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CANADA

BUDGET SPEECH

DELIVERED BY

HONOURABLE D. C. ABBOTT

MINISTER OF FINANCE

MEMBER FOR ST. ANTOINE-WESTMOUNT

IN THE

HOUSE OF COMMONS

MARCH 28, 1950



OTTAWA

EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,

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HON. D. C. ABBOTT
MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS, TUESDAY, MARCH 28, 1950

Hon. Douglas Abbott (Minister of Finance):
I move:

That Mr. Speaker do now leave the chair for the house to go into committee of ways and means.

In proposing this annual motion and in opening my budget for the year upon which we are about to enter I begin as is customary by reporting to the house on the general economic situation in which we are operating, and upon the economic prospects for the coming year.

WORLD CONDITIONS

The three years 1946, 1947 and 1948 were years of active and expanding business and employment in almost every part of the world. The work of physical, social and economic reconstruction not only created very high levels of employment and activity, but placed severe strains upon the available resources of manpower, equipment and materials in almost every country. These determined efforts to do so much in so short a time resulted in widespread shortages of various kinds and in open or suppressed inflation of varying degrees of intensity.

The year 1949 saw a considerable change in this balance of demand upon resources, and the improvements in output and in organization have lessened some, though not all of the economic difficulties with which the world is faced. In looking through the figures published by the United Nations I find that in those countries of Europe for which information is available the volume of production increased about 10 per cent during 1949, and that output as a whole is nearly 20 per cent above 1937. In Canada industrial output in 1949 was about two per cent above 1948, but more than 70 per cent above the 1937 level. In passing, I may add that Canada's increase in production over pre-war levels is greater than that recorded for any other country.

These improvements in production have had their effect on price levels and inflationary pressures. The December 1949 price levels in most countries of western Europe were less than five per cent above December 1948. It should be added that conditions of suppressed inflation continue to be a danger in some countries; and in most countries the effects of the September devaluations had not been fully reflected in their price levels by the end of December. Canadian wholesale price levels at the turn of the year were about two per cent below a year ago.

These increases in production have also resulted in a considerable improvement in the balance of payments position of western Europe as a whole. Over the past three years the current account deficits of ERP countries have been reduced from \$7½ billion to just under \$4 billion, and their trading deficit with the dollar areas has been reduced from about \$7 billion to \$3.8 billion. This improvement in their total deficit has been the result of a five per cent increase in total imports and a 40 per cent increase in total exports, though in respect of the dollar areas the deficit has been reduced by a drop of one-third in imports and an increase of one-quarter in exports. Reductions in imports by European countries were made possible by their improvements in home production and hence their reduced need for the abnormal volume of imports which was essential just after the war, but are also the result of deliberate administrative measures designed to keep their imports within the dollar resources that are available to them.

Hon. members will realize, of course, that while these improvements are very considerable, Europe still has a difficult road to traverse before viability at a tolerable level can be reached. Hon. members will also realize that, while we stand to benefit very substantially in the longer run by the restoration of a sound balance in world trade, in the

shorter run we shall have posed to us in Canada a number of difficult problems, and the adjustments that we may be required to make in our economy will not always be easy or entirely painless.

CONDITIONS IN UNITED STATES

Canadian economic activity is heavily influenced by conditions throughout the world, but it is particularly influenced by economic conditions and prospects in the United States.

Economic activity in that country experienced a moderate setback during the spring and early summer of 1949, but recovered during the second half of the year. The decline in United States industrial production during the first half of the year amounted to about 16 per cent, and the later recovery regained about half of this lost ground. While we can never escape the effects of sustained changes in United States business conditions, it is evidence of the current strength of the Canadian economy that we were so little affected by the United States recession. Taking 1949 as a whole, United States industrial production declined about eight per cent and Canadian output advanced about two per cent.

I turn now to a general review of our external trade.

EXTERNAL TRADE

Exports from Canada to all countries have been sustained at a high level throughout 1949. From a post-war low of about \$2,300 million at the end of 1946 exports increased steadily and rapidly until the annual rate reached \$3,000 million toward the end of 1948. During the first eight months of 1949 there continued to be an upward trend and the peak twelve-month figure of \$3,120 million was reached in August. Since that month there has been some falling off and the exports for the twelve months ended February 28, 1950, were just under the \$3 billion mark.

There have, however, been some significant changes in the direction of our exports, and having regard to our exchange problem, these changes have been in a satisfactory direction. Exports to the United States, which reached a post-war low of just under \$900 million in 1946, climbed slowly through 1947 but very rapidly during 1948 to reach \$1½ billion at the end of that year. They have remained at this level, with only minor fluctuations, for the past fifteen months.

This remarkable increase of \$600 million in our exports to the United States in three years has been spread over all our principal industries, but the chief contributors to the increase have been farm and livestock products, wood and paper products, farm machinery and equipment, and non-ferrous metals.

Exports to the United Kingdom were at an annual rate of \$600 million at the end of

1946; they climbed to \$780 million early in 1948; dropped back to \$650 million early in 1949; then recovered to about \$700 million, and have been fluctuating narrowly about that figure for the past eight months. There has been more variability in the pattern of our exports to the United Kingdom. We have sold them more grains and more base metals, but they have bought less animal products and less timber.

Exports to all other countries increased from \$800 million late in 1946 to about \$1 billion at the end of 1947. Since then they have declined in an irregular pattern and are now at a rate of about \$750 million a year.

Taking the last two years as a whole, a fall in overseas exports of about \$300 million has been more than offset by an increase of \$500 million in our exports to the United States.

On the import side, it would be agreed, I think, by all groups in this house that Canada should welcome increased imports from our overseas customers. But such an increase, to be of a lasting nature, must be based upon supplying goods which we need and like at prices which are competitive with the supplies available to us from our own producers or from other countries. Ever since the war, and more recently as a part of our policy of meeting our own dollar problem, we have taken special measures to help our overseas suppliers to surmount the transitional difficulties of the post-war period; but we cannot continue these indefinitely, nor should we convert temporary devices into permanent policies. It continues, however, to be our policy to encourage as large an increase as possible in our overseas imports, within the framework of our international obligations.

As the house knows, imports into Canada increased rapidly from the \$1½ billion figure in 1946 to \$2½ billion at the end of 1947. This increase of a billion dollars in imports was in part a reflection of world wide price increases, in part a filling of the accumulated shortages of the war years, and in part the purchase of materials and equipment for incorporation in our heavy post-war capital investments. Largely as a result of our emergency import controls, imports were held at the \$2½ billion level throughout 1948, and as these controls were relaxed the rate of import climbed slowly during 1949 to about \$2¾ billion. There has been little change in the rate of import during the past six months, and such change as is discernible has been slightly downward.

As a result of our emergency import controls our imports from the United States during 1948 were held to a level about \$200 million below 1947. With the progressive relaxation of these controls our annual rate

of United States imports has come back to within \$25 million of their earlier peak. Much of this increase has been in the field of capital goods and equipment which have been a necessary part of the continued capital investment program of Canadian industry.

Frankly we have been a little disappointed in the apparent inability of overseas countries to resume their traditional share of our import market during the past year. Late in 1946 our overseas imports were about \$500 million; they rose steadily to \$860 million early in 1949, but from that point they have been drifting downward and are now at about \$800 million. If our overseas friends could get back their traditional share of our import market, they would be earning an additional \$200 million a year with which to balance and eventually expand their consumption of Canadian products.

EXCHANGE RATES

It is still too early for the world to have witnessed the full effect of the world-wide realignment of exchange rates which occurred last September. The immediate arithmetical implications of these currency devaluations, so far as we are concerned, were to raise the cost of our imports from the United States by 10 per cent, to reduce to the United States the cost of our exports by 9 per cent, to reduce the cost of our imports from most other countries by 24 per cent, and to raise the cost of our exports to most other countries by 31 per cent. At the same time United States exports would cost most other countries 44 per cent more, and relative prices between most of these other countries would be unchanged.

Changes in price relationships of this magnitude naturally set in motion all over the world a stream of price adjustments that is still going on. Some basic commodities traded in relatively free international markets, such as the base metals, were adjusted almost immediately to the United States dollar price; many other prices have moved much more slowly, and some hardly at all. The general effect, however, has been to reduce very considerably the wide international price disparities which had been developing at an alarming rate during the three preceding years.

The effect on Canadian trade has already been noticeable and is in a satisfactory direction. Notwithstanding the relaxation of many of our import controls, our imports from the United States have been declining for the past four months, and our exports have been increasing. In the four months November to February inclusive, our exports to the United States increased by nearly \$60 million as compared with the same months a year ago, and our imports declined

by about \$25 million. That is, for these four months an adverse balance of trade of nearly \$100 million a year ago has been reduced to an adverse balance of only \$15 million.

In the same four months our exports to the United Kingdom declined by \$20 million, and our imports from the United Kingdom were down by \$3 million. Our overseas exports as a whole, however, were down by more than \$100 million in these four months, and our overseas imports down by \$12 million.

In a world where so many other factors are changing, one cannot isolate the effects of currency changes in any precise way, but I think that those which took place last fall should play a beneficial role in helping to correct the imbalance in the trading relationships between North America and the rest of the world. I should emphasize, however, that currency changes alone and of themselves are no cure for basic problems of maladjustment. They can do little more than give time in which the more fundamental measures can be put to work. However, so far as Canada is concerned, it already seems clear that the action we took in September last has, under the conditions presently prevailing, improved our trading position.

As the house is aware, exports of gold are not included in our merchandise trade figures. Gold production, however, has recently been showing a steady and welcome increase each year, due to the combined stimulus of an improved supply of suitable labour, the emergency assistance payments and more recently the devaluation of the Canadian dollar. Last year total production amounted to \$148 million and most of that served to increase our exchange reserves.

BALANCE OF PAYMENTS

Apart from merchandise trade and gold production, there are of course several other factors which enter into our international balance of payments on current and capital account, including tourist expenditures here and abroad, interest and dividend payments and receipts, freight charges and earnings, and various types of capital inflow and outflow. It is the combined effect of all these factors which account for the net change in our reserves of gold and United States dollars during the course of a year. I do not wish to anticipate the report of the foreign exchange control board for 1949, which will be available in the very near future and will contain a detailed analysis of our balance of payments during the past year and of the factors accounting for the change in our reserve position. All I need say here is that our surplus on international current account according to preliminary estimates amounted to about \$193

million in 1949, a decline from the \$450 million surplus reported in 1948; and that in the capital account the features of note were total advances of \$120 million to the United Kingdom under the 1946 loan and a fairly substantial inflow of capital from the United States for direct investment, chiefly in connection with oil developments in western Canada. The end result of both current and capital transactions was a net increase of \$119 million in our exchange reserves, bringing them to a total of \$1,117.1 million on December 31 last, as I reported early in January.

EXCHANGE RESERVES

This represents a very substantial increase from the low point of \$461 million to which they had fallen in December, 1947,—a point so far below a safe margin that we had to secure approval from parliament for special emergency powers to control imports. These special measures were effective, and by the end of 1948 our reserves had recovered to \$998 million. In the light of this improvement we were able to make extensive relaxations in our import restrictions, one result of which was that our rate of accumulation of reserves in 1949 was more moderate. However, with the improvement of \$119 million that did occur, I was able to announce early in February two further groups of relaxations to take effect April 1 and July 1 respectively. When these are in effect I estimate that we will have covered about half the road toward complete removal of the emergency import controls.

In the meantime our reserves have shown a further substantial increase. I shall be publishing the March 31 reserve figure sometime next week, but as we are now so close to the end of the month, I think I should depart from our usual practice of reporting the size of our reserves only after the end of each quarter and advise the house that at the close of business on Saturday last they had reached the figure of \$1,204.2 million. This represents an increase during the present quarter of about \$87 million I should add, however, that a considerable part of the recent increase is accounted for by a rise in Canadian balances held by other governments. To the extent that these balances are abnormally high and will be subsequently reduced it means that some of our experts in coming months will be paid for out of these balances and will not bring in new receipts of exchange. To this extent our reserves at their current level include the proceeds of some future earnings which have in effect been received in advance. Moreover, the second quarter of the year is the season for heavy transfers of earnings on United States investments in Canada. Hon. members who have studied our monthly reserve figures will recall that last year our

reserves dropped by \$90 million during April and May. Unless some unforeseen developments occur, I expect that our reserves may show a similar decline during the next two or three months. However, I would not, of course, venture to make any prediction in respect to the probable net change in our reserves for the new fiscal year as a whole.

EMPLOYMENT AND INCOME

As is customary on these occasions, I shall table at the conclusion of my remarks and ask to have printed as an appendix to today's *Hansard* the usual white paper which puts into convenient form all the more important economic and financial statistics. Accompanying these tables will be found brief explanatory notes and comments. It is not my intention to burden the house by reciting many of these facts and figures. I shall try only to give a broad and general picture. I do, however, urge hon. members to study the white paper carefully.

The latest estimate published by the dominion bureau of statistics over the week end shows Canadian farm cash income in 1949 to have been almost identical with the all-time record reached in 1948, which in turn was twenty-five per cent above 1947. Lower returns on dairy products, poultry products and furs were offset by increased returns on grains and livestock. Earlier estimates of net farm income for 1949, which are given in the white paper, show a moderate decline from 1948. The production of the fisheries was well maintained. Despite export marketing difficulties for some types of fish, returns to fishermen in 1949 were satisfactory, domestic demand being particularly good throughout the year. In those lines of production where our farmers and fishermen rely primarily on overseas markets the outlook for 1950 is less certain, but I would like to remind hon. members that our markets on this side of the Atlantic have increased greatly in recent years, and can, I think, be still further developed, especially for high quality products.

Employment in Canada has continued at a high level. The trend of industrial employment continued upward during 1949 until August or September; since then it has been moderately downward. The latest available figures for industrial employment, which are for January, show a decline of one per cent from a year ago. This, however, is a general average, and conceals a number of divergent trends in the components of the general index. For example, employment in logging and in the agricultural implement industry is down much more than the average; but in mining, in construction work, and in the trade and service occupations it is considerably higher than a year ago.

Total labour income, in spite of the one per cent fall in employment, has continued to increase, and its monthly rate at the end of the year was about five per cent above the same months a year earlier. Average weekly wages rose about three per cent during the year, while the cost of living advanced barely one per cent.

While the decline in employment as a whole has been small, the increase in unemployment has been greater, due, of course, to the fact that the total labour force continues to grow. The outlook for 1950 seems to be that the volume of employment will increase moderately, but it is possible that it may not catch up with growth in total labour supply.

Total unemployment, even at its seasonal peak, has not been large, judged by normal and usual conditions in this country. It has, however, been uneven in its regional incidence.

The largest single element in the past winter's unemployment has been the sharp decline in woods operations associated with the policy of the principal pulp and paper companies in reducing their heavy pulpwood inventories. Other pools of unemployment have been created by decline of particular export markets.

The marketing prospects for our pulp and paper industry appear to be good, and if these are maintained I would expect the woods operations next winter to be at a normal level. We shall continue to give all the help we can in finding markets for such other commodities as may from time to time find their markets upset.

ROLE OF CENTRAL GOVERNMENT

I want to make it clear, however, that the central government cannot and should not attempt to assume responsibility for all these regional problems. In my mind the proper role of the central government in our federal state is fourfold. First, through its fiscal and general policies it should endeavour to create a favourable climate for healthy economic expansion and development. Second, it should have careful regard in planning its own operations for the best timing and the best placing of its capital and developmental expenditures. Third, it should recognize a special responsibility for the promotion and development of our basic primary industries and other industries of a national significance. Fourth, it should be ready to co-operate actively with provincial governments, and through the provincial governments with municipalities, in meeting regional problems that threaten nation-wide economic repercussions.

There have been times in the past when differences of view between the federal and provincial governments have received a kind

of publicity which has led the general public to overlook, or at least to underestimate, the very large amount of practical day to day co-operation between the two levels of government. There is a great deal of this working together, and we are ready, in all appropriate circumstances, to extend this friendly collaboration.

With particular reference to the current situation I should remind the house that in preparing our estimates for construction projects we have deliberately been severe in cutting down requests for new construction, because in most parts of Canada building is fully employed on private projects. But where we have evidence that building labour will be available we have applied less severe tests to departmental requests for new construction.

The amendments to the Unemployment Insurance Act recently enacted will not only relieve distress but will sustain purchasing power and thus the general level of business activity, in many of the regions where difficulties were encountered this winter.

The consensus of informed views about the outlook for 1950 is that employment, output and price levels in both Canada and the United States will show no great change from 1949. The balance of probabilities for Canada indicates a moderate increase in the domestic and United States demand for our products, offset in part by a reduction in overseas demands, with prices tending slightly downward, and employment slightly upward.

A minister of finance must always remind the house that forecasts of this nature are beset with uncertainties. But under our parliamentary system, where both programs of expenditure and programs of revenue must be presented and approved in advance for a specified twelve months period, such estimates of the future have to be made. To some extent our expenditures, and to a much greater extent our revenues, will fluctuate with expanding or contracting business activity and with rising or falling prices.

However difficult, forecasts must be made. My forecast and my fiscal program for 1950-51 are based on the expectation of sustained high levels of production and employment, and can be summed up simply in an estimate that the gross national product, which is in fact the economic tax base, will be about one or two per cent higher in 1950 than in 1949.

GOVERNMENT ACCOUNTS: 1949-50

In turning to review our revenue and expenditure for the fiscal year now closing and to forecast revenue and expenditure for next year, may I again call the attention of

hon. members to the detailed accounts provided in the white paper to which I have referred.

A year ago I forecast for the current fiscal year expenditure of \$2,390 million and revenue, after tax changes, of \$2,477 million, leaving a prospective surplus of \$87 million. In re-introducing the budget measures on October 20 last I revised the expenditure figure to \$2,460 million, including in it in this case the Newfoundland debt we had taken over, and I revised upwards the forecast of revenue, setting it at \$2,545 million, after taking into account the small additional tax changes then proposed. This left practically unchanged my earlier forecast of the budgetary surplus. We have not yet reached the end of our year, and on the expenditure side in particular it is always difficult to estimate the payments to be made during the closing weeks. It now appears, however, that actual expenditures for the year will be about \$2,438 million—about one per cent less than our last forecast—and revenue about \$2,549 million—just a shade more than our October estimate. On this basis our budgetary surplus should be about \$111 million. It is possible, however, that the actual out-turn when all the accounts are closed may differ slightly from this, but not by very much. In operations of the magnitude and complexity of the government's financial activities, an error amounting to only about one per cent of our expenditure appears to me to reflect exceedingly accurate estimating.

On the revenue side, the notable feature is still the remarkable buoyancy in our direct taxes, notwithstanding the successive reductions in rates that have been made. Direct taxes accounted for half our total revenue, and a large part of the indirect taxes that provide forty per cent of our revenue is levied upon things the purchase of which is usually some evidence of ability, as well as willingness, to pay.

Our non-tax revenue continues high. The post office is paying its way, when we include the wartime increase made in letter rates, and I hope that we can continue to cover the growing cost of postal services by charges for them. It supplies some free services to other departments, of course, and service of some kinds below estimated cost, but on the other hand the post office is not charged for its office accommodation nor for certain services such as those of our accounting and disbursing officers. In due course I would hope we can arrange that it will be charged with all proper expenses of its operations, that it will charge other departments for mail services, and that it will be able to show a modest surplus on a commercial basis of accounting.

We have continued this year to benefit from some abnormal post-war special receipts and credits, though now on a relatively modest scale, the total of this category being about \$60 million. The chief components of this figure are \$18 million from the sale of surplus crown assets, \$16 million recovered on war contract settlements, and about \$9 million in payments by European governments in settlement for supplies provided by the military authorities to the civil populations at the end of the war. We can still expect some receipts next year under these headings, but on a diminishing scale.

On the expenditure side, the most notable features have been the increased expenditures for social security on the one hand and national security on the other. The increase in social security—chiefly family allowances and old age pensions—was about \$62 million; and the increase in national defence and defence research was \$110 million. Newfoundland, too, added materially to our expenditures—as was evident from the \$55 million provided in special supplementary estimates to extend our services to Newfoundland, and a non-recurring charge of \$62 million to cover the assumption of the major portion of the former Newfoundland debt. There was another large non-recurring item in our expenditures represented by the net charge to our premium, discount and exchange account resulting from the revaluation of currencies and representing the decreased Canadian dollar value of our sterling obligations, the increased Canadian dollar value of our United States dollar obligations, and the increased Canadian dollar value of our holdings of gold and United States dollar balances.

Offsetting these major increases in expenditures that I have noted were a number of reductions in those items which arose out of the war, notably certain types of non-continuing payments to veterans, payments of subsidies of various kinds, and various administrative costs for temporary post-war organizations.

In addition to these major changes in our expenditures this year as compared with previous years, there was a wide variety of minor increases representing, on the one hand, higher costs due to the rise in salary, wage and price levels, and, on the other, expansion in various government services. I will not attempt at this stage to comment in any detail upon these, but the combined effect of these factors can be noted in the detailed statements of expenditures given in the white paper.

As usual, I should call the attention of the house not only to our budgetary surplus but also to the non-cash items in our

revenue and expenditure and to the non-income or extra-budgetary receipts and disbursements, apart from security transactions, that must be taken into account in order to appraise our over-all cash position. In the past year we have had more than the usual amount of budgetary charges which did not involve cash expenditures, and consequently when we adjust our budgetary surplus for purely accounting items—such as the assumption of the Newfoundland debt, the revaluation of our assets and liabilities which are expressed in other currencies and the addition to our general reserve against active assets—we find that we have a cash surplus of \$287 million as compared with the budgetary surplus of \$111 million. To this we should add other receipts that do not constitute revenue, such as the increases in the trust accounts for the payment of annuities and pensions, and the increases in various other accounts on our books that we cannot treat as revenue. We must also take into account the repayments of loans and advances that have previously been made. These various receipts have added another \$200 million to our cash. On the other hand, we must take into account heavy disbursements this year that do not appear on our books as expenditures. The largest of these has been the advances to the foreign exchange control board to acquire gold or United States dollars, which have amounted to \$160 million. We have also disbursed \$104 million in loans to the United Kingdom and other governments abroad, after taking into account repayments that we have received from such governments on other loans. We have also made substantial loans to the Central Mortgage and Housing Corporation and under the Veterans Land Act for housing and settlement purposes. Adding these and various small additional items of a similar character, we get a total of cash disbursements other than budgetary expenditures of \$420 million. This leaves a cash surplus of \$67 million, apart from security transactions. This year the net sales of securities out of our securities investment account, the account through which we employ our surplus cash balances, have totalled \$430 million. Adding this to the \$67 million cash surplus that I have just mentioned, we have a total of \$497 million available to reduce outstanding public debt. Actually we used \$486 million for this purpose, the remaining \$11 million being our estimated increase in cash balances at the end of the year.

FINANCING OPERATIONS

In my budget address of October 20 last I outlined most of the major transactions in what has been a notable record of financing

during the present fiscal year, and here I need only finish that outline and summarize the results for the year as a whole.

At that time I referred to the campaign just beginning for the sale of the fourth series of Canada savings bonds. That campaign proved highly successful; to date approximately one million buyers have purchased a total of \$304 million of this fourth series. I wish again to pay my tribute to the splendid work which has been done both by voluntary and professional workers in promoting the sale of these bonds.

On March 1 this year three separate transactions took place. An issue of \$550 million of $\frac{3}{4}$ per cent six months treasury notes was sold at par to the Bank of Canada to refund a similar issue maturing on that date. On the same date a \$325 million issue sold in 1948 and held very largely by the banking system became due and was refunded by an issue of \$325 million 3-year $1\frac{1}{4}$ per cent bonds sold at 99.30 to yield 1.74 per cent per annum. Also on March 1 a new issue of \$100 million of six months deposit certificates bearing interest at $\frac{3}{4}$ of one per cent per annum was sold to the chartered banks at par.

The results of our financial operations and of certain other factors on our funded debt for the fiscal year as a whole may be summarized as follows:

1. Our funded debt payable in sterling increased during the year by a net amount of \$52.6 million as a result of the assumption of certain Newfoundland sterling indebtedness in accordance with the terms of union offset in part by the effect of the revaluation of sterling.

2. Our direct funded debt payable in United States funds increased by \$100 million because of the sale of a new issue in New York to retire C.N.R. and national harbours board obligations which were guaranteed by the government of Canada—a flotation incidentally, which, as hon. members will recall, set a new record for Canada's credit in the United States market. The Canadian dollar equivalent of our funded debt payable in United States funds increased a further \$39.8 million due to the revaluation of the Canadian dollar.

3. Finally, in regard to our funded debt payable in Canada, the amount of our obligations, including refundable taxes, which matured or were called during the year was no less than \$3,137.4 million. We met \$2,213.3 million of this amount by refunding or conversion into new issues, \$338.2 million from the proceeds of new borrowing in the form of Canada savings bonds and deposit

certificates, and \$430 million from the proceeds of sales of securities from securities investment account. Another \$100 million in Canadian funds, not included in the cash surplus referred to above, was available from the proceeds of our issue in New York. The remaining cash required, \$55.9 million, came from our cash surplus.

While I am on this subject, perhaps I may be permitted to deal with our probable financing requirements for the new fiscal year. As will be apparent from what I have to say later, I expect that we shall be able again next year to make some modest reduction in our funded debt from available cash resources but this reduction will certainly be much smaller than that effected this year. However, during the year there will become due or payable in Canada funded debt in the aggregate principal amount of \$2,414.1 million.

Yesterday I made a public announcement to the effect that the government proposed to call for prior redemption on June 15, 1950, the first victory loan 3 per cent bonds which mature on June 15, 1951, and also on June 1, 1950, an issue of 3 per cent bonds sold in 1935 which mature on June 1, 1955. The amount required to pay off these called issues is approximately \$745 million, and our cash resources will not, of course, be adequate for that purpose without a refunding loan. For that reason a new issue will be announced shortly before the time for payment of the called issues. It is expected that the new issue will include some longer term bonds suitable for general public investment as well as a substantial amount of short term bonds. This operation will result in a further reduction in the cost of interest on the public debt. Perhaps I should not let this occasion pass without again reminding all those who bought bonds during the war in such large numbers to examine their holdings and if they find they have any first victory loan bonds, make sure to turn them in on the call date, June 15 next, and thereby avoid any loss of interest.

FORECAST OF REVENUE AND EXPENDITURE, 1950-51

My forecast of our prospective revenue and expenditure for the new fiscal year is based on the expectations I noted earlier—that in general our national employment and income will be sustained at approximately the present level and that there will be a slight fall in average prices, more than offset by a slight increase in the volume of our production. Should conditions be better than this—as they could be if everything goes well—my forecast will be more than realized. Should economic conditions deteriorate, as they

could, our revenue will fall off and our expenditure increase, as compared with the figures I am now putting forward.

In the light of what I have said, I expect that our present tax laws and other sources of revenue would produce in the next fiscal year a total revenue of about \$2,430 million. For the convenience of hon. members and others, I have had prepared the usual table, comparing present forecasts with the figure for the year just closing, and I ask leave that this table be printed in *Hansard* at this point.

