by the C.B.C. itself. I wondered why the International body undertook the responsibility.

Mr. DUNTON: I will explain how it arose. After the demand came on the International Service to provide more distinctively Canadian music, they found there was rather a shortage of music that is distinctively Canadian, and that is why the International Service organized that competition—in order to bring out more distinctive Canadian songs. I wish the C.B.C. itself could do more of this kind of thing, by offering prizes for competitions of different kinds. But we just have not the funds.

Hon. Mr. REID: How would composers in British Columbia know of it from the International Service? Would they be more likely to know from you?

Mr. DUNTON: It was very widely advertised in Canada. I have forgotten the methods used; but, for instance, all the musical organizations were communicated with and told about it, and other means were used to get the information about the competition to everybody who might be interested in it. It was very widely published in the newspapers, and so on.

Hon. Mr. REID: I would like to have some information regarding television. My first question is regarding licence fees when television is put into effect. At the present time I suppose we in British Columbia, like many other provinces, have many people receiving television from the United States. Now, when you get two stations going in Montreal and Toronto I suppose there will come a time when you will send them over some network. What will happen to those people who have a set right now and can get free of charge all the television they want?

Mr. DUNTON: I might say we have questions too to which we would like to have the answers. We do not set the licence fees; they are set by the government through the Department of Transport; and we at the present time neither know the amount of the proposed television licence fee, nor its application, how it will be applied. We would be quite interested to know.

Hon. Mr. REID: I notice something in your report that mentioned it.

Mr. DUNTON: Yes. The Massey report mentioned it, with other things.

Hon. Mr. HAIG: I have a question which has to do with television, though it has nothing to do really with the investigation. If you have television in Montreal and television in Toronto how far can you send that? Is there any system of sending it at all, say to Ottawa here?

Mr. DUNTON: Yes, but you would have to do it by network connection. In sound radio we do it by land lines which go from one station to another. In television you would need some network to get the program from Toronto to Ottawa to Montreal. That can be done by either coaxial cable, which is a very expensive form of communication, since you can't do it by telephone wire, or by means of what they call radio relay links, towers within sighting distance of each other, probably twenty miles apart, which communicate directly to each other; one beams it to another, and on to the next.

Hon. Mr. HAIG: If you wanted television from Toronto to Winnipeg it would cost a tremendous amount of money?

Mr. DUNTON: Oh, you would need a very extensive communication system, which could also carry thousands of telephone and telegraph circuits as well.

Hon. Mr. REID: We will have to wait on the other provinces before we get television over the C.B.C.

Mr. DUNTON: By extending it across the nation.

Hon. Mr. REID: Yes.

Mr. DUNTON: It will take some time. We look forward to it in the future. We think it will be a great thing for Canada when they get it.

Hon. Mr. REID: Some look forward to the Second Coming of Christ. I don't say that with levity, but in all seriousness.

Mr. DUNTON: I do not speak lightly, too, but I think the television network would come first. It is not beyond the economic means of Canada.

Hon. Mr. REID: I see that four and a half million dollars has been allotted for two large stations. Naturally, as a Canadian living in British Columbia, I want to get treated equally well with the people around Montreal and Toronto. I would like to know just how long we out there will have to wait.

Mr. DUNTON: I would like to explain, Senator, we envisage that we would have to have a network connection with a station in Vancouver by means of

what are called kinescope recordings, a system of recording on film, both vision and sound, of a television performance. We would make what is called a television transcription, ship it from Toronto to Vancouver, and play it next night. It is not as good because its quality is not as good as if it came over the network. But it is a very reasonable way of distributing television programs. It has been tried in the States, and we would start that way distributing programs across Canada.

Hon. Mr. REID: When do you expect the stations to be finished, and how much have they both cost to date?

Mr. DUNTON: The latest information appears to be, about January for the Toronto production centre. It depends entirely on construction. We have complicated equipment either ready for delivery or to be delivered very shortly. We have been held up because of the length of time it takes for construction today. And there may be further delays. You cannot depend on steel until it is actually on the job. We hope however that the building will be ready to start operations about January 1st.

Hon. Mr. HAIG: Next year?

Mr. DUNTON: Yes. 1952.

Hon. Mr. REID: I notice in the report you have been preparing for this purpose that you have sent men to find out what is being done in France, Great Britain and the United States?

Mr. DUNTON: Yes. There is a small group in Montreal and another in Toronto studying this matter. A great deal can be learned from what is going on in Great Britain and in the United States.

Hon. Mr. REID: Are you giving some consideration to the influence television has on the people of the United States?

Mr. DUNTON: To our way of thinking that is one of the most important factors about television. We feel it can be and undoubtedly will be an important social force in Canada. It will come into the home night after night and it will have a considerable influence on our people, particularly the children.

Hon. Mr. REID: Have you given consideration to both the good influence and the evil influence it may have?

Mr. DUNTON: We believe it can be a strong force on the side of good and against evil. First of all, it should be basically Canadian and not non-Canadian. It is not that we would shut out material from outside Canada. We would bring in a reasonable amount from the United States and other countries, but essentially it should be Canadian material going into Canadian homes. The effect of that material should be good, particularly on the young people. Television has a terrific appeal to children.

The CHAIRMAN: How much money will you be asking for television?

Mr. DUNTON: We were given a loan of \$4½ million last year. There is another loan in the estimates this year of a million and a half, and then as Dr. McCann stated in the house last year, we will be asking for financial loans up to \$10 million.

Hon. Mr. LAMBERT: Is that for television alone?

Mr. DUNTON: Yes.

The CHAIRMAN: This expenditure will bring this discussion into order.

Hon. Mr. REID: Have you been called upon to pay interest on loans before you get operating?

Mr. DUNTON: We certainly have, senator. As soon as we draw money on loan from the government we start to pay interest on it.

Hon. Mr. REID: What about your revenues from television?

Mr. DUNTON: The big one would be the licence fees. We would also expect to get some commercial revenue. That \$10 million loan was calculated on the basis that very soon we would be getting revenue back. It is not expected that it will be enough to cover the operating expenses at first.

Hon. Mr. REID: What about the radio building? Is it fully occupied? Is it all rented?

Mr. DUNTON: We had expected that we would have a floor or two vacant as a reserve of space. I think the space is pretty nearly all occupied or is going to be. There is one floor in reserve which will be likely occupied before long when our television staff gets in there.

Hon. Mr. REID: I want to say something about these weepy plays or soap operas where some man is courting another man's wife and the woman is always weeping. Some of these things last for an hour. My question is: Have you ever taken a poll to actually find out how many people follow these soap operas? I can see nothing elevating or educational about them. To use the word of the street, I think they are just tripe. I say this advisedly. The C.B.C. is held on a lofty plane and this is the sort of thing that we get. I am wondering whether you endeavour to find out how popular it is. I can bring you a lot of people who are opposed to it.

Hon. Mr. LAMBERT: These are the least costly things.

Hon. Mr. REID: We have been against sex magazines and here is the C.B.C. broadcasting this type of play. I will admit that the actors are good.

Hon. Mr. HAIG: You can turn the radio off. There is no law compelling you to listen to it.

Hon. Mr. REID: I know of one woman who has these plays on all day and it drives some people crazy.

The CHAIRMAN: What is the question?

Hon. Mr. REID: Has a poll ever been taken in this regard?

Mr. DUNTON: Yes, senator, a lot of surveys are done by outside firms on the listening audience of various programs. Perhaps you and many others would be discouraged to find that on the whole the soap operas are in general the most listened to daytime programs. It is interesting to note that while they are the most listened to they are also the most objected to. People are strongly divided on the matter.

Hon. Mr. REID: The selling of dope in Vancouver is becoming popular. You can sell all kinds of dope and salacious magazines. They are popular, but that is not what counts.

The CHAIRMAN: Would the radio audience have the choice of what program to listen to?

Mr. DUNTON: Not on our networks. Many people who live in areas where there are private stations would have a choice of two or three programs. Could I say a little more about soap operas? The Massey Commission has been critical in terms comparable to yours, Senator Reid. For a long time the Board would like to have replaced some of these programs by others, but we have been unable to do so because of a shortage of funds. In radio you are faced with a two-fold problem if you drop some commercial programs, say some soap operas. In the first place there is a large drop in your annual revenue, and in the second place you have to provide the extra cost for programs to put in the place of the soap operas. You lose money with one hand and you pay it out from the other. If we find ourselves in a better financial position we would hope to replace some of these programs with Canadian programs of greater value.

Hon. Mr. HAIG: I am no musical expert but you quite often hear very high class music on C.B.C. programs. Real musicians can appreciate such music but a lot of people like myself can not. There is a program which comes from Prince Edward Island—

Mr. DUNTON: Don Messer's Islanders.

Hon. Mr. HAIG: Yes, I like that better. You will notice at most gatherings that when a high class musician gets up and sings there is a polite applause afterwards, but when somebody gets up and sings a song like "Just a Wee Deoch-an-Doris", which everybody knows, the whole audience shows its appreciation. They find it far more entertaining. I think in the musical field you cater too much to highbrow people and not enough to the ordinary fellow who likes popular music. If you have a political meeting and you tell the people that Mrs. Smith from the Metropolitan Opera House is going to be the entertainer you will only have about ten people in the place, but if you say that you are going to have someone singing songs that were made famous by Harry Lauder you will fill the place. I do not think the great mass of people go for the high class stuff. The ordinary fellow who pays his licence fee should have a chance to hear what he wants.

Mr. DUNTON: I think if you were to look over our program schedules you would find a pretty good proportion of them are popular music programs.

Hon. Mr. LAMBERT: I think one of the most effective answers to Senator Haig's objection is the feature called Singing Stars of Tomorrow. That is high-brow music and it is a wonderful program.

Hon. Mr. HAIG: That is because you are interested in these young women getting recognized in the world of music.

Hon. Mr. LAMBERT: There is quality in that program.

Hon. Mr. REID: I have a letter with reference to a farm forum that took place in Toronto last year. I wonder why you would go to the expense of bringing a farmer all the way from British Columbia, flying him both ways and putting him up at a hotel, in order that he might take part in a forum lasting fifteen minutes. It must have cost \$500 to \$600 to put that man on the program in Toronto. Could you not have saved money by putting him on a program in Vancouver?

Mr. DUNTON: The forum used to move around to different places, say to Vancouver, Calgary, Saint John, Halifax and so on, but we decided to try out this other scheme of keeping the forum itself fairly stationary and bringing in people from other places. One advantage of that scheme is that on a forum you may have a man from British Columbia, another from the Maritimes and another from Ontario or Quebec, whereas when the forum was moving around you were more likely to get the viewpoints of people from more or less the same district. Also, this new scheme does not necessarily cost more, because we save on the travelling expenses of our own people. If we have a forum at Vancouver, for instance, we have to send a crew out there to handle it.

The CHAIRMAN: Do you have any difficulty in getting artists—I suppose I might call them artists—to take part in these forums?

Mr. DUNTON: Quite often we do. It is often not easy to find someone who is an authority on a given subject and a good broadcaster, and many people seem to be diffident about going on the air. During the years we have been particularly disappointed because of the difficulty of getting good business men to take part in a broadcast; again and again we have been turned down by representative business men. That situation, I might say, is improving; in the last two or three years more and more business organizations seemed to have recognized the importance of making their viewpoint known to the radio public. But it is still more difficult to get business people than representatives of other groups.

The CHAIRMAN: I suppose you have no difficulty in getting certain classes to speak, those who have some particular views that they wish to publicize?

Mr. DUNTON: There are some people who are too easy to get and whom we have to try to avoid. On these forums what we want are people who are representative of various points of view.

Hon. Mr. REID: On the international broadcasts do you use speakers who were born in the foreign countries to which the broadcasts are going?

Mr. DUNTON: Yes, we have to do that sometimes, because in Canada there are not enough native-born people with the necessary language qualifications. In the International Service we try to use our own staff as much as possible, and when we have to use outsiders we get Canadians if they are available. If a native-born Canadian is not available for a certain occasion we try to get a naturalized Canadian, but still there are some occasions on which we have to use people who are not naturalized. We try to check up on them before we employ them, of course. Listeners in Germany or Holland, for instance, would be likely to tune out our broadcasts if the language used on them was not correct. We have to be careful about that sort of thing, to see that the speakers have a good knowledge of the language in which they are speaking and can use it idiomatically. That is why it is sometimes necessary to employ foreigners on the International Service.

Hon. Mr. REID: Here is a point that I wish to make. I think that when the C.B.C. is sending broadcasts to other countries it should use speakers who have a Canadian voice. I do not think anyone with an extremely pronounced accent should be used. I have particularly noticed at times that people with a strong English accent are speaking in these broadcasts from Canada. I have nothing against an accent, for I myself have one that indicates clearly the country where I was born. But we have what is known as a Canadian voice, a voice which is typical of the whole country from Newfoundland to Vancouver Island.

Hon. Mr. HAIG: Oh, no.

Hon. Mr. REID: Well, it is pretty much the same, and I think that on our international broadcasts in English we should use people who have this Canadian voice.

Mr. DUNTON: I may say that for the International Service in English, perhaps more than for the National Service, we do try to find people with a definitely Canadian voice. I think that when people in England, for instance, listen to a broadcast from this country they expect to hear a Canadian accent.

Hon. Mr. HAIG: How do you choose the men who speak on the Capital Report every Sunday from London, Washington and Ottawa?

Mr. DUNTON: They are chosen by our people from a panel, sir. You will notice that from Ottawa, for instance, there is a variety of speakers.

Hon. Mr. HAIG: You seem to have three who speak from Ottawa.

Mr. DUNTON: Yes, about three.

Hon. Mr. HAIG: And two who speak from Washington, and perhaps three from London.

Mr. DUNTON: I believe that is so.

Hon. Mr. HAIG: I have listened to the program every Sunday for the last year and a half.

Mr. DUNTON: In Ottawa we choose men who in our opinion are good observers and good broadcasters and who seem to have slightly different points of view from one another.

Hon. Mr. HAIG: And the men in Washington are chosen in the same way, I suppose?

Mr. DUNTON: We would like to have more Canadians speak from Washington, but there are not many Canadian observers available there. I think you will agree that we have had some very good reports from Washington.

Hon. Mr. LAMBERT: I should like to say that I think James Minafee who reports from Washington is one of the best reporters I have ever listened to.

Hon. Mr. HAIG: Yes. I get a better understanding of American conditions from his broadcast than from anything I can find in the newspapers. Now may I ask you how you choose your speakers for the Sunday night broadcasts? You have a news broadcast of about ten minutes, and then you have a speaker for ten minutes and another general speaker for ten minutes. How are these people chosen?

Mr. DUNTON: There is no set pattern. We would like to have an important talk on some subject every Sunday night. That should be one of the outstanding talks of the week, and for these broadcasts we try to find prominent people, Canadians if possible, or otherwise some prominent visitors to this country.

Hon. Mr. HAIG: One Sunday night a little more than two months ago, I think it was, the talk consisted of a bitter attack on a member of the cabinet. I resent that kind of thing very much and I do not think you should allow it to be repeated.

Mr. DUNTON: That was the Week-End Review, after the news?

Hon. Mr. HAIG: Yes. It was purely a political attack, and we do not need that in Canada. I do not object to anyone expressing his political views, but I do resent it when someone makes a political attack. I wondered how these speakers were chosen.

Hon. Mr. REID: I see at page 44 reference is made to forty reporters across Canada contributing to the *Canadian Chronicle*. What would be the cost of forty reporters?

Mr. DUNTON: This is mostly for International Radio, going to Europe.

The CHAIRMAN: Before we get away from the international aspect of things, I should like to ask Mr. Dunton what evidence he has that these broadcasts are listened to internationally.

Mr. DUNTON: It is very difficult to get an accurate account of your "sale" or its effect; the only evidence we have, and it is not perfect, is in the volume of mail we receive which, I think, has been surprisingly good for such a young service. We are getting letters now at the rate of 50,000 a year, which is a pretty good number. Practically all those letters are really serious; they are not just letters written to say that our program has been heard, but they are written to make some comment on the program or on Canada. Indeed, the letters from these people are most fascinating.

The CHAIRMAN: Those letters come from other countries than Canada?

Mr. DUNTON: Yes, they are from all over. The outstanding example was that last December we started our newest service of a broadcast once a week to Finland at very small cost. Within a few weeks of the first broadcast we had received a thousand requests for our schedule, and the Finnish mail has run into some thousands of letters.

The CHAIRMAN: 50,000 letters a year is, I would think, a good response.

Mr. DUNTON: Yes. We used to get a good mail from Czechoslovakia; in fact, it was one of our best sources. But from 1948 on the mail went down. However, some people take the trouble to have their letters smuggled out of Czechoslovakia, in which they say "keep up the good work; this is very important", and that sort of thing.

The CHAIRMAN: Is there any particular preference shown in these letters as to the type of program the people would like to hear?

Mr. DUNTON: A lot of them want information about Canada. That seems to be the important thing. A good many write about our news coverage, which is our general news, including international as well as Canadian; but the burden of a good many letters is that they are grateful for the information about Canada and would like to hear more broadcasts dealing with life in Canada as a whole.

The CHAIRMAN: Just as an illustration—and this is my last question—you are broadcasting the program "Prairie Schooner" every Sunday night, I believe.

Mr. DUNTON: Yes.

The CHAIRMAN: That is broadcast internationally.

Mr. DUNTON: Yes; I think Senator Reid might be interested in that.

The CHAIRMAN: Do you get any response to that program?

Mr. DUNTON: Yes, we get a lot of response to it. Prairie Schooner is not only broadcast on our shortwave but is picked up by the Scottish region of the B.B.C. and broadcast in Scotland. We get a lot of letters from over there.

Hon. Mr. REID: I was about to ask why more programs are not directed to Great Britain and the United States, instead of being concentrated in Latin America. I have been reading the report, and I believe if there are two countries that need to know more about Canada it is the United States and Great Britain. As you know, the people in the United States know little or nothing about Canada; we know much more about the Americans than they know about us. If there is one place in the world where International Radio should go, it is to Great Britain and to the United States. Some of the British people think Canada is a frozen country, yet you concentrate on Latin American countries.

Mr. DUNTON: It is partly a technical problem. We have two transmitters, and they have to operate at the same time; they operate on two different frequencies to get through to Britain and Europe. As the service grew, the Department of External Affairs thought it important to broadcast to such countries as Italy, Russia and so on, but there are only so many hours of good listening time each day in Europe. We cut down the amount of English broadcasting in the direction of Europe, because of other broadcasting. Personally, I wish we were beaming more English to Great Britain, but we can't do that.

The Latin American countries are on a different time. If we are broadcasting to Europe at say 7 o'clock in the morning, our time, it would be then 1 to 2 o'clock in the afternoon over there. We start a little later than that, and run through until the late afternoon. After 7 o'clock our time, there is no use trying to broadcast to Europe. Then we turn our transmitters to the Latin Americas. So during most of the evening we might as well broadcast to Latin America, since the listening time in Europe is not good.

Hon. Mr. REID: Would you care to say a word about Radio College? It appears to be mostly French. Is there any English in Radio College?

Mr. DUNTON: Yes. I might explain on the English side we run a school broadcasting in co-operation with the provincial departments of education. I think it is a fine example of federal and provincial co-operation.

Hon. Mr. REID: You have schools too, but I am speaking of Radio College.

Mr. DUNTON: In Quebec, on the French side, there is no similar organization for broadcasting to the schools in school time. We have developed a

series of broadcasts which we call "Radio Collège", which are educational broadcasts out of school time and which are designed rather more to reach people of the high school level.

Hon. Mr. REID: Have you anything comparable to the English programs which go to other provinces, such as British Columbia?

Mr. DUNTON: Yes and no, in that their educational broadcasts are directed to young people in English, and are broadcast during the school hours; while in Quebec the broadcasts are made to the young people out of school hours and are listened to at home.

Hon. Mr. BASHA: You referred a moment ago to the fan mail, if that is the proper term, and stated that about 50,000 letters a year are received. Would it be appropriate to ask you if any of the letters are from the countries in Eastern Europe, such as Russia?

Mr. DUNTON: Yes; we started in Russia with the service only at the beginning of February this year. We really did not expect to get any mail from that country, and we haven't; I do not think there is much chance of our getting any response from Russia. As I said earlier, prior to 1948 we were getting more than 1,000 letters a month from Czechoslovakia, but after the coup in 1948 the flow dwindled very quickly. Now we get practically none, except from the few people who go to the trouble of having their letters smuggled out of Czechoslovakia, which shows a great measure of appreciation in their taking that chance. We have enough to present good evidence of a lot of listening in Czechoslovakia, in spite of their laws and restrictions.

Hon. Mr. REID: These broadcasts which go to foreign countries must involve considerable financial outlay, and they should serve to educate the people abroad as to Canadian affairs.

Mr. DUNTON: True.

Hon. Mr. REID: I notice in your report that a lot of time is given over to the broadcasting of orchestra music to the Latin American countries. I wondered if that is within the proper jurisdiction of the C.B.C., to provide foreign countries with music. I want to hold it down somewhere, and I am wondering if we are called upon to entertain them in that way.

Mr. DUNTON: We are obliged to do so in the Latin American service, which started later than the others. We found that in order to get these people listening we had to first provide some music. We had planned some fairly spectacular things in the first year; then economy measures were introduced and music to the Latin American countries has had to be curtailed. We find it is necessary to offer them some entertainment by way of music.

Hon. Mr. REID: Is that done by records or by orchestra playing?

Mr. DUNTON: Both.

Hon. Mr. REID: It would cost considerable to employ an orchestra for that purpose.

Mr. DUNTON: Yes. It has been cut down, but the music provides good listener bait. If you are to talk about Canada, the people in Latin America must first be induced to listen to music.

Hon. Mr. REID: Just as long as you intercept it occasionally?

Mr. DUNTON: We do. In the European field there is a very little music played; for the most part it is news, commentaries and verbal comment about Canada. There is very little music left. I wish we could do more to liven up the program and get still more listeners. You don't want to broadcast to dead air.

Hon. Mr. REID: My next question has nothing to do with prejudice, but I should like to know about the French-speaking stations. It has been suggested

to me that certain private stations have applied for radio licence to broadcast French programs, and later, by reason of the fact that there were few listeners, change to English programs. I am thinking particularly of stations in the West. Has a check-up been made on these stations, and are they being listened to?

Mr. DUNTON: I take it you are thinking of the applications for stations in the French language in the provinces of Manitoba, Saskatchewan and Alberta?

Hon. Mr. REID: Yes; they come out flat-footed and say that you must tell the commissioner that you are setting up a French speaking program, when making application. After they get them they find they are not being listened to, and change to English. I am wondering if you make a check-up on cases of this kind, because it seems to me to be getting a radio licence under false pretences.

Mr. DUNTON: In the case of St. Boniface and the more recent station at Edmonton we were very careful to restrict the applicants to a French station, and we have checked up and find that they are being carried on as such.

Hon. Mr. REID: How do you check up?

Mr. DUNTON: We have offices of our own in both places, and it is easy to check up.

Hon. Mr. HAIG: I listen sometimes to St. Boniface, and it was always French when I checked it.

Hon. Mr. HOWDEN: It is darned good music.

Hon. Mr. HAIG: I don't try to check it, but I turn it on sometimes by mistake, when I am trying to get CJOB or something. It is usually music, and always French.

Hon. Mr. HOWDEN: The best music we get over C.B.C. comes from St. Boniface.

Hon. Mr. REID: I notice that there are broadcasts going to fishermen, particularly in the Maritimes. What is being done for the fishermen in British Columbia?

Mr. DUNTON: We are just discussing now a broadcast in British Columbia for the fishermen. It has been discussed with the fishermen's organizations out there. If it is not in effect now, I hope it will be very soon.

Hon. Mr. REID: From whom do you get your information for broadcasts, from the Fisheries Department?

Mr. DUNTON: From every place we can. On the Atlantic coast we get it from the Fisheries Department, and from provincial governments where it applies; and the weather people.

The CHAIRMAN: In arranging your broadcasts, do you act on reasonable investigation of what will be pleasing to your listeners, or do you attempt to give the listeners some new ideas?

Mr. DUNTON: It is a combination of both. We believe there is no single animal, the Canadian public, who knows what it wants. It is made up of individuals who have different tastes, and often conflicting tastes. We try to portion out our programs to meet the requirements of different tastes with different types of music, information programs, discussion programs, dramas and so on, in a proportion in which they reflect the desires of the public; but we also try to give a perhaps a very slightly larger measure of the better type of programs, because experience shows that if people have the chance to listen to good music, good plays, good talks, their tastes will improve and the

audience for these things will grow. We do not want to force people to take things they don't want, but we think people should have a chance to develop new tastes, and they are doing so.

Hon. Mr. GOLDING: Mr. Dunton, Senator Haig referred to a certain commentator. These commentators you use, are they paid?

Mr. DUNTON: They are paid on a per occasion basis; for each time they broadcast they are paid a fee.

Hon. Mr. ISNOR: And would you re-employ the type of man referred to by Senator Haig?

Mr. DUNTON: He has been on the air since.

Hon. Mr. ISNOR: You knew of that case?

Mr. DUNTON: Yes, I knew.

Hon. Mr. ISNOR: I was going to ask Mr. Dunton: I understand you devote 20 per cent of your time, roughly speaking, to commercials?

Mr. DUNTON: Yes, statistically about 20 per cent of all network programs originating on C.B.C. are commercially sponsored.

Hon. Mr. ISNOR: And that represents in dollars and cents, roughly speaking, \$2,200,000, or about one-third of your total revenue?

Mr. DUNTON: That is right.

Hon. Mr. ISNOR: And, having had it brought to your attention, in the report of the Massey Commission, that the C.B.C. is a public servant in matters of culture, have you ever considered doing away with commercials altogether?

Mr. DUNTON: It has been thought about often, but it would simply not be practical under the present financial position, nor, I think, desirable unless we had a very much larger provision of funds than we have or than we are likely to get. Supposing we dropped all our commercial broadcasting. In the first place we would have to face a drop in revenues of about two and a half million dollars this year, which is a big amount, and would have to replace these programs with others, and if we are to keep a balanced schedule and give people the light entertainment as well as the heavier stuff, we would have to provide big funds for entertainment, including bands, to maintain the service to listeners, particularly the more popular type of programs. I think we would do much better with any funds we have available to concentrate on improving the quality of the programs that are on the air already. That will take plenty of money and plenty of effort.

Hon. Mr. HAIG: I hope you will not cut out the Foster Hewitt broadcast, Saturday night. There would be murder, there would be a revolution!

Mr. DUNTON: We are not thinking of it.

Hon. Mr. HAIG: You had better not. Next to the news, I think that is one of the most listened-to broadcasts.

Mr. DUNTON: I think you must realize that if you dropped one or two soap operas there would be protests from some people!

Hon. Mr. HAIG: The Imperial Oil broadcast on Saturday night. People drop everything to listen to that.

Mr. DUNTON: It is a great Canadian program.

Hon. Mr. LAMBERT: Have there been any definite financial items appropriated or estimated for the expenditure on television for the coming year?

Mr. DUNTON: There is in the estimates for the loan for this year, I think, one and a half million dollars.

Hon. Mr. LAMBERT: That is just for research?

Mr. DUNTON: No. That will be for—

Hon. Mr. LAMBERT: Capital equipment?

Mr. DUNTON: It will be mostly for initial developments and operational expenditures.

Hon. Mr. LAMBERT: Can you give us an idea of the capital expenditure that would be involved in the establishment of television equipment across this country adequate to the demands of different parts of the country for it?

Mr. DUNTON: Yes. We have had a number of studies done about this. Prices may have changed to some extent since, but we think that transmission facilities with adequate studios and so on for a service based on all the main points in Canada, and covering well over half the population, will involve a capital expenditure of somewhere around eighteen or nineteen million dollars.

Hon. Mr. LAMBERT: That would introduce television in a very general way?

Mr. DUNTON: In a broad way, yes.

Hon. Mr. LAMBERT: What about the revenue from licences?

Mr. DUNTON: We did not govern revenues from licences. We explained to the Massey Commission that our calculating had been done on the basis of \$10 per television set, which is not as big as it was two and a half years ago when we did the calculation.

Hon. Mr. LAMBERT: That would be in addition to the radio licence, of course.

Mr. DUNTON: Yes.

Hon. Mr. LAMBERT: Have you given any consideration lately to facsimile equipment?

Mr. DUNTON: We have not particularly, because facsimile equipment seems to us a pretty sleepy duck. Facsimile is a thing that every year for the last fifteen years has been "just around the corner", but it never seems to come.

Hon. Mr. LAMBERT: Why?

Mr. DUNTON: Because those who experimented with it found it is not economical. It is practical to reproduce at a distance by facsimile a piece of newspaper, but a number of people who have tried it in the States have found it much more expensive than the old-fashioned way of printing a paper and getting it out. I think by now that all experiments in this regard have been dropped. I know that one was turned over to a university research organization.

Hon. Mr. LAMBERT: Could you conceive of revenue from that source on a scale that would have a very direct effect on the press and newspaper activities in this country? I am wondering if radio organizations could, through facsimile, supply the reading people of this country with news in a different way than is done now. I am wondering about this from the point of view of revenue.

Mr. DUNTON: We have never seriously thought of going into facsimile transmission because it becomes more a means of reproducing at a distance something that is a picture or type matter. We have thought that our main work should be in sound broadcasting and, in the future, in television. I do not know how it might develop in Canada. If it seemed practical, newspapers might want to use it, but I cannot see any extra revenue in it, certainly not from our point of view. For some years now we have been rather skeptical about all this talk as to facsimile. It is practical, however, from a technical point of view.

Hon. Mr. LAMBERT: It might serve as a substitute for some of your news broadcasts.

Hon. Mr. REID: Do you think there is any possibility of ever paying back the government loans out of your assets?

