

No. 108

VOTES AND PROCEEDINGS

OF THE

HOUSE OF COMMONS

OF CANADA

OTTAWA, WEDNESDAY, 9TH JULY, 1947

10.00 o'clock, a.m.

PRAYERS.

Mr. Howe, a Member of the King's Privy Council, presented,—Return to an Order of the House of June 19, 1947, for a Return showing:—1. How many houses were constructed in East York Township, county of York, by Wartime Housing, and what is the total cost of each home constructed?

2. Were any sub-contracts given out? If so, what sub-contracts and to whom?

3. Who was the general contractor, and what was the contract?

4. What is the present proposed or actual rental for each home?

5. What was the cost per unit of project overhead, and how was the same made up?

6. Who were the inspectors in the area; what was their term of employment and what were their salaries?

7. What qualifications did the inspectors have?

8. Have any complaints been received about the construction or state of repair of any of the homes? If so, what complaints were received?

9. On whose advice was the location for the homes chosen?

10. Who installed the various services such as street, sidewalk, water, sewer, electricity, or landscaping, and what was the cost of each?

11. What was paid for the land per lot, whether by way of purchase or rental?

12. Did any municipality contribute to any part of the project and what was the cost of such contribution?

13. What provision was made for schools in the area, or for the education of any children living in the area?

14. What are the details of any tax arrangements made with the municipality?

15. What are the details of the management provided for the project and the costs of same?

And also,—Return to an Order of the House of May 26, 1947, for a Return showing:—1. How many persons applied for National Research Council grants in (a) 1945-1946; (b) 1946-1947; (c) what were the amounts applied for in these respective years?

2. How many applications for such grants were approved in (a) 1945-46? (b) 1946-47; (c) what were the actual amounts received in these respective years?

3. How much money was apportioned for research in 1945-1946, 1946-1947 in the following fields (a) medicine; (b) physical sciences; (c) forestry; (d) fisheries; (e) agriculture?

4. What was the total amount of money granted for research in 1945-1946, and 1946-1947 respectively in the following fields (a) medicine; (b) physical sciences; (c) forestry; (d) fisheries; (e) agriculture?

5. Has the National Research Council given any grants for military research?

6. If so, how much did these grants amount to?

Mr. Gibson (Hamilton West), a Member of the King's Privy Council, laid before the House, by command of His Excellency the Governor General,—Thirty-eighth Annual Report of the Civil Service Commission of Canada for the year ended December 31, 1946.

He also presented,—Return to an Order of the House of May 7, 1947, for a Return showing:—1. What was the total of kilowatt hours of electric energy generated in each of the past five fiscal years by provinces?

2. What amount of such electric energy in each province was generated and sold or distributed by (a) the province or an agency thereof; (b) the municipalities within each province; (c) private corporations or interests?

3. What electric current so generated and sold or distributed was (a) subject to federal sales taxes, corporation taxes, and other Dominion government taxes; (b) exempt from such taxes?

4. What was the amount of such taxes payable each year in each province?

Mr. Fournier (Hull), a Member of the King's Privy Council, presented,—Supplementary Return to an Order of the House of June 16, 1947, for a Return showing:—1. What was the total amount of moneys expended by the Public Works Department in dredging operations in Saint John harbour, Courtney Bay and immediate vicinity, from January 1, 1935, to December 31, 1946?

2. What was the total expenditure in dock improvements, wharves, elevators, breakwaters, etc., in Saint John harbour, Courtney Bay and immediate vicinity, from January 1, 1935, to December 31, 1946?

3. What steps have been taken by the government with respect to new buildings, wharves, breakwaters and dredging in Saint John harbour and immediate vicinity?

Mr. Lapointe, Parliamentary Assistant to the Minister of National Defence, presented,—Return to an Order of the House of June 18, 1947, for a Return showing:—What amount of money has been spent, by Military Districts or by Provinces, in each of the fiscal years from April 1, 1937, to March 31, 1947, for: (a) Reserve Army training; (b) Cadet training?

The House resolved itself into Committee of the Whole to consider a certain proposed Resolution to amend the Senate and House of Commons Act.

(In the Committee)

The following Resolution was adopted:—

Resolved, That it is expedient to present a measure to amend the Senate and House of Commons Act to provide an additional annual allowance to the member of the Senate occupying the recognized position of Leader of the Government in the Senate and the member occupying the recognized position of Leader of the Opposition in the Senate.

Resolution to be reported.

The said Resolution was reported, read the second time, on division, and concurred in.

Mr. Mackenzie King then, by leave of the House, presented a Bill, No. 443, An Act to amend the Senate and House of Commons Act, which was read the first time, on division, and ordered for a second reading at the next sitting of the House.

The Order being read for the House to resolve itself again into Committee of Supply;

Mr. Mackenzie King moved, That Mr. Speaker do now leave the Chair.

And the question being put on the said motion; it was agreed to.