Forecast of Revenue (Before tax changes)

	Fiscal year 1950-51 (Forecast)	Fiscal year 1949-50 (Actual- preliminary)
(In millions of dollars)		
Customs import duties	\$225.0	\$229.0
Excise duties	213.0	215.5
Sales taxes (net)	400.0	404.1
Other excise taxes	153.0	163.9
Income taxes		
Individuals	530.0	611.5
Corporations	580.0	586.5
Interest, dividends, etc ...	46.0	45.5
Excess profits taxes .....	....	—2.5
Succession duties	29.0	28.5
Miscellaneous taxes	4.0	4.0
Total tax revenue	2180.0	2286.0
Non-tax revenue	200.0	203.0
Total ordinary revenue ...	2380.0	2489.0
Special receipts and credits	50.0	59.6
Grand total revenue	2430.0	2548.6

I should like to emphasize that our tax structure now is such that it is very sensitive to changes in employment and incomes, and relatively modest changes in these can have a more than proportionate effect upon our revenue.

The government became aware several months ago of these revenue prospects and of the desirability of keeping our expenditures this next year within the total revenue that we could foresee in the economic conditions I have described. We decided that we should plan to do this, and that, except in the event of a deterioration of economic conditions or an unexpected emergency, we should hold our expenditure in the coming year down to approximately \$2,400 million. Consequently the treasury board, at the cabinet's direction, made substantial reductions in the estimates submitted by various departments, particularly those involving construction or the expansion of activities not of an urgent or highly productive nature. As a result, the main estimates, laid before the house on February 24 were held down to a total of about \$2,309 million, despite the increase in costs of

social security and defence and the expenditures required for federal services in Newfoundland. Moreover, we propose to continue this same policy in considering supplementary estimates, unless a major change in the economic outlook occurs. However, we must anticipate some supplementary and further supplementary estimates, including substantial amounts for the 1950 deficits of the Canadian National Railways and Trans-Canada Air Lines. In addition, I would expect to make some provision in our accounts for reserves against our active assets and for contingent benefits under the Veterans Land Act. On the other hand we may expect some short-fall of expenditures below the limits provided in appropriation votes, but this is likely to be lower than in recent years, due to the outlook for more stable economic conditions and to the pressure put on the departments to keep estimates down to the minimum practicable amounts. All in all, I think we can reasonably expect to keep our expenditures in this new fiscal year to a total of about \$2,410 million. On this basis our budget surplus should amount to around \$20 million.

In so far as our prospective cash position is concerned, we must take into account non-cash items in revenue and expenditure and other cash receipts and disbursements. After adjusting our probable revenue and expenditure for non-cash items I believe we can expect a cash surplus somewhat higher than the budgetary surplus. To this we should add cash receipts in annuity, pension, and similar trust funds, and various deferred credits and suspense accounts. Taking all these items together we should have something in excess of \$200 million dollars in cash over and above that required for cash expenditures.

Against this we must set our disbursements other than budgetary expenditure and redemption of our own securities. We shall probably require something over \$100 million for housing loans and investments, including the married quarters program for the armed services, and nearly \$30 million for Veterans Land Act loans. There will, I expect, be other minor loans and investments. There remains to be drawn \$85 million under the United Kingdom loan agreement, but drawings on this loan will be offset in part by repayments on loans previously made to the United Kingdom and other governments abroad. On the whole, I would expect that our total cash disbursements would about balance with our total cash requirements for all purposes—apart from the sale, purchase, or redemption of our own securities, and apart from possible advances to or repayments by the foreign exchange control board because of changes in the size of our exchange

reserves. As I have already indicated, it is impossible to forecast with any assurance whether our exchange reserves will increase or decrease by a significant amount and therefore whether we shall need to advance further Canadian funds to buy exchange, or can expect repayments on advances outstanding. On the whole I would not expect at present a movement in either direction large enough to affect our cash requirements to any important degree.

CONTINUING LEVEL OF EXPENDITURE

Our efforts to hold expenditures this coming year to the level I have described, despite the increases necessary for the social security legislation of last year and for defence, have caused me to realize that we must now expect for some time to have budgets as large as this one—that we must cope somehow with a continuing level of expenditure of \$2,400 million, even in the absence of large scale economic difficulties or widespread unemployment. Our special post-war demobilization and transitional expenditures are now almost all behind us; we can expect a tapering off of some of the remaining payments for the veterans program and some of the other items which we have labelled "Terminable Services" in the estimates, but these we must expect to be offset by increases in other services required in normal times, particularly those on the development of natural resources. In years when economic conditions are adverse, we must expect not only lower revenues but higher expenditures to assist in overcoming these economic difficulties and to maintain satisfactory levels of employment and income. In good years we can hope to avoid such special expenditures and have buoyant revenues—but I doubt if the public or this House of Commons will really wish government services or activities to be reduced in years of prosperity to the degree necessary to get our expenditures much below this level of \$2,400 million. If we get a substantial improvement in the international situation we may expect a reduction in defence costs that will materially lighten the burden on the budget, but it would be a bold man who would predict this with any confidence now.

Our union with Newfoundland has been warmly welcomed in every part of the country, and I am confident that the mutual advantages of this union will be demonstrated with increasing force as each year passes. But I think it is fair to remind the house that during the past year and over the next few years the accession of Newfoundland to Canada has imposed and will continue to impose a considerable net burden on the federal treasury. We share with our fellow citizens in Newfoundland a great confidence in their future, but in the meantime the social

and developmental costs to be borne or shared by the central government will involve large net financial outlays.

Payments to provinces for statutory subsidies and compensation under the tax rental agreements totalled \$104 million in the current fiscal year, and for the remaining term of these agreements the annual payments to the provinces concerned will be even larger than this year, whether or not any downturn in economic activity should occur in the next year or two. As already announced, there will be another conference with the provinces this fall, and whatever may be the eventual outcome of that conference, I think it is fair to assume that its decisions will not result in a lessening of the net burden on the federal budget.

Naturally we hope to reduce expenditures by improved efficiency in operation and by economies in administration. We have been making good progress in this direction in recent years in many of our departments—quietly but effectively. Since it has been accompanied in many cases by an expansion in the work of the department or unit concerned, it is frequently not evident from the figures. We are pressing ahead further with this work, and building up a corps of efficient operating and administrative officers. But we should not delude ourselves with the belief that we can significantly alter the scale of the budget in this way. Our civilian payroll is only about \$310 million a year out of total expenditures of \$2,400 million, or about 12 cents out of every dollar spent. The other 88 cents goes either for transfer payments or is paid for goods and outside services. It is only by reducing government activities or social security payments that any major reductions can be made.

REASONS FOR EXPENDITURES

This is an important and serious conclusion. We should realize how this situation has come about. Mainly it has been by reason of war and the danger of future war. Our huge debt service is almost entirely a legacy of war. We have a heavy continuing charge for pensions and other provision for war veterans, and expenditures on defence now total \$425 million. All told, then, we must provide something over a billion dollars a year because of past wars or the need to prevent future war. This huge outlay from which we get no tangible return is unfortunate—but let us remember that this, in addition to the blood and treasure expended in the past, is the price we pay for the personal freedom, the civil liberties, the democratic politics and the economic prosperity that we enjoy as part of the western world.

The second major category of expenditure that has brought us to budgets of this size is

social security payments—old age pensions, family allowances, and unemployment insurance, as well as other smaller items. For these three huge programs we are having to provide \$457 million next year. I need hardly point out that this house and those parties to which its members belong stoutly uphold the need for old age pensions on at least the present scale and we must, of course, make adequate provision for the unemployed.

Our family allowances, though costly because of the huge numbers involved, are among the most constructive forms of social security; for they provide improved opportunities for health and education for the children of our country. We can expect in future years to gain material benefits from the better citizens this program makes possible.

Apart from these costs of defence and social security, there is a great variety of services provided to business and the public, on which we spend hundreds of millions each year but which are demanded just as are the services of business itself—the post office, the canals, the airports and airways, the wharves and harbours and river works, the aids to navigation, the technical services to agriculture and the fisheries, the foreign trade services, to assist our exporters and importers, the statistical services, the employment service, and others of a like character. Money spent on these provides services which the public use every day, whether they pay for them directly, as in the case of the post office, or indirectly, as in the case of most others.

Finally, I think it is important for the house to realize how much is being done to improve our productive resources in the future. Our health program, for example, for which we provide now over \$40 million a year, is not only improving significantly the treatment of the sick, but making real strides in helping to reduce the amount of disease and illness. That will reflect itself in due course in our national production. We are now spending large sums in discovering, developing, improving and conserving our natural resources—through such departments as Agriculture, Fisheries, Mines and Technical Surveys and Resources and Development. This is valuable, sensible work that will increase our national income just as surely and effectively as much private business expenditure will. The same is true also of the extensive work in the field of scientific research, which has been greatly increased in scale and of which we may, I think, be justly proud.

I shall not try to enumerate all the classes of activities. I have said nothing, for example, of such an important one as our housing program. The point I wish to emphasize is that the public, the responsible political

parties, and this parliament have all willed the ends to which these efforts are directed, and it is here in the budget that we must provide the means. Unless we are prepared to reduce the scope or scale of government activities, we must now expect \$2,400 million budgets in future years.

Nor can we escape the tax implications of this conclusion. We must have a tax system that will at least balance the budget in good years, in those times when private expenditures and exports will sustain our employment and incomes at high levels; for otherwise we should slide quickly into inflation at such times and pile up our national debt more quickly than we add to the economic and financial capacity of the nation to carry it.

The conclusion then which I reach is that no minister of finance in the foreseeable future will have an easier task than I have, namely, that of covering about \$2,400 million of expenditure. In considering proposals for further major increases in our expenditures of a continuing nature, we must be ready to balance them with increased taxes. We can afford some modest increases in expenditures from year to year, or alternatively modest reductions in taxation, as our productivity and national income grow, but this dividend of progress is gradual and modest in size in relation to the ambitious plans that are so much in the air these days. What is important, I believe, is that we should now realize clearly that there is no prospective surplus from which proposed new programs of expenditure can be met. If the expenditure is worthwhile, it should be provided for by new or increased taxes or charges or by reducing some other services or activities of lower priority.

TAX POLICY AND TAX CHANGES

Given the conditions I have outlined, of continuing prosperity in which the positive and negative factors are rather evenly balanced, the wise and prudent fiscal policy calls for a balanced budget, or a budget which provides for no more than a modest surplus for the retirement of debt.

Last year I budgeted for a surplus of \$87 million, and it now appears that we shall have a surplus of about \$111 million. For the coming year I have already estimated expenditures at \$2,410 million and revenues at existing tax rates of \$2,430 million. That would leave us with a prospective surplus before tax changes of only \$20 million. This leads me to

conclude that no major changes in taxation would be wise this year. I am, therefore, proposing no important changes, but, as occurs each year, experience or changing circumstances require us to make a number of minor or technical changes in the tax laws, to remove anomalies, to secure greater equity, to clarify obscure points, or to meet special circumstances. In only two or three instances will there be any significant revenue implications in my proposals.

First, with regard to taxes on commodities, I propose that purchases by certain defined classes of institutions caring for orphans, the aged and the incapacitated be exempt from the sales tax effective July 1, 1950. The loss of revenue resulting from this change will not be large, but the saving in costs to these institutions will, I believe, be welcomed by those responsible for maintaining them. We have for many years exempted hospitals from the sales tax, and the institutions I have referred to are in many respects analogous to hospitals.

There is at present an extra five per cent tax on toilet soaps. For reasons which I shall not elaborate, chief among them the difficulty of drawing a clear line between toilet and laundry soaps, this tax has been very difficult to administer, and I am proposing that it be repealed effective midnight tonight. The loss of revenue will be about \$600,000 in a full year.

The only other commodity tax change that I propose is the removal, effective midnight tonight, of the sales tax on ice cream, on drinks prepared from fresh milk and on prepared whipping cream. We have received strong representations from the dairy interests that the removal of this tax will give encouragement to the consumption of ice cream and dairy drinks at a time when sales of certain other milk products are declining. The loss of revenue in this item will be about \$2 million in a full year.

The bill amending the Excise Tax Act giving effect to the above proposals will contain a number of other unimportant technical changes in the law.

As usual I wish to give public notice that no claims for refund arising out of the excise tax changes in respect of goods on which tax has been paid or is payable will be entertained by my colleague the Minister of National Revenue.

With regard to the Income Tax Act, no changes are being recommended in the rate

structure. However, I am proposing certain amendments which will be of specialized but fairly widespread interest.

Last year we made some changes in the corporate tax structure, including a reduction to 10 per cent in the tax on the first \$10,000 of profit of corporations. This tax abatement was intended to allow the small businessman to retain a larger proportion of his profits for growth. It was necessary, in order to confine the benefits to those who were intended to receive it, to allow only one corporation in a group of related corporations to secure the lower rate. At the time of the last budget and since, I have received many representations on this point, and I have given careful study to the suggestions which have been made for a less rigid limitation. Under the law as introduced last year companies are related if one controls another or is controlled by another, or if they are subject to common control. It is proposed that these provisions be relaxed in order to relieve particularly the cases where there is a substantial minority interest in the corporation. Under the new proposal, mere control will not be the criterion. I think it will achieve our original intention if some higher percentage of ownership is adopted in defining what we mean by related companies. It is proposed that companies shall not be deemed to be related companies unless there is related ownership of common stock to the extent of 70 per cent or more. This, I believe, will allow a wider group to obtain the preferred rate on the first \$10,000 of profit, and will take care of most of the reasonable complaints against the law as passed last year.

Last year parliament approved a new system for depreciation allowances. Following considerable discussion in the house it was agreed to allow farmers and fishermen to continue under the old system. I expressed the opinion at that time that farmers would probably be better off under the new system than under the old. Apparently after having studied the new system many farmers are now inclined to agree with that view. Accordingly it is proposed to give farmers and fishermen the option of adopting the new system. It will, of course, have to be provided that once a taxpayer elects to adopt the new system it will not be permissible to revert to the old system.

The special write-off privilege for exploration and prospecting expenses in the oil and mining industries should, we suggest, be extended by adding a further year to the present periods provided in the law. It is

also proposed to repeal the provision in our law which imposes a corporation tax on the income received by a trustee for holders of oil royalties.

During the past year there has been considerable uncertainty in the mining industry with regard to the position of prospectors and those who are engaged in developing our mineral resources. From the early forties onward, it has been the practice to interpret the law as not subjecting to tax gains made by bona fide prospectors and developers in discovering and proving up mining properties. As the house knows, our Income Tax Act was completely rewritten, and the new act has been in force since the beginning of 1949. The new act contains no clear-cut authority for the practice which has been followed during the past decade. The position under the law of these important groups should be clarified, and we are proposing this year to introduce an amendment which should allay the fears of many who have in recent months been concerned about this matter.

Perhaps I might also take this opportunity, in view of recent public interest in the question, to assure the house that it is not the policy of the government to tax capital gains. Under any income tax law there is always a very difficult problem in drawing a line between gains which are profits from carrying on a trade or business and those which are not. To my knowledge no tax legislation has ever been passed in any country that has removed all doubts on this score. In England, where our basis of income tax had its origin, the matter has been settled almost entirely by the courts, taking into account the facts in each individual case. Much as I would like to introduce greater certainty, I do not believe that it can be done satisfactorily by legislation. We now have a readily available income tax appeal board that has been set up to determine questions of this sort. I might add that, in order to facilitate the appeal procedure, it is now proposed to allow members of the board to hear cases individually, and also to allow the taxpayer, if he wishes, to go direct to the exchequer court instead of being required to proceed first to the tax appeal board.

In the budget of last March I announced that I had been considering further legislation to deal with the position of closely-held companies where their growth had been financed out of retained profits. I now have definite proposals which will be placed before the house for consideration. The new sections are bound to be complicated, and I hesitate

to attempt to summarize them. I should, however, mention a few of the main features, with the warning that what I say cannot cover all the provisions which will have to be in the law.

Generally speaking, I propose to deal with the surpluses accumulated up to the end of 1949 in much the same way as surpluses up to the end of 1939 were dealt with in accordance with the recommendations of the Ives commission. This earlier legislation provided for a tax payable by the corporation, graduated, however, according to amounts receivable by individual shareholders. In the legislation now proposed, closely-held corporations may elect to pay a tax on undistributed income on hand at a flat rate of 15 per cent. This change will remove many of the troublesome problems encountered under the earlier legislation.

If the proposed legislation did no more than take care of past surpluses, a new problem with respect to the future would immediately start developing. I think it desirable, therefore, that the present legislation should provide a comprehensive solution to the problem as a whole rather than merely deal in ad hoc fashion with the past.

The Ives commission made a recommendation in respect of surpluses accruing after 1939 under which a proportion of annual profits might be retained by closely-held companies and be entirely free from personal income tax upon subsequent distribution. We have been giving a great deal of thought to this proposal but we feel that we cannot go quite as far as that recommendation. Under the proposals which we are recommending, a closely-held company may, to the extent that it pays out earnings in dividends, earn the right to capitalize an equivalent amount upon payment of a special tax of fifteen per cent. It appeals to me as sensible to encourage these family corporations to pay reasonable dividends while at the same time making it possible for them to retain profits essential for growth and expansion without imposing on shareholders an almost impossible potential tax burden.

There will be proposed a number of other amendments of a technical character, but I need not burden the house with an attempt to explain them at this stage.

TARIFF PROPOSALS

When I presented the budget last October, I said that plans were under way for another set of multilateral trade negotiations under the general agreement on tariffs and trade. The concluding work on these plans is at present

nearing completion in Geneva, where the countries participating in the general agreement are holding their fourth session. It has now been decided to hold the third round of tariff negotiations in Torquay, England, beginning September 28 of this year, and it is anticipated that some forty countries will take part. The proposed Torquay negotiations are a further step in the post-war program of international co-operation to reduce tariffs and remove other barriers which stand in the way of a freer flow of international trade. The original Geneva agreement of 1947 was widened last year at the Annecy conference to include ten additional countries. The main purpose of the Torquay conference will be to increase the value of the general agreement by expanding it to include more countries, to cover a broader range of commodities, and, in addition, to provide further tariff concessions on products previously negotiated. It is intended that at the conclusion of the Torquay conference all the tariff concessions resulting from the new negotiations, together with the original Geneva and Annecy tariff concessions, will be incorporated in a new set of tariff schedules which will run until January, 1954.

Canada will have an opportunity at Torquay to negotiate for further tariff reductions with the United States, the other participants in the Geneva and Annecy agreements, and also with a number of new countries. While the United States will, on this occasion, still be governed by the Reciprocal Trade Agreements Act which empowers the president to reduce tariffs by not more than fifty per cent of the 1945 rates, there is a considerable number of important items on which further concessions may be made.

I believe that in the present conditions of unbalanced world trade, the success of the Torquay conference will depend largely on the leadership given by the United States. If the United States is prepared to make significant tariff reductions, I am confident that these coming trade talks will make an important contribution to the restoration of a saner trading world. We in Canada are not unmindful of our own responsibility, and I can say that we will take this opportunity to consider appropriate adjustments in our customs tariff which should contribute to a better balance in our trade with the United States, the sterling area and western Europe.

In view of the important tariff negotiations which are scheduled to commence in a few months' time, the budget resolutions relating to the customs tariff which I am

tabling contain very few changes in so far as customs duties are concerned, but in order to facilitate the compilation of a new consolidation of the Customs Tariff, several hundred items have been renumbered and rearranged covering products in respect of which changes have been made in recent years as a result of tariff negotiations at Geneva and Annecy. These items which are shown in resolution 3 continue rates of duty that have been in effect for several years, except in the case of tin plate, on which the British preferential tariff is being increased from free to 15 per cent ad valorem. During the negotiations at Geneva in 1947 the elimination of this British preference, coupled with a reduction in the most-favoured-nation rate from 17½ to 15 per cent, was agreed to by the British and ourselves as an essential part of the bargain by which we obtained very important concessions in the United States tariff; and at that time Canada gave an undertaking to make this increase effective as soon as the necessary legislation could be enacted. It is proposed that resolution 3 go into effect on June 1, 1950.

My other tariff proposals, which for the reason mentioned are of only minor significance, are included in resolution 2. The tariff is being reduced on duties for packaging and on compounds imported mainly from the United Kingdom for the manufacture of phonograph records. The other changes are mainly for the purpose of facilitating administration and the elimination of obsolete phraseology. Somewhat related to this latter category is an amendment being proposed in connection with the tariff item covering biological products. For some years the administrative authorities have held that penicillin and similar antibiotics were dutiable as chemicals. An importer appealed this ruling and his appeal was allowed by the tariff board. The decision of that board is now before the exchequer court. The whole field is one in which there have been important technological and industrial developments in recent years, and there is a need for investigation of all the pertinent facts and clarification of the tariff situation. What we are now proposing therefore is to insert in the tariff an appropriate definition of biological products to maintain the existing practice, and then refer the whole question of biological products to the tariff board for thorough investigation and considered recommendation. The tariff changes in resolution 2 which cover about twenty-five items will go into effect tomorrow.

I should add that the amendments being made to the Customs Tariff in these budget resolutions will not affect in any way the carrying out of the provisions and intent of the Emergency Exchange Conservation Act.

REVISED ESTIMATES AFTER TAX CHANGES

I may now summarize the effects of the proposed tax changes on the balance of revenues and expenditures. The various tax reductions which I have proposed should not in all involve a loss of revenue of more than \$3 million. The revenue from the new tax available to closely-held companies in respect of accumulated earnings cannot be predicted, because we cannot tell how many of these companies will elect to take advantage of the new provisions in the next fiscal year. The revenue we receive could be quite large. I believe that it will at least be sufficient to offset the reductions just mentioned.

This, then, leaves our expected expenditures at \$2,410 million, our expected revenues at \$2,430 million, and our expected surplus for the coming year at \$20 million.

CONCLUSION

There is little that I need add, Mr. Speaker, by way of conclusion. Canada is in a prosperous state of economic health. There are difficulties and uncertainties ahead of us; but when in our history have we been without difficulties and uncertainties? During the past year Canada has demonstrated the soundness and the resilience of her economy.

My hon. friends opposite have been discovering imminent crises and catastrophes almost every month for the past two years or more, and almost every month our trade has increased; our employment has increased, and new resources are discovered or developed. We all know, of course, that our geography and the nature of many of our basic resources make us vulnerable to sudden economic changes in the countries with which we do the greater part of our trade. But I suggest to all my hon. friends opposite that the calamities they fear are not imminent, and that if at some future time we have to face serious difficulties we shall find that we have never been better equipped and prepared to resolve them.

I wish now to table the budget resolutions:

INCOME TAX ACT

Resolved that it is expedient to amend the Income Tax Act and to provide, amongst other things:—

1. That for the 1949 and subsequent taxation years, the provision under which the 10 per cent tax rate on the first \$10,000 of income of a corporation applies only to one of several related companies be amended so that the test of relationship of companies shall be ownership of 70 per cent or more of all the issued common shares of capital stock of the corporation instead of mere control.

2. That in order to permit a private company to pay tax on undistributed income so that it may capitalize the undistributed income, the company may elect

- (a) to pay a tax of 15 per cent on undistributed income held by the corporation at the end of the 1949 taxation year, and

(b) to pay a tax of 15 per cent on undistributed income earned thereafter equal to the dividends distributed from time to time by the corporation during the period when the undistributed income was earned.

3. That for the 1949 and subsequent taxation years, there shall not be included in computing income amounts received in consideration for mining properties by prospectors who have prospected, explored or developed the properties, or by persons who have financed prospectors to do so, other than persons who carry on the business of dealing with the public in shares or securities or who dispose of the shares after carrying on a campaign to sell them to the public.

4. That special deductions from income to taxpayers whose principal business is the production, refining, or marketing of petroleum or petroleum products or the exploring or drilling for oil or natural gas or mining or exploring for minerals, be allowed for expenses incurred in the 1953 operations on the same basis as for expenses in the operations in the years 1949 to 1952.

5. That special deductions from income and taxes to taxpayers whose principal business is production, refining or marketing of petroleum or drilling for petroleum be allowed for expenses incurred in respect of deep-test oil wells in 1951 operations on the same basis as for similar expenses in 1950 operations.

6. That for the 1950 and subsequent taxation years, section 73 of the Income Tax Act, which imposes a tax on income from oil royalty rights held by a trustee as if the trustee was a corporation, be repealed.

7. That for the 1950 and subsequent taxation years, section 18 of the Income Tax Act, under which lease-option or hire purchase or like agreements relating to movable property are deemed to be agreements for sale and the payments to be purchase price and the purchaser to be the owner for purposes of depreciation, be extended to apply to all property except real or immovable property used in the business of farming.

8. That a non-resident be exempt from the 15 per cent tax on dividends received by non-residents in respect of dividends received by him from a company resident in Canada that derives substantially all of its income, directly or indirectly, from the operation of public utilities in the country in which the non-resident resides.

9. That individuals who were resident in Newfoundland on March 31, 1949, may, for the purposes of computing tax payable by them, elect to report their actual incomes for the whole year 1949 instead of that for the period after March 31, 1949, which is now adjusted to an amount that would correspond to his income for the whole year for the purpose of computing the tax.

THE EXCISE TAX ACT

Resolved that it is expedient to introduce a measure to amend The Excise Tax Act and to provide, amongst other things:—

1. That the excise tax of 5 per cent on toilet soap be repealed effective on and after March 29, 1950.

2. That the sales tax on the following articles be repealed effective on and after March 29, 1950—ice cream; drinks prepared from fresh milk; prepared whipping cream.

3. That the sales tax on the following articles and materials be repealed effective on and after July 1, 1950: Articles and materials for the sole use of any bona fide public institution, certified to be such by the Department of National Health and Welfare in accordance with regulations approved by the governor in council, whose principal purpose is to provide permanent or semi-permanent shelter and care in residence for children or for aged, infirm or incapacitated persons, and that is in receipt annually of aid for their

maintenance from the government of Canada or of a province when those articles or materials are purchased in good faith by that public institution for its own use and not for resale.

CUSTOMS TARIFF

1. Resolved, that it is expedient to introduce a measure to amend the Customs Tariff, being Chapter forty-four of the Revised Statutes of Canada, 1927, as amended, as follows:—

(a) By repealing subsection four of section five and substituting the following:—

"4. The said discount shall not apply in the case in which the duty does not exceed fifteen per centum ad valorem, or, in the case of a specific duty or a specific and ad valorem duty combined in which the computed rate does not exceed fifteen per centum ad valorem, or where the rate of customs duty under the British Preferential Tariff is the same as the rate of customs duty under the Most-Favoured-Nation Tariff, or to goods admitted into Canada which have the benefit of reductions provided for in the Canada-West Indies Trade Agreement, 1926."

(b) By repealing section fourteen and substituting the following:—

"14. (1) The ad valorem rate of duty set forth in Tariff Item 84, 85, 87, 92, 94 or 95 in Schedule A applies to goods specified in the Item imported at any time except during a period in which an order of the Minister under subsection two has applied the rate of specific duty set forth in the Item in lieu of the ad valorem rate of duty in which case the rate of specific duty set forth in the Item applies to goods imported during that period.

(2) The Minister may order that the rate of specific duty set out in a Tariff Item mentioned in subsection one shall apply to goods specified in the Item in lieu of the rate of ad valorem duty set forth therein for such period during each fiscal year as may be fixed by the Minister not exceeding the number of weeks mentioned in the Item: Provided, that, in the case of sub-items (b), (d), (e), (f), (g), or (i), of Tariff Item 87, the Minister may order that the rate of specific duty shall apply during two separate periods in a fiscal year but the number of weeks in the two periods shall not exceed the number specified in that sub-item.