Mr. DUNTON: Up until a few years ago the Corporation always went on the principle that it had certain revenues and lived within those, and that it

paid its way entirely. We are one of the few organizations that has never had any capital. We have built up our capital assets out of annual revenues. We would expect that these last loans represented by \$2 million and \$1½ million would be paid back, interest and principal, out of revenues. That is the way it has been done before.

Hon. Mr. REID: Where is the money coming from for bonds? You have invested nearly \$6 million in bonds. Where has that money come from?

Mr. DUNTON: I might explain that a good part of what is represented in this loan of \$4½ million for television has been drawn but has not been spent. We had to pay interest on the loan from the government so we invested the money until paying it out to contractors.

Hon. Mr. REID: Then you have not got as much money as this table would indicate?

Mr. DUNTON: No. We have the money but there are heavy commitments for paying it out.

Hon. Mr. REID: It presents a nice picture but it is not so good when you look into it.

Mr. DUNTON: The Corporation is being caught in a complete squeeze between rising costs and a fixed revenue rate. That cannot go on. Something has to give. Either our whole revenue basis will have to be changed, or the whole system will have to be heavily cut. We presume some decision will come about following the Massey Commission report.

Hon. Mr. ISNOR: I notice that you say your Dominion of Canada bonds have a certain appreciated value. I am wondering how you base that? Is that based on the present-day market value?

Mr. DUNTON: It was the market value at that time.

Hon. Mr. ISNOR: When was that time?

Mr. DUNTON: The date on the balance sheet, March 31, 1950.

Hon. Mr. ISNOR: I just happened to notice that while looking at something else. I am interested in knowing what reaction you have had to business and labour programs, and also political broadcasts. I think I had better say what I have in mind. I believe that the general public have had just about enough of the business and labour forums and of political broadcasts. I do not think any good purpose can be served by them and that you might use that time to better advantage. Perhaps you can show that they are still creating an interest.

Mr. DUNTON: Dealing with business and labour first: I think we would agree with you that listeners could easily get bored by endless arguments between business and labour. Our main program on the Dominion network in this respect has been one called Cross Section. We have tried to develop that program into a more varied format. Some nights there will be discussions, other nights the program will give a picture of industry in a certain region of the country. Some programs will be based on psychological dramas about personal relations in industry right from the executives down. I should think that that sort of thing has been quite successful. We have certainly had a great many expressions of interest both from business and labour. We try to be fair to both sides. I think that is worth doing and developing further.

On the political side, it is very difficult to comment. It does seem that part of the function of a broadcasting system is to provide for the dissemination of political opinion. Presumably the political leaders are the best people to do this. How often or how continuously it should go on is perhaps a matter for their judgment as much as it is for ours.

Hon. Mr. ISNOR: Do you get any letters in so far as political broadcasts are concerned?

Mr. DUNTON: I do not think the response has been very great lately, to us.

Hon. Mr. LAMBERT: Is it not true that that service was developed as a result of the recommendations of the Parliamentary Committee on Radio Broadcasting?

Mr. DUNTON: I think it was. The Corporation believes that it is proper to provide a system of free time to political parties on a fair basis.

Hon. Mr. REID: On page 62 there is an item "Add allowance for depreciation and obsolescence, 2½ per cent on buildings \$45,012.83 and 5 per cent on equipment \$166,136.04, totalling \$211,148.87". Have you actually that cash on hand or is it simply a bookkeeping entry?

Mr. DUNTON: It is a bookkeeping entry.

Hon. Mr. REID: Then why should it appear as an expenditure? Why should the statement be falsified in this way? You are making it appear that there is over \$200,000 for depreciation on buildings and equipment.

Mr. DUNTON: I am not a technical bookkeeper, but I may say we do it because the Auditor General tells us we should do it.

Hon. Mr. BURCHILL: All corporations do it. That is common practice.

Hon. Mr. REID: The item for salaries is a large one. May I ask what Elmore Philpott would earn from the Corporation in a year?

Mr. DUNTON: He is not on the staff of the Corporation, to my knowledge, and never has been on it.

Hon. Mr. REID: He is engaged now, is he not, to make broadcasts? He is on a trip now?

Mr. DUNTON: Yes, but still he is not hired. I think he is doing several broadcasts, but he is not an employee. He would simply be paid a fee for each time he broadcast.

Hon. Mr. GOLDING: I have a question with reference to the commentators. I know that a person has to be careful not to tell too much about his business, and perhaps you will not care to answer this question. It is this: Is there any set fee for the commentators?

Mr. DUNTON: Yes. There is no regulation laid down about it, but our program department have a general rate that they pay to commentators—for instance, to those on the Capital Report. There may be some variation in the amounts paid to different commentators, but it would be within a very close range. We have to follow that policy, in fairness.

Hon. Mr. REID: What is the arrangement between United States broadcasting systems and the C.B.C.? I take it that you accept programs from United States broadcasters and they accept some from you.

Mr. DUNTON: Yes. We often wish they would take more of our programs.

Hon. Mr. REID: Do you pay them for the broadcasts you take from them and do they pay you for the broadcasts that come from here?

Mr. DUNTON: No. There is a friendly arrangement under which when we take a commercial program from an American network we are paid by the sponsor, because it is carried on our facilities, and the American network gets a commission.

Hon. Mr. REID: Take the Fibber McGee and Molly program, for instance.

Mr. DUNTON: We would be paid the full rate for our facilities and the American network would get a commission on it. But we do not pay anything

for non-commercial programs that we get from American networks, nor do the American networks pay us anything for any of our non-commercial programs that they use.

Hon. Mr. REID: Do you pay anything for the Fibber McGee and Molly programs?

Mr. DUNTON: No, senator; we are paid for carrying it on our facilities.

Hon. Mr. LAMBERT: I suppose those arrangements are made through brokers, are they?

Mr. DUNTON: No, we make them directly with the networks. Of course the advertising agencies act on behalf of the sponsors in connection with all commercial programs.

Hon. Mr. LAMBERT: Is there any way in which you could get along without the advertising agencies? As I recall, you used to pay about half a million dollars a year to advertising agencies. Could you save that money by having your own organization deal directly with the sponsors?

Mr. DUNTON: It might be possible, but it would require quite a revolution in commercial practice in this country. Most sponsors are used to dealing with advertising agencies who handle their newspaper and other advertising, and they normally expect advice from them in the preparation of any program that is to be broadcast.

Hon. Mr. LAMBERT: And I suppose you would have to set up a special department to do that work, if it could be done by your organization at all?

Mr. DUNTON: Yes. But, frankly, we would not be in a position to give advice to sponsors as to how their products should be advertised.

Hon. Mr. REID: Who is the supervisor of international programs?

Mr. DUNTON: The general supervisor is Mr. Dilworth.

Hon. Mr. REID: May I ask you if a cabinet minister sits in when matters of policy as to international programs are decided?

Mr. DUNTON: I think there have been discussions with the minister. There is an advisory committee which meets occasionally, but there is no formal body with a cabinet minister on it. However, we are in constant communication with the Department of External Affairs.

Hon. Mr. ISNOR: I notice that the Massey Commission commended you for one of your service publications. Has that got a very wide distribution?

Mr. DUNTON: Do you mean the *C.B.C. Times*?

Hon. Mr. ISNOR: I forget the name.

Mr. DUNTON: I think you are referring to the *C.B.C. Times*, sir. It has not nearly as wide a distribution as we wish it had. I think the total circulation in Canada now is about 15,000.

Hon. Mr. LAMBERT: Has that got the same function as the *Listener* which is published by the B.B.C.?

Mr. DUNTON: No, senator; it has the same function as the *Radio Times* which is published in Britain. It is designed to give people advance information on programs available on the C.B.C. We found after we started putting out this publication that we were able to include in it a good deal of miscellaneous information for listeners which had formerly been published and distributed separately, and in this way we were able to effect some economy.

Hon. Mr. BURCHILL: How often is it published?

Mr. DUNTON: Once a week.

Hon. Mr. ISNOR: What does it cost?

Mr. DUNTON: Two dollars a year.

Hon. Mr. ISNOR: You sell it, do you?

Mr. DUNTON: Yes.

Hon. Mr. ISNOR: Does it show a profit?

Mr. DUNTON: No. I think that \$2 covers the actual cost of the publication, but not the original editorial cost. However, the corporation's net expenditure is not any greater because of publishing the *C.B.C. Times*, for in it we include much information that otherwise would have to be published separately.

Hon. Mr. REID: What is the average cost of those plays that are put on by groups of people?

Mr. DUNTON: The C.B.C. plays are put on by our own producers. The cost varies according to the size of the cast, the size of the orchestra and that sort of thing. One of our major one-hour plays would probably run to \$1,200 to \$1,500.

Hon. Mr. REID: I am just wondering how many people actually listen to one of these plays for a whole hour. You may have the radio on and be listening when someone comes to the door or calls you on the telephone, and by the time you get back to the radio the play may be over.

Mr. DUNTON: We get a great deal of comment on our stage plays—our Stage 50 plays, for instance—which are broadcast on Sunday night. The response that we get indicates that a good many people do listen to them. People who prefer to listen to music can exercise their choice by tuning in to the Dominion network, which also is pretty popular.

Hon. Mr. REID: How many hours a day does the C.B.C. carry on?

Mr. DUNTON: An average of sixteen hours. That means sixteen hours in six different time zones. There is of course some overlapping, with the result that some part of the system is working twenty-two or twenty-three hours a day.

Hon. Mr. ISNOR: Some people who are interested in local opera societies contend it is very difficult for them to get time on the air. An opera society will spend weeks in preparing to put on an opera, and it seems to me that some attempt should be made to enable them to broadcast at least a half-hour program occasionally. Do you not think that would be beneficial to the Canadian public?

Mr. DUNTON: Well, I think a number of factors might be involved, senator. In the first place, we do not want too much opera on the air. Some people do not like opera; they much prefer popular music. I would think, however, it should be good on the local station. If we are doing a network opera, it should be of network calibre, and of interest to the people outside the area where it is being produced. We have to balance the claims from all the different parts of the country. I could not give you a definite answer on this point. We do our best to encourage talent, and to see that talent that is good enough for network distribution is used. I should like to see private stations do more broadcasting of this sort, and give their local talent a chance to be heard by their own people.

Hon. Mr. ISNOR: I have in mind the Nova Scotia Operatic Society, which devotes months of preparation to the production of one or two operas a year. They put on an exceptionally fine performance, and they would like to have a half hour—not a full hour or two hours—to put on an operatic program over Station CBH, Halifax. I think that is a reasonable request, and that it should be given favourable consideration.

Mr. DUNTON: An operatic program of one hour or two hours is quite a big production.

Hon. Mr. ISNOR: I am not asking for that; I just want a half hour.

Hon. Mr. LAMBERT: That is a local matter. The C.B.C. has presented several operas during the past year.

Hón. Mr. ISNOR: Costing a lot of money.

Hon. Mr. LAMBERT: I suppose the two could be linked up to some extent; eventually the development which has been referred to by Senator Isnor in the Halifax area might be made use of by C.B.C. and used in a national broadcast. Personally, I have thought the C.B.C. opera performances were surprisingly good.

Mr. DUNTON: They have shown what young Canadians with a little training can do.

Hon. Mr. LAMBERT: It was surprisingly good; the voices were outstanding.

Mr. DUNTON: I think Canada is growing musically very fast.

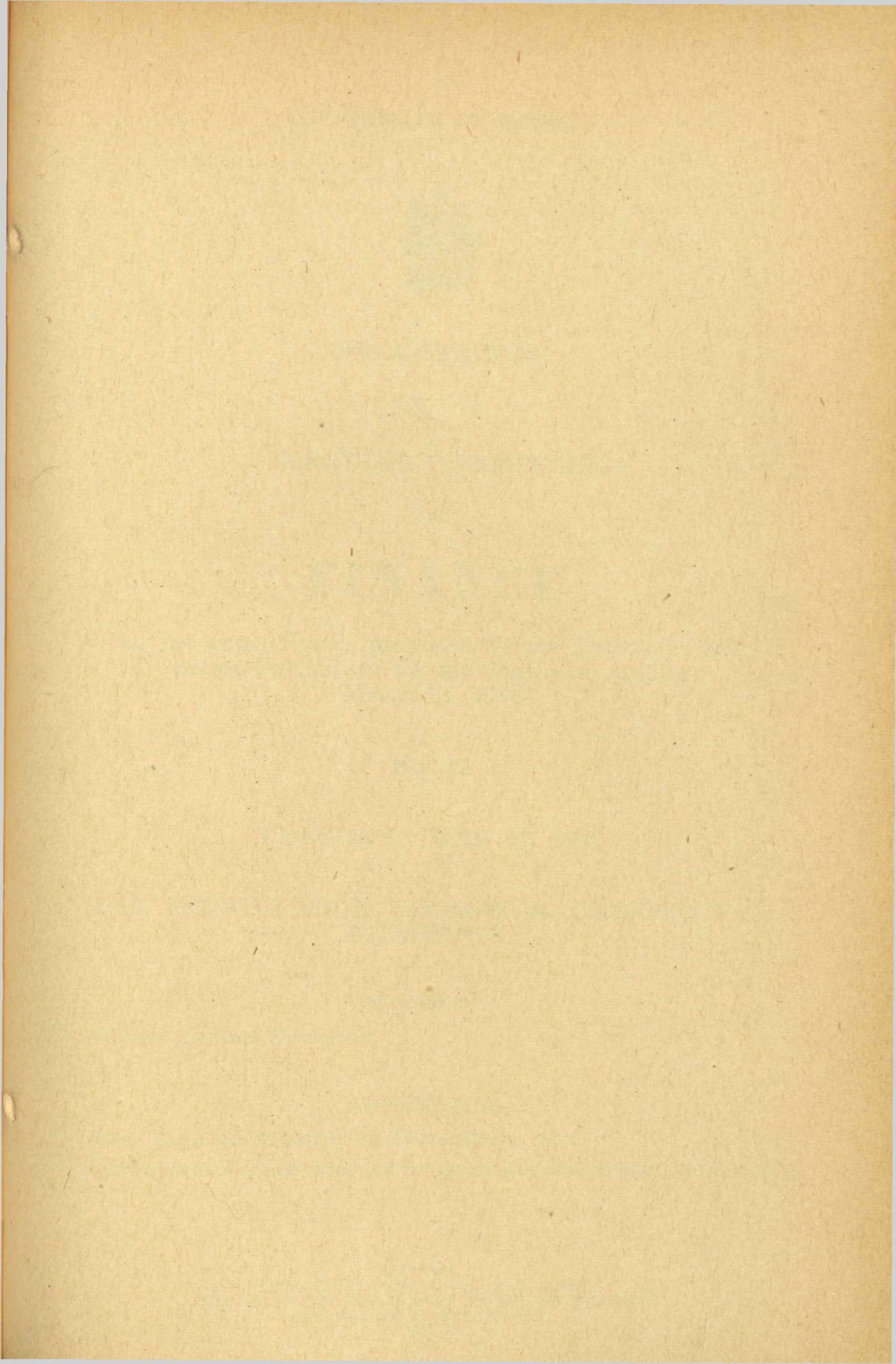
The CHAIRMAN: Any further questions? We have had a pretty long day, but I do not wish to shut off anyone.

Hon. Mr. HAIG: I think we ought to thank Mr. Dunton and his associates for appearing here today.

The CHAIRMAN: I was about to do that. On behalf of the committee, Mr. Dunton, I wish to thank you and your associates for coming here and letting a little light shine into our darkness on these things.

Mr. DUNTON: Thank you.

At 5.30 p.m. the committee adjourned.



1951

THE SENATE OF CANADA



PROCEEDINGS
OF THE
STANDING COMMITTEE
ON

FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1952

No. 10

TUESDAY, JUNE 12, 1951

THE HONOURABLE THOMAS A. CRERAR, P.C.,
CHAIRMAN

WITNESS:

Mr. Gilbert Jackson, Economist.

APPENDICES

- F. Some Canadian Monetary Statistics 1939 to 1950.
- G. Government Expenditures and the Gross National Product 1939 to 1950.



PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

FINANCE

ON THE EXPENDITURE PROPOSED BY THE MINISTER OF THE REVENUE FOR THE FISCAL YEAR ENDING MARCH 31, 1911

HELD

AT OTTAWA, JUNE 28, 1911

THE HONOURABLE THOMAS A. ERER, P.C.
CHAIRMAN

WITNESSES

THOMAS A. ERER, P.C.

REPORT

AS SUBMITTED TO THE SENATE

ON JUNE 28, 1911

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Wednesday, March 14, 1951.

“That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1952, in advance of the Bills based on the said Estimates reaching the Senate: That it be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal governments in Canada, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records.”

L. C. MOYER,
Clerk of the Senate.

THE STANDING COMMITTEE ON FINANCE

The Honourable THOMAS A. CRERAR, P.C., Chairman.

The Honourable Senators

Aseltine	Golding	McKeen
Baird	Gouin	McLean
Barbour	Haig	Paterson
Basha	Hayden	Petten
Beaubien	Horner	Pirie
Bouffard	Howard	Quinton
Buchanan	Howden	Reid
Burchill	Hugessen	Robertson
Campbell	Hurtubise	Roebuck
Crerar	Hushion	Ross
Davies	Isnor	Taylor
DuTremblay	King	Turgeon
Euler	Lacasse	Vaillancourt
Fafard	Lambert	Veniot
Farquhar	McDonald	Vien
Farris	McIntyre	Wilson
Fogo		

MINUTES OF PROCEEDINGS

TUESDAY, June 12, 1951.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11 a.m.

Present: The Honourable Senators:— Crerar, Chairman; Aseltine, Barbour, Basha, Bouffard, Buchanan, Burchill, Euler, Farquhar, Golding, Gouin, Haig, Horner, Howden, King, Lambert, McDonald, McIntyre, McLean, Paterson, Reid, Turgeon and Wilson—23.

In attendance: the official reporters of the Senate.

Consideration of the order of reference of March 14, 1951, was resumed.

Mr. Gilbert Jackson, economist, Toronto, Ontario, was heard.

The following documents, filed by Mr. Jackson, were ordered to be printed as appendices to Proceedings No. 10:

F. Some Canadian Monetary Statistics 1939 to 1950.

G. Government Expenditures and the Gross National Product 1939 to 1950.

At 1.00 p.m. the Committee adjourned.

At 5.00 p.m. the Committee resumed.

Present: The Honourable Senators:— Crerar, Chairman; Aseltine, Buchanan, Burchill, Euler, Golding, Gouin, Haig, King, McDonald, McIntyre, McLean, Reid, Roebuck, Vaillancourt, Vien and Wilson—16.

Mr. Gilbert Jackson was further heard.

At 6.00 p.m. the Committee adjourned to the call of the Chairman.

Attest.

John A. Hinds,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

1907

The following is a summary of the proceedings of the Board of Directors of the [Organization Name] for the year 1907. The Board met on [Date] and [Date] and discussed the following matters: [Faint text describing the proceedings, including financial reports, committee reports, and resolutions.]

MINUTES OF EVIDENCE

THE SENATE

OTTAWA, TUESDAY, JUNE 12, 1951.

The Committee on Finance, which was authorized to examine the Estimates for the fiscal year ending March 31, 1952, met this day at 11 a.m.

Hon. Mr. CRERAR in the Chair.

The CHAIRMAN: Gentlemen, we will come to order. I have much pleasure in introducing to the committee Mr. Gilbert Jackson of Toronto. Mr. Jackson is a noted economist, and is here to give us the benefit of his judgment and experience on the problems that we are considering.

At the beginning I think I might suggest to Mr. Jackson that he gives us his definition, or his idea, of what causes inflation. The classical notion that we hear so much about is that there is an oversupply of money and an undersupply of goods; that the oversupply of money comes in competition with the short supply of goods, and as a result prices are pushed upward; further, that the remedy is either to reduce the amount of money available for the goods, or to increase the supply of goods. Perhaps, Mr. Jackson, you might start out by saying whether or not you agree with that theory or definition.

Hon. Mr. HAIG: Mr. Chairman, before Mr. Jackson starts, it occurs to me that a word or two should be said about the object of our investigation. In that way he would better understand what we have in mind. It need not influence his statement, but he will appreciate then what we are trying to accomplish, and some of the things he might say on a general discussion need not be said on this investigation. If I were permitted by the committee to take two or three minutes, I would be glad to give a general outline, but I do not wish to do so unless it is the wishes of the committee.

Some Hon. SENATOR: Go ahead.

The CHAIRMAN: I may say that when I wrote Mr. Jackson inviting him to appear before the committee, I outlined in general terms what we were trying to do; since that time I have forwarded to Mr. Jackson copies of the evidence so far as they were available up until he left Toronto last Monday.

Hon. Mr. HAIG: Just a word or two then, Mr. Chairman and Mr. Jackson. This committee is most anxious to make a contribution with a view to informing the public as to what we senators, or members of parliament, can do to help relieve the pressure caused by the high cost of living in our country. We are not particularly anxious to hear evidence that will condemn the present government in Ottawa, or the government of any province or any municipality, for certain things that they have done; neither are we trying to protect them. We are, however, trying to educate the public as to some of the basic factors that enter into the different phases of this complex problem, especially in the matter of living costs, and to determine what part the governments in Canada could play, if they so desired, to reduce the cost of living. I am referring particularly to policies of any government, for I am not interested in them. Our concern is not to show that part of the country is contributing more than its share. For instance, I am not attempting to prove that the farmers are getting too much, or that labourers or lawyers are doing too well.

I think, that that is the view of the committee, namely to get to the public the fundamental and basic policies that might be adopted to help relieve, if possible, the pressure on the people caused by the high cost of living.

Mr. JACKSON: I think the best working definition of inflation is the one you have given, Mr. Chairman, which is a situation in which too many dollars are chasing too few goods. There is no definition that cannot be shot at, but your definition seems to me to be expressive of the situation which we are trying to deal with.

Hon. Mr. HORNER: But may I say that there are many things, such as manufactured goods, of which there is an abundance, and yet the price continues to go up. Indeed, it sometimes rises two or three times in a month, at a time when the world is full of those commodities. There is no question of shortages in many instances.

Mr. JACKSON: When I said "too many dollars chasing too few goods", I meant too many dollars in relation to the goods offered; and I meant "too few goods" in relation only to the money supply. Note that, you can have an inflationary condition at a time when there are more goods on the market than ever there were before, provided that the supply of purchasing power has outstripped the increase in the supply of goods. It is not necessarily true to say that inflation has anything to do with shortages of goods, although there may be shortages of goods as an accompaniment.

In Canada today, so far as I know, we are producing goods on a greater scale than ever we did before; and our people as a whole are living better than ever they did before. Something here or there may be short, but there is no general scarcity of goods. Yet we have a tremendous inflation—because the supply of money has outstripped the supply of goods which has been brought to the market.

Hon. Mr. McINTYRE: Mr. Chairman, I do not think that theory applies to every manufactured commodity. Take for instance, cars. There is a greater supply of cars in Canada today than there ever were; the dealers' lots are full, and there is no short supply, yet the price has gone up considerably in the past year. It does not seem to be an amount of money chasing the goods, as far as cars go.

Hon. Mr. ASELTYNE: There is a 25 per cent government tax on cars.

Hon. Mr. McINTYRE: I know.

The CHAIRMAN: Have you any comment on Senator McIntyre's question, Mr. Jackson?

Mr. JACKSON: I am sorry, I did not understand that it was a question, but if Senator McIntyre has a question I shall be glad to answer.

Hon. Mr. McINTYRE: I am asking why you say that inflation is caused by too much money chasing too few goods. That theory would not seem to apply to cars, where there is an abundant supply, and dealers' lots are full. Within the past year cars have risen \$200 and \$300, and there are today many cars which can't be sold. It does seem that the theory of too much money does not seem to apply there.

Mr. JACKSON: Well, sir, there may be a sufficiency of one article, a surplus of another, and not enough of a third. But in general, the statements are undoubtedly true that Canadians are living better today than they ever did before, and that there is a more plentiful supply of goods than there ever was. Yet in spite of those facts the cost of living has risen and is still rising.

Hon. Mr. EMMERSON: Mr. Chairman, do we understand then that it is a bad thing for the country to have too much money to spend? One would naturally think we would be in a good position if we had plenty of money in the country; but it appears we have too much.

Mr. JACKSON: I do not use words like "good" and "bad", sir, because they prejudice things. I am trying to obey the Chairman's behest and sort some facts out. All I have said is that the increase in the supply of money has very greatly outstripped the increase in the supply of goods; and that is what I meant when I said, we have an inflation.

May I give the committee some figures to illustrate that? I take the means of payment per head in Canada in all forms, dollars in our pockets and in the tills of business, bank deposits under our control, and bank deposits under the control of business, and the money which is being taken in and spent by provincial and municipal governments, which do not themselves create money.

Allowing for the increase in the population which occurred during that time, I find that the average Canadian—if there is such a man—had \$252 at his disposal in 1950 for every \$100 which he had at his disposal in 1939.

How was that reflected in the incomes of the Canadian people? I take the statistics of personal incomes in Canada during 1939 and 1950 (all the figures I now quote are drawn from the Dominion Bureau of Statistics, or occasionally from the Department of National Revenue). Then I put them on a per head basis, and I find that for every \$100 of income which the average Canadian had in 1939 he had \$252 in 1950. In other words, the rate of growth in the means of payment and the rate of growth in the total of personal incomes were exactly the same.

If we had increased our production of goods and services by 152 per cent per head at the same time as we increased the means of payment per head, and our personal incomes per head by 152 per cent, the average man would be able today to live two and a half times as well as he lived in 1939, and the cost of living need not have risen.

But what have we done? In 1950 we were producing per head 47 per cent more goods than in 1939. That was a tremendous achievement. That is the basis of my statement that Canadians are living better on an average today, than they ever did before. But 47 per cent is not 152 per cent.

May I go on a little further, sir, at the risk of being tedious?

Hon. Mr. HAIG: Certainly.

Mr. JACKSON: If one were merely doing simple arithmetic with a pencil and paper, and if one were asked to consider a situation in which the supply of money chasing goods had increased in the ratio of 100 to 252, and the supply of goods on offer had increased only in the ratio of 100 to 147, then, as a matter of arithmetic, what would one expect? I suggest, one would expect the cost of goods and services to be greater by something like 71½ per cent.

When we turn to the statistics of the cost of living published by the Dominion Bureau of Statistics, and look for the rise in the cost of living from 1939 to 1950, what is it that we find?

Here, I disregard the rental item. I talk about the cost of living index, ex rents—for the simple reason that under Canada's rental regulations so far, I believe our official statistics of rentals cannot be trusted to represent accurately the cost of housing which most of our folk, by purchase or otherwise, must bear.

When I turn to the retail cost of living, ex rents, published by the Dominion Bureau of Statistics, I find it has gone up from 1939 to 1950 by 72½ per cent, which is remarkably close to the 71½ per cent, which arithmetic would lead us to suppose it might have risen.

Here you have, then, an enormous amount of goods being sold at higher and higher prices, because the tremendous increase in the production of goods was outstripped by the much greater increase in the supply of the means of payment, and in the dollar incomes of the Canadian people: who naturally, possessing the money, turned around and spent it.

Hon. Mr. PATERSON: Might I ask if those figures are applicable all across Canada, or have you separated the urban from the rural? I mean, in regard to the price of wheat and standards of living in the West?

Mr. JACKSON: No, sir, I am talking now about totals for Canada, the total of the means of payment in all Canada, the total of personal incomes in all Canada, the volume of goods of all kinds produced everywhere in Canada, and the average cost of goods and services at retail in Canada. There is no local application in any statement which I have made, so far.

Hon. Mr. PATERSON: But the impact will be different in different parts of Canada?

Mr. JACKSON: The experience of different parts of the country and the experience of different individuals will be different. But when we are applying measurements, I think we are obliged to take the territory within which a given unit of money circulates which is subject to one monetary control. We must look for results in that area as a whole. We cannot intelligently criticize the monetary policy of Canada by picking on a few localities, and finding out what happened there.

The CHAIRMAN: Might one not assume in the light of what you have said that we have not got very much to worry about?

Mr. JACKSON: I think you could say that, to date, most people appear to have been beneficiaries of inflation; and that the terrible present cost of inflation has been concentrated on a relatively few shoulders. I say, most folk seem to have been beneficiaries. I do not say that, in fact, they have been.

That is the tragic thing about inflation. At least in its first stages, it exhilarates and seems to benefit the man in the street. In too many cases he mistakes what has happened to him, so far, for what is going to happen to the nation, ultimately.

The CHAIRMAN: Why I said that is that one frequently hears observations of this kind: "Well, things are all right. I never had more money in my pocket than I have got now. Why all this concern about it?" Somehow, to my way of thinking, there is a fallacy in that, and I should like to find out where that fallacy is.

Mr. JACKSON: Is not the fallacy to be found in this fact—that our incomes are not equally elastic?

The CHAIRMAN: That is, with individuals the incomes advance more rapidly with some than with others, and secondly those whose incomes advance are happy about it and those whose incomes do not advance are very distressed about it.

Mr. JACKSON: That is the thing in a nutshell, sir.

Hon. Mr. LAMBERT: Is it fair to assume that there is something in the strain of tempo? That is, you are travelling faster now than you were travelling before 1939, and the sensation of travelling faster tends to affect, I think, people of our generation more than it does the people of the younger generation. In other words, there is actually no difference relatively from what there was before 1939.

Mr. JACKSON: I do not want to haggle over words, but I am not quite certain what Senator Lambert means by the words "travelling faster".