The House accordingly resolved itself again into Committee of Supply, and progress having been made and reported, the Committee obtained leave to sit again at a later hour this day.

A Message was received from the Senate informing this House that the Senate had passed the following Bill, without any amendment:—

Bill No. 339, An Act to amend the Old Age Pensions Act.

The Order being read for second reading of Bill No. 411, An Act to authorize the Government of Canada to enter into Agreements with the governments of the provinces pursuant to which, in return for compensation, the provinces agree to refrain from levying certain taxes for a limited period;

Mr. Abbott moved,—That the said Bill be now read the second time.

And a Debate arising thereon, the said Debate was, on motion of Mr. Howe, adjourned.

The Order being read for the House to resolve itself again into Committee of Supply;

Mr. Mackenzie moved,—That Mr. Speaker do now leave the Chair.

And the question being put on the said motion; it was agreed to.

The House accordingly resolved itself again into Committee of Supply and further progress having been made and reported, the committee obtained leave to sit again at a later hour this day.

By leave of the House, Mr. Picard, from the Standing Committee on Public Accounts, presented the Fifth Report of the said Committee, which is as follows:—

Your Committee, following the agenda adopted at a meeting of the Steering Committee, on May 8, undertook during its meetings of May 30, June 3, 17, 24, the study of the administration, by the Custodian of Enemy Property, of the property of illegal organizations.

During the meetings of June 24 and 27, your Committee investigated the administration of the Ottawa Office of the Custodian, as well as the Custodian's accounts.

On these subjects, your Committee heard evidence from Dr. E. H. Coleman, C.M.G., K.C., Deputy Custodian of Enemy Property, Mr. A. H. Mathieu, Assistant Deputy Custodian, and Mr. K. W. Wright, Counsel.

The willingness of these witnesses to supply all possible information was appreciated by your Committee.

Illegal Organizations

Shortly after an Order in Council was passed in June, 1940, declaring a number of societies and organizations to be illegal, the Custodian was entrusted with the administration of their properties scattered throughout Canada. The first task was of obtaining particulars as to the real property owned by the various organizations and that extended work was completed in the autumn of 1940.

The preliminary report showed that, in some cases, there was reason to apprehend interference with the properties as there were accumulating taxes, claims under mortgages, and other charges.

It became necessary, in order to assume effectual and actual control of these organizations, to appoint eight trust companies and accounting firms throughout Canada to represent the Custodian. Arrangements were made with the Canadian Bankers' Association, the Post Office Department and the Royal Canadian Mounted Police, whereby all relevant information in their hands would be reported to the Custodian and his controllers.

The property of fifty-three organizations, considered illegal as a result of different Orders in Council, was under the control of the Custodian of enemy property through his agents who administered it until the ban was removed by Orders in Council, in the years 1943, 1944 and 1945.

As of December 31, 1946, the financial result of these operations, in the case of 51 of these organizations, showed a net debit balance to the Custodian of \$15,015.88. The total receipts were \$112,267.94; the total disbursement \$99,309.05; but an amount of \$27,974.77 was returned to them by the Custodian.

Most of the discussion of your Committee centered on the administration and disposal of the property of the two other organizations, the Ukrainian Labour-Farmer Temple Association and the Workers' and Farmers' Publishing Co., as the ten properties of The Ukrainian Labour-Farmer Temple Association and the plant of the Workers' and Farmers' Publishing Co., represented the exceptions to the general experience of the Custodian in the matter of administration and claims.

The Ukrainian Labour-Farmer Temple Association

Upon assuming control, the Custodian was advised that certain properties could hardly be operated profitably and had better be sold. Sixteen properties of the Ukrainian Labour-Temple Association and other organizations were thus sold and every effort was made at the time to get the best possible price in the market. In only two of The Ukrainian Labour-Farmer Temple Association cases did the Committee express the view that the Custodian's agents had sold the properties for an unduly low price. These cases were in Saskatoon and Vancouver. The Committee thought that the agents had not felt it their duty to

point out to the Custodian that the highest bid offered appeared unreasonably low in relation to the value of the property. As to six of those, there was never any complaint whatever. The ten others were the subject of much consideration by your Committee. These ten properties, whose combined assessment in 1940 amounted to \$91,380.00 were sold by the Custodian in 1941 for \$73,563.67.

When this organization was removed from the list of illegal organizations in December of 1943, the Governor in Council authorized the Custodian to appoint an advisory committee to look into the complaints which were made by it as well as by others. The advisory committee was headed by His Honour Judge George W. McPhee, of Moose Jaw, Saskatchewan, the other members being Mr. Geo. A. Campbell, of Edmonton, Alberta, and Mr. Gordon Thomson, of Windsor, Ontario.