(3) The Minister may exclude from an order made under subsection two, either at the time of making the order or at any time thereafter, goods to which the order would otherwise apply imported through ports in a specified region or part of Canada during the whole or any part of the period mentioned in the order in which case the ad valorem rate of duty applies to the goods so imported."

(c) By repealing subsection three of section sixteen and substituting the following:—

"16. (3) All such goods imported into Canada after the date of the coming into force of any such order of the Governor in Council which do not comply with the requirements of such order shall not be released from Customs possession until they have been so marked, stamped, branded or labelled under customs supervision at the expense of the importer."

2. Resolved, that Schedule A to the Customs Tariff be amended by striking thereout tariff items 16, 17, 28b, 77, 99c, 101b, 206a, 208v, 209d, 446h, 480a, 520c, 558b (a) and (b), 558d (a) and (b), 605a, 607, 696a, 705, 705a, 709 (a) and (b), 779 and 779a, the several enumerations of goods respectively and the several rates of duties of customs, if any, set opposite each of the said items, and by inserting the following items, enumerations and rates of duty in said Schedule A:—

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
16	Eggs in the shell.....per dozen	2 cts.	3½ cts.	10 cts.	2 cts.	3½ cts.	10 cts. or countervailing duty.
17	Cheese.....per pound	3 cts.	3½ cts.	7 cts.	3 cts.	3½ cts.	7 cts. (weight of packages up to two pounds included).
77	Beans, viz.:—Tonquin, crude only; locust beans; locust beans, roasted or ground; locust bean meal..	Free	Free	Free	Free; 15 p.c.	Free; 20 p.c.	Free; 25 p.c.
99e	(1) Dates, dried, pitted, when in packages or containers weighing not less than ten pounds each, per pound	Free	Free	1 ct.	1 ct.	1½ cts.	2½ cts.
	(2) Dates, n.o.p.....per pound When in packages weighing two pounds each, or less, the weight of such packages to be included in the weight for duty.	1 ct.	1½ cts.	2½ cts.	1 ct.	1½ cts.	2½ cts.
206a	(1) Serums, antitoxins, viruses, toxins, toxoids, vaccines and allergenic products, n.o.p., for parenteral administration in the diagnosis or treatment of diseases of man.....	Free	Free	Free	Free	Free	Free
	(2) Biological products, animal or vegetable, n.o.p., for parenteral administration in the diagnosis or treatment of diseases of animals or poultry, when imported under permit of the Veterinary Director General.....	Free	Free	Free	Free	Free	Free
208v	Methyl ethyl ketone, n.o.p., and isopropyl acetate...	Free	25 p.c.	25 p.c.	Free	25 p.c.	25 p.c.
209d	Potash, chlorate of, not further prepared than ground	Free	15 p.c.	20 p.c.	Free	15 p.c.	20 p.c.
216g	Compounds, of which the chief organic component is shellac, imported by manufacturers of phonograph records for use exclusively in the manufacture of phonograph records in their own factories.....	Free	5 p.c.	25 p.c.	15 p.c.	20 p.c.	25 p.c.
220c	Gasoline anti-oxidants for use in the production of gasoline.....	15 p.c.	20 p.c.	25 p.c.	15 p.c.	20 p.c.	25 p.c.

284b	Gypsum tile.....	15 p.c.	20 p.c.	25 p.c.	15 p.c.	20 p.c.	25 p.c.
446h	Stampings of metal, or assemblies thereof, for use in the manufacture of bath tubs.....	Free	10 p.c.	25 p.c.	Free	10 p.c.	25 p.c.
453a	Metal parts, n.o.p., in any degree of manufacture but not coated, plated nor covered in any manner, for use exclusively in the manufacture of spectacle cases and jewellery boxes.....	10 p.c.	12½ p.c.	35 p.c.	10 p.c.; 10 p.c.	12½ p.c.; 25 p.c.	35 p.c.; 35 p.c.
480a	Invalid wheel chairs, with or without motive power; parts of the foregoing, including motive power and parts thereof.....	Free	10 p.c.	15 p.c.	Free	10 p.c.	15 p.c.
520c	Linters of short fibres of cotton, bleached, when imported by manufacturers of paper, for use exclusively in the manufacture of blotting or other grade of paper, in their own factories.....	Free	10 p.c.	12½ p.c.	Free	10 p.c.	12½ p.c.
558b	Rovings, yarns and warps wholly of synthetic textile fibres or filaments, not more advanced than singles, not coloured, with not more than seven turns to the inch, under such regulations as the Minister may prescribe:—						
	(a) Produced from cellulose acetate.....	5 p.c.	25 p.c.	35 p.c.	5 p.c.	25 p.c.	35 p.c.
	Provided that, in no case, shall the duty under the Most-Favoured-Nation or the General Tariff be less than..... per pound		24 cts.	28 cts.		24 cts.	28 cts.
	(b) N.o.p.....	20 p.c.	25 p.c.	35 p.c.	20 p.c.	25 p.c.	35 p.c.
	Provided that, in no case, shall the duty under the Most-Favoured-Nation or the General Tariff be less than..... per pound		24 cts.	28 cts.		24 cts.	28 cts.
558d	Rovings, yarns and warps wholly or in part of synthetic textile fibres or filaments, n.o.p., including threads, cords or twist for sewing, embroidering or other purposes, not to contain silk; yarns of synthetic textile fibres or filaments wholly or partially covered with metallic strip, one pound of which shall contain not less than 10,000 yards; under such regulations as the Minister may prescribe:—						
	(a) Produced wholly from cellulose acetate.....	7½ p.c.	25 p.c.	35 p.c.	7½ p.c.	25 p.c.	35 p.c.
	Provided that, in no case, shall the duty under the Most-Favoured-Nation or the General Tariff be less than..... per pound		24 cts.	28 cts.		24 cts.	28 cts.
	(b) N.o.p.....	25 p.c.	25 p.c.	35 p.c.	25 p.c.	25 p.c.	35 p.c.
	Provided that, in no case, shall the duty under the Most-Favoured-Nation or the General Tariff be less than..... per pound		24 cts.	28 cts.		24 cts.	28 cts.

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
605a	Genuine pig leathers, n.o.p., and genuine Morocco leathers; so-called roller leathers.....	Free	20 p.c.	27½ p.c.	Free	20 p.c.	27½ p.c.
607	Leather, n.o.p., when imported by manufacturers of gloves or leather clothing, for use exclusively in manufacturing gloves or leather clothing in their own factories.....	Free	7½ p.c.	10 p.c.	Free	7½ p.c.	10 p.c.
696a	Moving picture films, sound or silent, separate sound film track, slides and slide films, positive or negative; sound discs, records and transcriptions; models, static and moving; wall charts, maps and posters; when certified by the Government or by a recognized representative authority of the Government of the country of production or by an appropriate representative of the United Nations Educational, Scientific and Cultural Organization as being of an international educational, scientific or cultural character; subject to such regulations as the Minister may prescribe.....	Free	Free	Free	Free (various)	Free (various)	Free (various)
705	Settlers' effects, viz.:—Wearing apparel, books, usual and reasonable household furniture and other household effects; instruments and tools of trade, occupation or employment, guns, musical instruments, domestic sewing machines, typewriters, bicycles, carts, wagons and other highway vehicles, agricultural implements and live stock for the farm, not to include live stock or articles for sale, or for use as a contractor's outfit, nor vehicles nor implements moved by mechanical power, nor machinery for use in any manufacturing establishment; all the foregoing if actually owned abroad by the settler for at least six months before his removal to Canada, and subject to regulations prescribed by the Minister..... Provided that the six months' ownership requirement as specified in this Item shall not apply in the case of bona fide brides' trousseaux and wedding presents.	Free	Free	Free	Free	Free	Free

705
Con. Provided further that any dutiable article entered as settlers' effects may not be so entered unless brought by the settler on his first arrival, and shall not be sold or otherwise disposed of without payment of duty until after twelve months' actual use in Canada.

705a Settlers' effects, viz.:—Machines and implements for agricultural purposes, moved by mechanical power, and motor vehicles valued at not more than fifteen hundred dollars, and boats for fishing purposes, if actually owned abroad by the settler for at least six months before his removal to Canada, and subject to regulations prescribed by the Minister of National Revenue.

Provided that in respect to motor vehicles valued in excess of fifteen hundred dollars duty shall be payable only on the amount in excess of fifteen hundred dollars.

Provided further that the said machines, vehicles, implements and boats may not be so entered unless brought by the settler on his first arrival, and shall not be sold or otherwise disposed of without payment of duty until after twelve months' actual use in Canada.

709 (a) Goods, including containers or coverings filled or empty, the growth, produce or manufacture of Canada, after having been exported therefrom...

(b) Goods, including containers or coverings filled or empty, which have once been entered for consumption in Canada and have been exported therefrom.

All the foregoing under such regulations as the Minister may prescribe.

Provided that the goods are returned within five years from the time of exportation without having been advanced in value or improved in condition by any process of manufacture or other means, or combined with any other article abroad;

Provided also that any such goods on which a refund of duty or allowance of drawback has been made shall not be admitted to entry under this item except upon payment of duties equal to the refund or drawback allowed;

Free

Free

Free

Free;
Free

Free;
17½ p.c.

Free;
27½ p.c.

Free

Free

Free

Free

Free

Free

Free

Free

Free

Free

Free

Free

709 — <i>Con.</i> Tariff Item		British Preferential Tariff	Most- Favoured- Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget		
					British Preferential Tariff	Most- Favoured- Nation Tariff	General Tariff
	<p>Provided further that any of such goods manufactured in bond or under excise regulations in Canada and exported shall not be admitted to entry except upon payment of the Customs or Excise duties to which they would have been liable had they not been exported from Canada;</p> <p>Provided further that where the Minister is satisfied that a quantity of containers in a usable condition has previously been exported from Canada he may by regulation permit the importation free of customs duty of a like quantity of similar containers which are not the growth, produce or manufacture of Canada.</p>						

3. Resolved, that Schedule A to the Customs Tariff be amended by striking thereout tariff items 5(a) (b) and (c), 7(a) (b) and (c), 8, 8a, 13, 22, 23, 26, 27, 28, 28a, 29, 29a, 30, 31, 39a, 39b, 41, 45, 47, 62, 62a, 66a, 74, 75, 76, 76a, 76b, 76c, 76d, 79b, 79c, 79d, 81(a) (b) and (c), 82(a) (b) (i) and (ii) (c) (i) and (ii) (d) and (e), 83(a) (b) and (c), 84, 85, 87 (a) (b) (c) (d) (e) (f) (g) (h) (i) (j) (k) (l) (m) (n) (o) and (p), 89(a) (b) (c) and (d), 92 (a) (b) (c) (d) (e) (f) (g) (h) and (i), 93, 94, 95, 99c, 100, 100a, 105, 105b, 105c, 105d, 105e, 106(a) (b) and (c), 106d, 108, 109, 109a, 109b, 110, 111, 114, 120(a) (b) (c) and (d), 123, 123a, 141, 152, 152a, 152b, 152c, 154, 156, 160(a) and (b), 161, 162, 163, 163a, 167, 178(i) and (ii), 178a, 178b, 179, 184a, 184b (i) and (ii), 184c, 184d, 199b, 207, 207a, 207b, 208i (i) and (ii), 208j, 208t, 232, 232a, 247a, 254, 254a, 262, 264, 264a, 266, 273, 273a, 276, 276a, 276b, 277, 277a, 278, 278a, 278b, 278c, 278d, 284, 305, 306, 307, 326(i) and (ii), 353, 353a, 366, 366a, 366b, 368, 368(b), 384 (a) and (b), 402b, 414, 414a, 414c, 429(g), 430b (I) and (II), 434, 440m (i) and (ii), 440g, 446g, 450, 451b (i) and (ii), 518, 519, 520, 522c, 523, 523(b), 523l, 523n, 524a, 532, 549, 549a, 549b, 553, 554e, 568b, 569 (i), 569 (ii), 569 (iii), 569 (iv), 569 (v), 569a (i), 569a (ii), 571, 571a (i) and (ii), 597, 597a, 598, 598a, 604, 605, 607 Pt. 2, 607a, 611a, 616(i) (ii) and (iii), 619a, 624a (i) (ii) and (iii), 654, 655, 656 and 710(b) and (bb), the several enumerations of goods respectively and the several rates of duties of customs, if any, set opposite each of the said items, and by inserting the following items, enumerations and rates of duty in said Schedule A:-

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
5	Animals, living, n.o.p.—						
	(a) Cattle.....per pound	Free	1½ cts.	3 cts.	Free	1½ cts.	3 cts.
	(b) Sheep, lambs and goats.....per head	Free	\$2.00	\$3.00	Free	\$2.00	\$3.00
	(c) Silver or black foxes.....	Free	20 p.c.	25 p.c.	Free	20 p.c.	25 p.c.
	(d) N.o.p.....	Free	7½ p.c.	25 p.c.	Free	7½ p.c.	25 p.c.
7	Meats, fresh, n.o.p.—						
	(a) Beef and veal.....per pound	3 cts.	3 cts.	8 cts.	3 cts.	3 cts.	8 cts.
	(b) Edible offal of beef and veal.....per pound	1½ cts.	1½ cts.	8 cts.	1½ cts.	1½ cts.	8 cts.
	but not less than	7½ p.c.	7½ p.c.		7½ p.c.	7½ p.c.	
	(c) Lamb and mutton.....per pound	4 cts.	6 cts.	8 cts.	4 cts.	6 cts.	8 cts.
	(d) Pork.....per pound	1½ cts.	1½ cts.	5 cts.	1½ cts.	1½ cts.	5 cts.
	(e) N.o.p.....per pound	2 cts.	2½ cts.	5 cts.	2 cts.	2½ cts.	5 cts.
8	Canned beef.....	15 p.c.	30 p.c.	35 p.c.	15 p.c.	30 p.c.	35 p.c.
8a	Canned pork.....	15 p.c.	30 p.c.	35 p.c.	15 p.c.	30 p.c.	35 p.c.
8b	Canned hams.....	15 p.c.	22½ p.c.	35 p.c.	15 p.c.	22½ p.c.	35 p.c.
8c	Pâtés de foie gras, foies gras, preserved, in tins or otherwise; lark pâtés.....	10 p.c.	10 p.c.	35 p.c.	10 p.c.	10 p.c.	35 p.c.
8d	Animal liver paste.....	15 p.c.	20 p.c.	35 p.c.	15 p.c.	20 p.c.	35 p.c.
8e	Canned meats, n.o.p.....	15 p.c.	20 p.c.	35 p.c.	15 p.c.	20 p.c.	35 p.c.
8f	Canned poultry or game, n.o.p.....	15 p.c.	20 p.c.	35 p.c.	15 p.c.	20 p.c.	35 p.c.
8g	Extracts of meat and fluid beef, not medicated.....	10 p.c.	30 p.c.	35 p.c.	10 p.c.	30 p.c.	35 p.c.

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
13	Lard and animal stearine of all kinds, n.o.p. per pound	1½ cts.	1¾ cts.	2 cts.	1½ cts.	1¾ cts.	2 cts.
13a	Lard compound and similar substances; cottolene per pound	1½ cts.	1¾ cts.	2 cts.	1½ cts.	1¾ cts.	2 cts.
15a	Honey-comb foundations, of wax.....	15 p.c.	15 p.c.	20 p.c.	15 p.c.	15 p.c.	20 p.c.
20c	Shea butter.....	Free	10 p.c.	10 p.c.	Free	10 p.c.	10 p.c.
22	Preparations of cocoa or chocolate in powder form....	22½ p.c.	22½ p.c.	35 p.c.	22½ p.c.	22½ p.c.	35 p.c. or 3 cts. per lb. whichever is higher.
23	Preparations of cocoa or chocolate, n.o.p., and confectionery, coated with or containing chocolate, the weight of the wrappings and cartons to be included in the weight for duty..... and, per pound	10 p.c. 2½ cts.	20 p.c. 2½ cts.	35 p.c. 2½ cts.	10 p.c. 2½ cts.	20 p.c. 2½ cts.	35 p.c. 2½ cts.
26	Coffee, roasted or ground..... per pound	3 cts.	5 cts.	5 cts.	3 cts. or 3 cts. and 7½ p.c.	5 cts. or 5 cts. and 10 p.c.	5 cts. or 5 cts. and 10 p.c.
26a	Imitations of and substitutes for roasted or ground coffee, including acorn nuts..... per pound	3 cts.	5 cts.	5 cts.	3 cts.	5 cts.	5 cts.
28	Coffee, green, n.o.p..... per pound	Free	2 cts.	5 cts.	Free	2 cts.	5 cts. or 5 cts. and 10 p.c.
28a	Tea..... per pound When in packages weighing five pounds, each, or less, the weight of such packages to be included in the weight for duty.	Free	2 cts.	8 cts.	Free or 4 cts.	2 cts. or 6 cts.	8 cts. or 10 cts.
30	Pepper, unground.....	Free	5 p.c.	12½ p.c.	Free	5 p.c.	12½ p.c.
30a	Cloves, unground.....	Free	10 p.c.	12½ p.c.	Free	10 p.c.	12½ p.c.
30b	Cinnamon, unground.....	Free	12½ p.c.	12½ p.c.	Free	12½ p.c.	12½ p.c.
30c	Ginger, unground.....	Free	12½ p.c.	12½ p.c.	Free	12½ p.c.	12½ p.c.
30d	Spices, unground, n.o.p.....	Free	12½ p.c.	12½ p.c.	Free	12½ p.c.	12½ p.c.
30e	Chilli pepper, unground.....	Free	5 p.c.	12½ p.c.	Free	5 p.c.	12½ p.c.

31	Chilli pepper, ground and per pound	5 p.c.	7½ p.c.	10 p.c. 3 cts.	5 p.c.	7½ p.c.	10 p.c. 3 cts.
31a	Ginger and spices, ground, n.o.p. per pound and	3 cts. 7½ p.c.	3 cts. 10 p.c.	3 cts. 10 p.c.	3 cts. 7½ p.c.	3 cts. 10 p.c.	3 cts. 10 p.c.
39a	Starch or flour of sago, cassava, or rice per pound	¾ ct.	1½ cts.	1½ cts.	¾ ct.	1½ cts.	1½ cts.
39b	Rice meal, rice feed, rice polish, rice bran, rice shorts per pound	¾ ct.	1 ct.	1½ cts.	¾ ct.	1 ct.	1½ cts.
39f	Arrowroot per pound	Free	1½ cts.	1½ cts.	Free	1½ cts.	1½ cts.
41	Salt, n.o.p., in bags, barrels and other coverings per one hundred pounds	Free	3½ cts.	7½ cts.	Free	3½ cts.	7½ cts.
45	Milk foods, n.o.p.	20 p.c.	20 p.c.	27½ p.c.	20 p.c.	20 p.c.	27½ p.c.
45a	Prepared cereal foods, in packages not exceeding twenty-five pounds weight each	20 p.c.	20 p.c.	27½ p.c.	20 p.c.	20 p.c.	27½ p.c.
47	Castor beans, n.o.p. per pound	Free	Free	2 cts.	Free	Free	2 cts.
47a	Soya beans, n.o.p. per pound	Free	Free	2 cts.	Free	Free	2 cts.
47b	Lima and Madagascar beans, dried per pound	Free	½ ct.	2 cts.	Free	½ ct.	2 cts.
47c	Red kidney beans, dried per pound	Free	1 ct.	2 cts.	Free	1 ct.	2 cts.
47d	Calabar beans per pound	Free	Free	2 cts.	Free	Free	2 cts.
47e	Beans, n.o.p. per pound	Free	1½ cts.	2 cts.	Free	1½ cts.	2 cts.
54	Hominy grits, corn grits, hominy feeds, and brewers' corn grits	10 p.c.	10 p.c.	25 p.c.	10 p.c.	10 p.c.	25 p.c.
62	Rice, uncleaned, unhulled or paddy	Free	Free	Free	Free	Free	Free
66a	Biscuits, sweetened or unsweetened, valued at not less than 20 cents per pound, said value to be based on the net weight and to include the value of the usual retail package	Free	20 p.c.	30 p.c.	Free	20 p.c.	30 p.c.
73a	Cotton seed	Free	Free	10 p.c.	Free	Free	10 p.c.
73b	Broom corn seed, when in packages weighing more than one pound each	Free	Free	15 p.c.	Free	Free	15 p.c.
74	Seeds, as hereunder, when in packages weighing more than one pound each:—						
	(a) Parsley and parsnip per pound	Free	2 cts.	5 cts.	Free	2 cts.	5 cts.
	(b) Beet, not including sugar beet per pound	Free	2 cts.	5 cts.	Free	2 cts.	5 cts.
	(c) Mangel and turnip per pound	Free	2 cts.	5 cts.	Free	2 cts.	5 cts.

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
75	Seeds, as hereunder, when in packages weighing more than one pound each:— (a) Radish, leek, lettuce, carrot, borecole or kale.....per pound (b) Cabbage and cucumber.....per pound	Free Free	2 cts. 4 cts.	10 cts. 10 cts.	Free Free	2 cts. 4 cts.	10 cts. 10 cts.
76	Seeds, as hereunder, when in packages weighing more than one pound each:— (a) Tomato and pepper.....per pound (b) Cauliflower.....per pound (c) Onion.....per pound	Free Free Free	7½ cts. 12½ cts. 15 cts.	25 cts. 25 cts. 25 cts.	Free Free Free	7½ cts. 12½ cts. 15 cts.	25 cts. 25 cts. 25 cts.
76d	Root, garden and other seeds, n.o.p., when in package weighing more than one pound each....per pound	Free	2½ cts.	10 cts.	Free	2½ cts.	10 cts.
76e	Seeds, viz.:—Field; root, garden and other seeds, when in packages weighing one pound each, or less	15 p.c.	20 p.c.	35 p.c.	15 p.c.	20 p.c.	35 p.c.
76f	Annatto seed and mushroom spawn.....	Free	Free	Free	Free	Free	Free
76g	Seeds, viz.:—Canary, mustard, celery and sunflower, when in packages weighing more than one pound each imported for use exclusively in manufacturing or blending operations.....	5 p.c.	7½ p.c.	10 p.c.	5 p.c.	7½ p.c.	10 p.c.
79b	Orchids, natural, cut, whether in designs or bouquets or not.....	Free	25 p.c.	40 p.c.	Free	25 p.c.	40 p.c.
79c	Flowers and foliage, natural, cut, whether in designs or bouquets or not, n.o.p.....	Free	12½ p.c.	40 p.c.	Free	12½ p.c.	40 p.c.
79d	Trees, being seedling stock for grafting, viz.:—Apple, plum, pear, peach and other fruit trees, and buds and scions for grafting such trees; peach pits for planting purposes.....	Free	Free	Free	Free	Free	Free
79e	Mulberry trees, cuttings, roots and buds, for sericultural purposes.....	Free	Free	30 p.c.	Free	Free	30 p.c.
81	Trees, n.o.p., viz.:— (a) Apple:— September 15 to October 5, inclusive.....each October 6 to September 14, inclusive.....each	Free Free	3 cts. 6 cts.	3 cts. 7½ cts.	Free Free	3 cts. 6 cts.	3 cts. 7½ cts.

81	(b) Plum and cherry:—							
—Con.	September 15 to October 5, inclusive.....each	Free	3 cts.	3 cts.	Free	3 cts.	3 cts.	
	October 6 to September 14, inclusive.....each	Free	8 cts.	9 cts.	Free	8 cts.	9 cts.	
	(c) Pear, apricot and quince.....each	Free	8 cts.	9 cts.	Free	8 cts.	9 cts.	
	(d) Peach, including June buds.....each	Free	5 cts.	6 cts.	Free	5 cts.	6 cts.	
82a	Grape vines, gooseberry and currant bushes or roots.....each	Free	2 cts.	2½ cts.	Free	2 cts.	2½ cts.	
82b	Raspberry, loganberry and blackberry bushes or roots.....each	Free	1 ct.	1 ct.	Free	1 ct.	1 ct.	
82c	Rhubarb roots.....each	Free	¾ ct.	1 ct.	Free	¾ ct.	1 ct.	
82d	Asparagus roots.....each	Free	½ ct.	½ ct.	Free	½ ct.	½ ct.	
82e	Strawberry plants.....each	Free	½ ct.	½ ct.	Free	½ ct.	½ ct.	
82f	Rosebushes, n.o.p.....each	1½ cts.	3 cts.	7 cts.	1½ cts.	3 cts.	7 cts.	
82g	Nut trees, including grafted stock, and buds and scions for grafting nut trees.....	Free	Free	30 p.c.	Free	Free	30 p.c.	
82h	Trees, shrubs, vines, plants, roots and cuttings, for propagation or growing purposes, n.o.p.....	12½ p.c.	12½ p.c.	30 p.c.	12½ p.c.	12½ p.c.	30 p.c.	
83	Potatoes, as hereunder defined:—							
	(a) In their natural state:—							
	August 1 to June 14, inclusive.....							
	per one hundred pounds	Free	Free	75 cts.	Free	Free	75 cts.	
	June 15 to July 31, inclusive.....							
	per one hundred pounds	Free	37½ cts.	75 cts.	Free	37½ cts.	75 cts.	
	(b) Dried, desiccated, or dehydrated.... per pound	Free	Free	2½ cts.	Free	Free	2½ cts.	
	(c) Sweet potatoes and yams, in their natural state							
	per one hundred pounds	Free	Free	15 cts.	Free	Free	15 cts.	
84	Onions, in their natural state, the weight of the packages to be included in the weight for duty:—							
	(a) Onion sets and shallots.....	Free	15 p.c.	30 p.c.	Free	15 p.c.	30 p.c.	
	(b) Onions, n.o.p.....per pound	Free	1 ct. or 10 p.c.	1 ct. or 10 p.c.	Free	1 ct. or 10 p.c.	30 p.c. but not less than ½ ct. per pound.	

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					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
85	<p>Provided that, when the onions specified in sub-item (b) of Item 84 are imported under the Most-Favoured-Nation or General Tariff the specific duty of one cent per pound shall not be maintained in force in any twelve months ending March 31 for a period in excess of 40 weeks, and whenever the specific duty of one cent per pound is not levied the ad valorem duty of 10 per centum shall apply.</p> <p>(a) Mushrooms, fresh, the weight of the packages to be included in the weight for duty...per pound</p> <p>Provided that, when the mushrooms specified in sub-item (a) of Item 85 are imported under the Most-Favoured-Nation or General Tariff the specific duty of three and one-half cents per pound shall not be maintained in force in any twelve months ending March 31 for a period in excess of 52 weeks, and whenever the specific duty of three and one-half cents per pound is not levied the ad valorem duty of 10 per centum shall apply.</p> <p>(b) Mushrooms, dried or otherwise preserved.....</p> <p>(c) Truffles, fresh, dried or otherwise preserved...</p>	Free	3½ cts. or 10 p.c.	3½ cts. or 10 p.c.	Free	3½ cts. or 10 p.c.	30 p.c. but not less than 10 cts. per pound.
		Free	15 p.c.	30 p.c.	Free	15 p.c.	30 p.c. but not less than 10 cts. per pound.
		Free	10 p.c.	30 p.c.	Free	10 p.c.	30 p.c. but not less than 10 cts. per pound.
87	<p>Vegetables, fresh, in their natural state, the weight of the packages to be included in the weight for duty:—</p> <p>(a) Asparagus.....per pound</p> <p>Provided that, when the asparagus specified in sub-item (a) of Item 87 is imported under the Most-Favoured-Nation or General Tariff the specific duty of three and one-half cents per pound shall not be maintained in force in any twelve months ending March 31 for a period in excess of 8 weeks, and whenever the specific duty of three and one-half cents per pound is not levied the ad valorem duty of 10 per centum shall apply.</p>	Free	3½ cts. or 10 p.c.	3½ cts. or 10 p.c.	Free	3½ cts. or 10 p.c.	30 p.c. but not less than 3 cts. per pound from Apr. 15, to May 31.