Hon. Mr. LAMBERT: I am trying to make an illustration of the point the Chairman has just made: "Well, there is nothing wrong with the situation". Everybody feels they have more money than they had before, and the rate of production has greatly increased, the rate of incomes has increased, and there is more money to spend, and so on. Therefore, the tempo of living, as I say, has really increased and possibly that sensation of increase is not entirely unconscious on the part of some of the rest of us who remember the early thirties a little more acutely than some others. Is there anything in that from

the point of view of reality versus the actual recollection of the past? It seems to me it would take some adjustment to bring ourselves into a period or into an era of more intense and rapid change such as we have had since the close of the war. Can it continue? You must be exhausting capital wealth very rapidly as a result of this tempo, but outside of that one feature, is there any great mystery about it?

Mr. JACKSON: This is a somewhat complicated issue, sir.

Hon. Mr. LAMBERT: I did not make it very clear, I guess.

Mr. JACKSON: I merely suggest that we have several complexities here.

When we say that the average Canadian's income went up by 152 per cent between 1939 and 1950 we are simply summarizing the experience of 14,000,000 persons whose individual experiences varied greatly.

If all Canadian incomes had gone up by 152 per cent, while the cost of living went up by 72½ per cent, then one could truthfully say that every Canadian would, in the present, at least, be somewhat better off as a result of his income having risen faster than the rise in the cost of living: and that if he did feel hot and bothered, perhaps that might merely be due to life's more rapid tempo.

Even under such conditions, we would have to make one severe qualification to this conclusion.

Your ordinary Canadian has a life insurance policy. He looks forward to the day when he will shuffle off this mortal coil and leave the proceeds of his insurance policy, plus what he may have saved, in order to support his dependents after he is gone. Now, the man who had a life insurance policy in 1939 of, shall we say, \$50,000—because he felt in 1939 that, invested well, \$50,000 would provide adequately for his family—finds today that \$50,000, when invested, yield an income which will only pay for about half the goods which, if the man had prudently died in 1939, would then have been available for his family.

In other words, the man we are supposing to be better off in the present, because his income has risen faster than the rise in the cost of living, will someday leave a widow. She will be much worse off in the future, as a result of this. In a sense the man's dependents will pay, after his departure, for the temporary prosperity which he, and they, perhaps, are enjoying at the present time.

That is an offset which must be borne in mind.

Moreover, when we say that on an average, incomes have gone up 152 per cent, that statement covers some folk whose incomes have gone up enormously.

The person whose income has not gone up at all has had his personal standard of living divided by just about two, during the last eleven years. In other words something like half of his standard of living has been taken away from him and given to the folk with more elastic incomes. The lot of the person who retired in 1939, with a pension or an annuity as his sole form of income, is something quite appalling to contemplate. But there are a certain number of people in this country, who have had exactly that experience.

A far larger number of people have had incomes which were not absolutely fixed, but which have risen much less rapidly, or somewhat less rapidly, than the cost of living has risen.

Now where you have a man whose income has risen less rapidly than the cost of living has risen, that man is paying now for the benefits which other people are enjoying in the present; and if he carries insurance, he is also going to pay in the future, as everybody else will, through the reduced purchasing power of income then.

Hon. Mr. REID: Professor Jackson, apropos of what you have just said, I wish to raise a point that I cannot understand clearly. Many Canadians, particularly in the trade unions, are stating all the time that the income they

are receiving today purchases only about half of what their income in 1939 did, and therefore they are demanding increased wages or salaries. Through the press and in every way possible they are pointing out how difficult it is to carry on, and they back up their statements by data presented by the research bureaus of trade unions to the effect that the purchasing power of the income received today is not as good as that of the income received in 1939.

Every time the Bureau of Statistics publishes a statement showing that the cost of living index has gone up a point or so there is a demand for increased income, and that demand is backed up by statements to show that the people are finding their present income insufficient to cope with the increased cost of living.

Mr. JACKSON: I think there are two kinds of statements covered by those comparisons which have just been mentioned.

First of all, there are enormous numbers of individuals who never look at a figure. Their wives grumble at the cost of living, at the amount of money it takes to buy a steak in 1951. They get a bit more for their housekeeping allowance, and their husbands get in the habit of saying that they are being ruined by the high cost of living. But these fellows are not making a statistical statement. All of us tend to grouch, without first looking at the statistics.

As to the statements made by unions, although I have seen a good many of them (of course, not all of the statements which the senator may have in mind) I do not know of any statement made by a responsible officer of a union, which denies that wage rates in Canada have risen, on an average, faster than the cost of living rose in Canada between 1939 and 1950.

I have seen a great many statements by unions backed up by figures, to the effect that the rise in the cost of living has outstripped the rise in average wage rates, or average wage rates in their industry. But if the figures are correctly quoted, I find always that some moment of time between 1939 and 1950 has been selected, as of which it may be said that from that moment to 1950 the cost of living did rise faster, than the wage rate under discussion.

Now clearly, wages and prices have not been marching in step all the time. In that period there have obviously been moments which one could select—perfectly truthfully, but not quite ingenuously—as of which one could say that, from one of these selected moments, the rise in the cost of living has been more rapid up to some other selected moment, than the rise in average wage rates.

Nevertheless, when asked the broad question: "What has happened to the standard of living of the average Canadian, pre-war and post-war?" if you take as post-war the present (since it is in the present that you legislate), there is no doubt that the average wage earner, and the enormous majority of wage earners when you look over them individually, have secured increases in wage rates, and earnings, substantially greater than the increase in the retail cost of living which has occurred between pre-war and post-war.

The CHAIRMAN: Mr. Jackson, from what you say would it be a fair inference that the inflation that has taken place has created very little or no difficulty for certain classes of our population but has created very severe difficulties for other classes of our population.

Mr. JACKSON: Yes. The incidence of it has been very unequal, and that is (to my mind) the main evil of inflation.

The CHAIRMAN: We are told and we know that certain fiscal measures have been taken to check, if possible, this inflationary trend. Let us assume that those measures were not taken, that we proceeded just as we have been doing: What would be the ultimate end of that state of affairs, in your judgment?

Mr. JACKSON: May I rephrase the question, to be sure that I have understood it, sir? You mean to say that if we went on in the next ten or twelve

years along the same course which we have been pursuing in the last ten or twelve years, in creating purchasing power so rapidly, what would be the end of that process?

The CHAIRMAN: Yes, I think that would state the point I had in mind.

Mr. JACKSON: I think one can say confidently now that if in the next ten or twelve years we were to create new means of payment, and to raise incomes, at the same rate that we have been doing recently, we would bring about a more rapid rise in the cost of living in the time ahead of us; than we have experienced in the last ten or twelve years.

The CHAIRMAN: It would accelerate?

Mr. JACKSON: It would accelerate, for this reason: that between 1939 and 1950 there was a natural brake on the movement of prices, which the creation of new money brought about. We did have a tremendous increase in production, per head of Canada's population, in those years—an increase of 47 per cent.

That 47 per cent increase was not due to the fact that each individual worker became 47 per cent more productive. Our production per worker, during those eleven years, probably did not increase by more than 27 per cent.

When war broke out in 1939, something like 20 per cent of Canadian workers were unemployed and thus, not producing at all. One of the things we did during the first half of World War II, by means of some necessary, skilfully conducted inflation at that time, was to bring back in active employment the 20 per cent of Canadian workers, who lacked work in 1939. We thus brought about a rapid increase in our national output.

Hon. Mr. EULER: May I ask a question? Is that in terms of volume or value?

Mr. JACKSON: In terms of physical volume. We got a 47 per cent increase in the physical volume of goods produced per head of Canada's population between 1939 and 1950 (which also means, of course, a 47 per cent increase in the physical volume of goods to be consumed, per head of Canada's population; income is only the consumption of what we produce).

We secured that 47 per cent increase over-all, partly because we got about a 20 per cent increase in our aggregate output—a sort of bonanza—by setting our unemployed at work again, partly because (it seems) we can increase our output per head, over a long period of time, by something like 2 per cent per annum.

Now when, in terms of the question which the Chairman put to me just now, we come to face the next ten or twelve years, we start at this moment with virtually nobody lacking work. In other words, our prospective increase in the physical volume of production, during the next ten or twelve years, is going to be brought about either by means of population increase, or because individuals find themselves able to produce more goods and services than ever they produced before. These are the sole means by which we can increase our output of goods.

I venture to suggest, therefore, that we should expect in the next ten or twelve years, not an increased production per head, in terms of physical volume, approximating 50 per cent—which is about what we managed to bring about, last time—but perhaps, something much less than this.

If we get a 27 per cent increase in volume during the next ten years, instead of a 47 per cent as we did between 1939 and 1950, that relatively modest achievement is likely to look quite reasonable.

Continuation at the same rate, as during the last ten or twelve years, in our output of additional dollars, would therefore (I believe) produce a runaway movement, an inflation involving more strains, and more dangers, than even the rapid inflation which we have just experienced.

The CHAIRMAN: Then how can the problem be controlled?

Hon. Mr. LAMBERT: Stop the war, I suppose.

Mr. JACKSON: Slow down the creation of new dollars, and the rapid increase of our individual cash incomes, or else accelerate the production of goods.

There has been a race, as it were, since 1939 between two growing magnitudes. There has been a race between the multiplication of dollars and the multiplication of goods. The multiplication of dollars has outstripped hopelessly the multiplication of goods; and this, although we Canadians then did a very good job of production.

We must either check this rapid increase of our incomes, which is a painful process—

Hon. Mr. EULER: Take it away by taxes, I suppose.

Mr. JACKSON: I used the word "stop" advisedly; there are several ways of stopping it. You have, as I say, either to stop the growth of dollar income, or to step up the growth, in the rate of production per worker.

Hon. Mr. HORNER: I would like to ask Professor Jackson if it might not be the only way out, and that eventually we will have greater and greater inflation?

I have been trying to get some professor of economics to explain to me why it is we are told that inflation will ruin the country. I think we have evidence that such is not the case. Take, for instance, Germany. Had that country not entered the war, it would appear that even after a dire inflation it was stronger than it had ever been before in history. Germany was built up, war materials were produced, roads were constructed, cities were rebuilt and slums were done away with. That, as I say, followed a dire inflation, so we are told. Some would say that as long as the people of a country are able to go back and produce and have their natural resources, they are all right; and that we have nothing to fear, in following inflation right to the end of the road.

Mr. JACKSON: That is a very good question, Senator. But I suggest that Berlin is in ruins, with not one brick upon another in the year 1951, largely because the mark was deflated in 1923 to the point where it became valueless. I venture to suggest that if the mark had not been destroyed then, there would probably have been no Fuehrer and very probably, there would have been no World War II.

Hon. Mr. HORNER: Well, Churchill claims that the war was the easiest one in history to have prevented, even with a Hitler. I fail to see where the devaluation of the mark had much to do with the war. Had Hitler been a different type of man, for instance, and had pursued peaceful ways, and had there been a great many "ifs" taken place, things would of course have been different. My understanding certainly is that inflation had nothing to do with the destruction of Germany eventually, unless we could assume that it was because of the actions of the other nations; but they were willing to go back and lend money even after being paid by repudiated dollars. Huge sums of money were given to the new set-up in Germany.

Mr. JACKSON: May I try to convince you, Senator?

Hon. Mr. HORNER: Certainly.

Mr. JACKSON: What the post-World-War-I inflationary period did to Germany was to destroy completely the middle class. Germany had a middle class, very similar to our own middle class. We speak of these things somewhat shamefacedly, for we belong to the middle class. But I point out that the middle class contributes very much more than its share of education, experience and the tradition of public service in any country where it exists. That is why the middle class, sometimes, is described as "the backbone of the country".

That truth only becomes obvious in times of stress. What inflation did in Germany, when it culminated in 1923, was to break the backbone of that

country by destroying the middle class. The destruction was complete. The survivors were left without financial, political or social standing and, most of all, without moral courage.

That is my reason for stating that the inflation of 1923 made Hitler possible. There were not enough courageous believers in freedom left to withstand Hitler and his brownshirts in Germany when the crisis came—as there have been, thank God, in Anglo-Saxondom, every time so far, when our little Hitlers have put their heads up.

Hitler gained power. Then (it seems to me) the process was fairly inevitable, which ended in the final destruction of Berlin.

Here, when it is suggested that if we were to have runaway inflation in the next ten years we should not mind it so much, because inflation has not done very much harm in the last ten years, I should like to point out that the damage in the last ten years was largely concentrated on a small section of society—mostly members of the middle class.

The members of the middle class have, in a large proportion, inelastic incomes. They therefore tend “to catch it”, when there comes an inflation.

I venture to say that, in Canada, the reason why we do not fear the program of totalitarianism, is because we still have a middle class strong enough to say, “This shall not happen”.

Hon. Mr. EULER: Will you define the limits of the middle class a little more definitely?

Mr. JACKSON: I fear, sir, it is a pretty difficult thing to define.

Hon. Mr. EULER: Could you do it, let us say, in terms of income?

Mr. JACKSON: I do not think it is a matter of income altogether. It is far more a matter of spiritual background. The members of the middle class, broadly speaking, are the professional persons, the salaried executives of large business, heads of the surviving small business undertakings. We should include, of course, a vast number, perhaps most Canadian farmers in the middle class.

Hon. Mr. EULER: How about workers in the factories? Would you include them?

Mr. JACKSON: Thank God, a very large proportion of our workers have in themselves the same tradition as our middle class. But in speaking of the middle class, I do generally think of them as distinguishable from wage earners in industrial society.

Hon. Mr. GOUIN: Mr. Jackson, I—

The CHAIRMAN: Were you through?

Mr. JACKSON: I was through, sir, because for the moment, I cannot better the somewhat gauche answer which I have just given to the senator.

Hon. Mr. GOUIN: I would like to know how much higher you would go than what we may call the *petite bourgeoisie*. The *grande bourgeoisie*, of course, and so on, would they be outside your definition?

Mr. JACKSON: I think if I had used the word “*bourgeoisie*” as Senator Gouin suggests that I might have done, I should perhaps have rendered unnecessary the last question.

Hon. Mr. GOUIN: But what has worried me is the percentage of people who have thus been affected, quite prejudicially—widows who receive fixed incomes, all those who are living on a fixed pension, lots of professional people—and I would even include myself, by the way, among those: Is there any study which has been made of the percentage of people of that kind, so that we could have an idea of the number of those persons who are thus affected and are even in danger of disappearing?

Mr. JACKSON: I don't know where we would find that, unless the new Census is collecting such information—how many people are living on fixed incomes at the present time.

But it would be most helpful if we could get such knowledge.

Hon. Mr. GOUIN: Just to understand precisely what would be the effect of inflation in the next five or ten years. We would have, so to speak, a graphic picture of what is going to take place if we could have an idea whether it is one million people or half a million, or whatever it may be.

Mr. JACKSON: Before Senator Gouin took his seat here—if I may recall something already said, sir—I spoke of the manner in which inflation reduces the purchasing power of the survivors, of bread-winners who die leaving insurance policies.

Even today, the man who feels in his own person that he benefits in the present from inflation, because his personal income has risen faster than his cost of living, of late years, is going to leave a depreciated life insurance policy on which his dependents will find it much harder to live, than they would have found it had the inflation not occurred.

That broadens the list of the victims of inflation very considerably. But it puts off a lot of the suffering, into the future.

The CHAIRMAN: In view of your experience as a student of these very important matters, do you think there is a danger of this inflation still continuing in this country?

Mr. JACKSON: I believe that it quite easily could.

The CHAIRMAN: That is, that this cost of living index may continue to rise in the light of the fact that money supplies seem to be buoyant and we cannot, as you stated a moment ago, without further population expand our production of goods and services sufficiently to meet it.

Mr. JACKSON: We must not assume, sir, that the supply of money is going to expand in the next ten years the way it did in the last ten years.

The CHAIRMAN: We don't have to assume that?

Mr. JACKSON: In order to answer a question which was put to me a little time ago, I said "Let us suppose that in the next ten or twelve years, we repeat this increase in the supply of money; and then let us enquire what we may be capable of, in augmenting the supply of goods"; and I made the point that a continuation of the growth of the money supply at the same rate in the next ten or twelve years, as in the last ten or twelve years, would be dangerous for this reason: because we pretty certainly cannot again increase our volume of production per head at the same rate, in Canada. We cannot, because there are no longer unemployed workers whom we might put to work, to accelerate the production of goods. But if, instead of permitting this dangerous increase in our money supply, we Canadians possess the resolution to say, "We are not going any longer to permit the supply of money to increase on this scale"—and if having fathered the necessary courage, we then show the necessary public spirit, and self-control, then, I do believe, we can stop it.

Hon. Mr. EULER: When there is a danger of war it is necessary to employ many people in the preparation for war, but if this threat did not exist then people could be relieved from wasteful production, if I can call it that, and their services could go into the production of useful goods. Would that not be a remedy?

Mr. JACKSON: I think so, yes.

Hon. Mr. EULER: It would at least prevent further inflation.

Hon. Mr. HOWDEN: Professor Jackson, would you say that inflation is not influenced by the demands of industrialists to take all that the traffic will bear for their commodities?

Mr. JACKSON: I think we shall not get very far by starting a witch hunt. You can make a case against this man or that man or the other man, for having raised the price of his own labour, or for having raised the price of the goods which he brings to market. That (I say with respect) does not look like a very constructive approach to the question.

Hon. Mr. HOWDEN: My thought is that certain industrialists will from time to time produce a commodity which is greatly desired by people, and those who have the money will buy it. Well, the temptation, shall I say, would be for those industrialists to charge all that the traffic would bear, whether the commodity was worth that or not. Certainly it would, I should think, have some influence on inflation.

Mr. JACKSON: Now, sir, if that were true the evidence of it would be visible in an increase in the margin of profit of the capitalist. May I say that?

Hon. Mr. HOWDEN: Yes.

Mr. JACKSON: Such evidence as we possess definitely shows that the margin of profit of the capitalist has decreased.

Hon. Mr. HOWDEN: Is that so?

Hon. Mr. HAIG: We are now taking a little better than 50 per cent of the profits of corporations making over \$10,000 a year. This is being done under our present system of taxation. When the other 50 per cent is divided amongst the shareholders, another slice is taken away by the income tax paid by these people. Would there be much inducement, then, for a man to try to make an exorbitant profit under these conditions? Would there be much inducement for him to run his machines and his business hard? Would not a great deal of it be taken away from him by taxation?

Mr. JACKSON: There is certainly less inducement than there was.

Hon. Mr. PATERSON: May I ask the witness two questions? Would you consider the huge government expenditure we are discussing here to be a good thing for the people of Canada generally? Secondly, would you consider the way to properly withdraw the dangerous surplus of cash is through taxation?

Mr. JACKSON: May I go back to a remark I made an hour ago when I said that I am trying to keep away from the use of the words "good" and "bad" here; and instead, simply to talk about causes and consequences and whether we regard a particular consequence as desirable, or not.

I do not see how you can answer the question: "Is a very large expenditure by a government a good thing?" when you do not know what the government is doing with the money that it spends, or how the government gets the money which it spends.

I should like, however, to put this little fact on record, if I may: That while we rightly get exercised from time to time, about the large sums which governments do spend, during the twelve months before the Korean business started the governments of Canada taken together, federal, provincial and municipal, were actually using just about the same proportion of our gross national product as they were using pre-war.

The CHAIRMAN: That is, pre-Korean war?

Mr. JACKSON: No pre-World War II. I have a table here, which expresses the total expenditure of all governments as a per cent of the gross national product in each year from 1939 to 1949. I bring you these figures, by chance. I worked them out months ago, to satisfy my curiosity in some other connection.

Hon. Mr. HAIG: Would you file a copy of that with the Chairman?

Mr. JACKSON: I will, sir.

(See appendix for table.)

Mr. JACKSON: In 1939 all governments in Canada purchased goods and services equal to 12.9 per cent of the gross national product of goods and services.

In wartime, necessarily, the government had to acquire a very much larger proportion of the gross national product in order to wage and win the war, and the figure went up to a maximum of 42.2 per cent in 1944, at the climax of World War II. Then it decreased, at first fast, then more slowly.

But in 1949 it was back again to the 1939 percentage. In 1949 all our governments in Canada, taken together, were purchasing goods and services equal to 12.9 per cent of the gross national product of goods and services in Canada. In 1950 the figure was up very lightly: The Korean war for one thing had altered the situation. But, by 1949, we had come back again to the 1939 proportion.

To form an opinion on the question whether, both in 1939 and 1949, the governments were spending too much money, calls for one's private judgment. Actually, however, the governments did not during 1949 spend more, in relation to Canada's much increased production, than they had been spending in 1939.

Hon. Mr. HORNER: I should like to ask Professor Jackson about deflation. It is my understanding that any man who has a mortgage can pay it off much more readily during a period of inflation. If a period of deflation comes about it is difficult for him to pay off the mortgage. It would be much more difficult for all governments, would it not, to carry the debt burden if we had a deflationary period. Is that not so?

Mr. JACKSON: May I qualify that slightly by stating that it would be less easy, sir.

If I own a mortgage and you owe the money on the mortgage, then during an inflation you pay the mortgage off with an ease which pleases you very much and I, the mortgage owner, am caught. But in a period of deflation you pay off the mortgage with difficulty—that is, are caught; while I, the mortgage owner, benefit.

But I do not want to assume that the man who owes money on a mortgage is necessarily a more deserving character than the man who lent him the money in the first place.

Hon. Mr. McLEAN: Can you state how much the total national production has risen since 1939?

Mr. JACKSON: Do you mean in current dollars or in physical volume?

Hon. Mr. McLEAN: Well, it would be interesting to know what the rise has been in dollars.

Mr. JACKSON: It is on the record. The gross national product in dollars rose from \$5,598 millions in 1939 to \$16,382 millions in 1949 and to \$17,791 millions in 1950. But of course the dollars in 1949 and 1950 were not as heavy dollars, as those of 1939.

Hon. Mr. EULER: What would be the correct proportion, figured in terms of the 1939 dollar?

Mr. JACKSON: If you were to divide the 1950 figure by 9 and multiply by 5 you would not be far out, senator, though you would not be quite accurate. On the basis of 1939 dollars we must have had about \$10 billions of gross national product in 1950. The correct figure can quite easily be got from the Dominion Bureau of Statistics.

Hon. Mr. EULER: I think that was given to us the other day; we were told it was about 80 or 82 per cent, if I recall correctly.

Hon. Mr. LAMBERT: That figure which you have used in comparing 1939 with 1949, 12·9 per cent, represents of course a very large increase in totals?

Mr. JACKSON: Oh, yes.

Hon. Mr. LAMBERT: Would it be your opinion that with a decline in the gross national income that percentage of 12·9 per cent would increase or decrease? In other words, is it not almost certain that a decline in the gross national production income would proceed a great deal more rapidly than a decline in the amount of government spending?

Mr. JACKSON: In so far as a lot of government expenditures are to meet fixed charges, that would inevitably happen. If the gross national product were to decline, then the percentage of the gross national product, which all of our governments taken together would spend on goods and services; would almost inevitably rise.

Hon. Mr. LAMBERT: Surely it is reasonable to assume that a very large percentage of this total of \$16 billion expenditures in 1949—and I think it has risen to nearly \$18 billion or \$19 billion now—is devoted to what is called defence production, to military preparedness. Is it not fair to assume that if there is a cessation of hostilities and a declaration of an international truce in armed warfare, that the gross national production income in Canada will decline very considerably? To maintain the level it would be necessary to replace the defence production by production for purposes of trade, to have a wider dissemination of our goods for purposes of trade. I do not want to go too far into that, but in relation to trade there is a world situation today which would make it very difficult for this country to approach equalization of the present production, I think, if defence production were greatly decreased. I think we are bound to face a heavy proportionate figure of government expenditures in relation to national income, greater than it is now, if anything occurs in the near future to remove the necessity of defence expenditures. I wonder if you agree or disagree with that?

Hon. Mr. HAIG: Before Professor Jackson answers, I would suggest that the defence expenditures in 1949 were not very heavy.

Mr. JACKSON: I do not know how much money is being spent on defence now. Obviously it is greater than the amount that was spent before the Korean trouble started.

Hon. Mr. LAMBERT: It is around \$1 billion.

Mr. JACKSON: I cannot speak of this with knowledge of the facts. Senator Lambert has suggested that if we no longer had to devote so much of our energies to defence, our production might slacken off and the national income be reduced. I should like to suggest to him that the answer to that question will depend on how wisely we can manage our affairs.

If I have understood the policy announced by the government, very largely through the budget speech this year, they are now trying to reduce the rate of investment in this country, which has been very high during the last two years, to some more moderate proportion, in order to release a certain number of workers and a certain amount of our machinery and enable them to produce war products.

Suppose the skies were to clear, and the necessity of diverting our energies to war production were to terminate, the government's desire would then presumably be to encourage us to get back to something not unlike the pre-Korean rate of investment. If that rate could be maintained, and if we could handle our affairs wisely enough, conceivably the volume of production, and the national income, need not be diminished.

Hon. Mr. EULER: Useful production, if I may use that term, ought to be advanced, I should think, if our energies were no longer wasted on war production.

Mr. JACKSON: Senator Lambert's idea is that the resources released from today's tasks, of production for military purposes, might not be absorbed (at least, not forthwith) in the production of useful things.

Hon. Mr. EULER: But if they were absorbed, that would tend to decrease inflation, would it not?

Mr. JACKSON: If our resources which are now being used for re-armament were unemployed, presumably production would be reduced.

Hon. Mr. EULER: That would not likely happen, would it? We are now diverting our energies from what I call useful production to production for military purposes.

Wouldn't they be likely to go back to useful production, if we were relieved of the necessity of producing military equipment?

Mr. JACKSON: I would suggest to you that it would depend on how wisely we managed our affairs. In other words, unless we take appropriate steps beforehand, things do not necessarily flow where we want them to be. But we can imagine ourselves handling the business effectively.

Hon. Mr. LAMBERT: Is it not a historical fact that the stimulus of war production brings about a higher peak in production than does a peacetime period or a post-war period? In other words, war is an artificial stimulus to produce, and it is hard in any five or ten year period following a war to equal those production activities to serve peaceful purposes. It would be difficult for one to assume that if the need for defence production came to an end this fall that we could equal for peaceful production the activities of the past year. For one reason, we would not have control of the international situation to facilitate world trade. We today are isolationists and protectionists, as the whole world is, in a national group, for the reason that we are at war, or we are preparing for war, and therefore must husband our national resources and refrain from providing facilities for international trade which, to my way of thinking, is the only possible means by which our peacetime production could equal our wartime activities.

Mr. JACKSON: After every war, before World War II (so far as we know) there has been a falling off of production. The remarkable thing about World War II, so far as we can judge, is that when that war ended, we did not have a slump.

Hon. Mr. LAMBERT: You are now talking about World War II?

Mr. JACKSON: Yes. After that war we had no slump such as has followed every major war that we know anything about. That is one of the most remarkable things in our recent experience. Perhaps it should be said that we had no slump; but we did have a post-war inflation instead.

The CHAIRMAN: May I ask a question following up Senator Lambert's point, which I think is a very important one? I gather from what you have said, Mr. Jackson, that if the dove of peace should settle on the world now, by wise policies we could move from a period of large defence production to a state of civilian production which would maintain our gross national product. Would that not be dependent on our abilities to find markets abroad for our product in this country?

Mr. JACKSON: Yes, I believe it would.

The CHAIRMAN: And if conditions in those countries to which we normally export our goods were difficult, then these countries might endeavour to protect their own economy by excluding our goods. What would be the effect on Canada of such a move?

Mr. JACKSON: We have seen a great deal of that within the past five years.

Hon. Mr. McLEAN: We have that right now, from the sterling area.

The CHAIRMAN: I should like Mr. Jackson to answer the question.

Mr. JACKSON: We Canadians are becoming somewhat less dependent on external markets than we were, but we still are very much dependent on them. We have had the great good fortune, during the past few years, to be compensated somewhat for being deliberately shut out of impoverished markets overseas, by being able to sell in the United States much more of our produce than we had ever expected to sell. Furthermore, together with our U.S. cousins, we have taken the precaution of lending, or giving away so much to neighbours impoverished by recent world events, that they still have been able, despite the conditions that they have been labouring under, to take a substantial volume of our exports.

Hon. Mr. HORNER: And an increase in our own population would tend to lessen our need for world markets?

Mr. JACKSON: Yes, sir.

The CHAIRMAN: I have a few further questions, but I think Senator McLean has something to say.

Hon. Mr. HORNER: Might I just refer for a moment to the answer you gave, Mr. Jackson, when I spoke of paying back mortgages and debts. I was not thinking of who was deserving, as between the mortgagor and the mortgagee; I had in mind the impossibility of repayment of debts created in inflationary periods, should we suffer a deflationary period.

Mr. JACKSON: If deflation is too drastic, the repayment of debts becomes impossible. We must not assume that repayment of them would become impossible, under any conditions short of a very drastic deflation.

I recognize, of course, that both inflation and deflation are evils. When I say that we need now to stop this very rapid creation of new means of payment, which is the source of our recent inflation, there is of course no thought in my mind, of advocating a deflation instead.

We can see now, looking back, that we have been living in a continuous inflation during the past sixteen or seventeen years. This inflation has gone on sometimes relatively fast; at other times, relatively slowly. The reasons for it have changed from time to time. Some of them have been good, sound reasons; others have been far from sound.

But outstanding is the fact that ever since, say, 1934, we have been moving in the same direction continuously.

We now face a grim necessity—that of putting on the brakes. We know that it is a very difficult and dangerous thing to do.

Clumsy manipulation of the brakes will, it is true, check inflation; but clumsiness can easily start a deflation instead. If we now can check, and halt inflation, but not bring about a deflation instead, we shall all of us deserve good marks—that is, not only the government of this Dominion and our central bank, but also those modest characters Jill Canuck and Jack Canuck, in their activities as consumers and producers.

Hon. Mr. EULER: We would then have the normal. If you stopped and left things at that point, instead of having deflation, what we now consider an inflationary period would become the normal. We will never get back to the old prices.