The advisory committee recommended the payment of claims amounting to \$10,791.70 and expressed the opinion that the new owners should agree to sell the property to The Ukrainian Labour-Farmer Temple Association at the price paid for it, provided, however, that if the new owners had made permanent improvements to the property, these should be paid for by the Ukrainian Labour-Farmer Temple Association, all with a view to restore harmony and good feeling among Canadians of Ukrainian origin. It was further recommended to the Custodian that he should absorb debit balances where these occurred in the accounts for maintenance. The amount so involved was \$30,562.61. It was also recommended that he pay to the municipalities one-half of the taxes for 1940 and all the taxes for 1941, 1942, and 1943, on those properties in which tax payments were in arrears. Taxes so paid amounted to \$13,033.79.

When the negotiations carried on between The Ukrainian Labour-Farmer Temple Association and the new owners proved unsuccessful, the Custodian delegated Mr. George Campbell, a member of the McPhee Committee, to help in the negotiations. In October 1944, the Government, as a matter of policy, decided that every effort was to be made to restore its properties to The Ukrainian Labour-Farmer Temple Association and that it would assist in the repurchase when needed. In some cases, substantial improvements had been made to the properties and it was the task of Mr. Campbell to value these improvements and arrive at a final settlement. These negotiations were thus conducted personally by the Custodian through Mr. Campbell.

As a result of these steps, the ten properties, assessed for \$91,380.00 in 1940 and sold in 1941 for \$73,563.67, were repurchased by the Custodian in 1945 for a sum of \$156,800.65. The cost to the Government on the purchase of these properties amounts, therefore, to \$83,236.98, to which must be added \$30,562.61 for the debit balances, \$13,033.79 for taxes for the latter part of 1940 and all of 1941, 1942 and 1943, and \$10,791.70 for damage claims recommended by the McPhee Commission, totalling a debit balance of \$137,625.08 on the Custodian's handling of The Ukrainian Labour-Farmer Temple Association properties. Total receipts were \$109,480.98 and total disbursements were \$247,106.06.

Special attention was given by your Committee to the handling of properties at Calgary, Lethbridge and Medicine Hat. For different reasons, it was impossible for the Custodian to repurchase these properties, which had been sold in 1941 for a total sum of \$4,171.30, including chattels valued at \$311.55. The Custodian arranged for a sum of \$25,000 to be paid to The Ukrainian Labour-Farmer Temple Association to compensate for the non return of these properties as recommended by the Advisory Committee. It is to be noted that the assessed total value of these properties in 1940 was \$15,615.00.

Workers' and Farmers' Publishing Association Limited

At the time this company was declared illegal, an inventory was prepared of all machinery and tools. The valuers employed by the agents for the Custodian appraised these at \$9,811.00. The equipment so valued was advertised for sale by tender and sold for \$9,696.46. Later representations were made to the Custodian, as a result of which Mr. K. W. Wright, Counsel of the Custodian, was directed to make an investigation as to this sale. It appeared that the same company, The Toronto Type Foundry Company, who had valued the plant at \$9,811.00 in 1941, at the request of the Western Trust Company, Agents for the Custodian, had given in 1945 a report to the Workers' and Farmers' Publishing Association that the plant was worth at least \$45,000.00. A further appraisal was made at the request of Mr. Wright by the Printers' Ink Machinery Company, who valued the plant at \$28,773.55.

As a result of Mr. Wright's investigation, an additional compensation of \$20,000.00 was allowed by the Custodian in January 1946.

Summary

The financial statement of the Custodian as to this organization shows a debit balance of \$20,337.00.

The overall operations by the Custodian's Agents of the properties of illegal organizations show total receipts of \$228,662.89; total disbursements of \$365,056.46; total amount returned by the Custodian to the organizations of \$36,584.39; thus resulting in a total debit balance of \$172,977.96.

The opinion was widely expressed in your Committee that the treatment given to illegal organizations and particularly to The Ukrainian Labour Farmer Temple Association and The Workers' and Farmers' Publishing Company in regard to their property, subsequent to the McPhee Report, was somewhat more generous than that accorded to the Japanese-Canadian evacuees.

Your Committee was apprised of the fact that 3,500 pounds of books seized in the editor's office of the Workers' and Farmers' Printing Association, Ltd., Winnipeg, in the care of the Custodian's Agents, were destroyed, as they apparently were considered by the R.C.M.P. to be subversive literature.

On the other hand, 349 books seized from the Deutscher Bund Kanada Organization and alleged to be Nazi propaganda literature, have been preserved, six being confiscated by the R.C.M.P. The remainder were returned to the Custodian's Agents and are now available for return to the owners.

Your Committee was startled by the difference in treatment given to alleged Communist and alleged Nazi propaganda and cannot but express surprise that destruction of books was carried on in Canada as it was in Germany.

Property of Japanese Evacuees

As to the purchase by the Veterans' Land Act Administration, from the Custodian, of lands formerly owned by Japanese evacuees, your Committee was given further detailed information completing the evidence which has been the basis of its Fourth Report.

Part of the meeting of June 24 and the meeting of June 26 were assigned to the completion of evidence by Mr. Gordon Murchison, Director, Soldier Settlement and Veterans' Land Act, concerning the purchase and resale to veterans of lands formerly owned by Japanese evacuees.