<p>(b) Beans, green.....per pound</p> <p>Provided that, when the beans specified in sub-item (b) of Item 87 are imported under the Most-Favoured-Nation or General Tariff the specific duty of one and one-half cents per pound shall not be maintained in force in any twelve months ending March 31 for a period in excess of 14 weeks and the number of weeks during which the specific duty may be maintained in force may be divided into two separate periods, the combined duration of which shall not exceed 14 weeks; and</p> <p>Provided that, whenever the specific duty of one and one-half cents per pound is not levied the ad valorem duty of 10 per centum shall apply.</p>	Free	1½ cts. or 10 p.c.	1½ cts. or 10 p.c.	Free	1½ cts. or 10 p.c.	30 p.c.
(c) Brussels sprouts.....	Free	10 p.c.	30 p.c.	Free	10 p.c.	30 p.c.
<p>(d) Cabbage.....per pound</p> <p>Provided that, when the cabbage specified in sub-item (d) of Item 87 is imported under the Most-Favoured-Nation or General Tariff the specific duty of nine-tenths of one cent per pound shall not be maintained in force in any twelve months ending March 31 for a period in excess of 26 weeks and the number of weeks during which the specific duty may be maintained in force may be divided into two separate periods, the combined duration of which shall not exceed 26 weeks; and</p> <p>Provided that, whenever the specific duty of nine-tenths of one cent per pound is not levied the ad valorem duty of 10 per centum shall apply.</p>	Free	9/10 ct. or 10 p.c.	9/10 ct. or 10 p.c.	Free	9/10 ct. or 10 p.c.	30 p.c. but not less than 1 ct. per pound from June 15 to Jan. 31.
<p>(e) Carrots and beets, n.o.p.....per pound</p> <p>Provided that, when the carrots and beets specified in sub-item (e) of Item 87 are imported under the Most-Favoured-Nation or General Tariff the specific duty of one cent per pound shall not be maintained in force in any twelve months ending March 31 for a period in excess of 26 weeks and the number of weeks during which the specific duty may be maintained in force may be divided into two separate periods, the combined duration of which shall not exceed 26 weeks; and</p> <p>Provided that, whenever the specific duty of one cent per pound is not levied the ad valorem duty of 10 per centum shall apply.</p>	Free	1 ct. or 10 p.c.	1 ct. or 10 p.c.	Free	1 ct. or 10 p.c.	30 p.c. but not less than 1 ct. per pound from June 1, to Feb. 28.

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
87 — <i>Con.</i>	<p>(f) Cauliflower.....per pound</p> <p>Provided that, when the cauliflower specified in sub-item (f) of Item 87 is imported under the Most-Favoured-Nation or General Tariff the specific duty of three-quarters of one cent per pound shall not be maintained in force in any twelve months ending March 31 for a period in excess of 20 weeks and the number of weeks during which the specific duty may be maintained in force may be divided into two separate periods, the combined duration of which shall not exceed 20 weeks; and</p> <p>Provided that, whenever the specific duty of three-quarters of one cent per pound is not levied the ad valorem duty of 10 per centum shall apply.</p> <p>(g) Celery.....per pound</p> <p>Provided that, when the celery specified in sub-item (g) of Item 87 is imported under the Most-Favoured-Nation or General Tariff the specific duty of one cent per pound shall not be maintained in force in any twelve months ending March 31 for a period in excess of 24 weeks and the number of weeks during which the specific duty may be maintained in force may be divided into two separate periods, the combined duration of which shall not exceed 24 weeks; and</p> <p>Provided that, whenever the specific duty of one cent per pound is not levied the ad valorem duty of 10 per centum shall apply.</p> <p>(h) Cucumbers.....per pound</p> <p>Provided that, when the cucumbers specified in sub-item (h) of Item 87 are imported under the Most-Favoured-Nation or General Tariff the specific duty of two and one-quarter cents per pound shall not be maintained in force in any twelve months ending March 31 for a period in excess of 12 weeks, and whenever the specific duty of two and one-quarter cents per pound is not levied the ad valorem duty of 10 per centum shall apply.</p>	Free	$\frac{3}{4}$ ct. or 10 p.c.	$\frac{3}{4}$ ct. or 10 p.c.	Free	$\frac{3}{4}$ ct. or 10 p.c.	30 p.c. but not less than 2 cts. per pound from May 15, to Oct. 31.
		Free	1 ct. or 10 p.c.	1 ct. or 10 p.c.	Free	1 ct. or 10 p.c.	30 p.c. but not less than 2 cts. per pound from July 1, to Feb. 28.
		Free	2½ cts. or 10 p.c.	2½ cts. or 10 p.c.	Free	2½ cts. or 10 p.c.	30 p.c. but not less than 1 ct. per pound from June 1, to Oct. 31.

(i) Lettuce.....per pound	Free	1 ct. or 10 p.c.	1 ct. or 10 p.c.	Free	1 ct. or 10 p.c.	30 p.c. but not less than 1½ cts. per pound from April 1, to Oct. 31.
<p>Provided that, when the lettuce specified in sub-item (i) of Item 87 is imported under the Most-Favoured-Nation or General Tariff the specific duty of one cent per pound shall not be maintained in force in any twelve months ending March 31 for a period in excess of 18 weeks and the number of weeks during which the specific duty may be maintained in force may be divided into two separate periods, the combined duration of which shall not exceed 18 weeks; and</p> <p>Provided that, whenever the specific duty of one cent per pound is not levied the ad valorem duty of 10 per centum shall apply.</p>						
(j) Parsley.....	Free	10 p.c.	30 p.c.	Free	10 p.c.	30 p.c.
(k) Peas, green.....	Free	2 cts. or 10 p.c.	2 cts. or 10 p.c.	Free	2 cts. or 10 p.c.	30 p.c.
<p>Provided that, when the peas specified in sub-item (k) of item 87 are imported under the Most-Favoured-Nation or General Tariff the specific duty of two cents per pound shall not be maintained in force in any twelve months ending March 31 for a period in excess of 12 weeks, and whenever the specific duty of two cents per pound is not levied the ad valorem duty of 10 per centum shall apply.</p>						
(l) Rhubarb.....per pound	Free	½ ct. or 10 p.c.	½ ct. or 10 p.c.	Free	½ ct. or 10 p.c.	30 p.c. but not less than 1 ct. per pound from Mar. 1, to May 31.
<p>Provided that, when the rhubarb specified in sub-item (l) of Item 87 is imported under the Most-Favoured-Nation or General Tariff the specific duty of one-half cent per pound shall not be maintained in force in any twelve months ending March 31 for a period in excess of 10 weeks, and whenever the specific duty of one-half cent per pound is not levied the ad valorem duty of 10 per centum shall apply.</p>						
(m) Spinach.....	Free	10 p.c.	30 p.c.	Free	10 p.c.	30 p.c. but not less than 1 ct. per pound from May 1, to Oct. 31.

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					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
87 —Con.	(n) Tomatoes.....per pound	Free	1½ cts. or 10 p.c.	1½ cts. or 10 p.c.	Free	1½ cts. or 10 p.c.	30 p.c. but not less than 3 cts. per pound.
	Provided that, when the tomatoes specified in sub-item (n) of Item 87 are imported under the Most-Favoured-Nation or General Tariff the specific duty of one and one-half cents per pound shall not be maintained in force in any twelve months ending March 31 for a period in excess of 32 weeks, and whenever the specific duty of one and one-half cents per pound is not levied the ad valorem duty of 10 per centum shall apply.						
	(o) Watercress.....	Free	10 p.c.	30 p.c.	Free	10 p.c.	30 p.c.
	(p) Whitloof or endive, artichokes, horseradish and okra.....	Free	Free	30 p.c.	Free	Free	30 p.c.
	(q) Eggplant.....	Free	Free	30 p.c.	Free	Free	30 p.c. but not less than 2 cts. per pound from May 15; to Oct. 31.
	(r) N.o.p.....	Free	10 p.c.	30 p.c.	Free	10 p.c.	30 p.c.
89	Vegetables, prepared, in air-tight cans or other air-tight containers, the weight of the containers to be include in the weight for duty:—						
	(a) Beans, baked or otherwise prepared.per pound	Free	1½ cts.	3 cts.	Free	1½ cts.	3 cts.
	(b) Corn.....per pound	Free	1½ cts.	3 cts.	Free	1½ cts.	3 cts.
	(c) Tomatoes.....per pound	Free	2 cts.	3 cts.	Free	2 cts.	3 cts.
	(d) Peas.....per pound	Free	1½ cts.	3 cts.	Free	1½ cts.	3 cts.
	(e) N.o.p.....	Free	15 p.c.	30 p.c.	Free	15 p.c.	30 p.c.
90f	Vegetable colourings and flavourings.....	10 p.c.	10 p.c.	25 p.c.	10 p.c.	10 p.c.	25 p.c.
92	Fruits, fresh, in their natural state, the weight of the packages to be included in the weight for duty:—						
	(a) Apricots.....per pound	Free	1 ct. or 10 p.c.	1 ct. or 10 p.c.	Free	1 ct. or 10 p.c.	20 p.c. but not less than 1 ct. per pound from June 15 to Aug. 15.

Provided that, when the apricots specified in sub-item (a) of Item 92 are imported under the Most-Favoured-Nation or General Tariff the specific duty of one cent per pound shall not be maintained in force in any twelve months ending March 31 for a period in excess of 10 weeks, and whenever the specific duty of one cent per pound is not levied the ad valorem duty of 10 per centum shall apply.

(b) Cherries.....per pound

Free

2 cts. or
10 p.c.

2 cts. or
10 p.c.

Free

2 cts. or
10 p.c.

20 p.c.
but not less than
2 cts. per pound.

*Provided that, when the cherries specified in sub-item (b) of Item 92 are imported under the Most-Favoured-Nation or General Tariff the specific duty of two cents per pound shall not be maintained in force in any twelve months ending March 31 for a period in excess of 7 weeks, and whenever the specific duty of two cents per pound is not levied the ad valorem duty of 10 per centum shall apply.

(c) Cranberries.....per pound

Free

1 ct. or
10 p.c.

1 ct. or
10 p.c.

Free

1 ct. or
10 p.c.

20 p.c.
but not less than
2½ cts. per pound.

Provided that, when the cranberries specified in sub-item (c) of Item 92 are imported under the Most-Favoured-Nation or General Tariff the specific duty of one cent per pound shall not be maintained in force in any twelve months ending March 31 for a period in excess of 12 weeks, and whenever the specific duty of one cent per pound is not levied the ad valorem duty of 10 per centum shall apply.

(d) Peaches.....per pound

Free

1½ cts. or
10 p.c.

1½ cts. or
10 p.c.

Free

1½ cts. or
10 p.c.

20 p.c.
but not less than
1½ cts. per pound
from July 20 to
Oct. 1.

Provided that, when the peaches specified in sub-item (d) of Item 92 are imported under the Most-Favoured-Nation or General Tariff the specific duty of one and one-half cents per pound shall not be maintained in force in any twelve months ending March 31 for a period in excess of 9 weeks, and whenever the specific duty of one and one-half cents per pound is not levied the ad valorem duty of 10 per centum shall apply.

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					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
92 —Con.	<p>(e) Pears.....per pound.</p> <p>Provided that, when the pears specified in sub-item (e) of Item 92 are imported under the Most-Favoured-Nation or General Tariff the specific duty of one cent per pound shall not be maintained in force in any twelve months ending March 31 for a period in excess of 15 weeks, and whenever the specific duty of one cent per pound is not levied the ad valorem duty of 10 per centum shall apply.</p> <p>(f) Plums and prunes.....per pound</p> <p>Provided that, when the plums and prunes specified in sub-item (f) of Item 92 are imported under the Most-Favoured-Nation or General Tariff the specific duty of one cent per pound shall not be maintained in force in any twelve months ending March 31 for a period in excess of 10 weeks, and whenever the specific duty of one cent per pound is not levied the ad valorem duty of 10 per centum shall apply.</p> <p>(g) Strawberries.....per pound</p> <p>Provided that, when the strawberries specified in sub-item (g) of Item 92 are imported under the Most-Favoured-Nation or General Tariff the specific duty of one and three-fifth cents per pound shall not be maintained in force in any twelve months ending March 31 for a period in excess of 6 weeks, and whenever the specific duty of one and three-fifth cents per pound is not levied the ad valorem duty of 10 per centum shall apply.</p> <p>(h) Raspberries and loganberries.....per pound</p> <p>Provided that, when the raspberries and loganberries specified in sub-item (h) of Item 92 are imported under the Most-Favoured-Nation or General Tariff the specific duty of two cents per</p>	Free	1 ct. or 10 p.c.	1 ct. or 10 p.c.	Free	1 ct. or 10 p.c.	20 p.c. but not less than $\frac{1}{2}$ ct. per pound from Aug. 1 to Dec. 31.
		Free	1 ct. or 10 p.c.	1 ct. or 10 p.c.	Free	1 ct. or 10 p.c.	20 p.c. but not less than $\frac{1}{2}$ ct. per pound from July 15 to Oct. 31.
		Free	1-3/5 cts. or 10 p.c.	1-3/5 cts. or 10 p.c.	Free	1-3/5 cts. or 10 p.c.	20 p.c. but not less than 3 cts. per pound from June 1 to July 31.
		Free	2 cts. or 10 p.c.	2 cts. or 10 p.c.	Free	2 cts. or 10 p.c.	20 p.c. but not less than 3 cts. per pound from June 1 to July 31.

	<p>pound shall not be maintained in force in any twelve months ending March 31 for a period in excess of 6 weeks, and whenever the specific duty of two cents per pound is not levied the ad valorem duty of 10 per centum shall apply.</p> <p>(i) Berries, edible, n.o.p.....</p> <p>(j) Quinces and nectarines.....</p>	Free	10 p.c.	20 p.c.	Free	10 p.c.	20 p.c. but not less than 2 cts. per pound.
		Free	10 p.c.	20 p.c.	Free	10 p.c.	20 p.c. but not less than 1 ct. per pound.
93	Apples, fresh, in their natural state, the weight of the packages to be included in the weight for duty:— May 20 to July 12, inclusive.....	Free	Free	20 p.c.	Free	Free	20 p.c. but not less than 3/5 ct. per pound.
	July 13 to May 19, inclusive..... per pound	Free	$\frac{1}{2}$ ct.	20 p.c.	Free	$\frac{1}{2}$ ct.	20 p.c. but not less than 3/5 ct. per pound.
94	Grapes, fresh, in their natural state, the weight of the packages to be included in the weight for duty:— (a) Vitis Vinifera species..... per pound (b) Vitis Labrusca species..... per pound	Free Free	Free 1 ct. or 10 p.c.	2 cts. 1 ct. or 10 p.c.	Free Free	Free 1 ct. or 10 p.c.	2 cts. 2 cts.
	<p>Provided that, when the grapes specified in sub-item (b) of Item 94 are imported under the Most-Favoured-Nation or General Tariff the specific duty of one cent per pound shall not be maintained in force in any twelve months ending March 31 for a period in excess of 15 weeks, and whenever the specific duty of one cent per pound is not levied the ad valorem duty of 10 per centum shall apply.</p>						
95	Cantaloupes and muskmelons, the weight of the packages to be included in the weight for duty..... per pound	Free	$1\frac{1}{2}$ cts. or 10 p.c.	$1\frac{1}{2}$ cts. or 10 p.c.	Free	$1\frac{1}{2}$ cts. or 10 p.c.	20 p.c. but not less than $1\frac{1}{2}$ cts. per pound from July 20 to Oct. 31.
	<p>Provided that, when imported under the Most-Favoured-Nation or General Tariff the specific duty of one and one-quarter cents per pound shall not be maintained in force in any twelve months ending March 31 for a period in excess of 8 weeks, and whenever the specific duty of one and one-quarter cents per pound is not levied the ad valorem duty of 10 per centum shall apply.....</p>						
99c	Raisins..... per pound When in packages weighing two pounds each, or less, the weight of such packages to be included in the weight for duty.....	Free	3 cts.	4 cts.	Free	3 cts.	4 cts.

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					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
99h	Dried currants.....per pound When in packages weighing two pounds each, or less, the weight of such packages to be included in the weight for duty.	Free	4 cts.	4 cts.	Free	4 cts.	4 cts.
100	Grape fruit.....per pound	Free	Free	1 ct.	Free	Free	1 ct.
105	Fruit pulp, with sugar or not, n.o.p. and fruits, crushed.....per pound	1½ cts.	2 cts.	3 cts.	1½ cts.	2 cts.	3 cts.
105b	Olives, ripe, in brine.....	Free	Free	30 p.c.	Free	Free	30 p.c.
105c	Olives, sulphured or in brine, not bottled.....	10 p.c.	17½ p.c.	30 p.c.	10 p.c.	17½ p.c.	30 p.c.
105d	Cherries, sulphured or in brine, not bottled.....	10 p.c.	17½ p.c.	30 p.c.	10 p.c.	17½ p.c.	30 p.c.
105e	Fruits and nuts, pickled or preserved in salt, brine, oil, or any other manner, n.o.p.....	20 p.c.	25 p.c.	35 p.c.	20 p.c.	25 p.c.	35 p.c.
105f	Jellies, jams, marmalades, preserves, fruit butters and condensed mincemeats.....per pound	1½ cts.	3½ cts.	5 cts.	1½ cts.	3½ cts.	5 cts.
105g	Fruits and peels, crystallized, glacé, candied or drained; cherries and other fruits of crème de menthe, maraschino or other flavour.....	20 p.c.	27½ p.c.	35 p.c.	20 p.c.	27½ p.c.	35 p.c.
105h	Oranges, grapefruit, or lemons, sliced or in the form of pulp, with or without the addition of preservatives..	Free	20 p.c.	35 p.c.	Free; 20 p.c.	20 p.c.; 25 p.c.	35 p.c.; 35 p.c.
105i	Fruits, frozen.....per pound	1½ cts.	2 cts.	3 cts.	1½ cts.	2 cts.	3 cts.
106	Fruits, prepared, in air-tight cans or other air-tight containers, the weight of the containers to be included in the weight for duty:— (a) Peaches.....per pound (b) Apricots and pears.....per pound (c) Pineapples.....per pound (d) N.o.p.....per pound	2 cts. 2 cts. 1 ct. 1 ct.	2½ cts. 2 cts. 2 cts. 1 ct.	5 cts. 5 cts. 5 cts. 5 cts.	2 cts. 2 cts. 1 ct. 1 ct.	2½ cts. 2 cts. 2 cts. 1 ct.	5 cts. 5 cts. 5 cts. 5 cts.
108	Honey in the comb or otherwise, and imitations thereof.....per pound	1½ cts.	1½ cts.	3 cts.	1½ cts.	1½ cts.	3 cts.

109	Nuts of all kinds, n.o.p., shelled or not.....per pound	1 ct.	1 ct.	3 cts.	1 ct.	1 ct.	2 cts.; 4 cts.
109a	Peanuts, green, in the shell or not further processed than shelled.....per pound	Free	Free	1 ct.	Free	Free	1 ct.
110	Cocoanuts.....per one hundred.....	Free	50 cts.	75 cts.	Free	50 cts.	75 cts.; \$1.00
114	Palm kernels.....per pound	Free	Free	4 cts.	Free	Free	4 cts.
118	Lobsters, fresh.....	Free	Free	25 p.c.	Free	Free	25 p.c.
118b	Crabs and clams, in sealed containers.....	17½ p.c.	40 p.c.	40 p.c.	17½ p.c.	40 p.c.	40 p.c.
118c	Shrimps in sealed containers.....	15 p.c.	15 p.c.	40 p.c.	15 p.c.	15 p.c.	40 p.c.
119	Sardines, sprats or pilchards, packed in oil or other- wise, in sealed tin containers, the weight of the tin container to be included in the weight for duty:— (a) When weighing over twenty ounces and not over thirty-six ounces each.....per box	3½ cts.	3½ cts.	6 cts.	3½ cts.	3½ cts.	6 cts.
	(b) When weighing over twelve ounces and not over twenty ounces each.....per box	2½ cts.	3 cts.	4½ cts.	2½ cts.	3 cts.	4½ cts.
	(c) When weighing over eight ounces and not over twelve ounces each.....per box	2 cts.	2 cts.	3½ cts.	2 cts.	2 cts.	3½ cts.
	(d) When weighing eight ounces each or less.....per box	1½ cts.	1½ cts.	2½ cts.	1½ cts.	1½ cts.	2½ cts.
120	Anchovies, packed in oil or otherwise, in sealed tin containers, the weight of the tin container to be included in the weight for duty:— (a) When weighing over twenty ounces and not over thirty-six ounces each.....per box	3½ cts.	3½ cts.	6 cts.	3½ cts.	3½ cts.	6 cts.
	(b) When weighing over twelve ounces and not over twenty ounces each.....per box	2½ cts.	3 cts.	4½ cts.	2½ cts.	3 cts.	4½ cts.
	(c) When weighing over eight ounces and not over twelve ounces each.....per box	2 cts.	2 cts.	3½ cts.	2 cts.	2 cts.	3½ cts.
	(d) When weighing eight ounces each or less per box	1½ cts.	1½ cts.	2½ cts.	1½ cts.	1½ cts.	2½ cts.
123	Fish, prepared or preserved, n.o.p.— (a) Kipperd herring in sealed containers.....	17½ p.c.	17½ p.c.	30 p.c.	17½ p.c.	17½ p.c.	30 p.c.
	(b) Lobsters.....	17½ p.c.	22½ p.c.	30 p.c.	17½ p.c.	22½ p.c.	30 p.c.
	(c) Shell fish, n.o.p., including oysters, n.o.p.....	17½ p.c.	22½ p.c.	30 p.c.	17½ p.c.	22½ p.c.	30 p.c.
	(d) Salmon.....	17½ p.c.	27½ p.c.	30 p.c.	17½ p.c.	27½ p.c.	30 p.c.
	(e) All other fish, n.o.p.....	17½ p.c.	22½ p.c.	30 p.c.	17½ p.c.	22½ p.c.	30 p.c.
141	Sugar candy and confectionery, n.o.p., including sweetened gums, candied popcorn, candied nuts, flavouring powders, custard powders, jelly powders, sweetmeats, sweetened breads, cakes, pies, pud- dings and all other confections containing sugar..... and, per pound	15 p.c.	25 p.c.	35 p.c. ½ ct.	15 p.c.	25 p.c.	35 p.c. ½ ct.

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
152	Fruit juices and fruit syrups, n.o.p., viz.:—						
	(a) Lime juice.....	10 p.c.	10 p.c.	25 p.c.	10 p.c.	10 p.c.	25 p.c.
	(b) Orange juice.....	Free	10 p.c.	25 p.c.	Free	10 p.c.	25 p.c.
	(c) Lemon juice.....	10 p.c.	10 p.c.	25 p.c.	10 p.c.	10 p.c.	25 p.c.
	(d) Passion fruit juice.....	10 p.c.	10 p.c.	25 p.c.	10 p.c.	10 p.c.	25 p.c.
	(e) Pineapple juice.....	10 p.c.	10 p.c.	25 p.c.	10 p.c.	10 p.c.	25 p.c.
	(f) Grapefruit juice.....	Free	15 p.c.	25 p.c.	Free;	15 p.c.;	25 p.c.;
	(g) Blended orange and grapefruit juice.....	Free	10 p.c.	25 p.c.	10 p.c.	15 p.c.	25 p.c.
	(h) Fruit juices, n.o.p.....	10 p.c.	10 p.c.	25 p.c.	Free	10 p.c.	25 p.c.
	(i) Fruit syrups, n.o.p.....	10 p.c.	10 p.c.	25 p.c.	10 p.c.	10 p.c.	25 p.c.
153a	Grape juice in containers of more than one gallon capacity each:—						
	Testing not more than 1.074 specific gravity at 60 degrees temperature..... per gallon	20 cts.	25 cts.	25 cts.	20 cts.	25 cts.	25 cts.
	And in addition thereto, for each increment of 0.01 in specific gravity above 1.074.....	3 cts.	3 cts.	3 cts.	3 cts.	3 cts.	3 cts.
153b	Papaine.....	Free	5 p.c.	17½ p.c.	Free	5 p.c.	17½ p.c.
154	Mineral and medicinal waters, natural, under regulations prescribed by the Minister.....	Free	Free	Free	Free;	Free;	Free;
					15 p.c.	20 p.c.	25 p.c.
156	(a) Whisky..... per gallon of the strength of proof	\$4.50	\$5.00	\$10.00	\$4.50	\$5.00	\$10.00
	(b) Gin, n.o.p..... per gallon of the strength of proof	\$4.50	\$5.00	\$10.00	\$4.50	\$5.00	\$10.00
	(c) Rum, n.o.p..... per gallon of the strength of proof	\$4.50	\$6.00	\$10.00	\$4.50	\$6.00	\$10.00
	(d) Brandy..... per gallon of the strength of proof	\$4.00	\$4.00	\$10.00	\$4.00	\$4.00	\$10.00
	(e) Liqueurs..... per gallon of the strength of proof	\$4.50	\$4.50	\$10.00	\$4.50	\$4.50	\$10.00
	(f) Ethyl alcohol or the substance commonly known as alcohol, hydrated oxide of ethyl or spirits of wine, n.o.p.; spirituous or alcoholic liquors, n.o.p.; amyl alcohol or fusel oil, or any substance known as potato spirits or potato oil; absinthe, arrack or palm spirit, artificial brandy and imitations of brandy, n.o.p.; cordials of all kinds, n.o.p.; mescal, pulque, rum shrub, schiedam and other schnapps; tafia, and alcoholic bitters or beverages, n.o.p.; and wines, n.o.p., containing more than forty per cent of proof spirit.....						
	..... per gallon of the strength of proof	\$5.00	\$10.00	\$10.00	\$5.00	\$10.00	\$10.00

Provided, (1) that when the goods specified in Item 156 are of greater or less strength than the strength of proof, the measurement thereof and the amount of duty payable thereon shall be increased or decreased in proportion for any greater or less strength than the strength of proof.