Mr. JACKSON: We will never go back anyway.

The CHAIRMAN: This process of stopping is a rather difficult one, you think?

Mr. JACKSON: The process of stopping without putting your engine in reverse is an enormously difficult one.

The CHAIRMAN: It is something like a man sliding down a hill, who says that he will stop when he gets to a certain point, he finds the stopping rather difficult.

Mr. JACKSON: Yes.

The CHAIRMAN: There was one question I was going to ask.

Hon. Mr. HAIG: Senator McLean, I think, wanted to ask some questions.

Hon. Mr. McLEAN: Professor Jackson, along that line; if we did get into a war it would be much more difficult to stop an issue of money, would it not?

Mr. JACKSON: Yes.

Hon. Mr. McLEAN: In all history I do not think there has been any war which was lost for lack of money to provide materials, goods and men. These schemes which have to do with inflation are quite well known. We have higher taxation, we induce people to save, which means that the money is withheld from purchasing, or purchasing power is withheld from civilian goods in order to provide money for investment in government bonds. Another scheme which is sometimes put forward as a curb on inflation is to raise interest rates. Viewing it from all angles, is that a worthwhile curb on inflation?

Mr. JACKSON: I am on record, Senator, as believing that interest rates ought to be allowed, so far as possible, to find their own level.

Hon. Mr. McLEAN: Well, we know that government action or the action of the Bank of Canada has a great effect on interest rates.

Mr. JACKSON: I quite agree.

Hon. Mr. McLEAN: I think the government sometimes takes a major part in the regulation of our monetary system. It is going to be pretty difficult to permit interest rates to find their own level when money must be provided for purchases of defence or war.

Mr. JACKSON: I do believe that for the past fifteen years, alike in Britain, the States and Canada, bond interest rates have been held at an artificially low level. Therefore, when I say they should now be permitted to find their own level, I believe that if they were to be given such freedom, they would reach and remain at a level higher than that at which they have been. But I do not believe in fixing interest rates at a high level—any more than I believe in fixing them at a low level. So far as in me lies, I would restore free play to the forces in the market.

Hon. Mr. McLEAN: Of course, low interest as a government policy was started in the United States deliberately under the Roosevelt regime, when it seemed to be absolutely necessary. I think it was one of the constructive acts of the Roosevelt administration to bring the country out of depression. Whether it should be ended or continued is another question. Is not the raising of the interest rate simply the taking of money from one pocket and putting it into another? You were speaking of the middle class. We know that the middle class are borrowers. Raising the interest rates on mortgages, it seems to me, is inflationary, or it takes money from the tenant and the landlord gets it. How higher interest rates are going to help to curb inflation I would like to find out. I have been unable to arrive at that conclusion in the studies that I have made.

Mr. JACKSON: During all these years in which we have been talking of a Planned Economy, with a capital P and capital E (years which we now can see, looking back on them, were all of them long and most of them dreary) we have been talking about fixing things the way we think they should be fixed. Wiser men than ourselves thought in earlier times that all prices (including the rate of interest, which is the price of loanable funds) should be left to find their own level, and that everyone is likely to fare best when prices and interest rates are allowed to find their own level.

We know that in the past, whenever there was a boom, interest rates naturally rose; and whenever there was a depression, interest rates naturally fell. Cheap money, during depressions, encouraged people to borrow for constructive purposes, who might not otherwise have done so. Cheap money thus was an automatic corrective of the depression conditions.

What happened in the 'thirties? In the severest depression ever known, the Roosevelt government applied, among a lot of assorted remedies, that of cheap money. Their policy thus reproduced deliberately what was already the classic pattern of cheap money during depressions; a pattern which we find being repeated over and over again as far back in time as we can trace the course of business.

But something quite novel was added to this, in the 'thirties. A lot of learned people conceived the notion that we should make a permanent objective of cheap money, that under any conditions of business, it was thoroughly desirable. Since then, in most if not all western countries, we have been clinging to cheap money. We clung during hard times and we clung, too, during periods of prosperity.

Hon. Mr. McLEAN: Well, governments have felt so far that the raising of interest rates reflects back on the taxpayers. Where the interest rate goes up and borrowing is necessary at higher rates, it seems that we have to pay more taxes to meet those higher interest rates. It is a part of a vicious circle. Like the wheel, the ship and the monetary system: Money is part of our system, and if we are going to have higher rates, the cost of living is going to be put up.

Mr. JACKSON: I am sorry, I cannot regard the cost of money as a tax any more than I can regard wages as a tax.

Hon. Mr. McLEAN: It is a cost.

Mr. JACKSON: Certainly these things are costs. When you multiply dollars faster than you can multiply goods you may depend on getting your costs out of line—and getting yourself into some extraordinarily difficult situations from time to time.

Hon. Mr. BURCHILL: The figures you gave us regarding the percentage of government expenditures in proportion to the gross national production of 12·9 per cent, that would be just previous to the expenses of the Korean war?

Mr. JACKSON: In 1950 the figure was 13·1 per cent.

Hon. Mr. BURCHILL: Well, since that time I think that possibly the expenditures have increased. I mean, government expenditures. Proportionately they are increasing, I would think. Perhaps not. But what I was going to say was that in looking for the cures or the remedies for inflation—I know international trade has a lot to do with it, but in the general overall picture, when these goods which are today being produced for war purposes are put back into civilian use, consumer use, won't that have a very direct effect of decreasing the inflation?

Mr. JACKSON: If you persist in increasing the means of payment, and the total of the personal incomes of Canadians, faster than you can increase the production of the goods and services for sale, then you cannot escape inflation. It is a straightforward question of ratios.

I believe you can increase the supply of goods over a long period, by something like 2 per cent per head per annum—by lengthening work hours, maybe by more than that. You can do something by securing, somehow, more workers. If there is a fast rate of population increase, you can do better than if there is a slow rate of population increase. But in any case, the number of workers employed and the production per head of which workers are capable, will regulate and limit the rate of increase in the physical volume of national income.

If you never let the means of payment increase faster than the rate by which the physical volume of the national income grows, you probably never would have an inflation.

Hon. Mr. EULER: What can be done about that?

Mr. JACKSON: Either accelerate the production of goods or decelerate the production of dollars.

Hon. Mr. EULER: Our defence production has resulted in an accelerated production of goods but if, as you say, spending rises at the same time in proportion to this production of goods, then there is no cure there. What can be done about spending keeping pace to production?

Mr. JACKSON: If people have dollars in their pockets, they will spend them. If our incomes rise, we shall at least try to buy more. Thus (if the volume of goods is not increased, in proportion to the growth in means of payment) we shall compete against one another for existing supplies of goods, and force up the prices of those goods.

Therefore, to be safe you must check the growth in the means of payment. Even at the present late stage, it can be done.

Hon. Mr. EULER: That is what I want to get at. How? By higher taxation?

The CHAIRMAN: It is rather bitter medicine.

Mr. JACKSON: Whatever you do, the taste of it is bitter medicine. Higher taxation will siphon off dollars that are in existence already. That is one method of heading off inflation. Another method is to control (that is, to restrict) the creation of credit. After all, our dollars are created by the credit system.

Hon. Mr. EULER: Some of that is being done now.

Mr. JACKSON: Yes, something is being done about that now. To stop the further creation of credit would be much the same as to stop the growth of our money supply.

If we slow down the rate at which credit is being created, we put on the brake, so to speak.

If that brake is judged to be not effective enough, then we can by means of appropriate taxes mop up superfluous income.

This will help us—always provided that the government does not spend the money. But the dollar which is taken out of my pocket, and is then spent by the government, does just as much to raise the cost of living when the government spends it, as if I spent it myself.

Hon. Mr. EULER: Would it have the same effect if the government were to spend that money to pay off the national debt rather than on this service or on that service?

Mr. JACKSON: If, taking a dollar from me, they put it into the pocket of the man whose bond is paid off, then the question is, what is the former bondholder going to do with that dollar?

Hon. Mr. REID: I should like to ask a question about the relationship between personal income and gross national product. You gave us the figures of 100 in 1939 to 252 in 1950 for income. Roughly, the figures given for gross national product were \$5½ billion for 1939 as against \$17½ billion in 1950. The relationship is not the same there. You have the comparison of 100 to 252 in the matter of personal income, but when you come to gross national product you have \$5½ billion as compared with \$17½ billion. The ratio is not the same at all. You have over three times the national production between the years 1939 and 1950, and yet you give us the income as 252 as compared with 100.

Mr. JACKSON: If I may go back, sir, the figure of 252 against 100 was based on the growth of personal income per head. But when I quoted the gross national product figure I quoted a total over-all figure. We must bear in mind

that the gross national product of 1950 was produced by many more Canadian workers, than the gross national product of 1939.

I regret that I do not carry the gross national product figures on a per head basis, but if I were to quote them on a per head basis they would be not very far from the quoted rate of increase, in the total of personal incomes per head.

Hon. Mr. REID: You gave us a figure for goods as 100 in 1939 as compared with 252, and you showed that the increase in incomes was in proportion to the personal income spent.

Mr. JACKSON: No, Senator. The means of payment went up from 100 to 252 per head. The total of personal incomes went up from 100 to 252 per head, but the goods coming on the market went up only from 100 to 147. It is this regrettable discrepancy between the 147 and the 252, which is expressed and made visible by the rise in the cost of living. I think if you look at the record, you can see there is no confusion there.

Hon. Mr. LAMBERT: I want to ask one question about money circulation. You have referred several times to the amount of money in circulation being much larger, and therefore people have more money to spend and so on. The powers that control money circulation, I suppose, are the government agents?

Mr. JACKSON: Well, the banking system creates money by making loans.

Hon. Mr. LAMBERT: Very good, but the point I am trying to get at is that production is essential before you increase your money supply.

Mr. JACKSON: I do not quite know what is meant by the word essential. Actually, quite often we have increased our money supply before we have increased our production. Sometimes (for instance, in the middle of a depression) it might be quite a good thing to tackle the money supply first.

Hon. Mr. LAMBERT: That is exactly what I am coming to. If there is a let-down in the economic activities in the country by way of production you have a depression. By what gauge would you determine the amount of money supply?

Mr. JACKSON: You mean the needed money supply?

Hon. Mr. LAMBERT: Yes, in other words, what is the ratio between money supply and production or need or whatever you like to call it? What is the guiding principle there? My own thinking is that in the monetary factors in our economy we are putting the cart before the horse, that what really counts is production, and that the circulation of money is a servant which should facilitate production. It seems to me that this has a lot to do with inflation, because one thing is out of joint with the other. In other words, there may be too much money in comparison with the actual production. When there is not enough money in comparison with production we of course get deflation, as we did in the early 'thirties. To my mind, when contemplating the effect of government spending on inflation as a whole it is important to identify that one factor of money supply, which our central bank is supposed to be the main instrument in controlling.

Mr. JACKSON: If our concern is with government spending, and its influence on inflation, I suggest that in so far as government spending does produce inflation, it is bound to do this either by putting more dollars (or fewer dollars) in circulation; or else, by bringing about an increase of production (or alternatively, by preventing an increase in the volume of production).

The government's financial policy may provoke inflation by bringing about an increase in the means of payment. Or on the side of production, I suppose, if the government withdraws from the production of goods and services a lot of persons, who might otherwise have been producing goods and services—as, for instance, must happen when you recruit an army to fight a war—then in taking people away from production you check the growth in the volume of

goods produced; and that has inflationary results. These two things interact all the time—what is being done about the means of payment, and what is being done at the same time about the production of goods and services?

Hon. Mr. LAMBERT: One stimulates the other?

Mr. JACKSON: No. Here are two horses uneasily running in harness. Your purpose is (or should be) to keep them abreast of one another. If the means-of-payment horse gets ahead of the production-of-goods-and-services horse, then you have an inflation, with some unhappy consequences. If the means-of-payment horse falls behind the production-of-goods-and-services horse, then you have a deflation—and the results of that may be still worse.

Hon. Mr. HORNER: The horse that gets behind does the most of the pulling.

The CHAIRMAN: I should like to ask Mr. Jackson to comment on this. So far as information is available we know that the free world—or, to use the broad designation, the western world—will spend in the next twelve months probably \$60 billion under the head of defence production. That comes into competition with practically everything that civilians require. What in your judgment will be the effect of that expenditure on the trend of the prices of goods?

Mr. JACKSON: It is likely to raise the prices of goods, I should think.

Let me take these points in order: First of all, the States alone will spend more than \$60 billion on rearmament during the next twelve months; so that expenditure on rearmament by all the free countries is likely to be considerably larger than that sum. But this does not affect the purpose of the question.

If the free countries finance rearmament and the Korean war on a completely pay-as-you-go basis—that is, if they take every dollar which they spend on rearmament from the taxpayer—then the spending of taxpayers will be lessened by the same amount as the spending of their governments is increased by the rearmament. In other words, there would no net increase in spending.

The CHAIRMAN: If I may interrupt, you are assuming that savings would practically disappear? Let me make my point clear. If the government pays for a war as it goes, it does that by taking from people's pockets the means to pay for the war. Ordinarily people have left after their living expenses certain savings, but they might sacrifice their savings in order to maintain their living standard, and what would happen then?

Mr. JACKSON: If my taxes are raised, as they have been this year, I have the choice of living as well as before and saving less, or of saving as much as before and reducing my living standards. As to this, each taxpayer makes his own decision. We cannot assume that all the taxes levied by the free governments to pay for rearmament will be met by curtailment of savings, any more than we can assume all of them will be met by curtailment of personal consumption. They will be paid, in part as a result of reduced consumption, and in part as a result of reduced savings.

When we reflect that, if it is invested, the money which we "save" is ultimately spent on capital goods, I think perhaps it is best if we talk of all income as being spent on something.

Hon. Mr. LAMBERT: Are you not overlooking one thing? If under the stimulus of military preparedness there is a great increase in defence production, will there not be a smaller proportion of consumer goods?

Mr. JACKSON: If consumers have less money to spend, then ultimately fewer consumer goods are going to be made; and if at the same time, the government spends more on munitions, then more munitions will be made. That is, the character of the production will be changed.

As to what will happen to the total amount of production, taking consumer goods and munitions together, that will depend on a great many different considerations.

At the beginning of World War II we could increase production fast, because there were some 400,000 or 500,000 unemployed who could be put to work. In those circumstances we were able to produce a lot of munitions and still many Canadians were able to live better than before. But it is just about true that everyone has a job today.

The same people cannot produce both munitions and consumer goods at the same time. If you merely divert workers from the production of one class of goods to the production of another class, you do not increase production. Therefore the rearmament program involves for you less consumer goods to play with than before. That is, unless your program of rearmament calls for so small a diversion of resources and productive labour, that your annual increment of production, due to technological progress and increase in the numbers of your working force, is able to take care of it.

In Canada, this annual increment of production is in the neighbourhood of $3\frac{1}{2}$ per cent. If our war and rearmament efforts are limited to no more than $3\frac{1}{2}$ per cent of our energies, you may say that we probably can carry them on, without reducing our present average standard of living in Canada. But the converse is obvious: When once that percentage is overstepped, if we want more guns, we must eat less butter.

Hon. Mr. BARBOUR: Mr. Jackson, if we pay as we go through the war years and do not increase the debt, will we have any inflation?

Mr. JACKSON: Even then, sir, we might. Here I come to the second part of my reply to Senator Crerar, which I still have to get off my chest.

Suppose that our government decides to finance this effort on a pay-as-you-go basis, and that it does so: This diverts, without increasing, the volume of our spending. Such financing need not increase the means of payment. But in so far as our armed forces, by their recruiting efforts, take out of industry people who could otherwise be producing goods, one must conclude that the rearmament process, as a whole, will give us a less volume of production than there would have been, if those recruited could have been left at their civilian tasks.

Strictly speaking, we should introduce one or two more qualifications in order to make the statement realistic. Though the clock has just struck one, I should like to bring in one such qualification, if I may.

Senator Lambert made the categorical statement that this war effort of ours will increase production. It is true that the present stage in our argument leads us to suppose otherwise. But if, for example, all of us work longer hours, as our own contribution to the national effort, we can offset this loss of manpower due to recruiting, indeed, more than offset it.

Of course, we may not produce as much in an additional hour of labour as we would in an average regular hour. But there is no doubt that by this means we could increase somewhat our volume of production, over and above what it would have been without lengthening our hours.

Again, if we could rapidly disseminate skills which are not in sufficient supply, we could make certain individuals more productive than at present, by giving them those additional skills.

There are such means of accelerating the rate of production increase, when you must make a great national effort, even though that effort starts under conditions of full employment.

To sum up at this point: When we note the diversion of men and women from industry which recruiting involves; and as an offset against this, the

various means which there are of increasing output; we cannot be quite sure that we would not have inflation, even if we did entirely finance this enterprise on a pay-as-you-go basis.

Hon. Mr. LAMBERT: You must qualify the term "pay-as-you-go", must you not? During the last war we were financing at about 55 cents on the dollar, leaving to pile up as debts the other 45 cents.

Mr. JACKSON: But when I talk to you this morning about a pay-as-you-go basis, looking into the future, I mean a basis which involves no increase in government debt. To me, that is the sole meaning of "pay-as-you-go".

Hon. Mr. LAMBERT: That must mean that you have no deficit financing at all.

Mr. JACKSON: No deficit financing. But that is going to demand from all of us a strength of resolve and readiness to sacrifice ourselves; an amount of that old-fashioned virtue which we call patriotism; maybe greater than, in the circumstances, we can summon. It is going to test severely the character of the people of Canada.

Hon. Mr. LAMBERT: World War II did result in adding to our indebtedness and the cost of maintaining it, and it is certainly doing the same thing now in connection with our preparedness program.

The CHAIRMAN: I should like to find whether it is the wish of the committee to have Mr. Jackson back, or are we through with him?

Hon. Mr. LAMBERT: Personally, I think one must not be selfish about these things. I should like to have Mr. Jackson here all afternoon, on a number of questions, but whether or not it is the desire of the committee to focus attention on certain relations between government spending and the subject of inflation, I do not know. I am not going to suggest, therefore, that we keep Mr. Jackson any longer, because I think he has thrown a good deal of light on this subject.

The CHAIRMAN: How many members of the committee concur in the suggestion that we meet this afternoon after the Senate rises to get more information from Mr. Jackson?

Hon. Mr. HAIG: If you are going to do that, Mr. Chairman, you must limit the number of questions that each one of us may ask. There must be some limit to them. I know that some members have not asked many questions this morning, while others have asked a great many.

The CHAIRMAN: It is a difficult matter for the chairman to allocate the questions. We must discipline ourselves in that respect.

Hon. Mr. HAIG: I move that we adjourn.

The committee adjourned at 1.10 p.m. until the Senate rises this afternoon.

The Committee resumed at 5 o'clock p.m.

The CHAIRMAN: Gentlemen, when we adjourned at 1 o'clock we had some questions to ask Mr. Jackson, and I think we would get along a little better if someone who wishes to ask questions would exhaust the questions he wishes to ask before someone else comes in.

Hon. Mr. HAIG: I want to ask one question. Will you tell me the elements that enter into inflation, or into deflation?

Mr. JACKSON: The elements?

Hon. Mr. HAIG: Yes.

Hon. Mr. ROEBUCK: What makes for inflation?

Hon. Mr. HAIG: What makes for inflation? What makes for deflation? You have told us considerable this morning about the relationship between the supply of goods and money in 1939 and 1950. You said that for every \$100 of income which the average Canadian had in 1939, he had \$252 in 1950. Are there any other elements that enter into inflation or deflation?

Mr. JACKSON: That is the point at which we get our problem in focus, sir. I think you cannot say more than that. If you bring about, or permit an increase in the means of payment, faster than the production of the goods increases, you must have inflation.

Hon. Mr. EULER: Is that increase through higher wages?

Mr. JACKSON: The converse of my statement is, that if your means of payment should increase less rapidly than your increase in the production of goods, sooner or later there will be deflation.

The CHAIRMAN: By the way, I want to adhere to the rule I stated at the beginning. For the moment Senator Haig has the floor.

Hon. Mr. HAIG: There is one other thing. The government now are curtailing directly or indirectly the bank credits. I do not say they have done so in a formal way, but it has been hinted to them, I think, that they must not expand their loans beyond what they were at a certain date. The same applies to the life insurance companies. Then they will curtail credit on goods that are bought on time. What is your suggestion as to the effect of that policy?

Mr. JACKSON: That is, the manner in which they have now put on the brakes?

Hon. Mr. HAIG: You call them "the brakes"?

Mr. JACKSON: Yes. They have been braking down the rate of increase in the means of payment, which has now been going on so rapidly for so long.

Hon. Mr. ROEBUCK: Why have the means of payment increased as compared with the goods to be purchased?

Mr. JACKSON: I do not know that I now can give a very full answer to the question, sir:

This morning, I spoke of us as having been living in a period of inflation—for one or another reason—since about 1934 or 1935. I want to restrict myself at this moment, merely for the sake of simplicity, to the period from 1939 onwards. Speaking of the last twelve years, up until a certain point we were increasing the means of payment in this country, mainly to finance the government deficits which we encountered in the course of financing the war. I have some figures here which can be put in the record if they are wanted. That simple statement, I think, sums up what occurred until 1946.

Hon. Mr. ROEBUCK: You mean you have been issuing government paper?

Mr. JACKSON: Well, all paper money is government paper. But in order to enable the war loans to be sold which covered our government deficits, we created billions of dollars of paper money and bank deposits. Then from a certain date when the heavy expenses of war and demobilization were over, the government entered upon a policy of getting tax surpluses and using the tax surpluses in order to lessen the debt. In other words, the government's fiscal policy was put into reverse.

Where they had been dragging more and more means of payment into being, in order to enable themselves to sell more and more government bonds to cover this increasing cumulative deficit, now that the national debt had begun to shrink one might perhaps have supposed that the rapid growth in the means of payment might have ceased. But in fact it did not cease, it went right on.

If you take the growth of the deficits of all governments since 1938, by 1946 we had accumulated \$7,769 millions of deficits in all our governments.

Hon. Mr. VIEN: That includes provincial?

Mr. JACKSON: Yes. And in the process we had created additional means of payment of \$4,039 millions.

During the last four years, up to 1950, we reduced our accumulated deficits by more than two and a half billion dollars; that is, from \$7,769 million to \$5,185 million. But at the same time we brought up the total of our additional means of payment, from \$4,039 millions to \$5,858 millions.

In other words, while reducing our accumulated deficit as fast as I have indicated, we brought into being, here, \$1,800 millions of additional means of payment during those four years.

The CHAIRMAN: How was that done?

Mr. JACKSON: Without the necessary figures at my disposal, I could not answer that question adequately. The job would in any case be done better (for example) by someone from our central bank.

Hon. Mr. VIEN: Putting it summarily, how was it done? Was it done by issue of paper money or by the sale of bonds or what?

Mr. JACKSON: No, bonds were being redeemed; and that is what I meant when I talked about the reduction of our cumulative deficit. The government was raising surpluses in one budget after another, by means of which it bought in war bonds, and reduced thus the total of the government's indebtedness.

Hon. Mr. EULER: The money from the redemption of the bonds in the hands of the public would induce more spending and this would increase inflation. Is this not so?

Mr. JACKSON: That would partly depend on what the man getting the money would do next with it. If I may go back to the last question asked by Senator Vien: When the war was ended we were apprehensive that there might come a slump, such as had so frequently followed wars in the past. We deliberately followed what was called an expansionist policy, lending very freely to business, so that there would not be such a slump.

At the same time, there was a tendency for funds to come into this country from abroad, and in the natural course of things, this would enlarge the means of payment in this country.

In the result, there have been five years of tremendous economic activity.

Hon. Mr. VIEN: You did that through the commercial banks.

Mr. JACKSON: Yes, the commercial banks are the main media through which this was done. But you must remember that in the presence of an efficient and effective central bank, commercial banks no longer make credit policy.

Hon. Mr. VIEN: I understand. It would appear so far from your answer that the method used by the government to reduce these accumulated deficits was in the first place a surplus created by taxation, and during a certain period, money coming from abroad for purchases in Canada. How, then, was the balance accounted for?

Mr. JACKSON: Here perhaps I should return to the question asked some time ago by Senator Euler: What happens when a government accumulates a surplus, and uses that surplus to reduce debt?

I suspect that what has been done in this regard, during the last five years, may be found strangely to parallel a development of the 1920's.

In the States at that time, revenues were very buoyant. The government obtained from year to year quite large surpluses; and used them to reduce war debt. That went on, roughly for five years, from 1924 to 1929, which culminated in the well remembered crash of 1929. During those years (I suppose) the money which was gathered in the first place by the government from the taxpayers, and then paid by the government to persons whose bonds the government thus redeemed, thereafter flowed into the merry stream of speculation, which was the mark of those years.

Hon. Mr. VIEN: In other words, putting too much money back into circulation.

Mr. JACKSON: Well, a great deal of the money which was used in the redemption of our own war debt, since 1945, probably financed business expansion during these last five years.

Hon. Mr. VIEN: But, on the other hand, if you increase that to produce surpluses and redeem war debts with such surpluses so created, is it not equivalent? Did you not withdraw from circulation by excessive taxation the equivalent of what you paid in that redemption of war bonds?

Mr. JACKSON: You withdrew money from the people of Canada by means of taxes, in accumulating the funds with which to repay debt. But when the man whose bond was redeemed, received money for that bond, he could do just as he liked with that money.

Hon. Mr. VIEN: Yes, but if you had not taxed to collect the surplus with which to redeem the bonds the surplus profit revenues or income which would have been left in the hands of those who earned it would also have been available for such speculations.

Mr. JACKSON: I think it is fair to suppose that most of the money which is collected in taxes, if it had not been collected in taxes, would have been spent on ordinary consumer goods. If you take \$1,000 from a taxpayer who would have spent it on consumer goods, and use that \$1,000 to redeem a bond from somebody, it is not very likely that the man who sold back the bond to the government—the man whose bond has been redeemed—is going to take the \$1,000 he received and spend it on consumer goods.

Hon. Mr. VIEN: Do you mean to say that the psychology of the bondholder who is the investor is not quite the same as the income earner?

Mr. JACKSON: I think you have a mixed situation. There are people who bought bonds as a nest-egg in the war, purposing to sell them and to refurbish their houses, when the war was over. They doubtless sold their bonds, and spent the proceeds on consumer goods. But many more folk (I should think) when their bonds were redeemed, used the proceeds not as income, but as capital for investment.

Hon. Mr. EULER: Do we draw the inference that if these people who collected the proceeds of the bonds through redemption by the government are using that money in a way that promotes inflation, that it might be advisable on the part of a government to proceed more slowly with the redemption of bonds in order to minimize that process?

Hon. Mr. ASELTINE: That is what they are doing.

Mr. JACKSON: I am not sure I know enough to answer that question, sir. What we did achieve in the last five years was an extraordinary high rate of investment in new plant and equipment, which of course was very good for our productive economy. We reached a stage at which perhaps (on a proportional basis) we were investing more of our income than any nation in the world—though the claim is made, I believe, that Norway did the same thing even more vigorously than we did.

We now reap the benefit of that. We live in a very well equipped country.

Possibly, nevertheless, there has been some over-strain during these active years. We perhaps have invested more than, at the time, we really could afford to do.

Hon. Mr. BURCHILL: I am not clear about one point here. You gave us some figures a few minutes ago about the national debt which had been accumulated by all governments. You said that since 1946 that had been reduced by a certain amount.

Mr. JACKSON: Yes, \$2½ billion.

Hon. Mr. BURCHILL: Then you mentioned the means of payment. You said the means of payment had increased and you gave a figure. Where did you get the figure, Professor Jackson?

Mr. JACKSON: It is simply the sum of all the dollar bills and the bank deposits which are at the disposal of the Canadian public, including, that is, Canadian business concerns, and our provincial and municipal governments.

Hon. Mr. BURCHILL: That is really the money in circulation?

Mr. JACKSON: It is the money in circulation. I happened to use the expression "means of payment", but I meant exactly that.

Hon. Mr. REID: With regard to the value of goods available to the public and the amount spent by the public on them, have you taken into account the value of goods bought by the government for war purposes and the value of goods sent out of the country as gifts to other lands, or does the figure you gave us this morning—252 as against 100—represent the amount spent by the public for goods as a whole? Does that include the total national production, or have you segregated the goods that are not available to the public?

Mr. JACKSON: The figure 252 per cent represents the recorded proportionate increase in personal income per head; that is, the total of personal incomes, including both money spent and money saved, divided by the total of our population.

I quoted earlier today from a table showing expenditure on goods and services, and I have it in my hands now. The figure which I then quoted was the percentage of all the money spent on goods and services in Canada, which was spent by Canadian governments. That was 12.9 per cent, in 1939 and 1949.

The statistic of "expenditure on goods and services" takes all the goods and services, including imported goods, which were consumed here, and simply divides them into two parts: The proportion bought and paid for by governments; and the proportion bought and paid for by purchasers other than governments.

Hon. Mr. EULER: Professor Jackson has said and we all know that the cause of inflation is that there is more money in circulation than the value of goods being produced. That is correct, is it not?

Mr. JACKSON: I think I described this, a while back, as the focal point at which we should examine the causes of our inflation.

Hon. Mr. EULER: Are increased wage rates an important factor in that increased circulation of money? We were told the other day that wages had increased in greater proportion than the cost of living had.

Mr. JACKSON: Yes, they have.

Hon. Mr. EULER: Do you think that is one factor in the inflationary situation?

Mr. JACKSON: Well, business paid the wages which business did pay, because business was able to sell the goods, for the production of which these high rates of wages were paid; and it was able to sell those goods, because the people had the purchasing power with which to buy these expensive goods.

If at any stage in the proceedings the creation of credit had been curtailed, to the point at which incomes would not suffice to pay for the goods on a rising scale of costs, business I think would have been compelled to resist, more strongly than it did resist, those demands for higher wages.