Further evidence concerning the sale of such lands by the Veterans Land Act Administration disclosed that some sales were made to civilians at a profit over the purchase price but it is reasonable to assume from the evidence that no such profits were made on sales to veterans.

Administration of Enemy Property

The administration of enemy property during the war is the primary function of the Custodian of Enemy Property and it is to be noted that all the evidence adduced up to this point before your Committee had to do with duties entrusted to the Custodian, which were not specifically relevant to his functions as such.

Your Committee, during the course of two meetings, was given an account of the work of the Custodian in his official capacity as foreseen by the Revised Regulations respecting trading with the enemy.

The office of the Custodian, which was set up in 1920 under the Treaty of Peace (Germany) Order, was not closed between the two Great Wars, but its staff had been reduced to two officials and two stenographers. These were the nucleus around which was built a staff of 129, who took charge of the administration of considerable interests and properties at the inception of the war and is still pursuing its work. The bulk of the administration was carried on with the help of inspectors, supervisors, controllers and firms of chartered accountants, appointed throughout Canada.

The property of the governments, associations, business and industrial concerns and citizens of enemy countries and occupied territories were, since September 2, 1939, under the control of the Custodian. The total amounts of these assets reached a figure nearing \$1,500,000,000 but, by gradual release of state funds and gold belonging to the governments of former proscribed countries as well as property belonging to persons who were able to establish that they could no longer be considered enemies under the Regulations, the total assets under control at present day valuation was approximately \$320,000,000, as of December 31, 1946.

The diversified nature of the assets under control necessitated a flexible system of administration and audit.

It is to be noted that the Custodian's administration has been self-supporting and no money was drawn from public funds, but separate individual accounts are kept and the cost of operating charged to them. A different course was followed as between belligerent enemy property and non-belligerent enemy property, that is property of persons or societies of a liberated country. In this latter case, up to the application for release, the account has been charged, besides the disbursements and normal expenses, an over-all administration fee of two per cent of the total value on the date of release. In so far as belligerent enemy property is concerned, the treaties will provide for the charges to be made.

According to Section 6 of the Final Act of the Paris Conference on Reparation, which came into force January 14, 1946, and which was formally signed by Canada on January 30, 1946, this country is entitled to "hold or dispose of Germany enemy assets within its jurisdiction in manners designed to preclude their return to German ownership or control, and shall charge against its reparation share such assets".

The solution of most problems of how and when to release the property at present under control must necessarily await the coming into force of the treaties with the so-called satellite countries and the treaties with Germany and Japan. As to the liberated countries, it is expected that agreements will be arrived at between them and the Canadian Government on this matter. Up to this moment, such an agreement has been made with France, which has been in force since March 22, 1946.

As to royalties on enemy owned patents collected since the end of the war, they are governed, until the peace treaties are signed, by the clauses of an agreement signed, in July, 1946, between Great Britain, the United States, France, Belgium, Germany, Holland, Luxembourg, Denmark, South Africa, Australia, Czechoslovakia and Canada.

Your Committee was impressed by the magnitude of the work of administering enemy property and the success of the operations carried on by the Custodian or under his control.

By leave of the House, Mr. Picard, from the Standing Committee on Public Accounts, presented the Sixth Report of the said Committee, which is as follows:—

Your Committee at its meetings of July 1 and 2 heard evidence from Mr. Watson Sellar, Auditor General of Canada and wishes to express its appreciation of the constructive suggestions submitted by him.

Many items of the report of the Auditor General were the object of your Committee's attention and the information gathered conduces to a better understanding of the work, as well as of the important functions of his office.

Your Committee is of the opinion that consideration should be given by the Government to the desirability of amending existing legislation, as more fully explained in Mr. Sellar's memorandum dated July 1, 1947, with a view to regulating:

- (a) the form of Estimates and the printed explanations associated therewith;
- (b) the use of revenue arising out of services performed for the direct benefit of individuals;
- (c) the management of revenues;
- (d) the valuation of assets;
- (e) the management of stores and equipment inventories.

Your Committee is also of the opinion that consideration should be given by the Government to amending the Consolidated Revenue and Audit Act, 1931, in the light of Mr. Sellar's memorandum dated July 3, 1947, supplementing the oral evidence given by him on July 2.

Copies of these two memoranda are attached hereto and form a part of this report.

Your Committee is also of the opinion that the House should explore the desirability of establishing a Standing Committee on Estimates.

A copy of the minutes of proceedings and evidence from May 30 to July 2, inclusive are tabled herewith.

(For Minutes of Proceedings, Evidence, etc., accompanying said Report, see Appendix to the Journals, No. 14)

ADDENDUM

1. The Consolidated Revenue and Audit Act dates from 1878. Its purpose is to regulate consolidated revenue fund transactions to the end that parliament preserves control over the public purse. In my opinion the time has come when, in its own interests, parliament should consider again the provisions of the Act.