Provided, (2) that bottles and flasks and packages of gin, rum, whisky and brandy of all kinds, and imitations thereof, shall be held to contain the following quantities (subject to the provisions for addition or deduction in respect of the degree of strength) viz.:-

Bottles, flasks and packages, containing not more than three-fourths of a gallon per dozen, as three-fourths of a gallon per dozen;

Bottles, flasks and packages, containing more than three-fourths of a gallon but not more than one gallon per dozen, as one gallon per dozen;

Bottles, flasks and packages, containing more than one gallon but not more than one and one-half gallon per dozen, as one and one-half gallon per dozen;

Bottles, flasks and packages, containing more than one and one-half gallon but not more than two gallons per dozen, as two gallons per dozen;

Bottles, flasks and packages, containing more than two gallons but not more than two and four-fifths gallons per dozen, as two and four-fifths gallons per dozen;

Bottles, flasks and packages, containing more than two and four-fifths gallons but not more than three gallons per dozen, as three gallons per dozen;

Bottles, flasks and packages, containing more than three gallons but not more than three and one-fifth gallons per dozen, as three and one-fifth gallons per dozen.

Provided, (3) that bottles or phials of liquors for special purposes, such as samples not for sale to the trade, may be entered for duty according to actual measurement, under regulations prescribed by the Minister.

157d	Angostura bitters . . . per gallon of the strength of proof	\$2.00	\$5.00	\$10.00	\$2.00	\$5.00	\$10.00
159b	Nitrous ether, sweet spirits of nitre and aromatic spirits of ammonia per gallon and	\$3.00 30 p.c.	\$3.00 30 p.c.	\$3.00 30 p.c.	\$3.00 30 p.c.	\$3.00 30 p.c.	\$3.00 30 p.c.

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
160	Alcoholic perfumes:— (a) When in bottles or flasks containing not more than four ounces each (b) When in bottles, flasks or other packages, containing more than four ounces each per gallon and	30 p.c. \$5.00	30 p.c. \$5.00 30 p.c.	90 p.c. \$5.00 40 p.c.	30 p.c. \$5.00	30 p.c. \$5.00 30 p.c.	90 p.c. \$5.00 40 p.c.
161	Perfumed spirits, bay rum, cologne and lavender waters, lotions, hair, tooth and skin washes, and other toilet preparations containing spirits of any kind:— (a) When in bottles or flasks containing not more than four ounces each (b) When in bottles, flasks or other packages, containing more than four ounces each per gallon and	30 p.c. \$5.00	45 p.c. \$5.00 30 p.c.	90 p.c. \$5.00 40 p.c.	30 p.c. \$5.00	45 p.c. \$5.00 30 p.c.	90 p.c. \$5.00 40 p.c.
162	(a) Vermouth, aperitif and cordial wines, containing thirty-two per cent or less of proof spirit, whether imported in wood or in bottles... per gallon and Provided, that six quart bottles or twelve pint bottles shall be held to contain a gallon for duty purposes under this item. (b) Vermouth, aperitif and cordial wines, containing more than thirty-two per cent of proof spirit and not more than forty per cent of proof spirit..... (c) Medicinal or medicated wines, n.o.p., including ginger wine, containing not more than forty per cent of proof spirit.....	20 cts. 80 p.c. 80 p.c.	20 cts. 80 p.c. 80 p.c.	55 cts. 30 p.c. 80 p.c.	20 cts. 80 p.c. 80 p.c.	20 cts. 80 p.c. 80 p.c.	80 p.c. ad val. 80 p.c. 80 p.c.
163	(1) Wines of the fresh grape of all kinds, not sparkling, imported in barrels or in bottles, for sacramental purposes, containing not more than twenty-six per cent of proof spirit..... per gallon and	20 cts.	20 cts.	55 cts. 30 p.c.	20 cts.	20 cts.	55 cts. 30 p.c.

	(2) Wines of all kinds, n.o.p., including orange, lemon, strawberry, raspberry, elder and currant wines, containing twenty-four per cent or less of proof spirit, whether imported in wood or in bottles.....per gallon and	20 cts.	20 cts.	55 cts. 30 p.c.	20 cts.	20 cts.	55 cts. 30 p.c.
	(3) Wines of all kinds, n.o.p., including orange, lemon, strawberry, raspberry, elder and currant wines, containing more than twenty-four per cent but not more than twenty-six per cent of proof spirit, whether imported in wood or in bottles.....per gallon and	55 cts.	55 cts.	55 cts. 30 p.c.	55 cts.	55 cts.	55 cts. 30 p.c.
	And in addition thereto, for each degree of strength in excess of twenty-six per cent of proof spirit until the strength reaches forty per cent of proof spirit.....	3 cts.	3 cts.	3 cts.	3 cts.	3 cts.	3 cts.
	Provided, that six quart bottles or twelve pint bottles shall be held to contain a gallon for duty purposes under this Item.						
163a	(1) Prune wine, not sparkling, when containing not more than twenty-six per cent of proof spirit.....per gallon and	25 cts.	55 cts.	55 cts. 30 p.c.	25 cts.	55 cts.	55 cts. 30 p.c.
	(2) Prune wine, not sparkling, when containing more than twenty-six per cent of proof spirit and not more than thirty-eight per cent of proof spirit.....per gallon and	25 cts.	55 cts.	55 cts. 30 p.c.	25 cts.	55 cts.	55 cts. 30 p.c.
	And in addition thereto, for each degree of strength in excess of twenty-six per cent of proof spirit until the strength reaches thirty-eight per cent of proof spirit.....		3 cts.	3 cts.		3 cts.	3 cts.
	Provided, that six quart bottles or twelve pint bottles shall be held to contain a gallon for duty purposes under this Item.						
167	Malt, whole, crushed or ground, n.o.p., upon entry for warehouse subject to excise regulations....per pound	1/3 ct.	1/3 ct.	3/4 ct.	1/3 ct.	1/3 ct.	1/4 ct.
167a	Malt flour, n.o.p., upon entry for warehouse subject to excise regulations.....per pound	1/3 ct.	1/2 ct.	3/4 ct.	1/3 ct.	1/2 ct.	1/4 ct.
172a	Tourist literature issued by national or state governments or departments thereof, boards of trade, chambers of commerce, municipal and automobile associations, and similar organizations.....	Free	Free	Free	Free	Free	Free

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
172b	Prayer books, missals, psalters, religious pictures and mottoes, not to include frames.....	Free	Free	Free	Free	Free	Free
178	Advertising and printed matter, viz.:—Advertising pamphlets, advertising show cards, illustrated advertising periodicals; price books, catalogues and price lists; advertising almanacs and calendars; patent medicine or other advertising circulars, fly sheets or pamphlets; advertising chromos, chromotypes, oleographs or like work produced by any process other than hand painting or drawing, and having any advertisement or advertising matter printed, lithographed or stamped thereon, or attached thereto, including advertising bills, folders and posters, or other similar artistic work, lithographed, printed or stamped on paper or cardboard for business or advertisement purposes, n.o.p. per pound but not less than	5 cts.	10 cts. 25 p.c.	15 cts. 35 p.c.	5 cts.	10 cts. 25 p.c.	15 cts. 35 p.c.
	(a) Provided that goods specified in this Item shall be exempt from customs duty when produced in countries entitled to the British Preferential Tariff and relating exclusively to products or services of such British countries, but not relating to Canadian products or services.						
	(b) Provided that on goods specified in this Item when forwarded to Canada by mail, duties may be prepaid by customs duty stamps, under regulations by the Minister, at the rate specified in the Item, except that on each separate package weighing not more than one ounce, the duty shall be each.....	1 ct.	2 cts.	2 cts.	1 ct.	2 cts.	2 cts.
	(c) Provided that bona fide trade catalogues and price lists not specially designed to advertise the sale of goods by any person in Canada, when sent into Canada in single copies addressed to merchants therein, and not exceeding one copy to any merchant for his own use, but not for distribution, shall be exempt from customs duty under all Tariffs.						

	(d) Provided that advertising and printed matter, whether imported by mail or otherwise, when in individual packages valued at not more than \$1.00 each and when not imported for sale or in a manner designed to evade payment of customs duties, shall be exempt from customs duty when produced in countries entitled to the British Preferential or the Most-Favoured-Nation Tariff.						
179	Labels for cigar boxes, fruits, vegetables, meats, fish, confectionery or other goods or wares; shipping, price or other tags, tickets or labels, and railroad or other tickets, whether lithographed or printed, or partly printed, n.o.p.....	17½ p.c.	22½ p.c.	35 p.c.	17½ p.c.	22½ p.c.	35 p.c.
	Provided, that tickets issued by railway systems in the British Commonwealth, (not including railway systems operating in Canada), shall be exempt from customs duty, when produced in countries entitled to the benefits of the British Preferential Tariff.						
184a	Periodical publications, unbound or paper bound, printed and issued at regular intervals, not less frequently than four times a year, and bearing dates of issue.....	Free	Free	25 p.c.	Free	Free	25 p.c.; Various
199b	Containers wholly or partially manufactured from fibreboard or paperboard.....per pound	4/5 ct.	4/5 ct.	1½ cts.	4/5 ct.	4/5 ct.	1½ cts.
	Provided, that in no case shall the rate of duty under the Most-Favoured-Nation or the General Tariff be less than.....		20 p.c.	35 p.c.		20 p.c.	35 p.c.
206d	Animal glands and animal glandular organs, and extracts thereof, wet or dry, (whether alcoholic or not), when imported by manufacturers of pharmaceutical or medicinal preparations for use exclusively in the manufacture of such preparations in their own factories.....	Free	Free	Free	Free	Free	Free
206e	Animal bile, in liquid or paste form, not further processed than concentrated, for use in the manufacture of bile acids.....	Free	Free	Free	Free	Free	Free
206f	Dried blood, n.o.p.....	5 p.c.	7½ p.c.	10 p.c.	5 p.c.	7½ p.c.	10 p.c.
206g	Blood albumen.....	Free	10 p.c.	10 p.c.	Free	10 p.c.	10 p.c.
206h	Dried blood, soluble.....	Free	Free	Free	Free	Free	Free
207	Bicarbonate of soda.....	Free	12½ p.c.	25 p.c.	Free	12½ p.c.	25 p.c.
207a	Butyl alcohol, n.o.p.....	Free	20 p.c.	25 p.c.	Free	20 p.c.	25 p.c.

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
208i	Nitrate of ammonia, when imported for use in the manufacture of nitrous oxide.....	Free	10 p.c.	25 p.c.	Free	10 p.c.	25 p.c.
208j	Nitrate of ammonia, n.o.p. and sal ammoniac.....	Free	25 p.c.	25 p.c.	Free	25 p.c.	25 p.c.
208t	All chemicals and drugs, n.o.p., of a kind not produced in Canada.....	Free	15 p.c.	25 p.c.	Free	15 p.c.	25 p.c.
210g	Potassic nitrate of soda, n.o.p.....	Free	Free	25 p.c.	Free	Free	25 p.c.
225b	Carnauba wax.....	Free	Free	10 p.c.	Free	Free	10 p.c.
231c	Gelatin capsules, empty, when imported for use exclusively in the manufacture or compounding of medicinal and pharmaceutical preparations.....	Free	5 p.c.	7½ p.c.	Free	5 p.c.	7½ p.c.
232	Glue, n.o.p..... and, per pound	15 p.c. 2 cts.	22½ p.c. 5 cts.	25 p.c. 5 cts.	15 p.c. 2 cts.	22½ p.c. 5 cts.	25 p.c. 5 cts.
232a	Gelatine, n.o.p..... and, per pound	15 p.c.	22½ p.c.	25 p.c. 5 cts.	15 p.c.	22½ p.c.	25 p.c. 5 cts.
247a	(1) Artists' and school children's colours; fitted boxes containing the same.....	Free	15 p.c.	30 p.c.	Free	15 p.c.	30 p.c.
	(2) Artists' brushes; pastels, of a value of one cent per stick, or over; artists' canvas, coated and prepared for oil painting.....	Free	22½ p.c.	30 p.c.	Free	22½ p.c.	30 p.c.
254	Gums, viz.:— (1) Copal, damar, benzoin, Pontianac, nattakuching, barberry, elemi, gedda, Senegal, tragacanth, mastic and sandarac.....	Free	Free	15 p.c.	Free	Free	15 p.c.
	(2) Amber and Arabic.....	Free	Free	Free	Free	Free	Free
	(3) Australian and kauri; lac, crude, seed, button, stick and shell; ambergris.....	Free	10 p.c.	15 p.c.	Free	10 p.c.	15 p.c.
	(4) Gums and blends consisting wholly or in chief part of gums, n.o.p.....	Free	Free	15 p.c.	Free	10 p.c.	15 p.c.
259c	Castor oil.....	Free	Free	Free	Free	Free	Free 25 p.c.

263a	Coal-tar benzol, when imported by refiners of crude petroleum, for use exclusively in blending with gasoline wholly produced in Canada.....	10 p.c.	10 p.c.	25 p.c.	10 p.c.	10 p.c.	25 p.c.
264	Essential oils, natural, viz.:—Geranium, rose, ylang-ylang, lemon, bergamot, orange, mandarin, citronella, clove and lemon grass.....	Free	Free	7½ p.c.	Free	Free	7½ p.c.
264a	Essential oils, natural and synthetic, n.o.p.; essential oils, natural and synthetic, containing other non alcoholic material, n.o.p., for use in the manufacture of products or preparations for medicinal, flavouring, toilet, or other purposes, under such regulations as the Minister may prescribe.....	Free	7½ p.c.	7½ p.c.	Free	7½ p.c.	7½ p.c.
264c	Menthol, natural or synthetic.....	Free	Free	10 p.c.	Free	Free	10 p.c.
266	Resin oil.....	Free	Free	Free	Free	Free	Free
266a	China wood oil.....	Free	Free	Free	Free	Free	Free
266b	Oiticica oil..... per pound	Free	Free	2½ cts.	Free	Free	2½ cts; 25 p.c.
273	Ashpalt or asphaltum, solid.....	Free	10 p.c.	10 p.c.	Free	10 p.c.	10 p.c.
273a	Asphalt or asphaltum, n.o.p.....	Free	10 p.c.	10 p.c.	Free	10 p.c.	10 p.c.
273b	Asphaltum oil for use only for paving purposes.....	Free	Free	Free	Free	Free	Free
273c	Carbolic or heavy oil.....	Free	10 p.c.	10 p.c.	Free	10 p.c.	10 p.c.
276a	(1) Cotton seed oil, crude, when imported to be refined for edible purposes.....	Free	10 p.c.	10 p.c.	Free	10 p.c.	10 p.c.
	(2) Crude cotton seed oil, when imported by manufacturers of cotton seed meal and refined cotton seed oil, for use exclusively in the manufacture of such commodities, in their own factories.....	Free	10 p.c.	10 p.c.	Free	10 p.c.	10 p.c.
	(3) Cotton seed oil for canning fish.....	Free	Free	Free	Free	Free	Free
	(4) Cotton seed oil, n.o.p.....	12½ p.c.	17½ p.c.	17½ p.c.	12½ p.c.	17½ p.c.	17½ p.c.
276b	(1) Palm and palm kernel oil, crude, when imported to be refined for edible purposes.....	Free	10 p.c.	10 p.c.	Free	10 p.c.	10 p.c.
	(2) Palm and palm kernel oil, unbleached or bleached, not edible.....	Free	10 p.c.	10 p.c.	Free	10 p.c.	10 p.c.
	(3) Palm and palm kernel oil, not edible, for manufacturing soap.....	Free	10 p.c.	10 p.c.	Free	10 p.c.	10 p.c.
	(4) Palm and palm kernel oil, n.o.p.....	15 p.c.	20 p.c.	25 p.c.	15 p.c.	20 p.c.	25 p.c.

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
276c	(1) Cocoonut oil, crude, when imported to be refined for edible purposes.....	Free	10 p.c.	10 p.c.	Free	10 p.c.	10 p.c.
	(2) Cocoonut oil, not edible, for manufacturing soap.....	Free	10 p.c.	10 p.c.	Free	10 p.c.	10 p.c.
	(3) Cocoonut oil, not edible, when imported for use in the manufacture of refined cocoonut oil.....	Free	10 p.c.	10 p.c.	Free	10 p.c.	10 p.c.
	(4) Cocoonut oil, n.o.p.....	12½ p.c.	17½ p.c.	17½ p.c.	12½ p.c.	17½ p.c.	17½ p.c.
276d	(1) Peanut oil, crude, when imported to be refined for edible purposes.....	Free	10 p.c.	10 p.c.	Free	10 p.c.	10 p.c.
	(2) Peanut oil for manufacturing soap or for canning fish.....	Free	Free	Free	Free	Free	Free
	(3) Peanut oil, n.o.p.....	15 p.c.	20 p.c.	25 p.c.	15 p.c.	20 p.c.	25 p.c.
276e	(1) Olive oil for manufacturing soap.....	Free	Free	Free	Free	Free	Free
	(2) Olive oil for manufacturing tobacco.....	Free	Free	Free	Free	Free	Free
	(3) Olive oil for canning fish.....	Free	Free	Free	Free	Free	Free
	(4) Olive oil for use in the processing of textile fibres, including the finishing of fabrics.....	Free	Free	Free	Free	Free	Free
	(5) Olive oil, n.o.p.....	Free	10 p.c.	20 p.c.	Free	10 p.c.	20 p.c.
276f	(1) Soya bean oil for use in the processing of leather.....	Free	Free	Free	Free	Free	Free
	(2) Soya bean oil for use in the manufacture of paints and varnishes.....	Free	Free	Free	Free	Free	Free
	(3) Soya bean oil for use in the processing of textile fibres, including the finishing of fabrics.....	Free	Free	Free	Free	Free	Free
	(4) Soya bean oil for manufacturing soap.....	Free	Free	Free	Free	Free	Free
	(5) Soya bean oil for use in canning fish.....	Free	Free	Free	Free	Free	Free
	(6) Soya bean oil, n.o.p.....	15 p.c.	20 p.c.	25 p.c.	15 p.c.	20 p.c.	25 p.c.
284	Drain pipes, sewer pipes and earthenware fittings therefor, chimney linings or vents, chimney tops and inverted blocks, glazed or unglazed, n.o.p.....	15 p.c.	22½ p.c.	35 p.c.	15 p.c.	22½ p.c.	35 p.c.
284c	Earthenware tiles, n.o.p.....	15 p.c.	25 p.c.	35 p.c.	15 p.c.	25 p.c.	35 p.c.

295c	Activated clay, when imported for use in the refining of oils.....	10 p.c.	10 p.c.	25 p.c.	10 p.c.	10 p.c.	25 p.c.
296i	Mica, phlogopite and muscovite, unmanufactured, in blocks, sheets, splittings, films, waste and scrap....	12½ p.c.	12½ p.c.	25 p.c.	12½ p.c.	12½ p.c.	25 p.c.
297a	Quartz, piezoelectric:— (1) Not further processed than cut into slabs or blanks and ground to shape.....	Free	Free	25 p.c.	Free	Free	25 p.c.
	(2) Fully manufactured ready for use in electric telephone, telegraph, wireless or radio apparatus.....	Free	10 p.c.	30 p.c.	Free	10 p.c.	30 p.c.
305	Flagstone, sandstone and all building stone, not hammered, sawn or chiselled.....	10 p.c.	12½ p.c.	20 p.c.	10 p.c.	12½ p.c.	20 p.c.
305a	Marble, rough, not hammered or chiselled.....	10 p.c.	10 p.c.	20 p.c.	10 p.c.	10 p.c.	20 p.c.
305b	Granite, rough, not hammered or chiselled.....	10 p.c.	12½ p.c.	20 p.c.	10 p.c.	12½ p.c.	20 p.c.
305c	Marble, sawn or sand rubbed, not polished.....	Free	10 p.c.	35 p.c.	Free	10 p.c.	35 p.c.
305d	Granite, sawn.....	Free	15 p.c.	35 p.c.	Free	15 p.c.	35 p.c.
305e	Paving blocks of stone.....	Free	15 p.c.	35 p.c.	Free	15 p.c.	35 p.c.
305f	Flagstone and building stone, other than marble or granite, sawn on not more than two sides.....	Free	15 p.c.	35 p.c.	Free	15 p.c.	35 p.c.
307	Marble, n.o.p.....	30 p.c.	35 p.c.	40 p.c.	30 p.c.	35 p.c.	40 p.c.
307a	Manufactures of marble, n.o.p.....	30 p.c.	35 p.c.	40 p.c.	30 p.c.	35 p.c.	40 p.c.
307b	Granite, n.o.p.....	30 p.c.	35 p.c.	40 p.c.	30 p.c.	35 p.c.	40 p.c.
307c	Manufactures of granite, n.o.p.....	30 p.c.	35 p.c.	40 p.c.	30 p.c.	35 p.c.	40 p.c.
308a	Manufactures of alabaster, n.o.p.....	20 p.c.	22½ p.c.	35 p.c.	20 p.c.	22½ p.c.	35 p.c.
312b	Asbestos, crude.....	Free	Free	25 p.c.	Free	Free	25 p.c.
326	(1) Demijohns or carboys, bottles, flasks, phials, jars and balls, of glass, not cut, n.o.p.; lamp chimneys of glass, n.o.p.; decanters and machine-made tumblers of glass, not cut nor decorated, n.o.p.....	15 p.c.	22½ p.c.	32½ p.c.	15 p.c.	22½ p.c.	32½ p.c.
	(2) Glass tableware, n.o.p., and illuminating glassware, n.o.p.....	10 p.c.	22½ p.c.	32½ p.c.	10 p.c.	22½ p.c.	32½ p.c.
	(3) Opal glassware, n.o.p.....	10 p.c.	22½ p.c.	32½ p.c.	10 p.c.	22½ p.c.	32½ p.c.
	(4) Cut glass tableware and cut glassware, n.o.p.....	10 p.c.	22½ p.c.	32½ p.c.	10 p.c.	22½ p.c.	32½ p.c.
352e	Metal parts in any degree of manufacture, coated or not, and wooden parts in the rough, when imported by manufacturers of spools, quills, pins, bobbins and shuttles, for use in the manufacture of such articles, in their own factories.....	10 p.c.	10 p.c.	35 p.c.	10 p.c.	10 p.c.	35 p.c.
					10 p.c.	10 p.c.	30 p.c.
					10 p.c.	10 p.c.	45 p.c.
					10 p.c.	10 p.c.	25 p.c.

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
353	Aluminum and alloys thereof, crude or semi-fabricated:—						
	(a) Pigs, ingots, blocks, notch bars, slabs, billets, blooms, and wire bars..... per pound	Free	2 cts.	5 cts.	Free	2 cts.	30 p.c.
	(b) Bars, rods, plates, sheets, strips, circles, squares, discs and rectangles..... per pound	Free	3 cts.	7½ cts.	Free	3 cts.	30 p.c.
	(c) Angles, channels, beams, tees and other rolled, drawn or extruded sections and shapes.....	Free	22½ p.c.	30 p.c.	Free	22½ p.c.	30 p.c.
	(d) Wire and cable, twisted or stranded or not, and whether reinforced with steel or not.....	Free	22½ p.c.	30 p.c.	Free	22½ p.c.	30 p.c.
	(e) Pipes and tubes.....	Free	22½ p.c.	30 p.c.	Free	22½ p.c.	30 p.c.
	(f) Leaf, n.o.p., or foil, less than .005 inch in thickness, plain or embossed, with or without backing	Free	30 p.c.	30 p.c.	Free	30 p.c.	30 p.c.
	(g) Aluminum powder.....	Free	30 p.c.	30 p.c.	Free	30 p.c.	30 p.c.
	(h) Aluminum leaf, less than .005 millimetre in thickness.....	Free	Free	Free	Free	Free	Free
	(i) Aluminum scrap.....	Free	Free	Free	Free	Free	Free
	Provided, that nothing shall be deemed to be aluminum scrap except waste or refuse aluminum, fit only to be remelted.						
366	Watches of all kinds.....	20 p.c.	30 p.c.	35 p.c.	20 p.c.	30 p.c.	35 p.c.
	Provided, that when imported under the Most-Favoured-Nation or the General Tariff, the duty shall be not less than..... each		40 cts.	40 cts.	.....	40 cts.	40 cts.
366a	Watch actions and movements, finished or unfinished	Free	15 p.c.	15 p.c.	Free	15 p.c.	15 p.c.
	Provided, that when imported under the Most-Favoured-Nation or the General Tariff, the duty shall be not less than..... each		40 cts.	40 cts.	.....	40 cts.	40 cts.
366h	Parts of watch movements, finished or unfinished...	Free	15 p.c.	15 p.c.	Free	15 p.c.	15 p.c.
	Provided, that when imported under the Most-Favoured-Nation or General Tariff, the duty on plates designed to hold in place four or more wheels or other moving parts shall be not less than per plate		5 cts.	10 cts.		5 cts.	10 cts.
368	Clocks, time recorders, clock movements, clockwork mechanisms, and clock cases.....	15 p.c.	30 p.c.	35 p.c.	15 p.c.	30 p.c.	35 p.c.
	Provided, that when imported under the Most-Favoured-Nation or the General Tariff, the duty shall be not less than..... each		40 cts.	50 cts.		40 cts.	50 cts.

383	Sheets, plates, hoop, band or strip, of iron or steel.— (b) Coated with tin, n.o.p.....	15 p.c.	15 p.c.	20 p.c.	Free	15 p.c.	20 p.c.
384	Skelp of iron or steel, hot rolled, when imported by manufacturers of pipes and tubes for use exclusively in the manufacture of pipes and tubes, in their own factories, under regulations prescribed by the Minister.....	Free	5 p.c.	5 p.c.	Free	5 p.c.	5 p.c.
392c	Forged golf club heads of iron or steel, with or without face or similar marking, but not ground, polished, plated or otherwise finished.....	10 p.c.	10 p.c.	30 p.c.	10 p.c.	10 p.c.	30 p.c.
402b	Woven netting, of iron or steel, coated, made from wire of 17 gauge or heavier, with meshes not smaller than one inch and not larger than two inches, with specially strengthened joints, when for use exclus- ively on fur farms, under regulations prescribed by the Minister:— (1) Of a class or kind not made in Canada..... (2) N.o.p.....	5 p.c. 12½ p.c.	17½ p.c. 20 p.c.	30 p.c. 30 p.c.	5 p.c. 12½ p.c.	17½ p.c. 20 p.c.	30 p.c. 30 p.c.
414	Typewriters.....	Free	20 p.c.	25 p.c.	Free	20 p.c.	25 p.c.
414a	Complete parts of typewriters.....	Free	15 p.c.	25 p.c.	Free	15 p.c.	25 p.c.
414b	Dictating, transcribing and cylinder shaving machines and complete parts thereof, including cylinders and unfinished wax blanks.....	10 p.c.	12½ p.c.	25 p.c.	10 p.c.	12½ p.c.	25 p.c.
414c	Bookkeeping, calculating and invoicing machines and complete parts thereof, n.o.p.....	Free	10 p.c.	25 p.c.	Free	10 p.c.	25 p.c.
414d	Adding machines.....	Free	17½ p.c.	25 p.c.	Free	17½ p.c.	25 p.c.
414e	Complete parts of adding machines.....	Free	15 p.c.	25 p.c.	Free	15 p.c.	25 p.c.
425a	Lawn mowers designed for use with motive power, whether or not containing the power unit.....	10 p.c.	15 p.c.	32½ p.c.	10 p.c.	15 p.c.	32½ p.c.
426a	Machinery and apparatus enumerated in Tariff Item 412a, when for use by manufacturers of articles made from regenerated cellulose or cellulose acetate; complete parts of such machinery and apparatus, not to include saws, knives, and motive power.....	5 p.c.	5 p.c.	35 p.c.	5 p.c.	5 p.c.	35 p.c.
426b	Veneer-drying machines, and complete parts thereof.	5 p.c.	5 p.c.	35 p.c.	5 p.c.	5 p.c.	35 p.c.
426c	Wire stitchers and staplers, either hand or power type, but not including motive power; complete parts of the foregoing.....	5 p.c.	5 p.c.	35 p.c.	5 p.c.	5 p.c.	35 p.c.