And in this connection, we have an interesting prospect before us at the present time. One hears that the demands for wage increases which are now being made, or will be made in 1951, are at least as great as any such demands which have been advanced in the last five years. But these demands are going to be presented to business under a totally new set of conditions. For the last five years, notoriously, business has been dealing with labour under conditions

of easy money. Therefore (at least in a large measure) labour's demands could be met. But such demands may be granted not quite so readily, when we no longer can fall back on easy money.

Hon. Mr. GOLDING: Professor Jackson, this morning you spoke of certain numbers of our population who are living or trying to live on a fixed income. Inflation causes more suffering to them than to any other class. Labourers and many other classes of workers are given increased wages which keep pace with or perhaps go a little beyond increases that take place from time to time in the cost of living, but people who are unable to have their incomes increased bear the brunt of any inflation. I was wondering if you knew what percentage of our population are in that class of people with fixed incomes, such as, for instance, widows whose sole income is a pension?

Mr. JACKSON: No. To my regret, I have not that information.

Hon. Mr. VIEN: But at any rate there is a substantial number of our population living on a fixed income, such as superannuated civil servants and superannuated employees of certain corporations, such as banks and railways and the Bell Telephone Company and so on, and pensioned war veterans. These people have no means of increasing their income and they feel acutely any increase in the high cost of living.

May I ask you this, Professor Jackson? Is it not apparent that the attempt to curb inflation by reducing credit or by high taxation has failed?

Mr. JACKSON: I think it quite premature to say that it has failed. The new policy was only started a very short time ago.

Hon. Mr. VIEN: At any rate it has partially failed, in as much as the cost of living in Canada was never as high as it is now?

Mr. JACKSON: Senator, I may not have understood you fully, but if we are talking about the same thing we mean the control of credit which has been applied in 1951 as a result of the government's fiscal measures, and as a result of the new central banking policy.

Hon. Mr. VIEN: Right.

Mr. JACKSON: Here we have a change of policy which, so far as credit control is concerned, came into force, I believe, about the close of January.

Hon. Mr. EULER: About that time.

Mr. JACKSON: So far as fiscal controls are concerned, they did not come into force till the Minister of Finance brought down the Budget. So, the new controls have only just been applied to this immense and very complex economy called Canada.

Let me suggest a parallel. They tell me that a locomotive, hauling a heavy train, must have its brakes applied half a mile before the point at which it is to be stopped, and only thus can you stop it, without derailing the train.

Hon. Mr. EULER: The policies have not yet had time to have their effect.

Mr. JACKSON: They have not yet been applied long enough to be judged.

Hon. Mr. VIEN: I appreciate that. I think it is obvious that to a large extent the curbing of credit reduces demand, and if the demand is greater than the supply prices are bound to go up. Therefore, by curbing credit, you curb the demand and re-establish equilibrium to that extent.

But are there not other means which could be addressed more directly to the cause of the trouble? There is an inflatory tendency when people want more goods than are offered for sale; in other words, the demand exceeds the supply. Would it not be more reasonable to plan our economy so as to encourage production, and to curb the methods that are being used to reduce production and maintain prices? Should we not bend all our efforts to producing as much goods as it is reasonable to anticipate there will be a demand for? Should we not bend every effort to produce a greater yield per man hour?

Mr. JACKSON: Senator, we have for many years past been increasing our production per man hour, so far as we know, faster than anyone elsewhere, except our friends in the States; faster too, than any nation in the past.

Hon. Mr. VIEN: Are you satisfied of that?

Mr. JACKSON: It is a fact, so far as we know.

Hon. Mr. VIEN: Do you know, or do you not know?

Mr. JACKSON: I have done as much work on the measurement of average output per man hour as any person whom I could now name. But I should like to know more than I do.

Hon. Mr. VIEN: But are you satisfied that there is a real effort being made in Canada today to increase the yield per man hour?

Mr. JACKSON: To the best of my knowledge and belief the rate at which our average production per man hour has been increased in Canada during the past generation has never been bettered elsewhere.

Hon. Mr. EULER: Is that on account of the use of machinery?

Mr. JACKSON: Mainly.

Hon. Mr. EULER: The reason I asked that question is that the impression abroad is that the difficulty is due to the fact that we are not producing according to our ability to produce.

The CHAIRMAN: Order!

Mr. JACKSON: The same question seems to be coming to me from opposite sides of the room. I personally can think of nobody, connected with business or government, who could be described as planning to restrict, or desiring to restrict production.

Hon. Mr. VIEN: At the present time?

Mr. JACKSON: That is what I was asked to talk about.

Hon. Mr. VIEN: What is the present time? Is it six months or a year ago?

Mr. JACKSON: A moment ago, speaking about the growth in volume of average per-man-hour output, I quoted from records covering a generation.

Hon. Mr. VIEN: Are you still using the term in that sense?

Mr. JACKSON: My statement applied, broadly, to the generation through which we have just lived. I do grant, nevertheless, that here and there someone has been convicted of "restraint of trade" under the Combines Act; and in parallel to this, there has been a good deal of restriction of effort, by labour.

Hon. Mr. EULER: That is what I was trying to get at.

Hon. Mr. VIEN: The facts as I know them are not in accordance with those just stated. For instance, in the bricklaying industry I am advised by clients of mine and people in the trade that an average bricklayer can lay from 1,000 to 1,200 bricks a day, but the union compels him to lay not more than 400. The figure went as low as 350 bricks per day, but it is now 400. My information is that a top bricklayer can lay as many as 2,000 bricks a day.

I am further advised by a general contractor that in the plumbing trade today it takes $2\frac{1}{2}$ hours to do the same work that was done in one hour, ten years ago. Further, I am told that two carpenters could at one time put up twelve doors in one day, and that now they do not put up four.

It is obvious, therefore, that the production per man hour is down. The information that I received from a reliable general contractor in Montreal was that the production per man hour today is not half what it was ten years ago.

Mr. JACKSON: You mention unmechanized labour, such as the bricklaying trade. I too could cite a dozen such instances of dwindling production per man hour in trades still unmechanized, without the slightest difficulty.

My first statement about the growth in average production per man hour, was about our whole economy.

With specific reference to mechanized industry, there is no doubt that Canadian business is now doing the best that it can, to keep itself fully mechanized, up-to-date, and efficient. Hence our tremendous rate of investment, already mentioned.

Hon. Mr. VIEN: In the United States and Canada during the last war it was found that steel was in short supply.

Every effort was bent in the United States and Canada during the last war to increase the production of steel. After the war was over, based on that experience, a great pressure was brought upon steel mills to increase their production and their facilities to establish, for instance, more rolling mills in Canada, so as to supply steel products in greater volume. Steel mills resisted that idea both in the United States and Canada, and steel magnates had quite an axe to grind, and were at odds with President Truman's policy after the last war, when he wanted the government to undertake the creation of steel-producing units. They were at loggerheads in that respect, and today in Canada and the United States we are at a loss to find the steel that we require for all purposes, because steel-producing facilities in the United States and Canada have not been increased right after the war. Steps have been taken, now that there are threats of war, but it has been extremely protracted, and it is only the present emergency that has stimulated this policy of inducing people to increase their production of steel. But right after the war the governments both in Canada and the United States urged the steel magnates to produce more steel and to increase their facilities, but they refused to do so, because they were afraid that the price of steel would come down on the market. And that is true as regards many other commodities.

The CHAIRMAN: Now, Senator Vien, there may be other senators here who wish to ask some questions. We will have to break up by six o'clock. Senator Haig, do you wish to ask anything?

Mr. JACKSON: Excuse me, may I make just one observation on Senator Vien's point, if you don't mind?

The CHAIRMAN: Yes.

Mr. JACKSON: It is generally said that 20 per cent of a nation's total product is all that that nation can invest safely. None but the very strongest and most vigorous nations can do that. In our own case, we Canadians have been investing about 20 per cent of our total product ever since World War II stopped—and indeed (when business was active) for a long time back.

On an average, in 1949 and 1950 we Canadians have been investing (in an almost incredible proportion) nearly 24 per cent of our gross national product. We were discussing the question in this very room a few minutes ago, whether we had been devoting too much of our energy to the purposes of investment. Now Senator Vien tells me that business has been selfish, that it has refused to make as much investment as it should have made.

For my part, I cannot discuss the relative merits of more steel, against more of something else. I can only talk about the scale of current investment, overall, in Canada. But I can assure Senator Vien that the rate at which we Canadians have actually been investing in new plant and equipment, since the close of World War II, can be paralleled in the records of very few countries.

Hon. Mr. HAIG: I think he has answered my question.

Hon. Mr. ROEBUCK: I would like to ask a question, Professor Jackson, because I have been thinking while you made your statement that the taxing of the general taxpayer, the taking of money from him in income taxes and that sort of thing and using it for the purchase of bonds, has been inflationary; and I am just wondering whether that is so; because it has got a very concrete and practical application. We have been doing that, and perhaps we should not have,

but I am inclined to doubt it. I would like you to elaborate it a little bit more, if you will. Supposing you test it this way: Supposing you took all the income of the nation and handed it over to the investor, what would the effect be? In the first instance you would have taken the purchasing power away from the masses. In the second instance you would have given to the investor a very large sum which he would expend perhaps in the purchase of electrical goods from Sweden and the purchase of land; values would go up, because there would be competition for that kind of investment hither and yon. But my point is, would not that be exactly the reverse? That would be deflationary, because you would leave the masses of the people without money with which to buy beef-steaks and clothes and that sort of thing, and you would divert a great sum perhaps for expenditure out of the country, bringing in capital goods, and for investment in such things as land values and northern mining claims, and God knows what. Would it not have exactly the reverse effect to what you say?

Mr. JACKSON: I fear the senator may be conceiving of the so-called "masses" as the people who pay the taxes and do the consumption of the consumer goods; and that he may be conceiving of investors as being the so-called "rich", who buy themselves electric luxuries from Sweden, and as well, own the government bonds.

Hon. Mr. ROEBUCK: There is something to that, yes.

Mr. JACKSON: In fact, it is not the masses who bear the heavy burden of taxation in this country; it is the people with larger incomes, who bear the great burdens of taxation—as doubtless should be the case. And it is not the people with large incomes who buy most of our securities any more. Mostly these are bought by corporations, who serve enormous numbers of people, most of them with small incomes.

I suppose that our life insurance companies are the largest sources of investment funds in this country today—and that they were the largest element, in the financing of all our government deficits, not long ago. But what are our life insurance companies? Agents (as everybody knows) of millions and millions of Canadians, mostly possessed of small insurance policies.

The money which redeems war bonds may come largely from relatively rich taxpayers. If used in the redemption of bonds, held formerly by some life insurance company, this money might thus be paid, indirectly, to myriads of little people with four and five thousand dollar life policies.

Hon. Mr. ROEBUCK: Then what do you say to Senator Vien's proposition that if you take it away from one and give it to another, if they are the same class, if the people who pay the taxes are the same class as those who own the bonds, you have accomplished nothing, and it is neither inflationary nor otherwise?

Mr. JACKSON: I think of individuals.

You take money from individuals, rich and poor—who would have spent (for the most part, doubtless, on consumer goods) the money that you take. You pay that money to bondholders—maybe to the life insurance companies. They get it in exchange for war bonds, which they surrender.

In functional terms, tell me: What do the former bondholders do next, with the money that you paid them?

Of course, if the life insurance companies were to spend it on the same consumer goods of which the taxpayer had been deprived, there would be no net resulting influence on our economy. But if a life insurance company (for instance) which receives the money for war bonds, instead of purchasing consumer goods, uses it otherwise, then the process of redeeming debt does something to the national economy, which we cannot quite ignore.

Hon. Mr. ROEBUCK: What is your proposition? What do they do with the money?

Mr. JACKSON: I said before lunch that I suspected that a very large part of it was reinvested in such a manner that it—

Hon. Mr. ROEBUCK: —went into capital goods?

Mr. JACKSON: That it went into capital goods.

Hon. Mr. ROEBUCK: Then, that ought to be anti-inflationary and not inflationary.

Hon. Mr. VIEN: What is your conclusion on that point?

Mr. JACKSON: What I did was to suggest that there is a parallel between the present and the 'twenties when the same kind of thing was happening, and that perhaps in both cases the reduction of debt led to large additional funds getting invested, and increasing the business tempo, by making the percentage of our total product, which took the form of capital goods, larger than it would otherwise have been.

Hon. Mr. VIEN: What would be the alternative that would be a remedy to that tendency? What corrective could be applied?

Mr. JACKSON: I do not know, sir, I do not lay down a doctrine. I merely suggest something.

Hon. Mr. VIEN: No, but if your assumption is correct, what would be the corrective in your opinion?

Mr. JACKSON: Sir, I do not even assume anything. I merely suspect that there is a parallel between this condition in our time, and in the 'twenties.

Hon. Mr. VIEN: Suppose your suspicion is right, what would be the corrective in your opinion?

Mr. JACKSON: I do not know.

Hon. Mr. ROEBUCK: In 1921, following the First Great War, we did this very thing. We bought up bonds and we started to redeem the debt. We had falling prices and rising money and it brought on the financial troubles of 1921 or thereabouts, and afterwards it kept our noses to the grindstone, and we attributed it at that time to the redemption of war bonds, and the increase in the value of money.

Mr. JACKSON: If I may be forgiven, Senator, I should like to call to your memory the fact that the crash that you talk about began in 1920, about May, following the conclusion of the last big U.S. financial operation, for the repatriation of, and demobilization of troops. Debt had not yet begun to be reduced anywhere in North America, but there were signs that it would cease to grow, from that time on. The last big war loan (in November, 1919, I think) was the warning bell; and the crash in the commodity markets came six months later, in May 1920. This ended a period of inflation based on deficit financing.

Hon. Mr. ROEBUCK: There was a deflationary period about that time. I said 1921, and I was not very far out.

Mr. JACKSON: The peak of inflation was in May 1920, and the deflation period followed that peak, during the succeeding eighteen months.

Hon. Mr. ROEBUCK: Yes.

Mr. JACKSON: And the deflation, I suggest, was not the consequence of redeeming debt because, at the time, there had been no significant reduction of debt.

Hon. Mr. EULER: Is it not a fact that if the government redeems bonds, in so far as insurance companies and other financial institutions holding bonds are concerned it would have no effect either deflationary or inflationary, because

these moneys received for government bonds would be re-invested by these insurance companies and financial institutions. I take it, then, it would apply only to the individual bondholder whose bonds are redeemed and who may use these bonds for any purpose whatsoever. And that would be a contributing factor to inflation.

Mr. JACKSON: If the man whose bonds were redeemed spent on consumer goods the money which was paid him; and if the money which he spent was taken from someone else, thereby prevented from spending it on consumer goods; I do not see that there was any net change as a result of the transaction.

Hon. Mr. EULER: He might not spend it in that way.

Mr. JACKSON: The point I have been trying to make is that debt redemption by the Canadian government has probably tended to swell the stream of investment funds, at a time when we were investing on a very large scale anyway. I have some figures here. I do not know whether they might be found useful.

Hon. Mr. ROEBUCK: That seems likely. What you have done is to change the government's promise in the bond into a bank account, and the bank account is a little more fluid, and it therefore more readily runs into investment.

Hon. Mr. HAIG: I think you are right, Professor Jackson. The ordinary man who redeems a bond doesn't usually go and spend it but puts it into something else. The present idea is to put it into capital goods like common stock or real estate.

Hon. Mr. EULER: Or he buys a new automobile.

Hon. Mr. HAIG: Not very many who have bonds sell them to buy automobiles. That has been my experience.

Mr. JACKSON: In 1949-50 one-eighth of the enormous investment which was being made by Canada was financed by government surplus. Average annual figures for the two years are \$4,061,000,000 for total investment; and government surplus, \$520 million. That is (I should think) a very large element swelling the tide of investment.

The CHAIRMAN: Before we adjourn I wish to say that Senator McDonald has asked what I think is a pretty practical question. He has sent it to me in writing and has asked me to present it to Mr. Jackson. The question is: What are the practical aims that we should keep in mind besides increasing production to give Canada the soundest economy?

Hon. Mr. EULER: That is a big order.

Mr. JACKSON: That is a very large question.

Hon. Mr. McDONALD: We have had a very interesting discussion today. We have covered a wide range of topics, and it would be most interesting if Mr. Jackson could summarize what has been said here today by giving us the important aims that we should keep in mind in order to give us the soundest economy. Judging from the discussions we had this morning I think that the first one might be to increase production.

The second, perhaps, might be to emphasize a proper immigration policy, to get a sufficient labour force to increase production. Would you care to go on from there?

Mr. JACKSON: No matter how far afield we may from time to time have wandered in this discussion, nevertheless I take it from your initial observations, Mr. Chairman, that our principal concern is with inflation; with its consequences; and the degree to which government spending at all levels may be responsible for it, or connected with it.

My purpose has been to focus our attention on two things: first, the rate of increase in our production of goods and services; secondly, the rate of increase in the means of payment, and in the total of our personal incomes.

I believe that if the growth in means of payment, and our personal incomes, outstrips persistently the growth in our production of goods and services, we cannot avoid more inflation.

Obviously, the first thing we desire (we should want it for other very good reasons, if we were not concerned to combat inflation), is to bring about as rapid an increase of production as we can, using every means in our power to compass this end. Anyone at all, whose conduct contributes to the growth of production, helps in the war against inflation. Anyone at all, whose conduct retards the growth of production, is doing just the reverse.

But after more than ten years, in which the growth in our money supply so fast outstripped the tremendous increase that there has also been in the physical volume of production, the thing we should concentrate on first, is (I submit) the vital necessity that we check now this persistent increase in the means of payment.

Do this—or we shall be defeated.

The new restrictions on credit have only been applied this year—are still but a few months old. We can only see the faintest signs of their success, as yet. We cannot yet base a verdict, on what we now can see.

But I do think it an advantage to this country, that more and more of our folk realize this truth. We must attack the forces which bring about inflation, in order to control inflation, and we cannot possibly control inflation simply by rebuking it and forbidding prices to rise—as many Canadians, not long ago, supposed that we could do.

I should like to leave this thought with members of the committee. The present policies of controlling credit cannot be pursued without hurting us. Already these policies are hurting a great many people. Soon, they will hurt a great many more people.

I fancy that already there are developing strong pressures on government, to secure relaxation of the present credit controls—possibly for the benefit of individual persons, or groups which are being hurt.

But we, the people of Canada, must not be deflected. We must not even consider going back (in the present circumstances) to the same easy money conditions, which we welcomed and enjoyed not long ago. We could not be deflected, without risking another severe post-war inflation—whose consequences, for the middle class of Canadians, might be quite literally catastrophic. I do not know, sir, whether or not you may think this answer covers the points which you had in mind.

Hon. Mr. McDONALD: Yes, thank you.

The CHAIRMAN: That is a very clear statement.

Hon. Mr. PRATT: One of the major factors in the government's policy is control of credit through the banks. Do you think, Professor Jackson, there is any danger that this may slow up production? Increased production is one of the major factors in preventing inflation, and I am wondering whether you think the control of credit may have the effect of really slowing up production. And do you not think the government's policy should be discriminatory or selective, so that credit should be restricted to non-essential and non-productive industry and extended to productive industry?

Mr. JACKSON: I personally do not like the thought of arbitrary discrimination between individuals.

Hon. Mr. PRATT: I meant between classes.

Mr. JACKSON: We have permitted credit to grow too fast, and the difficulty lies, not in the fact that Mr. Jones or Mr. Smith has too much credit, but in the fact that we, the people of this large Dominion, have endowed ourselves collectively too fast with new means of payment. We must put a stop to that indulgence.

The change which we now purpose, in the field of credit creation, is a most difficult and delicate, and sometimes a dangerous operation. What Senator Pratt says might easily become fact.

We steer between Charybdis and Scylla—must avoid the perils of inflation (concerning which we learned something at least, during the ten years just ended), but must avoid also the still greater perils of deflation (of which we learned much in the preceding ten years).

Hon. Mr. EULER: It takes pretty careful steering, does it not?

Mr. JACKSON: It does take pretty careful steering. I think we should rejoice that in our own country, the men whose job it is to carry through these fiscal and monetary policies, are themselves first class. They could not be bettered, anywhere.

Hon. Mr. GOLDING: Mr. Chairman, I feel that we should extend a hearty vote of thanks to Professor Jackson for coming here and giving us this interesting information.

The CHAIRMAN: I was about to convey the thanks of the committee to Professor Jackson. We have had two interesting sittings today, and on behalf of the committee I wish to thank you, Mr. Jackson, for your attendance here and for the interesting and informative material which you have presented to us.

Honourable SENATORS: Hear, hear.

The CHAIRMAN: I think I can promise you that if at some future date the Senate should undertake another inquiry of a similar character, you will be one of the gentlemen asked to attend.

Honourable SENATORS: Hear, hear.

The committee thereupon adjourned, to resume at the call of the Chair.

APPENDIX F

SOME CANADIAN MONETARY STATISTICS 1939 TO 1950

	1939	1946	1947	1948	1949	1950
1. Means of Payment Per Head (1939=100).....	100.0	222.3	230.6	239.7	245.5	251.7
2. Personal Incomes Per Head (1939=100).....	100.0	205.9	215.3	240.8	245.7	252.7
3. Gross National Product Per Head in 1935-1939 dollars (1939=100).....	100.0	147.3	147.5	146.5	145.0	146.9
4. (1) divided by (3) \times 100 (1939=100).....	100.0	150.9	156.3	164.1	169.3	171.3
5. Cost of Living (ex rents) (1939=100).....	100.0	125.0	138.5	161.4	168.0	172.7

APPENDIX G

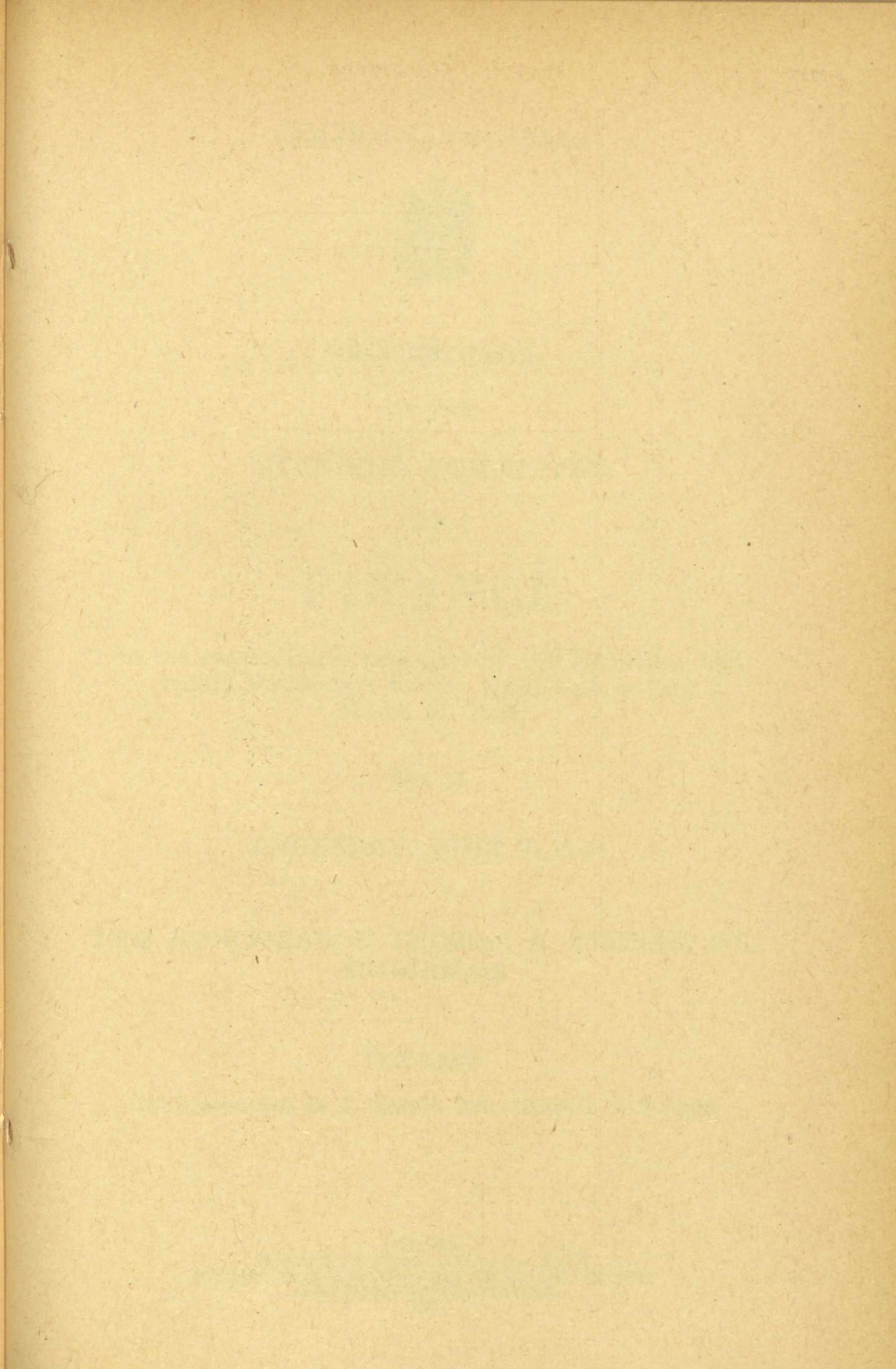
GOVERNMENT EXPENDITURES AND THE GROSS NATIONAL PRODUCT 1939 TO 1950

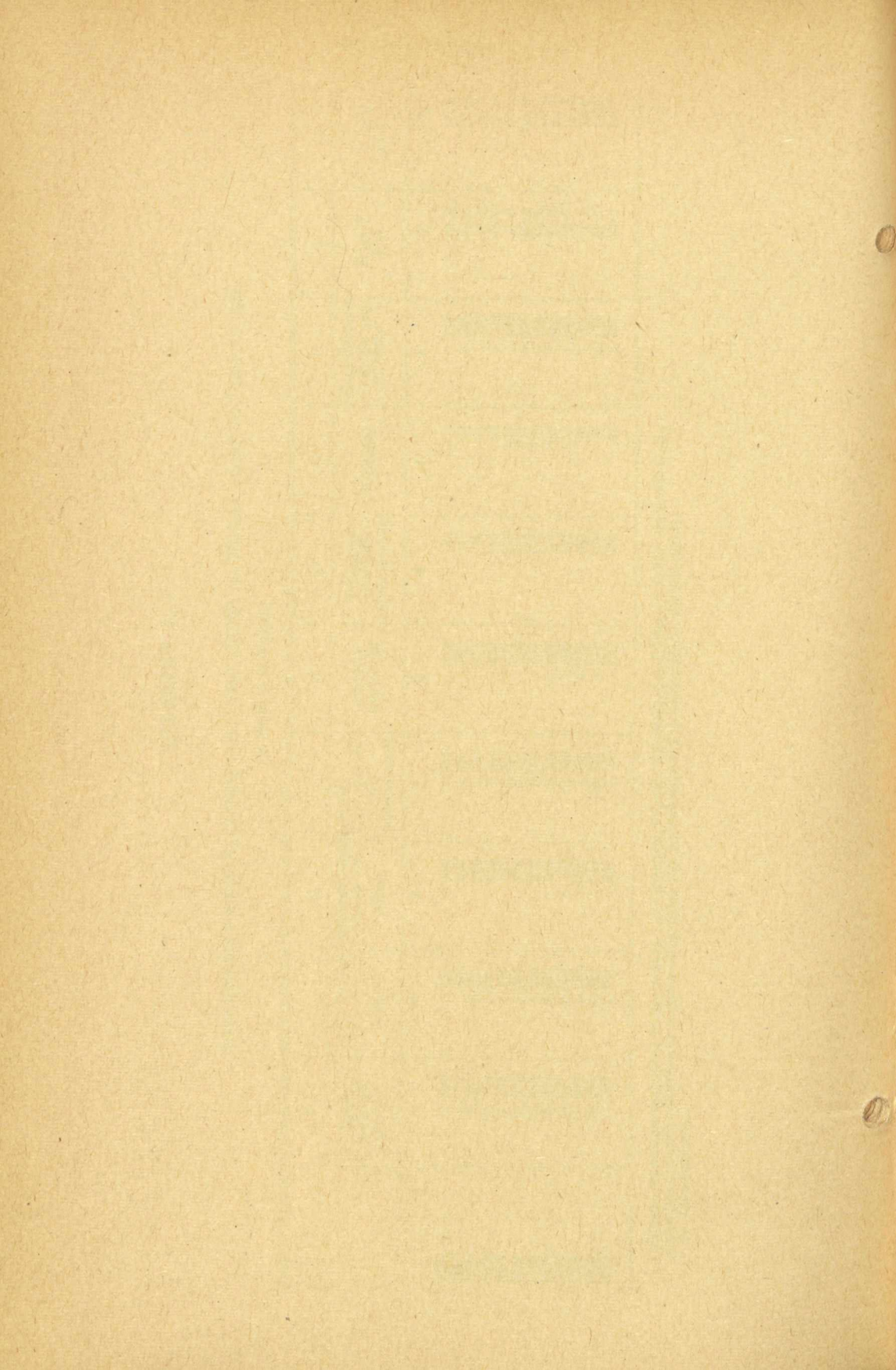
(in millions of dollars)

	A	B			C	D	E	F	G	H
	Gross national product	Total government expenditures			Transfer payments	Transfers to other governments	Subsidies	Expenditure on goods and services*	B as % of A	F as % of A
		Federal	Other	All governments						
	\$	\$	\$	\$	\$	\$	\$	\$	%	%
1939.....	5,598	459	752	1,211	421	83	-17	724	21.6	12.9
1940.....	6,772	998	679	1,677	395	74	52	1,156	24.8	17.1
1941.....	8,434	1,591	666	2,257	378	55	74	1,750	26.8	20.7
1942.....	10,455	3,734	658	4,392	420	150	93	3,729	42.0	35.7
1943.....	11,283	4,379	681	5,060	471	148	211	4,230	44.8	37.5
1944.....	11,919	5,289	738	6,027	580	155	267	5,025	50.6	42.2
1945.....	11,810	4,265	810	5,075	948	157	262	3,708	43.0	31.4
1946.....	12,008	2,839	964	3,803	1,561	174	236	1,832	31.7	15.3
1947.....	13,657	2,045	1,195	3,240	1,306	192	180	1,562	23.7	11.4
1948.....	15,503	1,898	1,450	3,348	1,325	150	76	1,797	21.6	11.6
1949.....	16,382	2,146	1,641	3,787	1,422	182	77	2,106	23.1	12.9
1950.....	17,791	2,284	1,821	4,105	1,457	256	59	2,333	23.1	13.1

Transfer Payments include such items as old age pensions, Family Allowances and interest on the National Debt. Subsidies are cash subsidies or rebates on customs etc. paid or allowed to producers for certain goods.