2. There may have been a time when the Committee of Supply minutely examined estimate items, but demands now made on the time of the House of Commons are such that complete examination of estimates is impracticable. Estimates should now be presented in such a form that members do not have to guess purposes to which votes will be applied.

3. It is suggested that, instead of members of parliament having to seek explanations from ministers, "details" printed with the estimates should be in narrative form, setting out:—

- (a) the objects and purposes of the items,
- (b) explanations of increases,
- (c) the Acts, if any, which will regulate application,
- (d) the anticipated revenues,
- (e) comparisons with previous years, and
- (f) such other information as is necessary to permit members to familiarize themselves with the purposes and implications before items are called by the chairman of the Committee of Supply.

Existing legislation merely directs that the estimates "shall be for the services coming in course of payment during the fiscal year."

4. In the past ten years the number of items had increased. Using main estimates items, the number was 295 in 1937 and 484 in 1947. This increased use of items dates from the session of 1938 when the number jumped from 295 to 440—although the total sum voted in 1938 was only \$10,000,000 greater than in 1937. The purpose was to confine departments more strictly to objects of expenditure. While results were thereby attained, I feel consequences were:—

- (a) inflations in sums sought, by reason of departments including contingent reserves in every item, as protection against unforeseen demands arising in the year; and
- (b) some difficulty to members in identifying the items on which they wish to put questions or make observations.

5. May I illustrate my thoughts on the subject by making reference to post office accounts. Parliament appropriated approximately \$61,500,000 for the postal service in 1946. The application of the votes was:—

Vote No.	Purpose	Voted	Spent	Lapsed
231	Departmental Administration.....	811,425	743,756	67,699
232	Post Offices	22,126,090	22,126,090	
670	Supplementary to 232.....	1,234,720	1,039,400	195,320
233	Inspection and Investigation.....	953,750	912,938	40,812
234	Railway Mail Services.....	14,651,279	13,498,441	1,152,838
235	Air and Land Mail Services.....	19,862,725	17,724,216	2,138,509
236	Money order, savings bank and other activities including printing	1,876,181	1,649,718	226,463
237	Compassionate allowances for injuries	5,000		5,000
		<u>\$61,521,170</u>	<u>\$57,694,559</u>	<u>\$ 3,826,611</u>

A glance at the foregoing shows that:—

- (a) if votes had been consolidated, the year-end supplementary of \$1,234,720 to vote 232 would not have been necessary; and
- (b) after all unanticipated expenses had been discharged, the Post Office Department had unused balances of \$3,826,611—an excessive amount in my opinion.

6. Adding various small expenditures, authorized by various statutes, total appropriation expenditures of Post Office were about \$58,000,000. But the Post Office Act provides that certain classes of postmasters be paid directly from revenue. In the year the amount was about \$15,000,000. Thus, direct Post Office disbursements were about \$73,000,000. Should study go further, it would be noted that the cost of certain steel equipment, etc., and the provision of all

office accommodation is borne by appropriations for the Department of Public Works. That cost is not segregated in the accounts but, on a basis, may total \$3,000,000. Thus the real cost may have been \$76,000,000.

7. Gross revenues approximated \$83,800,000. If the value of postage stamps used for cheque tax purposes amounted to \$3,500,000—it is impracticable to establish an exact figure—the real revenue of Post Office was about \$80,000,000. A subtraction of estimated operating costs of \$76,000,000 leaves a profit of \$4,000,000. But section 20 of the Post Office Act fixes 2 cents as the first-class letter rate between places. The other 2 cents is a tax imposed for revenue purposes by the Special War Revenue Act. First-class mail produces approximately 50 per cent of the total revenue. Therefore, if one were to distinguish between the “service” charge and the “tax” charge, Post Office had an operating deficit. In turn, part of this deficit is due to the fact that about 28 million pieces of first-class mail matter and 100 tons of third-class matter for departments of government are franked. Were postage paid, the revenue would be about \$1,500,000.

8. It is submitted that it would be in the interests of the House of Commons were the financial requirements of the Post Office presented in all-inclusive form. That is to say, instead of estimates details consisting of accounting breakdowns, there would be a distribution of estimated income and disbursements to the various services in a manner which is self-explanatory and does not necessitate accounting calculations to disclose the true position.

9. The Board of Grain Commissioners' transactions afford another illustration. Its revenues were approximately \$2,000,000 and expenditures a little over \$1,900,000. In addition, government elevators had an operating income of about \$650,000 and operating expenses of \$380,000. The volume of business is dependent on the grain crop; yet the board must prepare its estimates long before seed is in the ground. As practice now is, the board presumably calculates its estimates on the possibility of a crop a little above the average. Two consequences may result:

- (a) in the event of a big crop, it must keep supplementary votes to meet extra operating costs; or
- (b) in the event of a small crop, it has larger appropriations than are needed.