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
429	Cutlery of iron or steel, plated or not:— (g) Razors and complete parts thereof; razor blades, n.o.p. (h) Safety razor blades.	Free Free	27½ p.c. 20 p.c.	30 p.c. 30 p.c.	Free Free	27½ p.c. 20 p.c.	30 p.c. 30 p.c.
430b	Screws, or iron or steel, coated or not:— (1) Wood screws. (2) Machine and other screws, n.o.p. and, per one hundred pounds	15 p.c. 15 p.c.	20 p.c. 17½ p.c. 50 cts.	30 p.c. 30 p.c.	15 p.c. 15 p.c.	20 p.c. 17½ p.c. 50 cts.	30 p.c. 30 p.c.
434	(1) Locomotives and motor cars for railways, for use exclusively in mining, metallurgical or sawmill operations, n.o.p., and chassis, tops, wheels and bodies for the same, n.o.p. (2) Locomotives for use on railways, and chassis, tops, wheels and bodies for the same, n.o.p.	15 p.c. 15 p.c.	20 p.c. 25 p.c.	35 p.c. 35 p.c.	15 p.c. 15 p.c.	20 p.c. 25 p.c.	35 p.c. 35 p.c.
440g	(1) Manufactures of iron, brass or other metal, of a class or kind not made in Canada, for use exclusively in the construction or equipment of ships or vessels, under regulations prescribed by the Minister. (2) Diesel and semi-diesel engines, of a class or kind not made in Canada, and complete parts thereof, for use exclusively in the construction or equipment of ships or vessels.	Free Free	Free Free	Free Free	Free Free	Free Free	Free Free
440m	(i) Unfinished parts of aircraft, n.o.p., not including parts of aircraft engines. (ii) Direct or inertia starters with or without related operating gear and parts thereof; generators; voltage control boxes; batteries; de-icing and anti-icing equipment and parts thereof, not including parts of rubber; vacuum pumps with related operating gear and parts thereof; landing and navigation lights; propellers; hydraulic jacks and pumps and parts thereof; aircraft wheels; aircraft brakes with related operating gear and parts thereof; aircraft tires and tubes; oil coolers; fuel pressure warning devices; exhaust gas analysers; pressure fire extinguishers; primer pumps; instruments excepting fuel contents gauges; bolts, nuts, cocks, turnbuckles, clevis and pins, swaged wires and tie rods; bars, tubes, extrusions and	Free	15 p.c.	27½ p.c.	Free	15 p.c.	27½ p.c.

	forgings of aluminum, aluminum alloys and magnesium alloys; steel tubing; all the foregoing when of types and sizes not made in Canada and imported for use exclusively in the manufacture or for spares, overhaul or repair of the goods enumerated in Tariff Item 4401 under such regulations as the Minister may prescribe.....	Free	Free	27½ p.c.	Free	Free	27½ p.c.
446g	(1) Electric apparatus designed for welding and parts thereof, not including motors.....	5 p.c.	20 p.c.	30 p.c.	5 p.c.	20 p.c.	30 p.c.
	(2) Mechanically-operated gas apparatus designed for cutting or welding and parts thereof, not including motors.....	Free	10 p.c.	35 p.c.	Free	10 p.c.	35 p.c.
	(3) Gas apparatus designed for welding or cutting and parts thereof, n.o.p.....	5 p.c.	20 p.c.	30 p.c.	5 p.c.	20 p.c.	30 p.c.
446k	Tools of iron or steel, for use in machines, n.o.p., of a class or kind not made in Canada.....	Free	10 p.c.	35 p.c.	Free	10 p.c.	35 p.c.
446m	Welding rods or welding wires of rust, acid or heat resisting steel, whether or not flux-coated.....	10 p.c.	15 p.c.	35 p.c.	10 p.c.	15 p.c.	35 p.c.
450	Roller skates and parts thereof	15 p.c.	15 p.c.	30 p.c.	15 p.c.	15 p.c.	30 p.c.
450a	Skates of all kinds, other than roller, and parts thereof	15 p.c.	25 p.c.	30 p.c.	15 p.c.	25 p.c.	30 p.c.
451b	Pins manufactured from wire of any metal:— (1) Specially designed for marking systems..... (2) N.o.p..... and, per pound	Free 15 p.c.	5 p.c. 25 p.c. 10 cts.	10 p.c. 30 p.c. 10 cts.	Free 15 p.c.	5 p.c. 25 p.c. 10 cts.	10 p.c. 30 p.c. 10 cts.
461a	Automatic scales or weighing machines, of a class or kind not made in Canada, and complete parts of the foregoing, for use in Canadian manufactures.....	Free	Free	Free	Free	Free	Free
505b	Shingles of cedar, creosoted, vulcanized or otherwise processed or treated.....	Free	Free	25 p.c.	Free	Free	25 p.c.
511c	Skis.....	20 p.c.	22½ p.c.	35 p.c.	20 p.c.	22½ p.c.	35 p.c.
511d	Ski fittings.....	15 p.c.	22½ p.c.	35 p.c.	15 p.c.	22½ p.c.	35 p.c.
511e	Ski poles.....	20 p.c.	22½ p.c.	35 p.c.	20 p.c.	22½ p.c.	35 p.c.
518	Bagatelle and other game tables or boards.....	17½ p.c.	22½ p.c.	35 p.c.	17½ p.c.	22½ p.c.	35 p.c.
518a	Billiard tables, with or without pockets; cues, balls, cue-racks and cue-tips.....	17½ p.c.	30 p.c.	35 p.c.	17½ p.c.	30 p.c.	35 p.c.

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
519	House, office, cabinet or store furniture or wood, iron or other material, and parts thereof, not to include forgings, castings, and stampings of metal, in the rough:—						
	(1) Substantially of wood.....	15 p.c.	27½ p.c.	45 p.c.	15 p.c.	27½ p.c.	45 p.c.
	(2) Other than of wood.....	15 p.c.	25 p.c.	45 p.c.	15 p.c.	25 p.c.	45 p.c.
520	(1) Raw cotton and cotton linters not further manufactured than ginned; waste wholly of cotton unfit for use without further manufacture.....	Free	Free	Free	Free	Free	Free
	(2) Rags unfit for use without further manufacture, not to include used garments nor waste portions of unused fabrics.....	Free	Free	Free	Free	Free	Free
522c	(1) Rovings, yarns and warps wholly of cotton, including threads, cords and twines generally used for sewing, stitching, packaging and other purposes, n.o.p.; cotton yarns, wholly or partially covered with metallic strip, generally known as tinsel thread.....	15 p.c.	17½ p.c.	25 p.c.	15 p.c.	17½ p.c.	25 p.c.
	and, per pound .....	.....	3 cts.	4 cts.	.....	3 cts.	4 cts.
	(2) Cotton yarns, wholly covered with a double layer of metallic strip in single strand only, when imported by manufacturers for use exclusively in the manufacture of electrical conductors, in their own factories.....	10 p.c.	10 p.c.	25 p.c.	10 p.c.	10 p.c.	25 p.c.
	and, per pound .....	.....	.....	4 cts.	.....	.....	4 cts.
	(3) Sewing thread, wholly of cotton, on spools, not to exceed 250 yards on one spool.....	15 p.c.	20 p.c.	25 p.c.	15 p.c.	20 p.c.	25 p.c.
	and, per pound .....	.....	.....	4 cts.	.....	.....	4 cts.
523	Woven fabrics, wholly of cotton, not bleached, mercerized nor coloured, n.o.p.....	15 p.c.	15 p.c.	25 p.c.	15 p.c.	15 p.c.	25 p.c.
	and, per pound .....	.....	3 cts.	4 cts.	.....	3 cts.	4 cts.
523b	Woven fabrics, wholly of cotton, printed, dyed or coloured, n.o.p.—						
	(1) Valued at more than 80 cents per pound.....	17½ p.c.	17½ p.c.	32½ p.c.	17½ p.c.	17½ p.c.	32½ p.c.
	and, per pound .....	.....	3 cts.	4 cts.	.....	3 cts.	4 cts.

	(2) Valued at 50 cents or more but not more than 80 cents per pound.....	17½ p.c.	22½ p.c. 3 cts.	32½ p.c. 4 cts.	17½ p.c.	22½ p.c. 3 cts.	32½ p.c. 4 cts.
	and, per pound						
	(3) Valued at less than 50 cents per pound.....	17½ p.c.	25 p.c. 3½ cts.	32½ p.c. 4 cts.	17½ p.c.	25 p.c. 3½ cts.	32½ p.c. 4 cts.
	and, per pound						
	(4) Woven fabrics, wholly of cotton, commonly known as denims, when imported by manufacturers for use in their own factories in the manufacture of garments.....	17½ p.c.	17½ p.c. 3 cts.	32½ p.c. 4 cts.	17½ p.c.	17½ p.c. 3 cts.	32½ p.c. 4 cts.
	and, per pound						
5231	Woven fabrics, wholly of cotton, composed of yarns of counts of not less than 80 and not more than 99, including all such fabrics in which the average count of the warp and weft yarns is not less than 80 and not more than 99.....	12½ p.c.	20 p.c. 3 cts.	27½ p.c. 4 cts.	12½ p.c.	20 p.c. 3 cts.	27½ p.c. 4 cts.
	and, per pound						
523n	Cotton bags:—						
	(1) Seamless.....	15 p.c.	22½ p.c.	25 p.c. 4 cts.	15 p.c.	22½ p.c.	25 p.c. 4 cts.
	and, per pound						
	(2) N.o.p.....	20 p.c.	22½ p.c.	35 p.c. 4 cts.	20 p.c.	22½ p.c.	35 p.c. 4 cts.
	and, per pound						
524a	Fabrics with cut weft pile, wholly of cotton or of cotton and synthetic textile fibres or filaments....	5 p.c.	25 p.c. 3½ cts.	32½ p.c. 4 cts.	5 p.c.	25 p.c. 3½ cts.	32½ p.c. 4 cts.
	and, per pound						
532	Clothing, wearing apparel and articles made from woven fabrics, and all textile manufactures, wholly or partially manufactured, composed wholly of cotton, n.o.p.....	25 p.c.	25 p.c.	35 p.c. 4 cts.	25 p.c.	25 p.c.	35 p.c. 4 cts.
	and, per pound						
532c	Curtains, wholly or partially manufactured, composed wholly of cotton, n.o.p.....	22½ p.c.	27½ p.c.	35 p.c. 4 cts.	22½ p.c.	27½ p.c.	35 p.c. 4 cts.
	and, per pound						
532d	Fabrics wholly of cotton, coated or impregnated, n.o.p.....	22½ p.c.	27½ p.c.	35 p.c. 4 cts.	22½ p.c.	27½ p.c.	35 p.c. 4 cts.
	and, per pound						
535g	Piassava fibre, not coloured, nor further manufactured than dried, cleaned, cut to size, ground and sifted....	Free	Free	Free	Free	Free	Free
538b	Twine for baling farm produce.....	Free	Free	25 p.c.	Free	Free	25 p.c.
547a	Bags or sacks of sisal.....	17½ p.c.	17½ p.c.	35 p.c. 4 cts.	17½ p.c.	17½ p.c.	35 p.c. 4 cts.
	and, per pound						
8c	Tablecloths, centre-pieces, and doilies of sisal, palm straw or cane straw.....	20 p.c.	20 p.c.	35 p.c. 4 cts.	20 p.c.	20 p.c.	35 p.c. 4 cts.
	and, per pound						

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
549	Wool not further prepared than combed, n.o.p. per pound	Free	10 cts.	15 cts.	Free	10 cts.	15 cts.
549a	Wool, not further advanced than scoured, not including wool of the sheep of the type commonly known as karakul, when imported by carpet manufacturers for use exclusively in the manufacture of carpets, in their own factories.....per pound	Free	Free	15 cts.	Free	Free	15 cts.
549b	(1) Hair of the camel, alpaca, goat or other like animal.....per pound	Free	Free	15 cts.	Free	Free	15 cts.
	(2) Hair, cleaned or uncleaned, but not curled, dyed nor otherwise manufactured; and horse hair not further manufactured than simply cleaned and dipped or dyed.....	Free	Free	Free	Free	Free	Free
	(3) Hair, curled or dyed, n.o.p.....	12½ p.c.	15 p.c.	20 p.c.	12½ p.c.	15 p.c.	20 p.c.
549f	Nets made from human hair.....	15 p.c.	15 p.c.	35 p.c.	15 p.c.	15 p.c.	35 p.c.
552a	Felt, splint, for use in making molded splints for medicinal purposes.....	Free	10 p.c.	25 p.c.	Free	10 p.c.	25 p.c. and 20 cts. per pound
553	Blankets of any material, not to include automobile rugs, steamer rugs, or similar articles:—						
	(1) Household blankets, wholly of cotton..... and, per pound	17½ p.c. 5 cts.	17½ p.c. 5 cts.	35 p.c. 30 cts.	17½ p.c. 5 cts.	17½ p.c. 5 cts.	35 p.c. 30 cts.
	(2) Blankets, wholly or in part of wool or hair... and, per pound	20 p.c. 5 cts.	25 p.c. 20 cts.	35 p.c. 30 cts.	20 p.c. 5 cts.	25 p.c. 20 cts.	35 p.c. 30 cts.
	(3) Blankets, n.o.p..... and, per pound	20 p.c. 5 cts.	30 p.c. 25 cts.	35 p.c. 30 cts.	20 p.c. 5 cts.	30 p.c. 25 cts.	35 p.c. 30 cts.
554e	Filter press cloth of wool or hair (except human hair) and, per pound	Free	15 p.c. 30 cts.	40 p.c. 35 cts.	Free	15 p.c. 30 cts.	40 p.c. 35 cts.
568b	(1) Gloves of kid, n.o.p.....	20 p.c.	22½ p.c.	45 p.c.	20 p.c.	22½ p.c.	45 p.c.
	(2) Gloves and mitts of all kinds, n.o.p.....	20 p.c.	25 p.c.	45 p.c.	20 p.c.	25 p.c.	45 p.c.
569	Hats, hoods and shapes of fur felt or of wool-and-fur felt, under such regulations as the Minister may prescribe.....	17½ p.c.	22½ p.c.	35 p.c.	17½ p.c.	22½ p.c.	35 p.c.

569a	(1) Hats, hoods and shapes of wool felt..... and, per dozen	22½ p.c. 45 cts.	30 p.c. 90 cts.	35 p.c. \$1.25	22½ p.c. 45 cts.	30 p.c. 90 cts.	35 p.c. \$1.25
	(2) Hoods and shapes, knitted, crocheted, plaited or woven, in a single piece, and hoods and shapes of braid, not sewn, under such regulations as the Minister may prescribe.....	Free 22½ p.c.	10 p.c. 30 p.c.	10 p.c. 35 p.c.	Free 22½ p.c.	10 p.c. 30 p.c.	10 p.c. 35 p.c.
	(3) Hoods and shapes, n.o.p..... and, per dozen	22½ p.c. 50 cts.	27½ p.c. 50 cts.	35 p.c. 50 cts.	22½ p.c. 50 cts.	27½ p.c. 50 cts.	35 p.c. 50 cts.
	(4) Hats, n.o.p..... and, per dozen	22½ p.c. 75 cts.	27½ p.c. \$1.00	35 p.c. \$1.50	22½ p.c. 75 cts.	27½ p.c. \$1.00	35 p.c. \$1.50
	(5) Berets of wool, knitted and fulled..... and, per dozen	22½ p.c. 50 cts.	22½ p.c. 50 cts.	35 p.c. 65 cts.	22½ p.c. 50 cts.	22½ p.c. 50 cts.	35 p.c. 65 cts.
	(6) Caps, bonnets and berets, n.o.p., under such regulations as the Minister may prescribe.....	22½ p.c.	27½ p.c.	35 p.c.	22½ p.c.	27½ p.c.	35 p.c.
570a	(1) Carpeting, rugs, stair pads, mats and matting of straw, hemp, flax tow or jute.....	15 p.c.	20 p.c.	25 p.c.	15 p.c.	20 p.c.	25 p.c.
	(2) Carpeting, rugs, mats and matting of paper; carpet lining and stair pads.....	15 p.c.	22½ p.c.	25 p.c.	15 p.c.	22½ p.c.	25 p.c.
	(3) Carpeting, rugs, mats and matting of sisal, palm straw or cane straw.....	15 p.c.	20 p.c.	25 p.c.	15 p.c.	20 p.c.	25 p.c.
571a	(1) Mats with cut pile, of cocoa fibre—per square foot.....	2½ cts.	3 cts.	5 cts.	2½ cts.	3 cts.	5 cts.
	(2) Mats, n.o.p., rugs, carpeting and matting of cocoa fibre..... per square yard	6½ cts.	7½ cts.	10 cts.	6½ cts.	7½ cts.	10 cts.
572a	Carpets of sisal, palm straw or cane straw.....	20 p.c.	20 p.c.	40 p.c.	20 p.c.	20 p.c.	40 p.c. and 20 cts. per square foot.
597	(1) Pianofortes and organs, n.o.p.....	20 p.c.	22½ p.c.	30 p.c.	20 p.c.	22½ p.c.	30 p.c.
	(2) Pipe organs.....	15 p.c.	15 p.c.	30 p.c.	15 p.c.	15 p.c.	30 p.c.
	(3) Pipe organ player actions and parts thereof; parts of pipe organs, n.o.p.....	Free	15 p.c.	25 p.c.	Free	15 p.c.	25 p.c.
	(4) Parts of pianofortes and parts of organs, n.o.p.	Free	20 p.c.	25 p.c.	Free	20 p.c.	25 p.c.
597a	(1) Musical instruments of all kinds, n.o.p.....	15 p.c.	17½ p.c.	30 p.c.	15 p.c.	17½ p.c.	30 p.c.
	(2) Phonographs, graphophones, gramophones and finished parts thereof, n.o.p., including cylin- ders and records therefor.....	15 p.c.	20 p.c.	30 p.c.	15 p.c.	20 p.c.	30 p.c.
	(3) Mechanical piano and organ players.....	15 p.c.	20 p.c.	30 p.c.	15 p.c.	20 p.c.	30 p.c.
	(4) Cylinders or records specially made for use in the study of languages, under such regulations as may be prescribed by the Minister.....	Free	Free	30 p.c.	Free	Free	30 p.c.

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
598	(1) Brass band instruments, of a class or kind not made in Canada.....	Free	17½ p.c.	25 p.c.	Free	17½ p.c.	25 p.c.
	(2) Brass band instruments, n.o.p.....	Free	20 p.c.	25 p.c.	Free	20 p.c.	25 p.c.
	(3) Bagpipes and complete parts thereof.....	Free	25 p.c.	25 p.c.	Free	25 p.c.	25 p.c.
603a	Karakul skins, wholly or partially dressed, but not dyed.....	Free	Free	15 p.c.	Free	Free	15 p.c.
604	(1) Belting leather in butts or bends; and all leather further finished than tanned, n.o.p.....	7½ p.c.	17½ p.c.	27½ p.c.	7½ p.c.	17½ p.c.	27½ p.c.
	(2) Sheepskin or lambskin leather, further finished than tanned, n.o.p.....	7½ p.c.	22½ p.c.	27½ p.c.	7½ p.c.	22½ p.c.	27½ p.c.
605	(1) Leather produced from East India tanned kip, uncoloured or coloured other than black, when imported for use exclusively in lining boots and shoes.....	Free	15 p.c.	15 p.c.	Free	15 p.c.	15 p.c.
	(2) Genuine reptile leathers.....	Free	7½ p.c.	15 p.c.	Free	7½ p.c.	15 p.c.
607a	Leather, consisting of beef-cattle hides, horse-hides or sheep-skins, but not including suedes, Cabrettas, Spanish capes or African capes, when imported by manufacturers of gloves or leather clothing, for use exclusively in manufacturing gloves or leather clothing in their own factories.....	Free	15 p.c.	20 p.c.	Free	15 p.c.	20 p.c.
607b	Leather, not further finished than tanned, in whole hides, in grains, or splits, when imported by manufacturers of upholstering leathers, for use exclusively in the manufacture of upholstering leathers, in their own factories.....	Free	15 p.c.	15 p.c.	Free	15 p.c.	15 p.c.
611a	(1) Boots, shoes, slippers and insoles of any material, n.o.p.....	20 p.c.	27½ p.c.	40 p.c.	20 p.c.	27½ p.c.	40 p.c.
	(2) Canvas shoes with rubber soles.....	20 p.c.	27½ p.c.	40 p.c.	20 p.c.	27½ p.c.	40 p.c.
	(3) Boots, shoes and slippers of sisal with cork, sisal, leather or rubber soles.....	17½ p.c.	25 p.c.	40 p.c.	17½ p.c.	25 p.c.	40 p.c.

	(1) Rubber, crude, caoutchouc or India-rubber, unmanufactured, n.o.p.....	Free	5 p.c.	5 p.c.	Free	5 p.c.	5 p.c.
	(2) Powdered rubber and rubber or gutta percha waste or junk.....	Free	Free	Free	Free	Free	Free
	(3) Recovered rubber and rubber substitute.....	Free	Free	Free	Free	Free	Free
	(4) Latex, being crude rubber in liquid form, not compounded beyond the addition of preservatives.....	Free	Free	Free	Free	Free	Free
619a	Rubber clothing and clothing made from water-proofed cotton fabrics..... and, in addition on raincoats..... each	22½ p.c.	27½ p.c.	35 p.c. 50 cts.	22½ p.c.	27½ p.c.	35 p.c. 50 cts.
623a	Handbags of sisal, palm straw, or cane straw, with or without lining.....	7½ p.c.	17½ p.c.	40 p.c.	7½ p.c.	17½ p.c.	40 p.c.
624a	(1) Dolls.....	10 p.c.	25 p.c.	40 p.c.	10 p.c.	25 p.c.	40 p.c.
	(2) Toys of all kinds, n.o.p.....	10 p.c.	30 p.c.	40 p.c.	10 p.c.	30 p.c.	40 p.c.
	(3) Mechanical toys of metal.....	10 p.c.	30 p.c.	40 p.c.	10 p.c.	30 p.c.	40 p.c.
	(4) Juvenile construction sets of metal or rubber, consisting of various stampings, punched or moulded, and connections therefor; parts of the foregoing:—						
	(a) Of metal.....	Free	25 p.c.	40 p.c.	Free	25 p.c.	40 p.c.
	(b) Of rubber.....	Free	20 p.c.	40 p.c.	Free	20 p.c.	40 p.c.
648b	Diamonds, rough or uncut, and not advanced in condition or value from their natural state by cleaving, splitting, cutting, or other process, whether in their natural form or broken.....	Free	Free	Free	Free	Free	Free
654	Bristles, natural.....	Free	Free	Free	Free	Free	Free
654b	Broom corn.....	Free	Free	Free	Free	Free	Free
655	Pens, n.o.p., penholders and rulers, of all kinds.....	12½ p.c.	22½ p.c.	27½ p.c.	12½ p.c.	22½ p.c.	27½ p.c.
655c	Pen nibs of steel.....	Free	12½ p.c.	27½ p.c.	Free	12½ p.c.	27½ p.c.
656	(a) Tobacco pipes of all kinds.....	17½ p.c.	22½ p.c.	35 p.c.	17½ p.c.	22½ p.c.	35 p.c.
	(b) Cigar and cigarette holders.....	17½ p.c.	25 p.c.	35 p.c.	17½ p.c.	25 p.c.	35 p.c.
	(c) Cases for cigar and cigarette holders, cigar and cigarette cases, smokers' sets and cases therefor, and tobacco pipe mounts.....	17½ p.c.	25 p.c.	35 p.c.	17½ p.c.	25 p.c.	35 p.c.
	(d) Tobacco pouches.....	17½ p.c.	25 p.c.	35 p.c.	17½ p.c.	25 p.c.	35 p.c.

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
663h	Oyster shells, not further manufactured than crushed or screened, or both, for use as poultry feeds or in the manufacture of poultry feeds.....	10 p.c.	10 p.c.	25 p.c.	10 p.c.	10 p.c.	25 p.c.
710	Coverings, inside and outside, used in covering or holding goods imported therewith, shall be subject to the following provisions, viz.:— (b) Usual coverings containing goods subject to any ad valorem duty, when not included in the invoice value of the goods they contain.....	Free	7½ p.c.	20 p.c.	Free	7½ p.c.	20 p.c.

4. Resolved, that Schedule C to the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, as amended, be further amended by deleting therefrom Items 1211 and 1214 and by inserting in said Schedule C the following Item:—

1214	<ol style="list-style-type: none"> 1. Common mongocoe (<i>Herpestes griseus</i>) or mongoose of any kind; 2. Any bird of the Starling family (<i>Sturnidae</i>), except the European Starling (<i>Sturnus vulgaris</i>); 3. Any other non-game bird, except any of the following:— <ol style="list-style-type: none"> (a) a domestic bird of a kind kept for food purposes; (b) a bird intended solely for exhibition in a public zoological park; (c) a bird intended solely to be kept in confinement in a cage or to be used for purposes of public entertainment.
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5. Resolved, that any enactment founded upon Resolutions 1 and 3 of the foregoing Resolutions to amend the Customs Tariff or Schedules thereto shall come into force on the first day of June, one thousand nine hundred and fifty, and shall apply to all goods mentioned in the foregoing Resolutions imported or taken out of warehouse for consumption on and after that date, and shall apply to goods previously imported for which no entry for consumption was made before that date.

6. Resolved, that any enactment founded upon Resolutions 2 and 4 of the foregoing Resolutions to amend the Customs Tariff or Schedules thereto shall be deemed to have come into force on the twenty-ninth day of March, one thousand nine hundred and fifty, and to have applied to all goods mentioned in the foregoing Resolutions imported or taken out of warehouse for consumption on and after that date, and to have applied to goods previously imported for which no entry for consumption was made before that date.

ECONOMIC INDICATORS
REVIEW OF GOVERNMENT ACCOUNTS,
1949-50

BUDGET PAPERS

presented by Honourable D. C. Abbott, M.P.,
for the information of Parliament on the occasion
of the Budget of 1950-51

FOREWORD

The purpose of these Papers is twofold:

- (1) to make available in one place and in convenient form, as a supplement to the Budget, some of the more comprehensive indicators of economic conditions prepared by the Dominion Bureau of Statistics and other Government agencies, together with brief comments;
- (2) to present a preliminary review of the Government accounts for the fiscal year ending on March 31, 1950.

PART I
ECONOMIC INDICATORS

1. The National Accounts

National Income, Output and Expenditure

Personal Income and its Disposition

Saving

Investment

Revenue and Expenditure of All Governments

2. Employment and Wages

3. Trend of Prices

4. Balance of International Payments

The tables in this Budget Paper are based upon estimates provided by the Dominion Bureau of Statistics and other Government Departments. Some of the figures appear for the first time; others have been published elsewhere. All 1949 estimates are preliminary and subject to revision.