* By Governments.





1951

THE SENATE OF CANADA



PROCEEDINGS
OF THE
STANDING COMMITTEE
ON
FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1952

No. 11

THURSDAY, JUNE 14, 1951

THE HONOURABLE THOMAS A. CRERAR, P.C.,
CHAIRMAN

WITNESS:

The Honourable D. C. Abbott, P.C., Minister of Finance.

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951

STANDING COMMITTEE ON FINANCE

The Honourable Thomas A. CRERAR, P.C., Chairman

The Honourable Senators

Aseltine	Golding	McKeen
Baird	Gouin	McLean
Barbour	Haig	Paterson
Basha	Hayden	Petten
Beaubien	Horner	Pirie
Bouffard	Howard	Quinton
Buchanan	Howden	Reid
Burchill	Hugessen	Robertson
Campbell	Hurtubise	Roebuck
Crerar	Hushion	Ross
Davies	Isnor	Taylor
DuTremblay	King	Turgeon
Euler	Lacasse	Vaillancourt
Fafard	Lambert	Vien
Farquhar	McDonald	Veniot
Farris	McIntyre	Wilson
Fogo		

ORDER OF REFERENCE

EXTRACT from the Minutes of the Proceedings of the Senate, Wednesday, March 14, 1951.

“That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1952, in advance of the Bills based on the said estimates reaching the Senate: That it be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal governments in Canada, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records.”

L. C. MOYER,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

THURSDAY, June 14, 1951.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 4.15 p.m.

Present: The Honourable Senators, Crerar, Chairman; Aseltine, Barbour, Basha, Beaubien, Burchill, Farquhar, Golding, Haig, Howden, Hugessen, Lambert, McDonald, McIntyre, Paterson, Reid, Roebuck, Turgeon and Wilson.
—19.

In attendance: the official reporters of the Senate.

Consideration of the order of reference of March 14, 1951, was resumed.

The Honourable D. C. Abbott P.C., Minister of Finance, was heard.

At 5.00 p.m. the Committee adjourned to the call of the Chairman.

Attest.

John A. Hinds,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE,

OTTAWA, Thursday, June 14, 1951.

The Standing Committee on Finance, which was authorized to examine the Estimates laid down before Parliament for the fiscal year ending March 31, 1952, met this day at 4.15 p.m.

The CHAIRMAN: Gentlemen, we will come to order. We have the pleasure and the privilege of having Mr. Abbott appear this afternoon to, if possible, enlighten our darkness on some of these problems which we have been considering of government expenditures and inflation and kindred evils of that kind. It is not necessary for me to express any words of introduction to Mr. Abbott. I think, if we do not all know him personally, we know him through the medium of our pockets. So I have much pleasure now in asking Mr. Abbott to speak to us, and probably after that, if there are any questions—

Hon. DOUGLAS C. ABBOTT: Thank you, Mr. Chairman. When you were good enough to ask me to come over and meet the committee, I said I would be very glad to do that. I have been following its proceedings with a good deal of interest, and I think you have been doing some very useful work this year. I had not contemplated that you would expect me to make any extended statement, and consequently I did not come prepared to do so. But I assume that probably there have been some questions come up in the course of your meetings on which you might like to put me on the grill, and so on that understanding, that it will be more in the nature of a discussion on current problems, some senators might like to put questions on specific points, and I will do my best to try to answer them.

The CHAIRMAN: That is quite satisfactory.

Hon. Mr. HAIG: Just following that line up. Today we dealt with a bill on housing. In discussing the housing bill the question came up as to the rate of interest to be charged, and upon my request they very kindly consented to delay it so that you could come and discuss that. But in view of the urgency of the bill to reach the house we dealt with it specially this afternoon, gave it third reading in our house, on the understanding that I could ask you questions here.

Hon. Mr. ABBOTT: Yes. I would have been here yesterday only I was held in the House of Commons on the Income Tax Bill.

Hon. Mr. HAIG: The first question I would like to ask is a question about the bill. I raised the question in the house that, with the present rates existing for bonds, you can allow 5.20, and you are going to allow 5 per cent: that is what the anticipation is now. Would you tell the committee how that is worked out?

Hon. Mr. ABBOTT: Well, the principle that is embodied in that bill is that the interest rate which will be charged on National Housing Act loans by the government will be related to the current interest rate for long-term government bonds. There will still be a provision that the Governor in Council will fix the rate, but it is not to vary more than—I have just forgotten—is it half of one per cent from the prevailing rate for long-term bonds, and there is a definition of what constitutes long term bonds.

Hon. Mr. HAIG: It is twelve years.

Hon. Mr. ABBOTT: Bonds of twelve years or longer. That seemed to me a desirable limit to include in the National Housing Act, because if your interest rate is substantially higher than the rate on government bonds you would be charging borrowers more than you should. On the other hand, if it were significantly lower, there would be a subsidy element in the form of the interest rate which would be hard to defend unless it were made of general application. That was the reason for establishing as a criterion for the rate which would be established by the Governor in Council on loans of that kind the prevailing rate on long-term government bonds as defined in the section.

Hon. Mr. HAIG: What rate of interest will that give the loaning companies?

Hon. Mr. ABBOTT: Mr. Winters could answer that better than I can; but, speaking from memory, and subject to correction, my recollection is that the lending companies put up 75 per cent of the money, the Government, Central Mortgage and Housing puts up 25 per cent. On the 25 which is put up by the Government the return is, let us say, 4 or $4\frac{1}{2}$ per cent; the charge to the borrower is 5 per cent, or whatever it is, and averaging the two, you get the effective rate to the insurance company, which is probably at least one per cent higher than the return on the money which is provided by the government.

Hon. Mr. HAIG: That is what I understood.

Hon. Mr. ABBOTT: My details may be a bit off. That is the principle on which it is based.

Hon. Mr. ASELTINE: Mr. Abbott, what would happen if, for example, these bonds of ours, which we are holding, and which we always thought would be redeemable at par at any place at any time, go down to 90? They are 97 now. If they go down to 90 what effect is that going to have on the general interest rate?

Hon. Mr. ABBOTT: Well, if that contingency happens the interest rate on these mortgages will be increased accordingly. That will reflect of course a general increase in interest rates. You appreciate that interest rates in these modern days are determined by the prevailing interest rate on long-term government bonds. That is your highest type of security. On the interest rate paid on your highest type of security depends substantially what interest rate will be paid on corporation bonds, provincial bonds, municipal bonds and so on. They are all related to the interest rate on long-term government bonds. I emphasize the long-term aspect because that interest rate is as a rule more significant than the short-term interest rate, which for various reasons has not the same effect on the general interest rate for corporation bonds that the long-term interest rate has.

Hon. Mr. REID: I wonder if Mr. Abbott could elaborate on this. People are getting fairly concerned about the fall in government bonds. I have heard it stated that municipal bonds today are dropping on account of the drop in government bonds. Is there a reason for the drop?

Hon. Mr. ABBOTT: Well, as I expect most members of the committee are aware, there has been a modest increase in interest rates. Our interest rates here in Canada, as is the case with so many other things, are largely influenced by the interest rates in the United States. Now, following the long-drawn-out controversy between the Treasury and the Federal Reserve in the United States, the interest rates on long-term government securities have increased approximately half of one per cent. The same change has been reflected here in Canada, and our long-term government bonds, which about a year ago were selling on the basis of about 2.75 per cent, are now selling on a basis of something in the order of 3.20 or 3.24. So there is pretty much a parallel increase in the interest rate. As the committee all appreciate, the current price of bonds depends upon the

prevailing interest rate. The contract is to pay the face value of the bond at maturity—twelve, sixteen, eighteen years hence, and in the meantime to pay interest on it, either semi-annually or annually, as the case may be, at a certain stipulated contractual rate. It may be that if money is easy the demand for bonds will be such that the price will be up, which means of course that the effective interest rate received by the purchaser of that bond is correspondingly reduced. Or if on the other hand money is somewhat more tight, to use a colloquial phrase, the demand for bonds will be somewhat less, and the interest rate will tend to increase.

Hon. Mr. PATERSON: Is it not a definite policy of the government to back away from supporting bonds at 100 per cent?

Hon. Mr. ABBOTT: I would say that in view of the trend of interest rates in the United States the government, I think, would consider it inappropriate to try and bolster an interest rate figure higher than the conditions justify. As members of the committee appreciate, the purchases of government securities by the Bank of Canada or by the various government accounts has an influence on the bond market. The purchases of insurance companies and commercial banks and large corporations are factors in determining whether the bond market is strong or weak.

Hon. Mr. HAIG: I gather from your statement that you would say the effective rate in the United States has an effect on our rates?

Hon. Mr. ABBOTT: Inevitably, senator, because, as you know, we borrow in New York. Our provinces and municipalities borrow down there. Our securities are traded there, and the economies of the two countries are so closely related that interest rates in the United States are bound to have a very significant effect on interest rates in Canada. That is inevitable.

Hon. Mr. HAIG: Well, then, it would not be fair to say that the government's action of last fall in allowing the dominion bonds to drop below 100 per cent was any positive action on the part of the government? It was just because the rates deteriorated in the United States?

Hon. Mr. ABBOTT: I think in fairness I should say that under existing conditions the government felt—and I felt as the Minister of Finance—that a modest increase in interest rates was desirable.

The CHAIRMAN: Hear, hear.

Hon. Mr. ABBOTT: The man who has bought a bond today carrying a rate of two or more per cent is getting the full amount which he contracted to receive. If he holds his bond to maturity he will get his full face value. In this country we have always paid our obligations in full, and I have no doubt we shall continue to do so. If a man has a surplus from his current earnings to invest he will invest it at the modestly higher rate that now prevails.

Hon. Mr. HAIG: Do you think the increase in interest rates has any effect on the cost of living?

Hon. Mr. ABBOTT: That is a little difficult to answer categorically. I think that the use of the interest rate as a fiscal weapon is traditionally one of the anti-inflationary measures. It is one of the measures which we are now using to control consumer credit. The banks have agreed to endeavour to maintain their existing level of credit. The insurance companies came forward voluntarily and issued a public statement that they wanted to do what they could in the investment field to counter the strong inflationary forces which exist. I believe, in spite of what may be said in some quarters of the House of Commons, that the fiscal taxation policy that I brought down in my budget is helping to achieve that end too. That is a matter on which I know opinions may differ.

Hon. Mr. LAMBERT: I should like to know, Mr. Abbott, if during the years of war financing it was anticipated in the slightest degree that this trend of higher interest rates would develop in the post-war period?

Hon. Mr. ABBOTT: I cannot say, Senator Lambert. I remember very vividly, as I am sure we all do, that during the Victory Loan Campaigns Mr. Ilesley stated that the government would see that there was an orderly and stable market for government bonds, and I say that there has been.

Hon. Mr. LAMBERT: I think the factors which have led to higher interest rates are natural enough, but I am thinking of this question now in the terms of policy in the long run. The economy in which we were supposed to be involved in common with other countries during the war was to pay for the war as much as possible as it went along, and lower interest rates were to carry that burden. Then in the post-war period with reviving trade and credits abroad, and so on, there was always to be that controlling factor of low interest rates. What do you think is wrong with that idea?

Hon. Mr. ABBOTT: I do not think there is anything wrong with it at all but I do not think any government has ever attempted to guarantee an interest rate in perpetuity. I think they would be embarking on a big undertaking. Interest rates are one of the things that are bound to fluctuate with supply and demand so long as we operate under the system under which we operate today. I think that the most any government should be expected to do would be to endeavour to see that orderly and stable market conditions for its securities were maintained; but the guarantee that government bonds issued today would bear the same coupon rate as those issued last year or the year before is something that I do not think any responsible Minister of Finance would ever contemplate.

Hon. Mr. LAMBERT: Might it be fair to say that there is no such thing as a perfectly planned economy?

Hon. Mr. ABBOTT: That is a matter of opinion, but I would agree 100 per cent with your statement that there is no such thing. Others may differ.

Hon. Mr. LAMBERT: The hopeful plans for the future, if you like, were upset by the fact that the war was not properly ended. All this war preparation has created an inflationary situation. The decontrol of things probably before they should have been decontrolled, and so on, must have had an awful lot to do with this.

Hon. Mr. ABBOTT: I think it is perfectly true that the strong inflationary forces which existed during the war were dammed up to some extent during that period and then levelled out afterwards, and then revived as a result of the heavily increased expenditures for defence which we, in common with others, are going to have to incur. I think most members of the committee will remember that it is only a little over a year ago that we appeared to be in a sort of mild depression. There was an increasing amount of unemployment, prices were softening, goods were accumulating, and so on; and I remember that in our chamber we were hearing a lot of speeches that the government ought to be doing something about this. Well, these situations can change pretty rapidly. That was only in March and April of last year, and it was all changed by the Korean development.

Hon. Mr. HAIG: What controls or manipulations would you say that you, as Minister of Finance, have taken to help to stop the spiralling of the cost of living?

Hon. Mr. ABBOTT: Well, I do not call them manipulations, senator. The various indirect means which we are using to dampen down these inflationary forces are: our fiscal policy, our taxation policy, control of consumer credit, with the co-operation of the banks the limitation of a further extension of bank

credit, a moderate increase in the interest rate, the proposal which I made for deferred depreciation, and so on. All of those, I like to think, constitute a fundamental though perhaps rather sophisticated approach towards attacking the problem, but I do believe they are attacking the problem at its roots; and judging by some of the reports I am beginning to receive it would seem that the program was beginning to bite in places.

Hon. Mr. PATERSON: Assuming that the cost of living is composed of two things, labour and interest rates—and when you boil the thing down you see that even freight rates are labour costs—if you put the interest rates down, which are the only things that have come down since the beginning of the war, you are still adding to the cost of living, are you not?

Hon. Mr. ABBOTT: Yes. In discussing things of this kind I like to think in terms of the price level rather than of the cost of living. Of course you are quite right in assuming that labour is the largest factor in the cost of goods, because even the raw material content of goods requires labour to take it out of the earth and to process it and so on. As has been said so many times before, we in this country are heavily dependent upon outside factors in the determination of our own price level, because we import so many of the things that are absolutely essential to our economy. Also, we export a lot of things which are sold in the world market and our own people have to pay the price that we can get for them outside. So I have always felt that in Canada we could not expect to have a significantly lesser degree of inflation than is experienced in the United States. We could have very considerably more if we did not manage our affairs intelligently, but in view of the very substantial portion of our trade which is done with the United States I think that is a fair statement of the position we are in. In other words, a good deal of the inflation that we get at any time is bound to be an imported inflation.

Hon. Mr. McDONALD: Mr. Abbott, I should like to ask you what you think we as Canadians can do to keep Canada as economically sound as possible. I think that some time ago you suggested there should be increased production.

Hon. Mr. ABBOTT: Well, as everybody recognizes, the fundamental cure for inflation is increased production. I am speaking generally now, not referring to increased production of one particular article or class of goods. It seemed to me a bit anomalous that at this time we as a nation should be considering indulging in greater leisure, greater defence expenditures and greater personal consumption, all at the same time. I could not just see how all that could be accomplished concurrently. As I have said before, I think that one way in which we can help to beat inflation is for everybody in his own sphere to work a little bit harder and perhaps a little bit longer.

The CHAIRMAN: What is worrying people today is the rising cost of living, the fact that their dollars do not buy as much as they used to buy. Obviously the cost of living has been enormously affected by the international policy of the western countries which has resulted in the Korean venture. If it were possible to reduce our spending as individuals, collectively, and the spending of other groups, by 20 per cent, what effect would that have on inflation? That would be going at the problem by decreasing the demand for the available supplies of goods and services.

Hon. Mr. ABBOTT: Well, I do not know that I want to give a positive answer as to what a 20 per cent reduction in private and public spending would accomplish. I think that if the reduction went as far as 20 per cent it might have some very unfortunate effects on the Canadian economy. Our defence expenditures will apparently absorb something of the order of 10 per cent of our gross national production this coming year. Now if you attempt to

curtail the consumption of goods and services beyond what is necessary to offset that, I suppose the result would be bound to be some unemployment and so on. It is a question of proportion. So far as government expenditures are concerned, I think—and I have said this repeatedly—every effort must be made to eliminate all government expenditures which are not of a high order of priority. In spite of what has been said in a good many places, I know from personal experience that we made a real drive towards that objective this year and we accomplished more in that direction than has been accomplished, in my experience, before. Of course, when you speak of government expenditures what you have to remember is that the field in which we are operating now is relatively limited. People talk about an estimated saving of \$35 million a year out of total expenditures of \$2 billion. But it is not really relevant to speak of saving \$35 million out of \$2 billion, because out of that \$2 billion only about \$500 million, aside from defence expenditures, comes in the category of controllable expenditures. In other words, \$500 million is the total annual expenditure for our ordinary government services, including the Civil Service, Agricultural Services and so on.

The CHAIRMAN: I had in mind the thought, Mr. Abbott, that if individual spending were reduced substantially that would be bound to have an effect on the spiralling of prices. Of course the defence effort would still make heavy demands, but the plain fact of the matter is that we cannot maintain the high standard of living that we have been enjoying and at the same time pay out \$1½ billion a year for defence.

Hon. Mr. ABBOTT: That is quite right. The budget this year and these other restrictive measures were designed to introduce some moderate reduction in commercial spending. I do not wish to thresh old straw, but that was one of the reasons for the additional sales tax. That is a tax on spending. In a great many cases people can avoid paying taxes by refraining from spending, and saving the money. That is true also for the additional excise tax on less essential goods. Generally, that is the purpose of some of these measures, but I do not want to suggest that under existing conditions it is either necessary or desirable that there should be any wholesale cutting back in normal spending.

Hon. Mr. ASELTINE: Would any inducement to save be offered to people by increasing the interest rate paid by banks on savings accounts?

Hon. Mr. ABBOTT: Well, I suppose there would be a build-up there, Senator. I do not know how much attention is paid in the accumulation of savings to the rate of interest paid by the banks, or the rate of interest that is available on good securities.

Hon. Mr. ASELTINE: The rate is very low.

Hon. Mr. ABBOTT: What is it, 1½ per cent?

Hon. Mr. ASELTINE: Yes.

Hon. Mr. REID: My question was really a twofold one, Mr. Abbott. It had to do with our present economic situation as we compare it to, say 1935. I am wondering, in the same way as many others are, whether or not our way of life and economic standards of today may not become stabilized. We have reached this stage by going through progressive periods, each of which was called an inflationary period, until today we are paying out large sums for say food, and at the same time looking back to the low prices of 1935. It occurs to me that we are not taking a proper perspective of conditions. What we are looking at now in the way of high prices and high wages may well become stabilized. Would you care to offer an opinion on that question?

Hon. Mr. ABBOTT: Prophecy is always a dangerous practice. I do not know the answer, but in the light of history, especially over the past couple of hundred years, there has been a gradual inflationary process going on, largely due to wars. Every major war has brought about a greater or lesser degree of inflation. Certainly the last war was no exception to that rule.

Hon. Mr. REID: My other question is coupled in with that one. Fear has been expressed in this committee about government expenditures becoming stabilized and incapable of reduction. There is a feeling that if we do drop back in our production and peace is declared, there will be a serious dislocation in our economy. The government has undertaken expenditures that cannot very well be reduced.

Hon. Mr. ABBOTT: That is a very valid subject for concern. We have built up a fairly high proportion of our total government expenditure in the form of fixed expenditures. I touched on that question a moment ago. For instance, \$400 million for public debt, \$300 million to \$400 million for Family Allowance and present Old Age Pensions, and things of that order; we are now contemplating adding to that redistribution of income—because that is what it is—another \$250 million or \$260 million a year for universal old age pension security. Those are all items which are bound to give concern to any Minister of Finance. But I am of course an optimist on the future of Canada. I have no apprehension as to the capacity of the people of this country to carry whatever burdens they see fit to put upon themselves; but I think that in deciding to undertake any of these things we should appreciate that they have to be paid for and that they will come out of current expenditures. We are in an expansionist economy, and unless the world goes to pot I don't think there is much to worry about on the long pull.

The CHAIRMAN: I would quite agree with that; however, it is the short pull that is interesting to a great many people. Are there any other questions to be asked of Mr. Abbott? I dare say he could find other work to do.

Hon. Mr. ABBOTT: This is a lot more pleasant than some of it.

Hon. Mr. HAIG: Have you any more officials like Mr. Bryce?

Hon. Mr. ABBOTT: We have a number of such men.

Hon. Mr. HAIG: He is one of the ablest men that ever has been before this committee.

Hon. Mr. ABBOTT: I told him that some senators had mentioned to me how pleased they were at the information he gave them and the way he handled the situation. Mr. Bryce is a very able and devoted public servant. He has one of the hardest jobs in the department, being secretary of the Treasury Board. The work is very exacting, but he has an able staff under him and he is a hard worker himself. As you have seen he has capacity to be able to explain what it is all about in a very lucid way.

Hon. Mr. HAIG: He never once hid behind government policy. He would say, in effect, the government policy is so and so, but here is my idea. His evidence before the committee was most acceptable.

Hon. Mr. ABBOTT: But you did not find that any of his statements ran counter to announced government policy, for like all good civil servants he is still conscious of his duties and responsibilities to implement government policy and to assist in formulating it. He may advise his Minister, but once policy is determined, like any good civil servant, he does his best to implement it.

Hon. Mr. REID: I came to the conclusion that he carried considerable weight with government policy.

Hon. Mr. ABBOTT: Well, as in most things the people who have to take advice must be able to size up the people that are giving it to them and determine whether it is worthwhile.

Hon. Mr. PATERSON: Before Mr. Abbott goes, may I ask what proportion of the present budget would be spent in the Dominion of Canada and would be circulated and subject to income tax?

Hon. Mr. ABBOTT: I would hesitate, Senator, to give any view on that point, other than to say that a fairly substantial portion of it represents direct or indirect imports. I mean, in our defence program, for instance, it is inevitable that we have to buy a good many things either in the United Kingdom or in the United States. I will not attempt to put a percentage on it, but a very high proportion would be spent right here in the Dominion of Canada—a very large proportion of it for salaries and wages, family allowances, the payment of interest on public debt, the greater part of which is held in Canada, and so on.

Hon. Mr. PATERSON: The proportion of the expenditure which is made in Canada is not such a serious matter, because it is available for taxing back again.

Hon. Mr. ABBOTT: Yes. Of course we do not want to tax it any higher than we have to.

Hon. Mr. HAIG: I have one question I would like to ask. If you feel that it is not a proper one you do not have to answer it. You have a bill on income tax in the other place, and you made some change last night. Would you mind explaining to the committee the change you made regarding corporation taxes?

Hon. Mr. ABBOTT: That is quite proper. It is a matter of public information. Under the 20 per cent surcharge on corporation profits I had announced that that would not apply to the extent that it had the effect of reducing the corporation's profits below 5 per cent on capital employed. That involved arriving at a definition of what constitutes "capital employed". We have been working on that for months with all the best available assistance I could get, and as I explained in the Commons last night, I have just found that it is impossible at this time to arrive at a definition which will be fair to all taxpayers. So that has been dropped.

Hon. Mr. HAIG: Thank you.

Hon. Mr. ABBOTT: So the 20 per cent surcharge applies right across the board. As I said, I had in mind more particularly those corporations whose rates were publicly controlled. But it just won't work.

Hon. Mr. BURCHILL: There is a case in point as far as I am concerned. I am interested in a public utility company.

Hon. Mr. ABBOTT: I know.

Hon. Mr. BURCHILL: It went to the Public Utilities Board and made application for reduced rates to take care of a policy which was based, as far as we could see at the time, on present and future costs and so on. Those rates seemed to be a bit exorbitant in the light of all the information we had at the moment. But in view of the present budget we are right back in the red again, and we are in a position now where we have simply got to go right back again, repeat the process, and go back to the Public Utilities Board and ask for increased rates on account of the increased taxation.

Hon. Mr. ABBOTT: What so few people realize in connection with the increase in corporation taxes is that these taxes have to be passed on to the people who either buy the corporation's services or buy the commodities which it makes.

Hon. Mr. BURCHILL: Hear, hear.

Hon. Mr. ABBOTT: It cannot be otherwise. It is obvious. Some of it may be squeezed out of profits, of course, but in essence the tax has to be distributed over the corporation's customers. There cannot be any other way, because the corporation has not any other way to get money than from its customers. It is a soulless body; as the phrase goes, a creation of the law.

Hon. Mr. BURCHILL: We were hoping you would find a definition for that.

Hon. Mr. ABBOTT: Well, I did my best, but I failed.

Hon. Mr. HUGESSEN: I think the lawyers on the committee—

Hon. Mr. ABBOTT: —will appreciate why I failed? Yes, I think so. Those of us who had any experience of the excess profits tax during the war will realize that I meant well, but I could not do it.

Hon. Mr. HUGESSEN: As soon as I saw that announcement I thought you were asking for trouble.

Hon. Mr. ABBOTT: Yes. I had a try, but I could not get anywhere.

Hon. Mr. HAIG: I think we appreciate very much the Minister of Finance having come here and given us this fairly full and free discussion. I say for myself, and I think I can say for the committee, that we appreciate it very much, and I think I voice the views of all of us. We are not trying to criticize you, Mr. Abbott, we are not trying to boost you; we are just trying to get at the facts; and if we can in any possible way help you and help the government to reduce expenditures, if it is possible in any way, we want to look carefully at them with that in view.

Hon. Mr. ABBOTT: Thank you very much. I always enjoy coming here to these committees. I find the discussions are carried on in a very calm, objective way. It gives me an opportunity of explaining some of the problems we have and the reasons why I am doing some of these things.

Hon. Mr. BEAUBIEN: It is a good place to get facts.

The CHAIRMAN: Any further questions? If not, I think we may express our thanks to Mr. Abbott for giving us three-quarters of an hour, and hope to see him back again some time.

The Committee then adjourned.

1951

THE SENATE OF CANADA



PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

FINANCE

on the expenditures proposed by the Estimates laid
before Parliament for the fiscal year ending
March 31, 1952

No. 12

Wednesday, June 20, 1951

THE HONOURABLE THOMAS A. CRERAR, P.C.,
CHAIRMAN

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OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1951

STANDING COMMITTEE ON FINANCE

The Honourable Thomas A. CRERAR, P.C., Chairman

The Honourable Senators

Aseltine	Golding	McKeen
Baird	Gouin	McLean
Barbour	Haig	Paterson
Basha	Hayden	Petten
Beaubien	Horner	Pirie
Bouffard	Howard	Quinton
Buchanan	Howden	Reid
Burchill	Hugessen	Robertson
Campbell	Hurtubise	Roebuck
Crerar	Hushion	Ross
Davies	Isnor	Taylor
DuTremblay	King	Turgeon
Euler	Lacasse	Vaillancourt
Fafard	Lambert	Vien
Farquhar	McDonald	Veniot
Farris	McIntyre	Wilson
Fogo		

ORDER OF REFERENCE

EXTRACT from the Minutes of the Proceedings of the Senate, Wednesday, March 14, 1951.

“That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1952, in advance of the Bills based on the said estimates reaching the Senate: That it be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal governments in Canada, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records.”

L. C. MOYER,
Clerk of the Senate.

MINUTES OF THE PROCEEDINGS

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 5.40 p.m.

Present: The Honourable Senators:—Crerar, Chairman; Beaubien, Bouffard, Burchill, Fogo, Golding, Howden, Lambert and Taylor—9.

Consideration of the order of reference of March 14, 1951, was concluded.

A draft report was considered and adopted.

At 5.50 p.m. the Committee adjourned to the call of the Chairman.

Attest.

JOHN A. HINDS,
Clerk of the Committee.

The Standing Committee on Finance to whom was referred the Estimates laid before Parliament for the fiscal year ending March 31, 1952, have in obedience to the order of reference of March 14, 1951, examined the said Estimates and now beg leave to report as follows:—

The Main Estimates for Government expenditures in the present fiscal year that began April 1 were given to the House of Commons on March 12 and to the Senate a day or two later. On March 14 the Senate adopted the following Resolution:

ORDER OF REFERENCE

That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1952, in advance of the Bills based on the said Estimates reaching the Senate: That it be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal Governments in Canada, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records.

Prior to the Easter adjournment steps had been taken to secure from the appropriate Government Departments certain statistical data which were available to your Committee when it resumed its work at the beginning of May. An examination of these statistical data was decided upon, to ascertain as far as possible what effect government spending at all levels of government had on the rising cost-of-living, or in other words on the inflationary pressure that produced these rising costs.

With this end in view the Committee examined the totals of proposed Federal Government expenditures for the current year and noted the comparison of these expenditures with the fiscal year ending March 31, 1939, which was taken as a base year. The expenditures in the fiscal years ending 1950 and 1951 were also compared with the expenditures proposed for the fiscal year ending 1952, shown in the Estimates under consideration.