My thought is that in cases of this type, parliament could have a safeguard against over-staffing, etc., were appropriations so devised that the sum available is determined by the effort which administrative officers put forth to make their activities self-supporting. If he who benefits is prepared to pay the cost, a service is no burden on the taxpayer. On the other hand, when experience demonstrates that those who benefit are not prepared to pay the cost, then the House has notice either that there is no real need for the service or that it is extravagantly organized.

THE REGULATION OF REVENUES

10. The Consolidated Revenue and Audit Act's directions with respect to the management of revenues are few: (a) collecting officers are to make deposits daily, and (b) the Auditor General is to satisfy himself that revenue collected is “fully accounted for”. The Act makes the comptroller of the treasury answerable for the regularity of departmental expenditures; but no officer has a like responsibility for revenue transactions. There is no audit obligation to establish that all moneys, which should have been collected, were gathered in. In most departments the revenue audit does go beyond the statutory obligations, but

until recently the Income Tax Division insisted on observance of the text. It is for this reason that the audit certificate of revenues, so far as Income Tax Division accounts are concerned, is qualified by paragraph 25. (Some months ago the audit office was informed that all taxation records are now to be regarded as open to inspection.)

11. It is my opinion that more specific legislative directions with respect to revenues are desirable. A reason is provided by paragraph 19, which refers to the situation with respect to fines collected by the courts. Another is to be found in paragraph 16, where it is noted that departments regard \$5,000,000 of accounts receivable as uncollectible (exclusive of income tax), yet they cannot be written off because there is no authority so to do. The mayors of various places would probably be surprised were they to learn that the government accounts list their municipalities as owing money because of the use of the militia in times of local unrest. Using a geographic selection, with dates in brackets, to illustrate: Nanaimo, B.C., \$255,313 (1913-14); Sault Ste. Marie, Ont., \$8,308 (1903); Buckingham, Que., \$2,350 (1906), and Glace Bay, N.S., \$36,644 (1909-10).

VALUATION OF ASSETS

12. In paragraph 11 of the audit report for 1946 attention is drawn to a reserve of \$150,000,000 set up in the balance sheet “for possible losses on ultimate realization of active assets”. While it is a bookkeeping reserve, it is suggested that there should be legislation regulating the valuation of assets for balance sheet purposes. A convenient illustration is provided by paragraph 101, which relates to the accounts of the National Harbours Board. The loans and advances from the government of Canada, as of December 31, 1945, were, in round figures:

Halifax	\$12,500,000
Saint John	17,000,000
Chicoutimi	3,800,000
Quebec	27,800,000
Three Rivers	4,000,000
Montreal	60,000,000
Vancouver	25,000,000

If you are interested, that totals \$150,100,000. The balance sheet of Canada incorporates, as active assets, only the investment in the ports of Montreal and Vancouver. This inconsistency takes its origin in the fact that prior to 1936 the harbour commissions of Montreal and Vancouver alone paid interest regularly. In 1936 all harbour properties were declared Crown property; consequently, it may be argued that:

- (a) the value of the Montreal and Vancouver properties for balance sheet purposes should be that established by physical valuations made by appraisals engineers;
- (b) the same treatment should be applied to the public property in the other points;
- (c) if some commercial properties of the Crown are treated as assets for balance sheet purposes, then all commercial properties of the Crown should be treated likewise.

STORES AND EQUIPMENT

13. In paragraph 10 of the audit report it is noticed that balance sheet assets do not include the value of departmental stores and equipment other than stores inventories of the departments of Public Printing and Stationery

and Transport. The reason why the inventories of these two departments are set up as assets is because legislation fixes a maximum sum which may be invested in the year-end inventories and thus an annual monetary valuation is made. Stores are not infrequently the equivalent of money. In other words, if other departments have balances in appropriations which will not be required in the year, there is no legal impediment against stores being acquired to offset a possible cut in the next year's estimates. A special instance is noted in paragraph 3, where reference is made to a payment of \$37,735,000 to the United States to permit service forces to make selections in the fiscal year 1947 from the surplus stores and equipment of the United States government. In my opinion it would be in the interests of parliament were there general legislation with respect to all stores, etc., of departments.

WATSON SELLAR,
Auditor General.

July 3, 1947.

The SECRETARY,
Public Accounts Committee.
Dear Sir:

At the meeting in the afternoon of July 2, it was suggested that I file with you a memorandum outlining the various changes which I consider might usefully be made to the Consolidated Revenue and Audit Act, 1931. This is the memorandum.

1. The name of the Act be changed to "Public Finance Act", and repeal the Board of Audit Act, c.10, R.S.; Contingencies Act, c. 31, R.S.; Department of Finance and Treasury Board Act, c.71, R.S., and c.48, Statutes 1931; Public Lands Grants Act, c.114, R.S.; Ordnance and Admiralty Lands Act, c.115, R.S.; Consolidated Revenue and Audit Act, c. 27, Statutes 1931; Department of Transport Stores Act, c. 16, Statutes 1937, and Government Companies Operation Act, c.24, Statutes 1946, and also various financial sections in other statutes. In short, my thought is that all pertinent directions be brought together in a single statute. It is for such reasons that I think "Public Finance Act" would be a more appropriate title.