Except where indicated, the figures for Canada do not include the Province of Newfoundland because of the lack of comparable data for the period prior to Union, March 31, 1949.

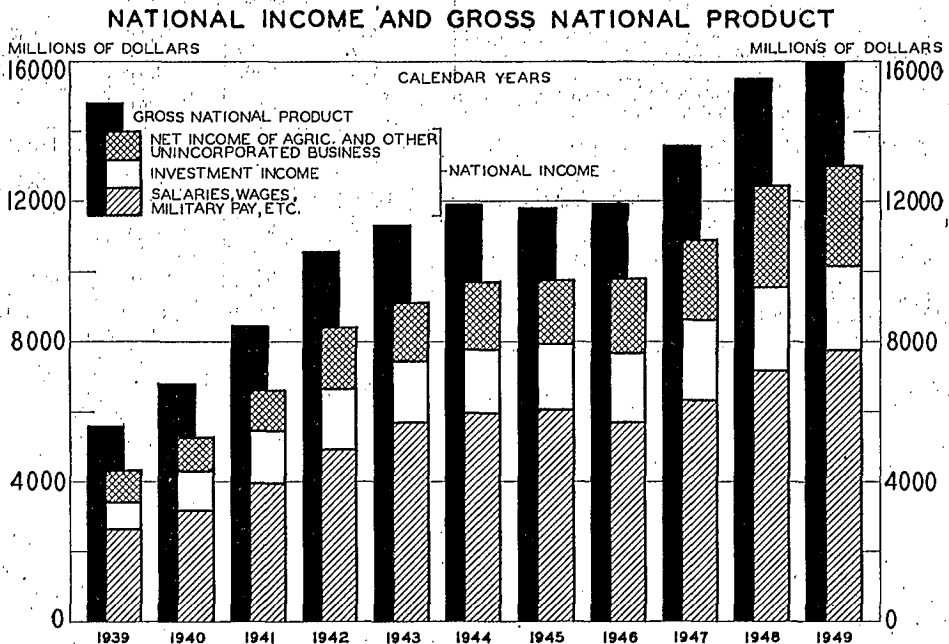
THE NATIONAL ACCOUNTS

NATIONAL INCOME, OUTPUT AND EXPENDITURE

NATIONAL INCOME measures the annual earnings of Canadian residents from productive operations. As such it includes salaries, wages and other forms of earnings by employees, in cash or otherwise, plus military pay and allowances. It includes corporation profits and other returns on invested capital. It includes the net income of farmers and of others who are in business on their own account.

GROSS NATIONAL PRODUCT is the value at market prices of all the goods and services produced in a year by the labour, capital and enterprise of Canadian residents. It is obtained by adding to National Income indirect taxes and such costs as depreciation allowances which may be regarded as entering into the cost of the goods and services produced, but do not form part of the incomes of Canadians. On the other hand, government subsidies, which reduce the price to the consumer or add to the income of producers, have to be deducted since they form part of the income of Canadians but do not enter into costs of production.

The goods and services produced in a year are either sold at home or abroad or added to inventories. **GROSS NATIONAL EXPENDITURE** indicates how the Gross National Product was disposed of. Thus it measures the same total as Gross National Product but in a different way. Since foreign expenditures on Canadian goods and services, i.e., exports, form part of the earnings of Canadians in the Gross National Product, they are likewise included in Gross National Expenditure. While Canadian expenditure on imported goods and services is included in the totals of consumer expenditure, government expenditure and gross home investment, it is not part of the disposition of Canadian production and is therefore deducted.



PRODUCTION AND INCOME

The total value of goods and services produced by Canadians continued to rise during 1949, though at a lower rate than in the previous year. Eliminating the upward price change, it is estimated that national production in terms of physical volume increased by about 2% between 1948 and 1949.

Looking back to 1939, the national product has grown in value by over 180% and in physical terms by about 70%. Most of the increase in physical output occurred during the war years and can be attributed in large measure to the absorption of unemployed labour and resources. During the postwar years of high employment, output has shown a small but steady annual rise.

Income received in the form of wages and salaries rose by 7% between 1948 and 1949, reflecting the continued high level of employment and a further increase in rates of pay. Farm income, which has risen proportionately more than any part of the National Income since prewar years and which increased by about one-third from 1947 to 1948, fell by 5% between 1948 and 1949. Both lower prices and reduced crops account for the decline.

Investment income and the income of unincorporated businesses other than farming were up very slightly from the previous year.

TABLE 1
NATIONAL INCOME AND GROSS NATIONAL PRODUCT

	1939	1947	1948	Prelim. 1949
	(MILLIONS OF DOLLARS)			
1. Salaries, wages and supplementary labour income.	2,583	6,212	7,113	7,630
2. Military pay and allowances.....	32	83	82	115
3. Investment income.....	783	2,307	2,348	2,373
4. Net income of agriculture and other unincorporated business.....	891	2,336	2,912	2,859
5. NATIONAL INCOME (1+2+3+4).....	4,289	10,938	12,455	12,977
6. Indirect taxes less subsidies.....	737	1,604	1,767	1,782
7. Depreciation allowances and similar business costs	582	1,009	1,141	1,277
8. Residual error of estimate.....	-10	40	103	-93
9. Gross National Product at Market Prices (5+6+7+8).....	5,598	13,591	15,471	15,943
10. G.N.P. in Constant (1935-39) Dollars.....	5,523	8,990	9,201	9,412

EXPENDITURE

The additional output produced by Canadians in 1949 was absorbed at home. Exports, which are a measure of the demand from outside the country, were about equal in value to the previous year.

Personal expenditure on consumer goods and services increased by \$667 million, or 7% from 1948. This increase, though substantial, is less both in absolute amount and proportionately than in recent years.

Investment demands for plant, equipment and housing absorbed an even higher proportion of available labour and materials than in 1948.

From the peak of war expenditures in 1944 until 1947 the claims of federal, provincial and municipal governments on the available supply of goods and services declined steadily and sharply. In 1948 the trend was reversed and in 1949 there was another increase of 18%.

These changes in the expenditure side of the national accounts are analyzed in greater detail in the following pages.

TABLE 2
GROSS NATIONAL EXPENDITURE

	1939	1947	1948	Prelim. 1949
(MILLIONS OF DOLLARS)				
1. Personal expenditure on consumer goods and services.....	3,861	9,126	10,083	10,750
2. Government expenditure on goods and services.....	724	1,551	1,787	2,108
3. Gross home investment—				
(a) plant, equipment and housing.....	554	2,057	2,663	2,829
(b) inventories.....	327	879	646	12
4. Export of goods and services ⁽¹⁾	1,451	3,629	4,044	3,974
5. Imports of goods and services ⁽¹⁾	-1,328	-3,612	-3,645	-3,824
6. Residual error of estimate.....	9	-39	-107	94
7. Gross National Expenditure at Market Prices (1+2+3+4+5+6).....	5,598	13,591	15,471	15,943
8. G.N.E. in Constant (1935-39) Dollars.....	5,523	8,990	9,201	9,412

⁽¹⁾ Minor adjustments have been made to the figures of current receipts and payments shown in Table 12 and in "The Canadian Balance of International Payments, 1926-48", Dominion Bureau of Statistics, to achieve consistency with the other component series.

PERSONAL INCOME AND ITS DISPOSITION

How much Canadians spend for consumer goods and services depends upon their personal incomes, their taxes and how much they decide to save, borrow, or spend out of previous savings.

The total of personal income differs from the National Income in several respects. For example, it includes only that part of corporation income which is actually distributed. Deductions from employees' total earnings must also be made for unemployment insurance contributions and similar contributions which, although forming part of the compensation for services performed, are not actually received by the employee within the year. On the other hand, transfer payments such as family allowances, old age pensions, veterans benefits and charitable contributions by corporations are included in arriving at the total of personal income.

TABLE 3
SOURCES OF PERSONAL INCOME

	1939	1947	1948	Prelim. 1949
(MILLIONS OF DOLLARS)				
1. Salaries, wages and supplementary labour income..	2,583	6,212	7,113	7,630
Deduct: Employer and employee contribution to social ins. and govt. pension funds.....	-34	-181	-223	-238
2. Military pay and allowances.....	32	83	82	116
3. Net income of agriculture and other unincorporated business.....	891	2,336	2,912	2,859
4. Interest, dividends and net rental income of persons	564	1,032	1,141	1,196
5. Transfer payments to persons (excluding interest)				
(a) from government.....	249	848	851	917
(b) charitable contributions made by corpora- tions.....	6	15	16	16
6. Personal Income (1+2+3+4+5).....	4,291	10,345	11,892	12,495

Personal income, like the National Income, continued to rise during 1949, but at a less rapid rate than in previous years. Wages and salaries were higher. Substantial payments by the Canadian Wheat Board and payment of the refundable portion of wartime income taxes added to personal incomes⁽¹⁾. As already indicated, however, farm incomes were somewhat lower as a result of poorer crops and lower average prices.

There was an increase in the total of transfer payments by governments. Family allowances and old age pensions involved significantly larger transfers in 1949, as a result both of higher average rates of benefits and a growing number of recipients. Unemployment insurance benefits were on a higher level, reflecting the increase in the numbers of unemployed, a high proportion of whom were covered by the insurance scheme. These gains were reduced by a further tapering off in payments of such postwar benefits to veterans as gratuities, rehabilitation benefits and re-establishment credits, which were at their peak in 1946.

(1) However, the total of personal income shown in Table 3 does not include the payment of the refundable portion of wartime income taxes.

The amount of personal income available for spending or saving is the total of personal income less direct taxes on personal income. In 1949, direct taxes fell sharply, accounting for less in absolute amount than in any year since 1945, and for a smaller proportion of personal income than in any year since 1941. As a result, personal disposable income rose by about 6% between 1948 and 1949.

Consumer spending increased in about the same proportion, indicating that net savings out of personal income were about the same as in 1948. There was a modest increase in dollar expenditure on perishable goods such as food, tobacco and beverages, and an even smaller increase in spending for semi-durable goods such as clothing. When price changes are eliminated, there was probably a small decrease in total volume of purchases of perishables and semi-durables. On the other hand, expenditure for durables—automobiles, furniture, household appliances, etc.—rose by an estimated 14% in value and about 9% in physical volume. Expenditure on services also increased substantially, reflecting in part the rising level of rentals.

As shown in table 4, it is estimated that consumer expenditure was 180% higher in dollar terms in 1949 than in 1939. Eliminating price changes in the interval and making allowances for the population increase, it would appear that, on the average, each Canadian is now consuming about 50% more of goods and services than in immediate prewar years.

DISPOSITION OF PERSONAL INCOME

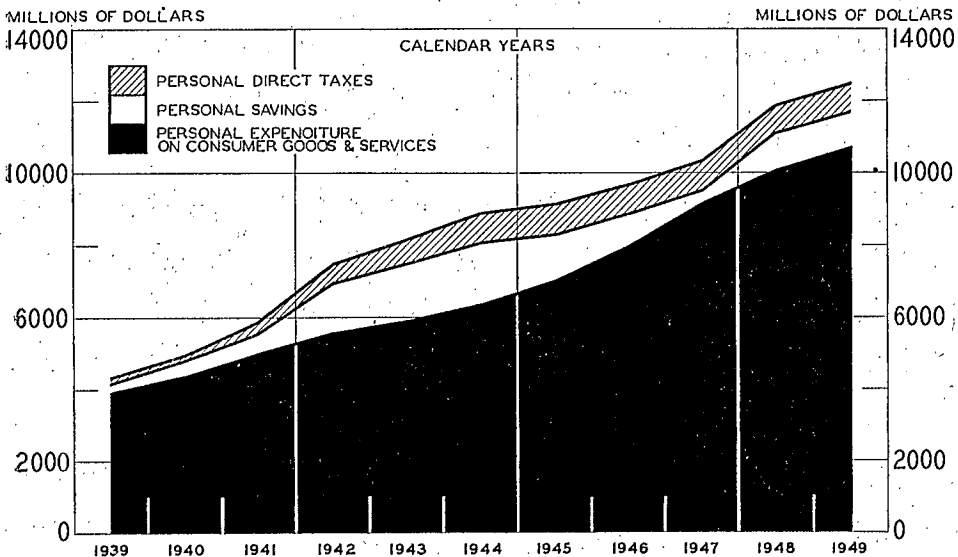


TABLE 4
DISPOSITION OF PERSONAL INCOME

	1939	1947	1948	Prelim: 1949
(MILLIONS OF DOLLARS)				
1. Personal direct taxes				
(a) income taxes.....	61	694	717	674
(b) succession duties.....	28	61	57	56
(c) miscellaneous.....	21	36	47	56
Total direct taxes.....	110	791	821	786
2. Personal expenditure on consumer goods and services—GOODS				
(a) Perishable—foods, tobacco, beverages, drugs, fuel, etc.....	1,644	4,305	4,852	5,074
(b) Semi-durable—Clothing, house furnishings, auto accessories, etc.....	508	1,430	1,536	1,602
(c) Durable—automobiles, furniture, household appliances, hardware, jewellery, etc.....	245	751	820	938
(d) Miscellaneous.....	45	152	190	202
Services.....	1,475	2,529	2,758	3,011
Net Personal Expenditure Abroad.....	-56	-41	-123	-77
Total Consumer Expenditure.....	3,861	9,126	10,033	10,750
3. Personal saving—				
(a) personal saving excluding farm inventories....	260	317	1,053	1,065
(b) net changes in farm inventories.....	60	111	-65	-106
Total personal saving.....	320	428	988	959
4. Personal Income (1+2+3).....	4,291	10,345	11,892	12,495

SAVING

For the purpose of the National Accounts, saving is defined as being equal to investment.

Thus, a balance sheet can be constructed showing, on the one side, the sums which Canadians do not spend out of their incomes on immediate consumption—which are defined as saving—and, on the other side, the total amount spent for non-consumption goods such as factories, machinery, houses, additions to inventories, etc.—which are defined as investment.

Saving can therefore be regarded as the source of funds out of which investment expenditure is financed or, alternatively, investment expenditure can be regarded as providing an outlet for the savings set aside out of income.

A surplus of government revenue over expenditure adds to the total of saving. It is in effect a form of community saving. A government deficit, on the other hand, is a claim upon, and therefore a deduction from, private saving.

TABLE 5
SOURCES OF SAVING

	1939	1947	1948	Prelim. 1949
	(MILLIONS OF DOLLARS)			
Personal saving.....	320	428	988	959
Undistributed corporation profits.....	219	602	716	625
Undistributed Wheat Board profits.....		37	-155	-84
Inventory revaluation adjustment ⁽¹⁾	-56	-18	-4	3
Depreciation allowances.....	582	1,009	1,141	1,277
Government surplus (+) or deficit (-)⁽²⁾.....	-42	816	807	398
Residual error of estimate ⁽³⁾	-10	40	108	-93
Total.....	1,013	2,914	3,601	3,085

⁽¹⁾ The adjustment has been made only to grain held in commercial channels.

⁽²⁾ See Table 10.

⁽³⁾ See Tables 1 and 2.

Because of limited supplies of goods and services, particularly durables, and under the stimulus of loans and savings campaigns, personal saving was at a very high level during war years. During 1945, 1946 and 1947 consumption expenditures revived quickly and personal saving fell proportionately. In 1948, however, the trend was again reversed; incomes rose much more rapidly than expenditure for current consumption—probably because of sharply rising prices—leaving proportionately as much over for saving as in 1946. Personal saving remained at approximately the same level in 1949.

Corporate profits both before and after taxes were at levels somewhat below 1948. Dividends paid out increased by \$73 million, leaving retained profits of about \$625 million as against \$716 million in 1948.

TABLE 6
CORPORATION PROFITS AND CORPORATE SAVINGS

	1939	1947	1948	Prelim. 1949
(MILLIONS OF DOLLARS)				
Corporate profits before taxes ⁽¹⁾	618	1,828	1,969	1,914
Deduct corporate taxes ⁽²⁾	-112	-724	-710	-673
Corporate profits after taxes.....	506	1,104	1,259	1,241
Deduct dividends paid out ⁽³⁾	-287	-502	-543	-616
Undistributed corporate profits ⁽⁴⁾	219	602	716	625

(1) Includes depletion charges and is adjusted for corporate losses, renegotiation of war contracts and conversion to a calendar year basis.

(2) Taxes paid or payable in respect of the calendar year's income, excluding the refundable portion of the excess profit tax. (See Table 10).

(3) Includes charitable contributions made by corporations. (See Table 3 Item 5(b)).

(4) See Table 5.

The gradual return to a position of balance between the expenditure and revenue of federal, provincial and municipal governments is reflected in the decline in the amount of saving accounted for by government surplus from \$807 million in 1948 to \$398 million in 1949.

The other substantial change in private saving was the further reduction in undistributed profits of the Canadian Wheat Board which, during 1949, made substantial participation payments to producers.

TABLE 7
DISPOSITION OF SAVING

	1939	1947	1948	Prelim. 1949
(MILLIONS OF DOLLARS)				
Gross Home Investment.....	881	2,936	3,309	2,841
Net increase in foreign assets (including foreign exchange) adjusted ⁽¹⁾	123	17	399	150
Residual error of estimate ⁽²⁾	9	-39	-107	94
Total.....	1,013	2,914	3,601	3,085

(1) Minor adjustments have been made to the figures appearing in Table 12.

(2) See Tables 1 and 2.

INVESTMENT

The claims upon saving represented by investment expenditure in plant, equipment and housing were sustained at a high level in 1949. Net investment abroad and in foreign exchange, i.e., the net balance of international payments on current account, however, fell sharply from 1948 to 1949 (For more detailed discussion see section on Balance of International Payments). There was no appreciable investment in additional inventory.

TABLE 8
GROSS HOME INVESTMENT

	1939	1947	1948	Prelim. 1949
(MILLIONS OF DOLLARS)				
Plant, Equipment, and Housing—Total ⁽¹⁾	554	2,057	2,663	2,829
New Residential Construction ⁽²⁾	145	492	647	753
Other New Construction.....	126	564	806	847
New Machinery and Equipment.....	283	1,001	1,210	1,229
Inventories—Total.....	327	879	646	12
Grain in Commercial Channels ⁽³⁾	127	22	55	— 1
Farm Grain and Livestock ⁽³⁾	60	—111	— 65	—106
All Other Inventories ⁽⁴⁾	140	968	656	119
Gross Home Investment⁽⁵⁾.....	881	2,936	3,309	2,841
Percentage of Gross National Product.....	16%	22%	21%	18%

(1) Includes private businesses and institutions, and publicly owned public utilities.

(2) Excludes construction by Wartime Housing Limited which is included with Government expenditure on goods and services (Table 2).

(3) Value of physical change.

(4) Change in value. Includes privately financed industrial and trade inventories.

(5) See Table 2, Item 3.

Analysis of investment expenditure in 1949 reveals some decline in capital expenditure by manufacturing industries and by trade, finance and commercial services, but this was more than offset by investment on a rising scale by primary industries, institutions and public utilities and in housing.

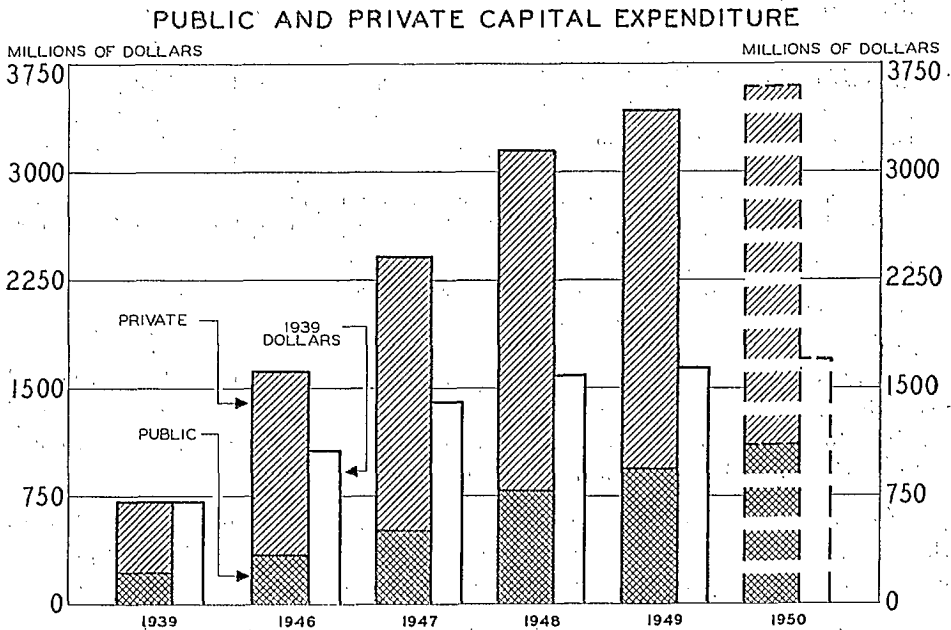
Capital expenditure by governments, too, rose substantially even though the policy of the Federal Government was to postpone projects wherever possible in order to avoid competition with private demand for labour and materials.

The forecast for 1950, prepared by the Economic and Research Development Branch of the Department of Trade and Commerce, is for a continued upward movement in over-all capital outlay. Expenditure by institutions, public utilities and government are likely to comprise an increasing proportion of the total programme. House building activity may tend to level off.

TABLE 9
PUBLIC AND PRIVATE CAPITAL EXPENDITURE

	1946	1947	1948	Prelim. 1949	1950 ⁽¹⁾
	(Millions of Dollars)				
Primary industries and construction industry.....	229	395	529	575	536
Manufacturing.....	321	539	579	522	496
Utilities.....	239	379	551	642	703
Trade, Finance and Commercial Services.....	164	203	281	258	291
Institutions.....	54	80	137	187	232
Housing.....	412	533	682	786	785
Direct Government.....	194	290	392	457	553
TOTAL CAPITAL EXPENDITURE.....	1,613	2,419	3,151	3,427	3,596
Total Capital Expenditure as a percentage of G.N.P.....	14	18	20	21	22
Total Capital Expenditure in Constant (1939) Dollars.....	1,067	1,407	1,589	1,643	1,711

(1) Forecast.



REVENUE AND EXPENDITURE OF ALL GOVERNMENTS

In Table 10, "Government Transactions Related to the National Accounts", an attempt is made to bring together in one statement and under uniform headings the activities of all governments in Canada on a calendar year basis.

The table is designed to include only those transactions which have relevance for the National Accounts, and consequently the surpluses or deficits shown here do not agree with those shown in the various public accounts. It has been necessary to adjust the conventional accounting statements of fiscal year revenue and expenditure to exclude purely bookkeeping transactions as well as the purchase and sale of existing capital assets. Extra-budgetary funds such as unemployment insurance, workmen's compensation and pension funds have been added, and surpluses or deficits of Government enterprises are likewise included. In the federal accounts some of the more substantial adjustments are as follows: addition of national defence recoverable expenditure, allocation of war refunds to prior years, adjustment of corporate taxes to an accrual basis, elimination of sales of war assets to business, and elimination of British Commonwealth Air Training Plan write-off from expenditure. In addition the federal figures have been adjusted to a calendar year basis by using the monthly figures published by the Comptroller of the Treasury. Government loans to foreign countries or accumulation of gold or foreign exchange are not included with government expenditure.

For purpose of analysis, expenditures by governments may be divided into two main categories: expenditures for the purchase of goods and services, and so-called transfer payments, i.e., family allowances, old age pensions, veterans benefits, the greater part of the interest on the public debt, etc., which do not arise from current production of goods and services. The first category represents the demands which governments place on the annual output of the nation. Transfer payments, on the other hand, simply add to the sums available for spending or saving by the recipient.

GOVERNMENT EXPENDITURES ON GOODS AND SERVICES AS A PERCENTAGE OF GROSS NATIONAL PRODUCT

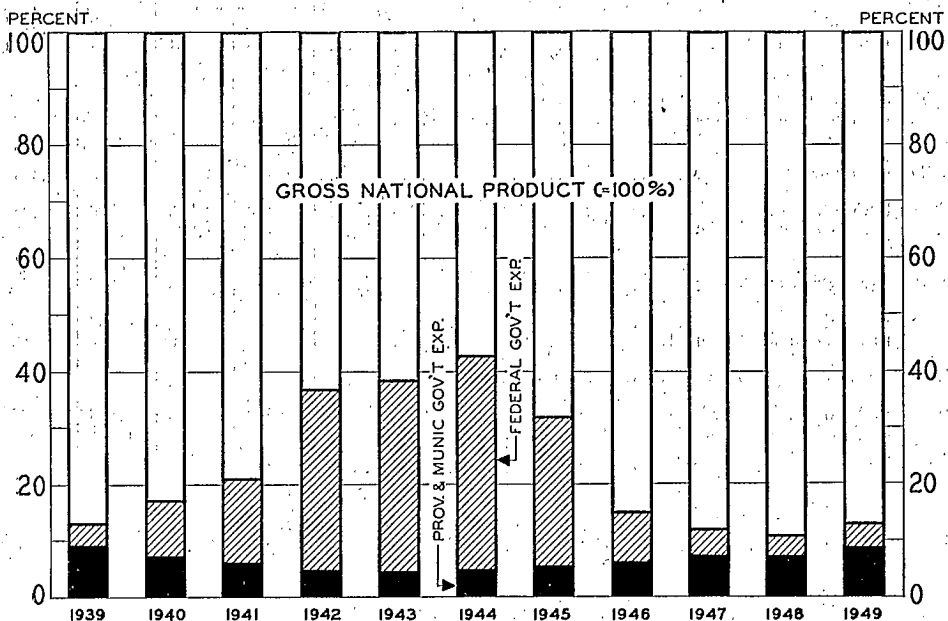


TABLE 10

GOVERNMENT TRANSACTIONS RELATED TO THE NATIONAL ACCOUNTS

	1939	1947	1948	Prelim. 1949
	(Millions of Dollars)			
GOVERNMENT REVENUE—				
Direct Taxes—Persons.....	110	791	821	786
Income and Excess Profits—				
Federal.....	46	694	717	674
Provincial and Municipal.....	15			
Succession Duties—				
Federal.....		30	29	26
Provincial.....	28	31	28	30
Miscellaneous—				
Federal.....	3	4	6	7
Provincial and Municipal.....	18	32	41	49
Direct Taxes—Corporations.....	123	759	751	720
Income and Excess Profits—				
Federal.....	98	652	588	547
Provincial.....	14	72	122	126
Withholding taxes—federal.....	11	35	41	47
Indirect Taxes.....	720	1,781	1,842	1,857
Federal.....	310	1,136	1,085	1,043
Provincial and Municipal.....	410	645	757	814
Investment Income.....	99	345	346	365
Federal.....	-11	115	105	124
Provincial and Municipal.....	110	230	241	241
Employer and Employee Contributions to Social Security and Pension Funds.....	34	181	223	238
Federal.....	6	100	129	139
Provincial and Municipal.....	28	81	94	99
Transfers from Other Governments—				
Provincial and Municipal.....	83	208	150	181
Total Revenue.....	1,169	4,065	4,133	4,147
Federal.....	463	2,766	2,700	2,607
Provincial and Municipal.....	706	1,299	1,433	1,540
Deficit (or surplus—).....	42	-816	-807	-398
Federal.....	-4	-717	-802	-480
Provincial and Municipal.....	46	-99	-5	82
Total Revenue plus Deficit (or minus Surplus).....	1,211	3,249	3,326	3,749
Federal.....	459	2,049	1,898	2,127
Provincial and Municipal.....	752	1,200	1,428	1,622

TABLE 10—Concluded

GOVERNMENT TRANSACTIONS RELATED TO THE NATIONAL ACCOUNTS

	1939	1947	1948	Prelim. 1949
(MILLIONS OF DOLLARS)				
GOVERNMENT EXPENDITURE—				
Goods and Services.....	724	1,551	1,787	2,108
Federal.....	214	619	667	861
Provincial and Municipal.....	510	932	1,120	1,247
Transfer Payments.....	421	1,313	1,314	1,385
Federal.....	180	1,051	1,010	1,013
Provincial and Municipal.....	241	262	304	372
Subsidies.....	-17	177	75	75
Federal.....	-18	171	71	72
Provincial and Municipal.....	1	6	4	3
Transfers to Other Governments—				
Federal.....	83	208	150	181
 Total Expenditure.....	 1,211	 3,249	 3,326	 3,749
Federal.....	459	2,049	1,898	2,127
Provincial and Municipal.....	752	1,200	1,428	1,622

EMPLOYMENT AND WAGES

During 1949 the civilian labour force of Canada, including Newfoundland, averaged approximately 5,200,000, a gain through natural increase and net immigration, of 110,000 over 1948. Employment averaged 5,055,000, an increase of 80,000 over 1948. Unemployment, defined as those wholly unemployed and looking for work, averaged 145,000 in 1949, an increase of 30,000 over the previous year.