The data covering this are shown in Exhibit 1 appended to this report. This Exhibit is a summary of annual estimates by standard objects of expenditures and special categories:

- (a) The expenditures brought about through defence preparations are shown under the heading of "National Defence and Defence Production".
- (b) For Departments other than National Defence and Defence Production, which can be said to be the ordinary civilian expenses of Government.
- (c) A combination of these under the heading of "Totals for all Departments".

Explanatory notes of each of these items of expenditure are appended to Exhibit 1. The increases in practically all Departments of our Federal Government, even measured in 1939 dollars, are very significant. They should be a matter for concern and should be clearly studied in relation to the problem

of taxation and the increasing burden on our economy. An apparatus of Government whose costs increase more rapidly than the increase in population and the production of new wealth, can lead to serious dangers to the state as a whole.

Exhibit 2 shows the combined revenues and expenditures for all Governments in Canada, Federal, Provincial and Municipal, for the years 1939, again taken as a base year, and for 1948 and 1949. There is included also a similar preliminary estimate for 1950. It is important to point out here that the statement of revenue does not include inter-governmental transfers. For example, the Federal Government pays statutory subsidies to the Provinces and substantial sums under the fiscal agreements with the provinces who rented their right to collect income and corporation taxes to the Federal authority.

Your Committee desires to draw special attention to this statement, Exhibit 2. It indicates the sources from which revenues are secured by each of the levels of Government and also the purposes for which the revenue thus secured is expended. For illustration, it indicates the cost of servicing the overall public debt of Canada, which increased from approximately \$264 million in 1939 to over \$492 million in 1949, and is now well over \$500 million. Almost all of this increase was due to the expenditures incurred in the second world war. It also indicates the great increase in social service expenditures over the same period in the country's progress to the ideal of the welfare state. Under this heading the increase, exclusive of soldiers pensions and care, was from approximately \$208 million to over \$800 million in 1949. This type of expenditure continues to increase.

Exhibit 3 is a statement of national income and gross national product in each year from 1939 to 1950, with a few explanatory notes. It is important here to draw a distinction between gross national product and net national income. Gross national product is the gross income of all the people of Canada from all sources, which can be compared to the gross income of a business corporation or a farmer or a labouring man. To arrive at the net national income certain deductions must be made from the gross product. In the course of a year machinery employed has to be depreciated in value because it may become out of date, or because ordinary wear and tear makes it less valuable at the end of the year than at the beginning of the year. The same thing is true of houses and automobiles. When all of these and similar charges are put together they are deducted from the gross product and the result may be described as the net national income. From this total of national income of all the people in Canada their total living expenses have to be deducted and since Canadians enjoy a high standard of living this amount is the major item. In the second place, from the national income of all the people in Canada there has to be deducted the amount they pay in taxes to their various governments. Broadly speaking, what is left is the volume of savings, from which expansion and further development takes place, which may be invested in life insurance policies or annuities or retained by individual Canadians as a provision against a rainy day. It is a matter for concern that in the past few years personal savings have shown a rather marked tendency to decline in volume. In his recent budget speech the Finance Minister drew attention to the importance of this matter of personal savings in the following words.

"It is to the interest of every Canadian to make the maximum effort to save, or to increase the level of his saving, as a direct contribution to the avoidance of inflation and the successful prosecution of the defence program. The money saved can be used to buy Canada savings bonds, or to pay off the mortgage on his house or farm more rapidly, or to speed up the repayment of other debts, or to increase his savings in any

other form that suits his individual circumstances. The important thing is to achieve an increase in aggregate saving up to a level at least equal to the new capital investment which we shall have to make this year."

Your Committee considered it of first importance that individual Canadians as far as possible get a clear understanding of what this means. If individual Canadians spend their substance foolishly or unwisely, if they are lazy and thriftless, without any doubt they create problems for themselves and for their governments. If governments, in response to public pressures, spend money foolishly or unnecessarily, they put heavier burdens on taxpayers and create political discontent and unrest. If political parties try to rival each other, in promises to the electorate, seeking in this way to gain political support, they are doing a real disservice to our country. The easy road is rarely a wise or prudent one to follow. Scarcely a week passes without some group of people, or some organization, pressing upon some government, somewhere in Canada, some project for spending more public money. The result of this is that we have reached a stage in practically all levels of Government in Canada where those in authority are seeking some new tax, hidden or unhidden, through which they can meet the demands made upon them. This course, if persisted in, is fatal to our well being as a people.

As a result of much loose talking and superficial thinking, the notion has grown alarmingly in the minds of a great many people that governments get their money in some mysterious fashion; that part of the responsibility of governments is to solve the problems of communities and individuals which these communities and individuals should solve for themselves. In this way individual self-reliance and initiative is undermined. The wilderness which a few hundred years ago was the Canada we know today was not developed in this way.

In the judgment of your Committee the steady growth that has been apparent now for quite a number of years, of dependence upon the state, can lead to only one of two results: Either in a steady increase in the power of the state over the right of the citizens, or the breakdown of democratic representative government as we have understood it and practised it in the past. The lessons of history in this respect are clear for all to read.

In Exhibit 4 is given a table of the number of Civil Service employees of the Government of Canada, again taking 1939 as a base year and giving the numbers for the years 1948-49-50-51. A cool examination of this table will convey an idea of the growth in government services. It was of course inevitable during the war years that there would be great expansion in the number of government servants, but one could have hoped that in the years following the war, and especially five years after the war was over, that the number would have diminished. Instead of this there has been a steady expansion. Your Committee had not the data available of the trends in this respect at other levels of government of Canada, that is provincial and municipal, but it believes that these other levels of government would show quite substantial increases also.

Exhibit 5 shows the movement of the cost-of-living index. This index has shown an alarming increase since the end of World War 2. It is the visual evidence of inflationary processes that are working in the Canadian economy. This condition is not alone the experience of Canada. It is a problem that is met with today in every democratic country in the world. The cause of this inflation can be stated briefly as too much spending against too few goods. There is no doubt that the methods necessary in financing World War 2 created

tremendous inflationary pressures. This has been the experience of all wars of any magnitude; but because World War 2 was world wide in the incidence of the struggle, these pressures were generated on a scale never before experienced; and the reason is simple. War is a terribly destructive thing in its effect on any economy. It creates tremendous expansion of credit and money and democratic peoples have not yet learned the lesson of the great dangers inherent in this, and lack the self-discipline necessary to get back again on to solid ground. Moreover, it must be said that the financial policies followed by governments since the end of the war were not always wisely directed to bring this lurking menace under effective control.

During the war all economic activities rightly were directed to winning the war; but this process continued over four years created an immense void throughout the world of consumer goods of all kinds. There was superimposed upon this, greatly expanded social welfare expenditures. In other words, payments by governments out of their treasuries for social welfare budgets of one kind and another. Your Committee is not discussing here the necessity or otherwise of these expenditures; but it ventures to say that their effect in producing additional inflationary pressures cannot be successfully challenged.

Another important point may be noted here. If labour costs rise, without an equivalent increase in production per unit of labour, these increased costs are almost always added to the cost of goods or services, and thus in effect are inflationary. As at end of May the cost of living had increased 82 per cent in the last twelve years. The general index for wages, according to a recent release from the Minister of Labour, stood at 225.5 for April 1951 compared with 100 in 1939. The Finance Minister in his recent budget speech stated "Statistics and charts in the white paper I have tabled indicate that there has been no measurable increase in per capita productivity during the past five years." It would thus appear that the increase in productivity that has taken place, has been due almost wholly to the increase in the labour force at work. If wages rise without a corresponding increase in productivity the effect of this is bound to be inflationary on prices. No solution can be found in prices chasing wages and wages chasing prices in a dizzy spiral that has already reached a dangerous height.

Business corporations large and small and business concerns of individuals seek to protect themselves against rising costs, whether from labour costs or government taxes of various kinds, by putting them into the price the consumer pays.

The extent of this inflation can be measured in another way. In 1950 our gross national production reached almost eighteen billion dollars. Measured in terms of 1939 dollars, it would have been slightly less than ten billions. This indicates how inflation can deceive us and distort the perspective of our economy. There can be no doubt that the inflation that has taken place in our economy in recent years is a very serious thing. A rising inflation in a country's economy is like a deadly unknown virus in the bloodstream of an individual. When inflationary pressures are at work it is of vital importance that Governments, at all levels, practice the most rigid economy and above all avoid going further into debt. There is little point in their urging individual citizens to economize if they do not themselves set a good example.

Your Committee pays a compliment to the Minister of Finance for the warning he gave in his budget speech on the grave dangers that are lurking, unsuspected by the vast majority of Canadians, in these inflationary processes that are at work. The white paper given to Parliament at the time the budget speech was delivered gave a vast amount of very useful information to Parlia-

ment. Any member of Parliament, or any other citizen who studies it can get a fair knowledge of the working of the Canadian economy. Difficult as it may be for the people in a democratic society to interest themselves in this matter, a clear understanding of it is vital to the maintenance of our so-called way of life.

In his budget speech the Finance Minister indicated his expectation that our gross national product in the present fiscal year would be about twenty billion dollars. This should give a net national income of at least sixteen billion dollars. The information given your Committee indicates that expenditures of all governments, Federal, Provincial and Municipal this year will be over five billions. In other words, approximately one-third of the net national income of all Canadians will be paid to their governments in taxes. Here the big item of increase is of course the increased defence expenditures, which, in the state of the world today, cannot be avoided. As a result of this heavy load of taxation, combined with the high standard of living we are endeavouring to maintain as a people, the volume of savings out of which new development must take place, as already indicated, is shrinking in an alarming way. The stern necessity rests upon governments and upon individual Canadian citizens in these dangerous days through which we are passing to economize in their expenditures. The people must be encouraged to build up their savings. The proposed pension legislation that everyone appears to be clamouring for, will probably add four hundred million dollars to our total of expenditures, and the greater part of this, for many years to come, will have to be met out of current production. No one can accurately forecast the future, but we do know that the grim depression of the thirty's was set in motion by the collapse of an inflationary boom present in the world for the previous eight or ten years. There is no question that the Canadian economy cannot avoid being profoundly affected by what happens in other countries and especially today in the United States. The uncertainty of what lies ahead is the strongest possible reason to guard against building an edifice of fixed expenditures which, if dark days should come upon us, our economy could not possibly carry.

It is important that the Canadian people realize that inflation, in the sense of its impact upon our daily living and the uncertainty and fear it generates as to what may happen in the future, can have a paralyzing effect not only on our economy, but as well upon the steadiness of thinking in the individual citizen, that is the mainspring of what we describe as our democratic way of life. We need a clear understanding that this danger if allowed to proceed unchecked will bring serious and grave hardships to hundreds of thousands of our people. It thus becomes the duty of every citizen to do, as far as he can, his part in combating it. To that end he must understand that an increase in our savings and an increase in production of goods and services is a vitally important matter.

Most human beings would like to maintain or increase their standard of living by working fewer hours per day, or week or month, and at the same time increase the returns they get for their contribution to our society. But if an individual works fewer hours per week and does not produce the same volume of product that he produced working longer hours per week, and if he gets a higher monthly return for this reduced volume of production, then without any question prices will tend to rise and thus the flames of inflation are fed and grow. And if any section of our community increases the share it gets out of the total productive effort then some other section of the community has of necessity to take less. It is a lamentable fact that the worthy citizens who tried to protect their future needs by saving, by life insurance or annuities, are today the people who are suffering most grievously, for the simple reason that inflation has produced a condition where the income derived from savings

or life insurance or annuities buys little more than half of the things it would have bought twelve years ago. Year by year his position has been growing worse. Suggestions have been made that governments can control this by taking full and ample power to direct and supervise the day to day living of the ordinary citizens. Russia is probably the supreme example today of this kind of government control. Here criticism of the government is forbidden. The press can publish only what the government ordains. Freedom of speech, freedom of worship, indeed freedom in any of its aspects, disappears. The state, as represented in the few people who govern it, becomes the all-powerful agent. Initiative, self-reliance and all the other virtues we associate with high character in the individual disappears and the human family in such a state sinks gradually and inexorably to lower and lower levels, spiritually and materially.

These may be regarded as strong words and not appropriate for a report of this kind, but your Committee feels that they are facts that should be pondered and weighed by every citizen. Governments of course have their special responsibilities. They are the ones to whom people look for leadership. The people also have their responsibilities and the most important is that they do not press their governments into unwise policies and unwise expenditures. Indeed, they have another responsibility, and that is through the agencies of the press and public opinion to check and admonish governments when they pursue unwise policies or unwise expenditures.

Your Committee suggests that the Government should keep to the lowest point possible all capital expenditures of every kind excepting those essential to defence, to provide the minimum of housing necessary and those expenditures that are normally directed to increasing the production of goods and services required by the Canadian people. Where expenditures are made on any of these items, including defence spending, efficiency and economy consistent with attaining the end in view should be the watchwords guiding them.

Your Committee would suggest further that the Federal Government as the senior government, should seek the co-operation of the provincial and municipal governments to adopt this same policy. It is true that these governments are largely sovereign in their own spheres of government, but we venture to say that their assistance should be sought and, in as large a measure as possible, secured.

Your Committee concludes its report with this observation. In its judgment no finer body of citizens exist in any country than is to be found in Canada. The proof lies in what they have achieved in the eighty years since the scattered colonies that then existed in what is now Canada were brought together in one confederation. In this eighty odd years half a continent has been developed. The necessary organs of government have been created. Educational opportunities through the development of schools and universities have marched forward with the needs of the people. Our standard of living is as high as in any country in the world, measured by the indices that measure a standard of living. No country in the world provides greater opportunities to the young and daring. The virtues of self-reliance and initiative and sympathy and forbearance, and a sense of justice and fair play have made the Canadian people what they are today. One of the supreme responsibilities of all governments is to exercise wisely their power and influence to maintain and further develop these virtues, for the character of a nation is but the sum total of the character of its citizens.

Your Committee wishes to express its thanks to the witnesses who appeared before it for the assistance they gave the Committee in carrying out its work.

All of which is respectfully submitted.

T. A. CRERAR,
Chairman.

EXHIBIT No. 1

SUMMARY OF ANNUAL ESTIMATES BY STANDARD OBJECTS OF EXPENDITURES AND SPECIAL CATEGORIES

NATIONAL DEFENCE AND *DEFENCE PRODUCTION

	1938-39 (000's omitted)	1949-50 (000's omitted)	1950-51 (000's omitted)	1951-52 (000's omitted)
(1) Civil Salaries and Wages.....	\$ 2,586	\$ 41,611	\$ 44,625	\$ 61,035
(2) Civilian Allowances.....	2	316	487	1,191
(3) Pay and Allowances Defence Forces, and R.C.M. Police.....	11,395	112,526	138,346	209,184
(4) Professional and Special Services.....	198	3,897	4,822	8,771
(5) Travelling and Removal Expenses.....	1,101	10,964	13,985	22,363
(6) Freight, Express and Cartage.....	167	5,974	8,660	10,935
(7) Postage.....	6	253	255	483
(8) Telephones, Telegrams, and Other Communica- tion Services.....	57	2,074	2,409	3,689
(9) Printing of Departmental Reports and Other Publications.....		1,276	1,381	2,269
(10) Films, Displays, Broadcasting, Advertising, etc.	5	1,022	1,995	3,862
(11) Office Stationery, Supplies, Equipment and Furnishings.....	232	1,622	2,488	6,327
(12) Materials and Supplies.....	190	64,568	108,225	375,918
Buildings and Works, including Land—				
(13) Acquisition and Construction.....	4,261	52,384	57,750	362,767
(14) Repairs and Upkeep.....	1,046	15,448	20,537	30,334
(15) Rental.....		840	974	1,086
Equipment—				
(16) Acquisition and Construction.....	12,265	73,988	127,142	737,444
(17) Repairs and Upkeep.....	588	45,604	62,074	131,333
(18) Rentals.....				
(19) Municipal and Public Utility Services.....		2,964	3,402	3,702
(20) Grants, Subsidies, etc., not included elsewhere..	104	1,383	4,190	2,320
(21) Pensions, Superannuation and Other Benefits....	2	14,365	16,163	22,214
(22) All Other Expenditures (other than Special Cate- gories).....	1,772	6,838	205,859	180,096
Total Standard Objects.....	\$ 35,967	\$ 459,957	\$ 825,769	\$2,177,323
(23)-(33) Special Categories.....				
Total Standard Objects and Special Categories.....	\$ 35,967	\$ 459,957	\$ 825,769	\$2,177,323
(34) Less Estimated Savings and Recoverable Items..		68,823	55,186	513,111
Net Total Estimated Expenditures.....	\$ 35,967	\$ 391,134	\$ 770,583	\$1,664,212

* No provision for Defence Production during 1938-39. For 1949-50, only Canadian Arsenals, Limited, is included in the figures in this table.

DEPARTMENTS OTHER THAN NATIONAL DEFENCE AND DEFENCE PRODUCTION

	1938-39 (000's omitted)	1949-50 (000's omitted)	1950-51 (000's omitted)	1951-52 (000's omitted)
(1) Civil salaries and wages.....	\$ 74,271	\$ 276,741	\$ 282,157	\$ 301,856
(2) Civilian allowances.....	1,183	5,172	5,964	6,393
(3) Pay and allowances, R.C.M. Police.....	3,750	8,227	10,157	14,588
(4) Professional and special services.....	4,104	22,155	24,041	26,676
(5) Travelling and removal expenses.....	3,504	12,808	13,802	13,946
(6) Freight, express and cartage.....	479	2,097	2,159	2,379
(7) Postage.....	449	2,918	3,092	3,023
(8) Telephones, telegrams and other communica- tion services.....	689	4,475	4,635	4,859
(9) Printing of departmental reports and other publi- cations.....		3,950	4,018	3,905
(10) Films, displays, broadcasting, advertising, etc....	1,794	4,373	5,083	4,850
(11) Office stationery, supplies, equipment and fur- nishings.....	2,464	11,356	11,500	11,235
(12) Materials and supplies.....	5,957	32,920	37,601	39,438
<i>Buildings and works, including land</i>				
(13) Acquisition and construction.....	30,631	144,949	145,634	114,252
(14) Repairs and upkeep.....	2,958	15,103	18,944	15,643
(15) Rentals.....	1,763	7,194	8,031	8,034
<i>Equipment</i>				
(16) Acquisition and construction.....	2,013	16,482	19,200	15,695
(17) Repairs and upkeep.....	584	4,386	5,017	5,056
(18) Rentals.....		597	886	774
(19) Municipal and public utility services.....	924	4,371	5,334	5,717
(20) Grants, subsidies, etc., not included elsewhere....	50,629	116,023	105,591	60,163
(21) Pensions, superannuation and other benefits.....	5,446	9,168	11,132	12,406
(22) All other expenditure (other than special cate- gories).....	12,254	33,471	19,175	14,319
Total standard objects.....	\$ 205,846	\$ 738,936	\$ 743,153	\$ 685,207
<i>Special categories</i>				
(23) Interest on public debt and other debt charges... ..	132,368	451,441	433,046	437,642
(24) Subsidies and special payments to the provinces..	21,210	127,365	106,335	115,135
(25) Family Allowance payments.....		284,880	307,000	320,000
(26) Old Age Pensions, including pensions to blind....	30,541	74,646	104,697	111,350
(27) Veterans disability pensions and other payments under the Pension Act.....	40,920	101,589	99,739	97,105
(28) Other payments to veterans and dependents.....	9,445	92,929	63,575	54,156
(29) Government's contribution to the Unemploy- ment Insurance Fund.....		23,000	23,000	27,500
(30) General health grants.....		33,200	25,000	25,000
(31) Trans-Canada Highway contributions.....			20,250	15,000
(32) Movement of mail by land, air and water (Post Office).....	15,574	34,104	33,557	36,471
(33) Deficits—Government owned enterprises.....	57,185	49,407	3,238	2,604
Total special categories.....	\$ 307,243	\$1,272,561	\$1,219,437	\$1,241,963
Total standard objects and special categories.....	513,089	2,011,497	1,962,590	1,927,170
(34) Less estimated savings and recoverable items....	104	2,582	4,618	4,466
Net total estimated expenditures.....	\$ 512,985	\$2,008,915	\$1,957,972	\$1,922,704

STANDING COMMITTEE

TOTAL, ALL DEPARTMENTS

	1938-39 (000's omitted)	1949-50 (000's omitted)	1950-51 (000's omitted)	1951-52 (000's omitted)
(1) Civil Salaries and Wages.....	\$ 76,857	\$ 318,352	\$ 326,782	\$ 362,891
(2) Civilian Allowances.....	1,185	5,488	6,451	7,584
(3) Pay and Allowances, Defence Forces and R.C.M. Police.....	15,145	120,753	148,503	223,772
(4) Professional and Special Services.....	4,302	26,052	28,863	35,447
(5) Travelling and Removal Expenses.....	4,605	23,772	27,787	36,309
(6) Freight, Express and Cartage.....	646	8,071	10,819	13,314
(7) Postage.....	455	3,171	3,347	3,506
(8) Telephones, Telegrams and other Communication Services.....	746	6,549	7,044	8,548
(9) Printing of Departmental Reports and other publications.....		5,226	5,399	6,174
(10) Films, Displays, Broadcasting, Advertising, etc.	1,799	5,395	7,078	8,712
(11) Office Stationery, Supplies, Equipment and Fur- nishings.....	2,696	13,018	13,988	17,562
(12) Materials and Supplies.....	6,147	97,488	145,826	415,356
<i>Buildings and Works, including Land—</i>				
(13) Acquisition and Construction.....	34,892	197,333	203,384	477,019
(14) Repairs and Upkeep.....	4,004	30,551	39,481	45,977
(15) Rentals.....	1,763	7,034	9,005	9,120
<i>Equipment—</i>				
(16) Acquisition and Construction.....	14,278	90,470	146,342	753,139
(17) Repairs and Upkeep.....	1,172	49,990	67,091	136,389
(18) Rentals.....		597	886	774
(19) Municipal and Public Utility Services.....	924	8,335	8,736	9,419
(20) Grants, Subsidies, etc., Not included Elsewhere.....	50,733	117,406	109,781	62,483
(21) Pensions, Superannuation and Other Benefits.....	5,448	23,533	27,295	34,620
(22) All other Expenditures (Other than Special Categories).....	14,016	40,309	225,034	194,415
Total Standard Objects.....	\$ 241,813	\$1,198,893	\$1,568,922	\$2,862,530
<i>Special Categories—</i>				
(23) Interest on Public Debt and other Debt Charges.....	\$ 132,368	\$ 451,441	\$ 433,046	\$ 437,642
(24) Subsidies and Special Payments to the Provinces.....	21,210	127,365	106,335	115,135
(25) Family Allowance Payments.....		284,880	307,000	320,000
(26) Old Age Pensions, including Pensions to the Blind.....	30,541	74,646	104,697	111,350
(27) Veterans Disability Pensions and Other Pay- ments under the Pension Act.....	40,920	101,589	99,739	97,105
(28) Other Payments to Veterans and Dependents....	9,445	92,929	63,575	54,156
(29) Government's Contribution to the Unemploy- ment Insurance Fund.....		23,000	23,000	27,500
(30) General Health Grants.....		33,200	25,000	25,000
(31) Trans-Canada Highway Contributions.....			20,250	15,000
(32) Movement of Mail by Land, Air and Water (Post Office).....	15,574	34,104	33,557	36,471
(33) Deficits—Government Owned Enterprises.....	57,185	49,407	3,238	2,604
Total Special Categories.....	307,243	1,272,561	1,219,437	1,241,963
Total Standard Objects and Special Categories..	549,056	2,471,454	2,788,359	4,104,493
(34) Less Estimated Savings and Recoverable Items.....	104	71,405	59,804	517,577
Net Total Estimated Expenditures.....	\$ 548,952	\$2,400,049	\$2,728,555	\$3,586,916

EXPLANATORY NOTES COVERING THE STANDARD OBJECTS OF
EXPENDITURE AND SPECIAL CATEGORIES

STANDARD OBJECTS (Items 1 to 22)

1. Civil Salaries and Wages

Includes salaries and wages of all civilian full time, part time, seasonal and casual personnel normally considered as "Government Employees" (but does not include employees of Crown Companies and such Agencies) whether paid at hourly, daily, weekly, monthly or annual rates of pay and includes overtime or any other special pay. It also includes Judges' salaries, those of the Governor General and Lieutenant Governors and the indemnities to Members of both Houses of Parliament but does not include workers taken on for specific works projects where wages and all other costs would enter into the total cost of the project.

2. Civilian Allowances

Includes Living Allowances, Special Stenographic Allowances, Living and Representation Allowances Abroad, Special Service Allowances, Mileage Allowances to Railway Mail Service Staffs, Allowances for Assistants, Northern Allowances, Isolation Allowances, Board and Subsistence Allowances and other such allowances for civilian Government Employees. Also includes Ministers' Motor Car Allowances and the Expense Allowances to Senators and Members of the House of Commons.

3. Pay and Allowances—Defence Forces and R.C.M. Police

Includes Pay and all types of allowances (except travel allowances included in Item No. 5 below) payable to members of the Defence Forces and the Royal Canadian Mounted Police, including Subsistence Allowances and other perquisites common to such Services.

4. Professional and Special Services

Includes all expenditures in the nature of fees, commissions, etc., for professional and special services, such as Outside Medical, Dental and Legal Services; Architects, Consulting Engineers and Analysts' fees; Corps of Commissionaires Services, Accountants, Outside Reporting Services, Outside Doctors and Nurses for Veterans' Treatment and Examination of Pension Applicants and other Outside Technical, Professional and Other Expert Assistance, Outside Hospital Treatment and Care, Payments to Church Organizations for Indian Education, Annuities and Other Agents paid on a fee or commission basis, outside translations and writers' fees, and all other outside Services. It includes Operational and Maintenance Services performed under contract other than those more properly classified under other more specific Objects, such as the Marconi-operated Radio Stations of the Department of Transport which are included in Item No. 8, "Telephones, Telegrams and Other Communication Services".

5. Travelling and Removal Expenses

Includes Travelling, Transportation and Removal Expenses of Government Employees, Members of the Defence Forces and the Royal Canadian Mounted Police. It includes living and other expenses of such persons on travel status, Judges' travelling expenses and travelling expenses and allowances payable to Senators and Members of the House of Commons. Also includes transporta-

tion of persons by contract and chartered flights, automobile mileage, aeroplane fares, local transportation, etc. Does not include Travelling and Transportation of other than Government Employees such as Deports, Applicants for Treatment or Pensions (Veterans), etc., which are classified under item No. 22, "All Other Expenditures".

6. *Freight, Express and Cartage*

Includes cost of transporting all types of supplies, materials and equipment, etc., from the movement of mails from city Post Offices to the various Government Departments to the movement of heavy equipment between camps and other establishments of the Defence Services. Movements of material and supplies for works projects would normally be included in the cost of the project. Movement of mails for the Post Office Department by Railway, Boat, Air and Rural Mail Delivery, is classed separately under Item No. 32 below.

7. *Postage*

Includes ordinary postage, air mail, registered mail, special delivery mail, Post Office Box rentals and any other forms of postal communication. Does not, of course, include provision for mail enjoying the "frank" privilege.

8. *Telephones, Telegrams and Other Communication Services*

Includes all costs of communication services by telephone, telegram, cable, teletype, radio and wireless communication, courier services, and includes tolls, rates, rentals and other communication costs such as Courier Service provided by Outside Agencies and Communication Services performed under contract such as the Marconi-operated Radio Stations of the Department of Transport.

9. *Printing of Departmental Reports and Other Publications*

Includes printing, binding, engraving, lithographing, etc., of all Departmental Reports and Other Publications, including Informational and Educational bulletins, pamphlets and other publications respecting matters of a National interest; publications on scientific and technical matters, natural resources, statistics and other such material; *Hansard* and other Parliamentary Papers. The printing of forms and other stationery is included in Item No. 11.

10. *Films, Displays, Advertising and Other Informational Publicity with the exception of Publications*

Includes provision for Films, Displays and other Visual Materials; Advertising for publicity and general purposes such as for bids, tenders, purchase or sale of properties and publication of proclamations, announcements, notices, etc., and other forms of educational and informational publicity by Radio, Poster, Press and other means. Total provision for the National Film Board is coded to this Item.

11. *Office Stationery, Supplies, Equipment and Furnishings*

Includes stationery, envelopes, blotting paper and other office supplies such as pens, pencils, erasers, ink, etc.; drafting and artists supplies; printed forms and letterheads; ledger sheets; carbon paper, stencils and other paper supplies; the purchase, repairs and rentals of office appliances, typewriters, adding machines, calculators, recording machines, tabulating machines, machine records and all other office equipment; also includes desks, chairs, tables, filing cabinets and such office furnishings.

12. *Materials and Supplies*

Includes expenditures for Materials and Supplies required for normal operation and maintenance of Government Services, other than Stationery and Office Supplies and furnishings, such as fuel for ships, planes, transport, heating, etc.; feed for livestock; food and other supplies for ships and other establishments; livestock purchased for ultimate consumption; seed for farming operations; food, clothing and other supplies for sick and indigent Indians; uniforms and kits; coining and refining supplies for the Mint; laboratory and scientific supplies; supplies for surveys, investigations, etc.; chemicals; hospital, surgical and medical supplies; mail bags for transportation of the mails; car service supplies, lumber and other building materials required in the ordinary minor repair, maintenance and upkeep of public buildings and works (as distinct from more or less capital improvement and repair projects specifically provided for); coal, wood and electrical supplies, and all other materials and supplies other than those purchased for a particular construction or repair project which would ordinarily be charged to such project.