2. Change the title "Comptroller of the Treasury" to "Comptroller of Accounts", because many people confuse the work of the Comptroller with the activities of the Treasury Board. The Board is composed of Ministers, and should not be confused with the activities of an administrative office.

3. In a great many statutes an order of the Governor in Council is required to signify a decision. The mass of such routine is now of proportions that it must make serious inroads on the time of the Cabinet. My thought is that the Governor in Council be vested with a power to delegate to the Treasury Board the exercise of such of its functions as it might from time to time decide.

4. It would be desirable were revenue accounts to remain open for ten days after March 31, in order that current receipts in transit be related to the proper year.

5. A great many services are rendered for the benefit of individuals. In many cases there is no clear authority to make charges. I would empower the Governor in Council to fix scales of charges and, on publication in the *Canada Gazette*, it would be obligatory to collect.

6. Section 33 of the Consolidated Revenue and Audit Act permits the Governor in Council "whatever he deems it right and conducive to the public good" to remit any "duty or toll". I would broaden that to cover any tax, impost, duty or toll. I would also provide in the same section a means to compromise or write-off bad debts, etc.

7. At the present time there is no clear authority to permit the Minister of Finance to invest, temporarily, idle cash balances in his bank accounts. I would give him such a power, but prohibit him from buying Government securities listed at substantial premiums, as such purchases bring speculation into a transaction.

8. At present no officer has any general responsibility with respect to revenues. My thought is that the Comptroller of Accounts should be required to keep constantly under review assessing, collecting and accounting practices of each department. His reports would be to the Minister of Finance.

9. It is my opinion that it is an undesirable practice to amend legislation by means of an item in an Appropriation Act, therefore I would insert a section prohibiting the submission of Estimates including such an item.

10. I have already outlined my thoughts with respect to Estimates' explanations.

11. In a previous memorandum it has been suggested that a practice of credits-in-aid appropriations be introduced for those services which have material "service" revenues—as distinct from taxes.

12. Instead of cheques being drawn on the Receiver General of Canada, it would be better to draw on the Bank of Canada and thus permit cashing banks to clear at all bank clearing centres.

13. There should be legislation to govern the cases where securities should be given by contractors and the use which may be made of such deposits.

14. Likewise, the situation should be clarified with respect to powers of attorney tendered to the Government.

15. Parliament must consent before the Government may borrow. In my opinion there are too many borrowing authorities tacked on to statutes. In addition, there are general borrowing statutes—mainly to refinance, but permitting new borrowings. A maturity might properly be refinanced without fresh legislation, so long as the principal amount is not increased. This would eliminate refinancing of debts statutes.

16. The method of handling loan issues—door-to-door sales and pay-roll deductions—presents the risk that, by theft or bankruptcy, a small purchaser may be defrauded without recourse on the Government. Provision should be made that, in either of the foregoing contingencies, the collector be regarded as an agent of the Crown.

17. The present statute was enacted when the debt was serviced by the Department of Finance. As a result of the Bank of Canada Act, the activity is now performed by the Bank. For that reason, Debt Servicing regulations, which are of concern to the public, should be statutory.

18. In my opinion, the stores of all major departments should be regulated in such a manner that they are tied-in with the Balance Sheet of Canada. Likewise, I am of opinion that commercial real property should be periodically valued and controlled by the Balance Sheet. Property which is unsaleable might be ignored—for example, the Parliament Building, the canals, etc.

19. The functions of the Deputy Minister of Finance have outgrown the keeping of accounts. That task might be performed by the Comptroller of Accounts.

20. A single accounting office should be operated for Senate, House of Commons and Library accounts and the Comptroller of Accounts required to post monthly in that office a statement of transactions for the information of Senators and Members.

21. It should be a statutory duty on the Auditor General to examine all accounts receivable, etc. (at present his duty is to examine actual collections). I would also make it necessary that he examine stores and property accounts to a much greater degree than is now required; also, require him to report on systems, or practices, followed by departments in administering revenue collections, stores, etc.

22. The present retiring age of the Auditor General is 70. I would reduce it to at least 65, and believe it should be 60, because no man should occupy the position too long.

23. The present officers' guarantee fund is based on an Appropriation Act item. A comprehensive plan in a statute would be preferable.

24. It would remove criticism were a Minister authorized to recognize writs for attachment of civil servants' salaries, when issued after judgment, up to a percentage of salary.

25. All corporation budgets should be annually submitted to the appropriate Minister for approval in those cases where parliamentary approval is not required by legislation or usage. Further, limits as to what the budget might provide might be set out. Purpose: to avoid deficit planning.