13. *Acquisition or Construction of Buildings and Works, including Acquisition of Land*

Includes provision for all expenditures on new construction of buildings, roads, irrigation works, canals, airports, wharfs, bridges or other such type of fixed asset. It includes major improvements involving changes of a structural nature and also the installed cost of fixed equipment which is essentially a part of the structure such as elevators, heating and ventilating equipment, etc. Also included is provision for the purchase of land.

14. *Repairs and Upkeep of Buildings and Works*

Includes materials and other costs entering directly into the cost of major or extraordinary repair and upkeep of the type of durable physical assets indicated under Item No. 13 above (as distinct from ordinary minor repair and upkeep works undertaken by a Department with its own staff in the normal course of its functions).

15. *Rentals of Land, Buildings and Works*

Includes provision for rentals of properties required for special purposes by the various Departments, and for accommodation of Government Offices and Services by the Department of Public Works.

16. *Acquisition or Construction of Equipment*

Includes all new items of machinery and equipment, other than office equipment, and includes motor vehicles, aeroplanes, tractors, road equipment, laboratory and other scientific equipment, vessels, icebreakers, and other aids to navigation and all other types of light and heavy equipment and includes various types of such equipment for National Defence, such as ships, aircraft, mechanical equipment, fighting vehicles, weapons, engines and spares, etc. Also included are livestock, horses and dogs purchased for employment as such rather than for ultimate consumption. (See Item No. 12 above).

17. *Repairs and Upkeep of Equipment*

Includes all materials, repair parts and other costs entering directly into the cost of repair and upkeep of the equipment indicated in Item No. 16 above.

18. *Rentals of Equipment*

Includes provision for hire and charter of vessels and aircraft for other than "Travelling"; Plant and Equipment; and all other equipment rentals other than office machines and equipment which are included under Item No. 11, "Office Stationery, Supplies, Equipment and Furnishings".

19. *Municipal or Public Utility Services*

Includes provision for all expenditures incurred for the supply of water, electricity, gas, etc., such as water rates, light, power and gas services; taxes and water rates on diplomatic properties, and charges of that nature. Also includes payments to Municipalities in lieu of Taxes.

20. *Contributions, Grants, Subsidies, etc., Not included Elsewhere*

Includes provision for Canadian participation in International and Commonwealth Organizations; contributions of Canada's proportionate share of the cost of International Organizations; payments of grants to organizations such as the Boy Scouts Association, the Girl Guides, Agricultural Organizations, Health and Welfare Organizations and other payments of that nature; Subsidies such as Assistance to encourage the improvement of cheese and cheese factories; Contributions under Agreements with the Provinces for Vocational Training, payments made under the Maritime Freight Rates Act, membership, scholarships, etc. Does not include Grants to Municipalities in lieu of taxes (Item No. 19), Subsidies and Special Payments to Provinces (Item No. 24), Government's Contribution to the Unemployment Insurance Fund (Item No. 29), General Health Grants (Item No. 30), Trans-Canada Highway Contributions (Item No. 31), Deficits—Government-Owned Enterprises (Item No. 33).

21. *Pensions, Superannuation and Other Benefits in respect of Personal Services*

Includes pensions, superannuation and other benefits to former civilian employees, and members of the Royal Canadian Mounted Police, or their dependents. It includes also payment of compensation under the Government Employees Compensation Act; Government's contribution to the Superannuation Fund; Judges Pensions; Gratuities to families of deceased employees; and payments under the Militia Pension Act and the Government's contribution as an employer to the Unemployment Insurance Fund. It does not, however, include the Government's contribution to the Unemployment Insurance Fund which represents one-fifth of the net amount contributed by employers and employees combined (Item No. 29); Disability Pensions in respect of World Wars 1 and 2 (Item No. 27) nor Other Payments to Veterans and Dependents (Item No. 28).

22. *All Other Expenditures (Other than Special Categories)*

Includes minor residue items shown as "Sundries" in practically all votes. These include such costs as towel service; laundry; subscriptions to newspapers and periodicals; soap; and other small miscellaneous articles and services. Also included is provision for many items and services detailed throughout the Estimates and which do not lend themselves to distribution under the specific headings detailed in this Summary.

SPECIAL CATEGORIES (Items 23 to 33)

23. *Interest on Public Debt and other Debt Charges*

Includes interest on the Funded Debt of Canada (including Treasury Bills) and on other liabilities such as Trust and Other Special Funds. It also includes costs of issuing new loans, Annual Amortization of Bond Discount, Premiums and Commissions, and other costs of servicing the Public Debt.

24. *Subsidies and Special Payments to the Provinces*

Includes Provincial Subsidies payable under the British North America Act and subsequent arrangements; Special Compensation to the Provinces in lieu of certain taxes as provided in the Dominion-Provincial Tax Rental Agreements. It also includes certain payments to Newfoundland under the Terms of Union. In general, it does not include payments made to Provinces for expenditure for specific purposes, some of which are included in Items Nos. 20, 26, 30 and 31.

25. *Family Allowance Payments*

Payments of monthly allowances authorized by the Family Allowances Act—Chap. 40, Statutes of 1944-45 (as amended).

26. *Old Age Pensions, including Pensions to the Blind*

Includes payment of the Dominion's 75 per cent share of pensions payable under authority of the Old Age Pension Act—R.S.C. Chap. 156 (as amended) and payments in the nature of pensions to aged Indians.

27. *Veterans Disability Pensions and Other Payments under the Pension Act*

Includes pensions and other payments authorized under the Pension Act, the Civilian War Pensions and Allowances Act and the Civilian Government Employees (War) Compensation Order. This covers both Wars 1 and 2 and includes a small amount in respect of the Northwest Rebellion of 1885.

28. *Other Payments to Veterans and Dependents*

Includes provision for War Veterans Allowances, including the Assistance Fund, Veterans Hospital and Other Allowances, Unemployment Assistance for Veterans, Post Discharge Rehabilitation Benefits, War Service Gratuities, Re-establishment Credits, and other Sundry Items.

29. *Government's Contribution to the Unemployment Insurance Fund*

Provides for the Government's Contribution to the Unemployment Insurance Fund and represents one-fifth of the net amount contributed by employers and employees combined.

30. *General Health Grants*

Provides for general health grants to the Provinces under terms and conditions approved by the Governor in Council to assist in health surveys, hospital construction, strengthening general public health services, eradication of tuberculosis, prevention of mental illness, control of venereal diseases, prevention and correction of crippling conditions in children, training of public health and hospital personnel, public health research and programs for cancer control.

31. *Trans-Canada Highway Contributions*

Covers payments to those Provinces which have entered into agreements with the Federal Government under the Trans-Canada Highway Act, Chap. 40, Statutes of 1949, in respect of the construction of the Trans-Canada Highway.

32. *Movement of Mail by Land, Air and Water (Post Office)*

Includes provision under the Post Office Department for Mail Service by Railway, by Steamboat, by Air and by Ordinary Land Conveyance, including Rural Mail Delivery.

33. *Deficits—Government Owned Enterprises*

Includes provision for the Deficits incurred in the operation of the Hudson Bay Railway, the Northwest Communications System, the Prince Edward Island Car Ferry and Terminals, the Canadian National (West Indies) Steamships, Limited, Churchill Harbour, and the Canadian Broadcasting Corporation.

34. *Less Estimated Savings and Recoverable Items*

In certain special instances it is necessary for commitment and control purposes to detail total requirements of services but, in order that the actual amount of cash requirement only may be voted, deductions are made of estimated savings or recoverable amounts. Since the Standard Objects are made up of the gross requirements, the total of these Objects must be reduced by these deductions in order to arrive at the net total amount provided in the Estimates.

EXHIBIT No. 2

COMBINED REVENUES—ALL GOVERNMENTS IN CANADA FOR 1939, 1948 AND 1949

SUMMARY BY SOURCES

Fiscal Years Ended Nearest December 31

(Thousands of Dollars)

Item No.	Total			Dominion			Provincial			Municipal			Item No.	
	1939	1948	1949 ¹	1939	1948	1949	1939	1948	1949 ¹	1939	1948	1949 ¹		
Taxes:														
Income and Corporation Taxes—														
1	Personal Income Tax.....	60,678	762,749	622,012	45,407	762,563	621,982	12,113	186	30	3,158		1	
2	Corporate Income Taxes.....	89,452	623,029	702,876	77,920	536,782	601,415	11,082	86,247	101,461	450		2	
3	Other Corporation Taxes.....	23,153	23,267	24,661	1,875 ²	3,505 ²	3,900 ²	21,278	17,762	20,761			3	
4	Withholding Tax.....	11,122	43,445	47,475	11,122 ²	43,445 ²	47,457 ²						4	
5	Sub-Total (Items 1 to 4).....	184,405	1,452,490	1,397,024	136,324	1,346,295	1,274,772	44,473	106,195	122,252	3,608		5	
6	Succession Duties.....	27,850	54,672	58,391		25,550	29,920	27,850	29,122	28,471			6	
7	Real and Personal Property.....	248,022	341,265	375,501				5,504	4,709	4,779	243,418	336,556	370,722	7
8	Customs Duties and Other Import Taxes.....	106,819	223,786	226,403	106,819	223,786	226,403						8	
Excise Duties and Sales Taxes—														
9	Gasoline Tax.....	53,069	124,305	136,601				53,069	124,305	136,601			9	
10	Liquor including Liquor Control.....	54,423	229,712	237,876	21,014	100,875	107,077	33,409	128,837	130,799			10	
11	Tobacco.....	42,447	199,398	216,791	42,447	190,501	207,234		8,897	9,557			11	
12	General Sales Tax.....	144,861	440,502	478,718	137,446	377,303	403,437	2,717	48,351	59,274	4,698	14,848	16,007	12
13	Amusement Tax.....	2,615	19,735	17,571		2,588		2,615	17,147	17,571			13	
14	Other Commodities and Services.....	24,175	169,244	74,274	24,175 ⁴	169,244 ⁴	74,274						14	
15	Other Taxes.....	25,547	48,471	54,553				2,624	7,324	7,785	22,923	41,147	46,768	15
16	Total Taxes (Items 5 to 15).....	915,133	3,303,580	3,273,703	468,225	2,436,142	2,323,117	172,261	474,887	517,089	274,647	392,551	433,497	16
Licences, Permits and Fees—														
17	Motor Vehicle.....	28,092	51,471	55,939				28,092	51,471	55,939				17
18	Other.....	18,498	30,793	32,656	2,542	2,977	3,430	3,975	16,118	16,356	6,981	11,698	12,870	18
19	Sub-Total (Items 17 and 18).....	46,590	82,264	88,595	2,542	2,977	3,430	37,067	67,589	72,295	6,981	11,698	12,870	19
20	Public Domain.....	24,745	74,228	89,751	736	2,315	1,790	24,018	71,913	87,781				20
21	C. N. R. Income Surplus ⁵													21
22	Municipal Public Utility Contributions.....	10,181	20,415	24,378							10,181	20,415	24,378	22
23	Other Revenue.....	36,556	193,701	148,562	8,524	134,080 ⁶	82,881 ⁵	2,877	21,308	25,815	25,155	38,313	39,866	23
24	Total Revenue.....	1,033,214	3,674,188	3,624,809	480,927	2,575,514	2,411,218	236,223	635,697	702,980	316,964	462,977	510,611	24

INTER-GOVERNMENT TRANSFERS NOT INCLUDED IN ABOVE SUMMARY												
25	Dominion Subsidies to Provinces	19,184	17,034	18,673			19,184	17,034	18,673			25
26	Provincial Subsidies to Municipalities	4,507	8,192	10,075						4,507	8,192	26
27	Tax Suspension Agreements		84,279	102,913				84,279	102,913 ⁶			27
28	Interest on Common School Fund and School Lands Fund Debentures	1,585	1,466	1,466			1,585	1,466	1,466			28
29	Gasoline Tax Guarantee											29
30	Nova Scotia Highway Tax	452	342	251			452	342	251			30
31	Manitoba Municipal Commissioner	828	1,303	400			828	1,303	400			31
32	TOTAL ⁷	20,556	112,616	133,778			22,049	104,424	123,703	4,507	8,192	32

FOOTNOTES

- ¹ Preliminary; also includes Newfoundland for first time.
- ² Consists of Chartered Banks' Note Circulation Tax, and Insurance Companies Tax on Net Premiums.
- ³ Chiefly on non-residents.
- ⁴ The 3% tax on imports is excluded here and included in item 8.
- ⁵ Includes 86,142 (1948) and 31,596 (1949) being excess of refunds over expenditure re: Expansion of Industry.
- ⁶ Includes transitional grant to Newfoundland 6,500.
- ⁷ Discrepancies between the amounts shown on this table and on the expenditure table as Inter-Governmental Transfers are due to variations in the fiscal year ends and accounting practices of governments.
- ⁸ Deficits were incurred in the years shown and are included in item 10 of the expenditure table.

COMBINED EXPENDITURES—ALL GOVERNMENTS IN CANADA FOR 1939, 1948 AND 1949

CURRENT AND CAPITAL ACCOUNTS—SUMMARY BY SERVICES

Fiscal Years Ended Nearest December 31

(Thousands of Dollars)

Item No.		Total			Dominion			Provincial			Municipal			Item No.
		1939	1948	1949 ¹	1939	1948	1949	1939	1948	1949 ¹	1939	1948	1949 ¹	
1	Debt Charges, Net, Excluding Debt Retirement.....	264,300	475,136	492,265	151,653	395,242	408,232	60,719	51,491	53,323	51,928	28,403	30,710	1
2	Public Welfare—													
	Health and Hospital Care.....	47,145	137,738	183,363	1,153	11,091	19,451	30,432	93,425	127,564	15,560	33,222	36,348	2
3	Labour and Unemployment Insurance.....	3,272	45,466	52,404	1,282	41,905	48,310	1,990	3,561	4,094				3
4	Relief.....	82,629	10,992	16,558	23,620			42,811	6,927	11,050	16,193	4,065	5,508	4
5	Old Age Pensions.....	39,587	93,938	127,868	29,121	64,296	89,725	10,279	29,308	38,143	187	334		5
6	Family Allowances.....		272,608	299,347		272,608	299,347							6
7	Other.....	35,613	98,705	121,994	4,433	16,131	-20,482	12,371	29,536	36,180	18,809	53,038	75,332	7
8	Sub-Total (Items 2 to 7).....	208,246	659,447	801,534	59,609	406,031	477,315	97,883	162,757	217,031	50,754	90,659	107,188	8
9	Education.....	128,682	364,405	406,434	3,543	37,040	28,691	38,004	139,054	156,232	87,135	188,311	221,511	9
10	Transportation, Highways, Bridges, Airways, Railways, Waterways, etc.....	163,159	467,703	514,825	46,041 ²	119,810 ²	157,612 ²	89,103	257,738	254,294	28,015	90,155	102,919	10
11	Agriculture.....	60,498	89,971	106,544	53,151	67,879	82,339	7,347	22,092	24,205				11
12	Public Domain.....	37,648	91,304	102,558	14,577	38,416	53,574	23,071	52,888	48,984				12
13	National Defence.....	126,915	256,092	372,596	126,915	256,092	372,596							13
14	Veterans' Pensions and Aftercare.....	55,267	235,578	202,466	55,267	235,578	202,466							14
15	Mutual Aid.....													15
16	Expansion of Industry.....	247			247									16
17	Price Control and Rationing.....	55	30,721	2,748	55	30,721	2,748							17
18	Other Expenditures.....	185,644	450,257	494,596	60,140	212,595 ⁴	225,214 ⁴	38,756	89,794	110,629	86,748	147,868	158,753	18
19	Total Expenditure.....	1,230,661	3,120,614	3,496,566	571,198	1,799,404	2,010,787	354,883	775,814	864,698	304,580	545,396	621,081	19

INTER-GOVERNMENT TRANSFERS NOT INCLUDED IN THE ABOVE SUMMARY														
20	Dominion Subsidies to Provinces.....	19,244	17,095	19,170	19,244	17,095	19,170							20
21	Provincial Subsidies to Municipalities.....	4,511	10,930	11,846				4,511	10,930	11,846				21
22	Tax Suspension Agreements.....		84,387	84,756		84,387	84,756 ³							22
23	Gasoline Tax Guarantee.....													23
24	Interest on Common School Fund and School Lands Fund Debentures.....	1,585	1,466	1,466	1,585	1,466	1,466							24
25	Nova Scotia Highway Tax.....	455	321	246						455	321	246		25
26	Manitoba Municipal Commissioner.....	763	1,314	473						763	1,314	473		26
27	Total ⁶	26,558	115,513	117,957	20,829	102,948	105,392	4,511	10,930	11,846	1,218	1,635	719	27

FOOTNOTES

¹ Preliminary; also includes Newfoundland for first time.

² Includes deficits (net after deducting profits) of miscellaneous government-owned transportation enterprises—Prince Edward Island Car Ferry, Hudson Bay Railway, Canadian National Railways, Trans-Canada Airlines, Quebec and Churchill Harbours, and Canadian National (West Indies) Steamships Limited.

³ Refund of expenditures re: Expansion of Industry exceeded expenditures. See Footnote 5—Revenue.

⁴ Includes 345 (1948) and 1,132 (1949) post U.N.R.R.A. relief.

⁵ Includes transitional grant to Newfoundland 6,500.

⁶ Discrepancies between the amounts shown on this table and on the revenue table as Inter-Governmental Transfers are due to variations in the fiscal years ends and accounting practices of governments.

ESTIMATES OF REVENUES AND EXPENDITURES FOR
ALL GOVERNMENTS, WITHOUT DETAIL FOR, 1950

REVENUES ¹

	(Millions of dollars)
Total	\$ 4,112
	<hr style="width: 100%;"/>
Federal	2,864
Provincial	708 ²
Municipal	540 ²

EXPENDITURES ¹

Total	\$ 4,105
	<hr style="width: 100%;"/>
Federal	2,518
Provincial	936 ²
Municipal	651 ²

Footnotes

¹—Exclusive of Inter-governmental Transfers.

²—Includes Newfoundland.

NOTE:—The foregoing figures should be viewed as approximations only as they are subject to revision and adjustment when final accounts for the fiscal periods concerned may be available.

EXHIBIT No. 3
NET NATIONAL INCOME 1939-50
(Millions of Dollars)

	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949 ¹	Prel. 1950 ¹
Salaries, Wages and Supplementary Labour Income.....	2,583	2,944	3,586	4,251	4,746	4,908	4,915	5,322	6,212	7,139	7,800	8,300
Military Pay and Allowances.....	32	193	386	641	910	1,068	1,117	340	83	82	115	137
Investment Income ²	783	1,127	1,487	1,721	1,766	1,770	1,905	1,987	2,299	2,379	2,367	2,996
Net Income of Agriculture and Other Unincorporated Business—												
Farm Operators from Farm Production.....	461	508	548	1,089	969	1,213	959	1,130	1,104	1,567	1,513	1,424
Other Unincorporated Business	430	483	587	671	711	782	892	1,040	1,218	1,307	1,374	1,451
NET NATIONAL INCOME AT FACTOR COST.....	4,289	5,255	6,594	8,373	9,102	9,741	9,788	9,819	10,916	12,474	13,169	14,308
Indirect Taxes Less Subsidies.....	737	837	1,056	1,085	1,117	1,111	1,003	1,269	1,601	1,768	1,831	2,001
Depreciation Allowances and Similar Business Costs.....	582	655	751	883	912	863	785	846	1,036	1,126	1,321	1,471
Residual Error of Estimate.....	-10	25	33	114	152	204	234	74	104	135	61	11
GROSS NATIONAL PRODUCT AT MARKET PRICES.....	5,598	6,772	8,434	10,455	11,283	11,919	11,810	12,008	13,657	15,503	16,382	17,791

¹ Includes Newfoundland which is estimated to increase Gross National Product by slightly more than one per cent.

² In addition to corporation profits, and interest and net rents received by persons, this item includes profits of government enterprises, undistributed Wheat Board Trading profits, and an inventory revaluation adjustment for grain in commercial channels.

GROSS NATIONAL PRODUCTION, 1939-50

(Millions of Dollars)

	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949 ¹	Prel. ¹ 1950
Personal Expenditure on Consumer Goods and Services.....	3,861	4,379	5,014	5,531	5,880	6,382	7,050	8,018	9,225	10,151	11,086	11,810
Government Expenditure on Goods and Services.....	724	1,156	1,750	3,729	4,230	5,025	3,708	1,832	1,562	1,797	2,106	2,333
Gross Home Investment—												
Housing.....	145	153	163	128	131	157	210	338	492	647	741	782
Plant and Equipment.....	409	560	832	803	697	599	672	1,024	1,565	2,016	2,229	2,381
Changes in Inventories.....	327	371	217	330	-47	-67	-283	538	901	609	*108	805
Exports of Goods and Services ²	1,451	1,805	2,458	2,354	3,462	3,596	3,597	3,210	3,638	4,054	4,011	4,173
Imports of Goods and Services ² ...	-1,328	-1,626	-1,967	-2,307	-2,917	-3,569	-2,910	-2,878	-3,621	-3,636	-3,837	-4,482
Residual Error of Estimate.....	9	-26	-33	-113	-153	-204	-234	-74	-105	-135	-62	-11
GROSS NATIONAL PRODUCTION AT MARKET PRICES.....	5,598	6,772	8,434	10,455	11,283	11,919	11,810	12,008	13,657	15,503	16,382	17,791

¹ Includes Newfoundland.

² Minor adjustments have been made to the figures of current receipts and payments shown in "The Canadian Balance of International Payments, 1949", Dominion Bureau of Statistics, to achieve consistency with the other component series.

EXHIBIT No. 4

REPORTED NUMBERS OF EMPLOYEES OF THE GOVERNMENT OF CANADA
(Excluding Members of the Armed Forces and R.C.M.P.) as at March 31, 1939, 1948, 1949, 1950 and 1951

	Numbers Reported By Dominion Bureau of Statistics ⁽¹⁾					Numbers Reported By Departments To Department of Finance For the Purpose of This Report	
	1939	1948	1949	1950	1951	1950	1951
Agriculture.....	3,122	5,381	5,914	6,667	7,078	6,495	6,863
Auditor General.....	231	173	173	169	163	169	163
Chief Electoral Officer.....	15	10	19	13	14	(2) 14	(2) 14
Citizenship and Immigration.....				2,657	2,917	2,799	3,411
	Staff reported under preceding Departments						
Civil Service Commission.....	235	532	572	580	536	(3) 583	(3) 534
External Affairs.....	193	1,054	1,234	1,301	1,341	1,302	1,368
Finance.....	213	677	698	645	602	636	(4) 607
Comptroller of the Treasury.....	1,073	4,653	4,524	4,300	4,034	4,344	4,031
Royal Canadian Mint.....	126	288	402	222	222	222	222
Tariff Board.....	20	11	11	17	17	17	17
Wartime Prices and Trade Board.....		1,145	1,029	690	260	687	260
Fisheries.....	235	533	569	925	962	(5) 1,178	(5) 1,450
Governor General's Secretary.....	14	12	10	10	10	10	10
House of Commons.....	516	541	636	656	662	(7) 656	(7) 661
Insurance.....	53	59	63	72	82	72	81
International Joint Commission.....	6	4	4	10	11	10	11
Justice.....	106	152	179	192	204		204
Commissioner of Penitentiaries.....	985	1,174	1,255	1,364	1,590	1,557	1,509
Labour.....	244	620	635	645		726	674
Unemployment Insurance Commission.....		7,140	6,957	7,148	7,051	8,347	7,724
Library of Parliament.....	27	31	34	31	36	31	36
Mines and Technical Surveys.....				1,661	1,720	1,778	1,816k
	Staff reported under preceding Departments						
National Defence: Administration.....					2,398		2,676
Army Services.....	1,142	8,741	10,045	9,118	7,119	13,217	13,757
Naval Services.....	178	2,984	3,451	4,022	4,119	6,731	7,527
Air Services.....	104	3,314	3,408	3,707	4,121	4,628	5,795
National Film Board.....		598	547	596	561	603	572
National Health and Welfare—							
Departmental Administration.....		223	236	268	257	264	251
Health.....		725	497	847	880	841	864
Welfare.....		752	743	755	733	779	765
Indian Health Services.....		646	812	931	1,084	1,031	1,196
National Research Council.....	226	1,543	1,524	1,694	1,891	(8) 2,091	(8) 3,172
Atomic Energy Control Board.....		7	7	7	7	7	7
National Revenue—							
Customs and Excise.....	4,415	5,552	5,776	6,086	6,211	6,086	6,194
Income Tax.....	1,291	10,478	11,704	10,629	7,011	10,629	7,011
Post Office.....	12,518	17,105	18,049	18,899	18,938	(9) 33,029	(9) 32,062
Prime Minister's Office ⁽¹¹⁾				34	37	34	35

Privy Council.....	19	68	72	53	48	(10)	63	48
Public Archives.....	67	54	55	61	65		61	66
Public Printing and Stationery.....	652	786	856	991	1,041		991	1,041
Public Works.....	4,124	6,574	6,547	6,954	7,103	(12)	7,628	6,809
Resources and Development.....				1,570	1,689		2,277	2,397
	Staff reported under preceding Departments							
Royal Canadian Mounted Police.....	86	463	490	568	622		668	910
Secretary of State (13).....	346	528	557	608	588		608	575
Senate.....	145	148	152	156	159	(7)	156	159
Trade and Commerce (Including D.B.S.).....	1,024	2,562	2,470	2,801	2,775		2,798	2,772
Board of Grain Commissioners.....	642	781	791	813	779		806	774
Canadian Government Elevators.....	128	157	140	137	169		137	169
Transport.....	5,163	7,828	(14) 8,535	(14) 9,479	10,028	(14)	11,979	(14) 11,698
Air Transport Board.....		36	42	48	54		48	53
Board of Transport Commissioners.....	97	136	144	155	158		155	158
Veterans Affairs.....		(15) 15,173	(15) 14,011	(15) 13,748	12,931	(15)	13,748	(15) 12,917
Soldiers Settlement and Veterans Land Act.....		1,678	1,468	1,354	1,224		1,334	1,224
Mines and Resources—								
Departmental Administration.....	70	108	127					
Immigration.....	595	1,079	1,281					
Indian Affairs.....	1,038	771	877					
Lands and Development.....	558	683	789					
Mines, Forest and Scientific Services.....	437	1,562	2,107					
Special Projects.....	449	8	6					
Pensions and National Health.....	2,638							
Reconstruction and Supply.....		320	408					
Totals.....	46,106	118,370	123,924	127,044	124,866		155,960	156,220
Crown Corporations, and Corporate Agencies, other than C.N.R. and its subsidiaries(17).....							13,189	15,194

See new post-war Departments for 1950
and 1951 figures

(1) The Dominion Bureau of Statistics publishes annually summary statistics of the Civil Service of Canada, and the figures for 1939, 1948, 1949 and 1950 were obtained from these publications. The figures for 1951 have not yet been published, and were obtained directly from Dominion Bureau of Statistics for the purposes of this report.

(2) Includes the Chief Electoral Officer.

(3) Includes 3 Commissioners (1951) figures include 4 employees on Retirement Leave (1 on Educational Leave 1 on Military Leave and 4 on loan).

(4) Includes Farmer's Creditors Arrangement Act (6 employees).

(5) Includes Fisheries Research Board (276 employees for 1950, 328 employees for 1951) and the International Pacific Salmon and International Fisheries (Halibut) Commissions.

(6) Does not include 2 Aide-de-Camps to the Governor General.

(7) Includes sessional employees.

(8) Includes employees of the Atomic Energy Project, Chalk River, Ontario. Also includes 57 Post Doctorate Fellows.

(9) Includes 14,065 (1950) and 14,024 (1951) employees of revenue post offices who are paid through the Finance Branch of the Post Office Department.

(10) Includes 10 employees on the staff of the Royal Commission on Arts, Letters and Sciences.

(11) Prior to 1950, the staff of the Prime Minister's Office was carried on other establishments.

(12) Does not include 240 (1950) and 276 (1951) revenue postmasters who are also employed part-time by the Department of Public Works.

(13) Includes staff of the Custodian of Enemy Property.

(14) Includes staff of the Canadian Maritime Commission and the Royal Commission on Transportation.

(15) Includes staff of the Canadian Pension Commission, War Veterans Allowance Board, and 56 Medical Research Staff on Special Projects in Departmental Hospitals.

(16) Includes appointments made under the Essential Materials (Defence) and Defence Supplies Acts prior to the Defence Production Act.

(17) The following crown corporations and corporate agencies are included:

Bank of Canada; Canadian Arsenals Ltd.; Canadian Broadcasting Corporation; Canadian Commercial Corporation; Canadian Farm Loan Board; Canadian Wheat Board; Central Mortgage and Housing Corporation; Commodity Prices Stabilization Corporation; Dominion Coal Board; Eldorado Mining and Refining (1944) Ltd.; Export Credit Insurance Corporation; Federal District Commission; Industrial Development Bank; National Battlefields Commission; National Harbours Board; Northwest Territories Power Commission; Northern Transportation Company Ltd.; Park Steamship Company Ltd.; Polymer Corporation Ltd.; Crown Assets Disposal Corporation.

EXHIBIT No. 5

DOMINION BUREAU OF STATISTICS—PRICES SECTION

DOMINION COST-OF-LIVING INDEX
(1935-39 = 100)

Year		Index
1945	.....	119.5
1946	.....	123.6
1947	.....	135.5
1948	.....	155.0
1949	.....	160.8
1950	.....	166.5
1950	January 3	161.0
	February 1	161.6
	March 1	163.7
	April 1	164.0
	May 1	164.0
	June 1	165.4
	July 3	167.5
	August 1	168.5
	September 1	169.8
	October 2	170.7
	November 1	170.7
	December 1	171.1
1951	January 2	172.5
	February 1	175.2
	March 1	179.7
	April 2	181.8
	May	182.0