26. I would adopt a recent American statute and require the accounts of all corporations owned or controlled by the Crown to be audited by the Auditor General, and require him to report on any ultra vires transactions—the expense of audit to be shared.

27. Title to Crown property, administered by a corporation, be vested in that body, leaving to the Courts the question of liability for taxes.

28. Make the calendar year the fiscal year for Crown corporate bodies.

Yours faithfully,

WATSON SELLAR,
Auditor General.

The House then resumed the adjourned Debate on the proposed motion of Mr. Abbott: That Bill No. 141, An Act to authorize the Government of Canada to enter into Agreements with the Governments of the Provinces pursuant to which, in return for compensation, the Provinces agree to refrain from levying certain taxes for a limited period, be now read the second time.

And the Debate still continuing, the said Debate was, on motion of Mr. Bracken adjourned.

A Message was received from the Senate informing this House that the Senate had passed the following Bills, to which the concurrence of this House was desired:—

Bill No. 444 (Letter P-14 of the Senate), intituled: "An Act for the relief of Joseph Edmond Gerard Santoire".

Bill No. 445 (Letter Q-14 of the Senate), intituled: "An Act for the relief of Alderic Gemme".

Bill No. 446 (Letter R-14 of the Senate), intituled: "An Act for the relief of Pierre Behocaray".

Bill No. 447 (Letter S-14 of the Senate), intituled: "An Act for the relief of Joseph Rosealpee Oderic Dussault".

Bill No. 448 (Letter T-14 of the Senate), intituled: "An Act for the relief of Dan Alonzo Dwight Wright".

And also,—A Message communicating to this House the evidence, etc., taken before the Standing Committee of the Senate on Divorce, to whom were referred the petitions on which the Divorce Bills mentioned above were founded; together with the papers produced in evidence before them, with a request that the same be returned to the Senate.

The Order being read for the House to resolve itself again into Committee of Supply;

Mr. Abbott moved,—That Mr. Speaker do now leave the Chair.

And the question being put on the said motion; it was agreed to.

The House accordingly resolved itself again into Committee of Supply and further progress having been made and reported, the committee obtained leave to sit again at the next sitting of the House.

And it being after eleven o'clock, p.m., Mr. Speaker adjourned the House without question put, pursuant to Standing Order 7, it being then five minutes past eleven o'clock, p.m., until to-morrow, at eleven o'clock, a.m. pursuant to Special Order made Friday, July 4, 1947.

GASPARD FAUTEUX,

Speaker.

NOTICES OF MOTIONS AND QUESTIONS

Mr. Green—On Friday next—INQUIRY OF MINISTRY—1. How many standard profits claims are now on file and not yet dealt with?

2. Of these, how many are ready for submission to the Board of Referees?

3. How many claims have been filed through each district office since January 1, 1947?

4. How many claims have been submitted to the Board of Referees from each district office since January 1, 1947?

5. How many awards have been made by the Board of Referees since January 1, 1947 (showing the number in each district office)?

Mr. Castleden—On Friday next—INQUIRY OF MINISTRY—1. How many applications for citizenship have been dealt with under the new citizenship regulations by each of the district courts in each of the provinces of Alberta, Manitoba and Saskatchewan, as of June 1, 1947?

2. How many have been refused in each of these courts?

Mr. Castleden—On Friday next—INQUIRY OF MINISTRY—Have instruction booklets been issued to applicants for citizenship in Canada other than to the Polish veterans?

Mr. MacInnis—On Friday next—INQUIRY OF MINISTRY—1. Did the government acquire Roller Process Milk Powder under Confiscation Order No. 88 passed August 1, 1946? If so, from how many persons or firms?

2. What were the names of such persons or firms and what was the amount of milk powder taken in each case?

The Prime Minister—BILL intituled: "An Act to provide for the Alteration of His Majesty's Royal Style and Title."

Mr. Picard—On Friday next—That the Fifth Report of the Standing Committee on Public Accounts, presented on July 9, last, be now concurred in.

Mr. Picard—On Friday next—That the Sixth Report of the Standing Committee on Public Accounts, presented on July 9, last, be now concurred in.

The Minister of National Defence—On Friday next—IN COMMITTEE OF THE WHOLE—The following Resolution:—

Resolved, That it is expedient to present a measure to amend the Militia Pension Act to provide that the Governor in Council may grant an annual pension to a Member of the forces who has contributed to the Consolidated Revenue Fund under Part V of the Act and who has served in the forces for ten years or upwards but less than twenty years, and who is certified by a board composed of not less than three medical officers of the forces as being disabled or incapable of performing his duties as a member of the forces.

MEETINGS OF COMMITTEES

Room	Committees	Hour
<i>Thursday, July 10</i>		
268	Joint Committee on Printing.....	10.00 a.m.
268	Railways, Canals and Telegraph Lines.....	11.45 a.m.
429	Public Accounts.....	3.00 p.m.
<i>Friday, July 11</i>		
429	Miscellaneous Private Bills.....	10.00 a.m.