There is a considerable shift in and out of the labour force during certain seasons of the year. The labour force and employment is normally at its peak around September 1. The total number employed at the seasonal peak in 1949 numbered 5,255,000 an all-time high for Canada.

The following table presents a comparative picture of the civilian labour force, employment and unemployment for the years 1946-1949. The annual averages do not include Newfoundland which was first surveyed in October 1949. Results showed a total Labour Force in Newfoundland of 114,000 composed of 95,000 males and 19,000 females.

TABLE 11
THE LABOUR FORCE*
Annual Averages
(Thousands of Persons)

	1946	1947	1948	1949
Civilian Labour Force.....	4,794	4,908	4,982	5,090
Male.....	3,720	3,841	3,919	4,002
Female.....	1,074	1,067	1,063	1,088
Unemployed.....	143	98	103	133
Employed.....	4,651	4,810	4,879	4,957
Paid Workers.....	3,124	3,262	3,372	3,469
Farm.....	146	110	134	144
Non-farm.....	2,978	3,143	3,238	3,325
Self Employed.....	1,126	1,158	1,160	1,160
Farm.....	679	661	668	670
Non-farm.....	447	497	492	490
Unpaid Family Workers.....	401	390	347	328
Farm.....	360	335	294	274
Non-farm.....	41	55	53	54

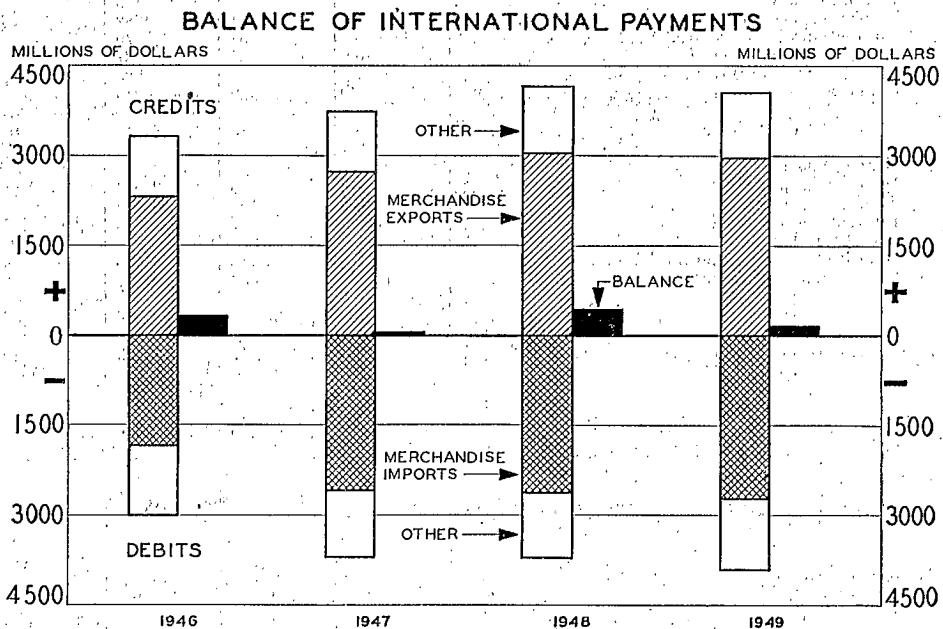
* Data do not include Newfoundland.

An indication of the trend of unemployment during the recent winter is provided by data on persons who have applied for work at National Employment Service offices. The average figures for November and December, 1949, were 206,000 and 274,000 respectively; and for January and February, 1950, an average of 362,000 and 377,000 respectively. Caution must be used in interpreting them as a measure of unemployment because they include some persons who had a job and exclude some unemployed persons who did not register. The increase in the number of persons looking for work was basically seasonal but reflected in some degree the impact of adverse weather conditions, lower overseas exports and currency revaluations. Present unemployment is concentrated in specific areas and industries; in many areas there is virtually full employment. The underlying employment trend is firm.

Labour income during 1949 was estimated at \$7,630 million, 7% higher than in 1948. This increase was accounted for by a gain in employment of 2% and an overall rise in wage rates estimated at slightly under 5%. Per capita weekly earnings, excluding agriculture, were estimated at about \$43, compared to the 1948 average of \$40.

Towards the end of the year, earnings showed a tendency to level off. Wage settlements generally showed provision for smaller increases in wage rates. As well, the easing of the labour market tended to retard the upward movement of wage rates in the unorganized sections of the labour market, such as agriculture.

Changes in hours worked per week had little effect on labour income in the aggregate, although short-time work was of significance in certain industries and a reduction of the standard work week was evident in others. On the whole, the number of hours worked per week in manufacturing during the year showed little change, the average of 42.9 being down fractionally from the figure of 43.2 for 1948.



BALANCE OF INTERNATIONAL PAYMENTS

When goods are exported (unless they are given away) they give rise to payments or debts in favour of Canada. Similarly, when goods are imported they give rise to payments or debts in favour of the rest of the world. Other transactions, such as interest and dividend payments, the tourist trade, freight and shipping charges, also give rise to similar payments or debts in either direction. The difference between the debits and credits arising from these current transactions is referred to as the net balance of international payments on current account. When total credits exceed total debits within a year, the rest of the world has gone into debt to Canada or Canada has paid off some of her debt to the rest of the world. When total debits exceed total credits, the net position is, of course, reversed.

TABLE 12

BALANCE OF INTERNATIONAL PAYMENTS

ESTIMATED CURRENT ACCOUNT BETWEEN CANADA AND ALL COUNTRIES

(Millions of Canadian dollars)

	1939	1947	1948	1949 ⁽¹⁾
CURRENT CREDITS				
Exports (adjusted).....	906	2,723	3,030	2,988
Non-monetary gold.....	184	99	119	139
Tourist expenditures.....	149	251	282	288
Interest and dividends.....	57	62	70	73
Freight and shipping.....	102	322	337	310
Inheritances and immigrants' funds.....	{ 59 }	69	83	64
Other current receipts.....		220	218	210
Total Credits.....	1,457	3,746	4,139	4,072
CURRENT DEBITS				
Imports (adjusted).....	713	2,535	2,598	2,686
Tourist expenditures.....	81	167	132	191
Interest and dividends.....	306	337	325	390
Freight and shipping.....	119	278	275	257
Inheritances and emigrants' funds.....	{ 112 }	49	49	49
Other current payments.....		333	307	306
Total Debits.....	1,331	3,699	3,686	3,879
NET BALANCE ON CURRENT ACCOUNT.....	+126	+47	+453	+193

ESTIMATED GEOGRAPHICAL DISTRIBUTION OF THE NET BALANCE ON CURRENT ACCOUNT

	1939	1947	1948	1949
Between Canada and—				
United States.....	-116	-1,135	-401	-604
United Kingdom.....	+137	+633	+488	+445
Rest of sterling area.....	+39	+241	+129	+145
E.R.P. countries.....	{ +66 }	+274	+229	+182
Other countries.....		+34	+8	+25
All countries.....	+126	+47	+453	+193

(1) Estimates for 1949 are tentative and subject to significant alteration.

Canada's net surplus on current account of \$193 million in 1949 was \$260 million less than in 1948. The change is split evenly between commodity trade and other current transactions. About \$190 million of the change is the result of an increase in Canadian payments, very largely in payments to the United States, arising from increased imports from that country. The other \$70 million of the change is the result of a decrease in Canadian receipts, chiefly in receipts from E.R.P. countries other than the United Kingdom, and resulted mainly from a reduction in exports to those countries. There was very little change from 1948 to 1949 in either the value of exports to or of imports from the countries of the sterling area (including the United Kingdom); consequently Canada's surplus on current account with the sterling area was substantially the same as in the previous year.

Compared with 1948 there were in 1949 considerably increased exports of wheat, newsprint, non-ferrous metals, and a few types of fully manufactured goods, and substantially reduced exports of other agricultural products, especially of meats, of most other forest products, and of manufactured goods generally. Export prices were slightly higher in 1949 than in 1948 and the volume of exports in 1949 was lower than in 1948 by some 3%.

An appreciable decline occurred in imports of coal and petroleum. Otherwise imports generally were higher, including large increases in fruits and vegetables and motor vehicles and parts. Import prices were slightly higher in 1949 and there appears to have been little change in the volume of imports.

The available detail of Canada's international transactions on capital account in 1949 may be compared with 1948 as follows:

	(Millions of Canadian Dollars)	
	1948	1949
Loans to United Kingdom and other governments (gross).....	-142	-120
Government of Canada borrowing in the United States.....	+150	-1
Increase (-) in official reserves of gold and United States dollars (U.S. \$).....	-496	-119
Other capital, including exchange adjustments, errors and omissions	+35	+46
Total ²	-453	-193

¹ Excludes funds borrowed to retire securities guaranteed by the Government of Canada and payable in U.S. dollars.

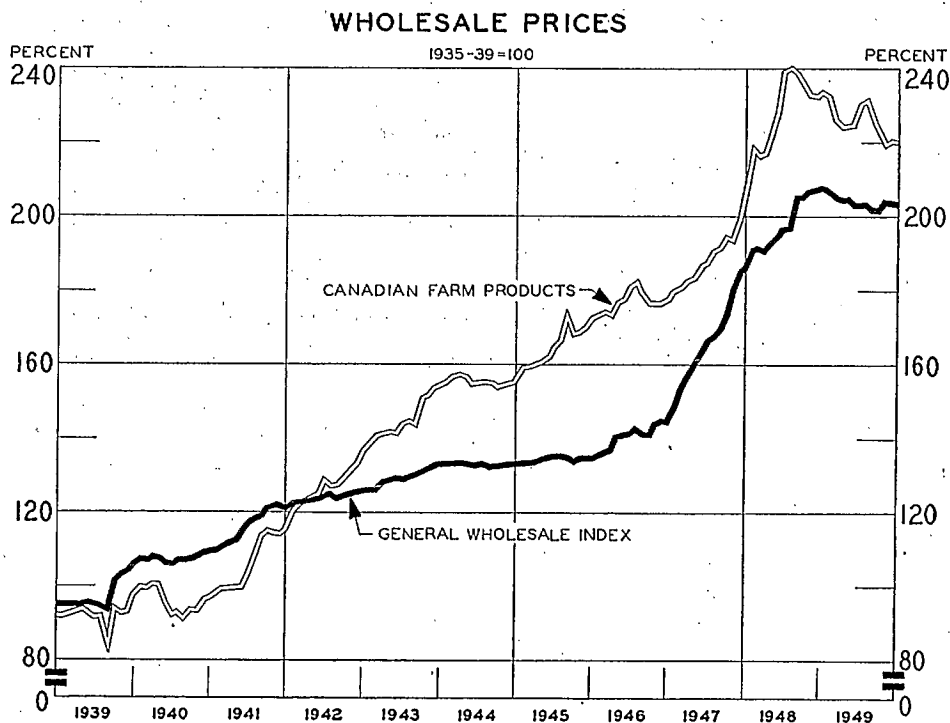
² Equal in size but opposite in sign to net balance on current account.

TABLE 13
CANADA'S HOLDINGS OF GOLD AND U.S. DOLLARS
(millions of U.S. dollars)

	Exchange Fund Account and Bank of Canada		Other Government of Canada Accounts	Private (2)	Total
	Gold	U.S. dollars	U.S. dollars	U.S. dollars	Gold and U.S. dollars
Sept. 15, 1939.....	204.9	33.8	22.4	132	393.1
Dec. 31, 1939.....	218.0	54.8	33.4	98	404.2
Dec. 31, 1940.....	136.5	172.8	20.8	2	332.1
Dec. 31, 1941.....	135.9	28.2	23.5	.....	187.6
Dec. 31, 1942.....	154.9	88.0	75.6	.....	318.5
Dec. 31, 1943.....	224.4	348.8	76.4	.....	640.6
Dec. 31, 1944.....	293.9	506.2	102.1	.....	902.2
Dec. 31, 1945.....	353.9	922.0	232.1	.....	1,508.0
Dec. 31, 1946.....	536.0	686.3	22.6	.....	1,244.9
Dec. 31, 1947.....	286.6	171.8	43.3	.....	501.7
Dec. 31, 1948.....	401.8	574.5	22.0	.....	997.8
Dec. 31, 1949.....	486.4	594.1	(1) 36.6	.....	1,117.1

(1) Not including \$18.2 million in United States dollars borrowed by the Government of Canada in August, 1949, and set aside for the retirement on February 1, 1950, of a security issue guaranteed by it and payable at the holder's option in United States dollars.

(2) Exclusive of working balances.



PRICE TRENDS

Taking the year as a whole, price levels in Canada in 1949 were higher than in 1948. The year ended, however, with the indexes of both general wholesale prices and the cost of living several points below the postwar peak.

General wholesale prices reached their highest point in December 1948 at a level about double 1939. Subsequently there has been a decline of about 2%. The prices of Canadian farm products reached their peak somewhat earlier—in July of 1948—at a level more than two and a half times the 1939 average and have since declined by about 9%.

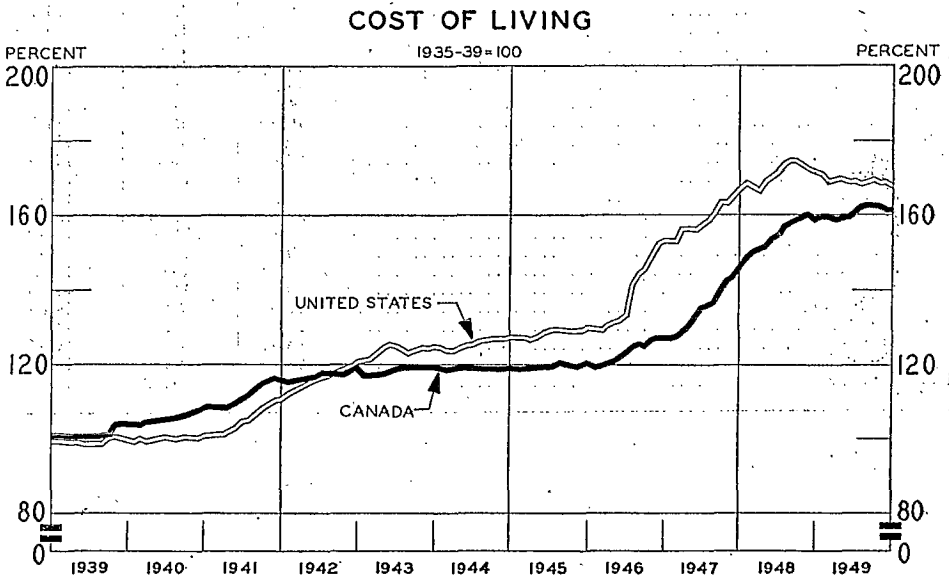
The decline in agricultural prices found its reflection in a decline in food prices to consumers, which form a high proportion of the items included in the cost-of-living index. As a result, in spite of rising rents, the cost-of-living index is now about 1% below its peak of August 1949. However, rent increases which took place under the recent changes in rentals regulations are not yet recorded in the official index.

TABLE 14
WHOLESALE PRICE INDEXES
(1935-39 = 100)

Monthly Averages	Total	Canadian Farm Products	Fully and Chiefly Manu- factured Goods
1939.....	97.8	92.6	99.0
1940.....	107.6	96.1	107.1
1941.....	116.8	106.6	116.7
1942.....	124.1	127.1	120.8
1943.....	129.8	145.4	122.4
1944.....	133.0	155.3	123.0
1945.....	134.4	165.3	123.6
1946.....	141.1	177.0	129.9
1947.....	167.5	189.7	154.3
1948.....	199.1	229.6	184.4
1949—January.....	206.7	232.2	188.4
February.....	205.2	226.2	186.8
March.....	204.5	224.2	185.2
April.....	204.4	224.5	186.6
May.....	203.0	225.2	187.0
June.....	202.8	230.2	186.8
July.....	203.2	231.4	186.8
August.....	201.8	225.9	187.0
September.....	201.7	222.6	186.4
October.....	203.9	219.7	187.8
November.....	203.7	220.0	187.7
December.....	203.5	219.9	187.4
1950—January.....	203.8	217.2	187.7

TABLE 15
COST OF LIVING INDEXES
(1935-39=100)

Monthly Averages	CANADA		UNITED STATES	
	Total	Food	Total	Food
1939.....	101.5	100.6	99.4	95.2
1940.....	105.6	105.6	100.2	96.6
1941.....	111.7	116.1	105.2	105.5
1942.....	117.0	127.2	116.5	123.9
1943.....	118.4	130.7	123.6	138.0
1944.....	118.9	131.3	125.5	136.1
1945.....	119.5	133.0	128.4	139.1
1946.....	123.6	140.4	139.3	159.6
1947.....	135.5	159.5	159.2	193.8
1948.....	155.0	195.5	171.2	210.2
1949—January.....	159.6	202.2	170.9	204.8
February.....	159.5	200.4	169.0	199.7
March.....	159.2	199.1	169.5	201.6
April.....	159.3	198.5	169.7	202.8
May.....	159.5	199.5	169.2	202.4
June.....	160.5	202.9	169.6	204.3
July.....	162.1	207.2	168.5	201.7
August.....	162.8	209.2	168.8	202.6
September.....	162.3	207.0	169.6	204.2
October.....	162.2	205.0	168.5	200.6
November.....	161.7	208.3	168.6	200.8
December.....	161.5	201.9	167.5	197.3
1950—January.....	161.0	199.4	166.9	196.0



PART II**REVIEW OF GOVERNMENT ACCOUNTS 1949-50**

PART II

REVIEW OF GOVERNMENT ACCOUNTS 1949-50

1. INTRODUCTION

1. The figures appearing in this Part must be regarded as necessarily preliminary and subject to revision. Although the Government's fiscal year ends on March 31st, the books must remain open for several weeks after that date in order to record various adjusting entries, as well as all payments up to April 30th made on account of expenditures originating in, and properly chargeable to, the current fiscal year. For these reasons final figures for the current year will not be available for some considerable time.

2. SUMMARY OF GOVERNMENTAL FINANCIAL OPERATIONS
DURING THE YEAR

2. Total revenues of the Government for the year ending March 31, 1950, are now estimated at \$2,548 million. Expenditures, on the other hand, are estimated at \$2,437 million. On the basis of these figures it would appear that the Government's accounting or budgetary surplus for the current year will probably total something in the neighbourhood of \$111 million compared with \$595.5 million for the year ended March 31, 1949. As a result of the current year's estimated surplus of \$111 million, the Government's net debt (i.e. the excess of total liabilities over total active assets) will reflect a reduction of an equivalent amount.

3. In addition to collecting revenues and making expenditures in the narrow accounting or budgetary sense of those terms, the Government also receives and disburses substantial amounts of cash in other ways. These other receipts and disbursements relate to transactions which give rise to increases or decreases in the Government's assets and liabilities, and they do not, therefore, appear in what might be called the Government's income account for the year, nor do they enter into the calculation of the Government's annual surplus or deficit. In 1949-50 the total of these other disbursements exceeded the total of other receipts, and a large part of the cash provided by the 1949-50 surplus had to be used to finance the difference. The balance of cash available for the reduction of funded debt was, therefore, considerably reduced.

4. The following summary shows the nature and extent of these non-income account transactions and their effect upon the Government's net cash position. The figures indicate that although a total cash sum of \$287 million became available to the Government as a result of the current year's budgetary surplus, this was reduced to an over-all "cash surplus" of only \$67 million after financing the large cash requirements on non-income account.

	(millions)
Net cash balance arising from the current year's budgetary surplus (i.e., budgetary surplus of \$111 million adjusted for non-cash items)*.	\$287
Add other receipts—	
Increases in annuity, pension, insurance and guaranty accounts.....	\$ 99
Increases in floating debt, deposit and trust accounts, deferred credits and sundry suspense accounts.....	71
Repayments of loans—	
By Canadian National Railways.....	\$20
By provincial and municipal governments.....	4
By Crown agencies and others.....	6
	30
	200
	\$487

Deduct other disbursements—

Advances to the Foreign Exchange Control Board.....	160	
Loans to the United Kingdom and other governments (net)	104	
Loans to Central Mortgage and Housing Corporation.....	100	
Loans to the National Harbours Board.....	20	
Increases in other loans and investments (net).....	25	
Acquisition of sinking funds.....	1	
Increases in Canada's subscriptions to the capital of the International Monetary Fund and of the International Bank for Reconstruction and Development.....	3	
Cost of loan flotations (portion to be amortized).....	7	
		<u>420</u>
Cash surplus—i.e., balance available for debt reduction.....		<u>\$ 67</u>

5. As shown above the total of other receipts during the year amounted to \$200 million, while the total of other disbursements amounted to no less than \$420 million. The Government nevertheless reduced its outstanding funded debt by a net cash amount of \$486 million. This reduction in funded debt was made possible through the sale of bonds out of the Securities Investment Account. This account is the one used to record temporary holdings by the Government of its own securities, such securities being held as a temporary investment of surplus cash balances.

6. A reconciliation between the "cash surplus" of \$67 million, the net cash reduction in funded debt of \$486 million and the net change in the Government's cash position during the year, is shown below:

	(millions)
Cash surplus—i.e. excess of total receipts from all sources over total disbursements.....	\$ 67
Add—net sales of securities from Securities Investment Account..	430
	<u>\$497</u>
Deduct—net cash reduction in funded debt.....	\$486
Net increase in cash balances during the year (i.e. balance sheet increase of \$13 million less \$2 million of an increase effected through revaluation of currencies).....	<u>\$ 11</u>

* To calculate the amount of cash made available to the Government as a result of the current year's surplus there must be added back to the accounting or budgetary surplus figure of \$111 million the following items included in total expenditure which did not involve current outlays of cash: provision for possible losses on ultimate realization of active assets, \$75 million; provision for conditional benefits under The Veterans' Land Act, \$7 million; the annual amortization of bond discounts and commissions, \$10 million; assumption of part of Newfoundland's debt in accordance with Terms of Union, \$62 million (after deducting sinking fund); and adjustments in various assets and liabilities consequent upon the revaluation of currencies on September 19, 1949, \$22 million.

3. SUMMARY OF THE 1949-50 REVENUE AND EXPENDITURE STATEMENT

7. The table which follows gives a summarized statement of revenues and expenditures for the year ended March 31, 1950, with comparable figures for the four preceding fiscal years. More detailed tables, in comparative form, may be found at the end of this Appendix.

SUMMARY OF REVENUES AND EXPENDITURES

(In millions of dollars)

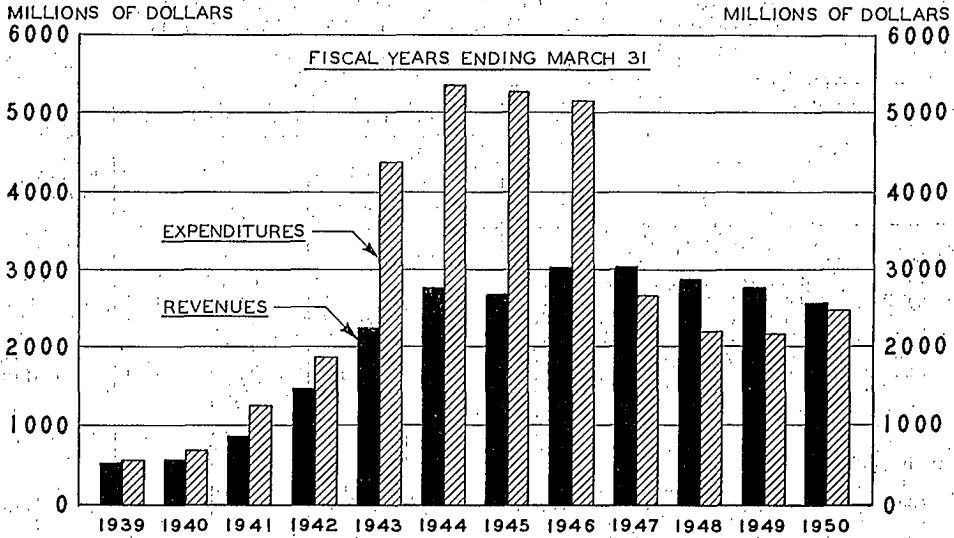
	FISCAL YEAR ENDED MARCH 31				
	1946	1947	1948	1949	Estimated 1950
	\$	\$	\$	\$	\$
REVENUES					
Ordinary revenues.....	2,363.2	2,588.5	2,620.8	2,649.1	2,489.0
Capital refunds.....	0.4	0.1	0.1	0.1	.....
Special receipts and other credits.....	649.6	419.3	241.8	122.2	59.6
Total Revenues.....	3,013.2	3,007.9	2,871.7	2,771.4	2,548.6
EXPENDITURES					
Ordinary expenditures.....	1,061.0	1,236.2	1,380.0	1,573.4	1,712.2
Capital expenditures.....	4.5	11.2	15.7	18.5	24.2
War, demobilization and reconversion expenditures.....	4,002.9	1,314.8	634.4	425.6	464.1
Special expenditures.....	17.4	31.9	63.1	34.8	40.8
Government-owned enterprises.....	1.3	10.7	18.7	39.7	52.3
Other charges, including the write down of assets.....	48.2	20.4	83.7	83.0	143.9
Total Expenditures.....	5,136.2	2,634.2	2,195.6	2,175.9	2,437.5
Budgetary Surplus or Deficit (—).....	-2,123.0	373.7	676.1	595.5	111.1

8. Total revenues, estimated at \$2,548 million for 1949-50, are expected to show a decrease of \$223 million from the total for the previous fiscal year. Total expenditures, on the other hand, are estimated at \$2,438 million, an increase of \$262 million over the total for 1948-49.

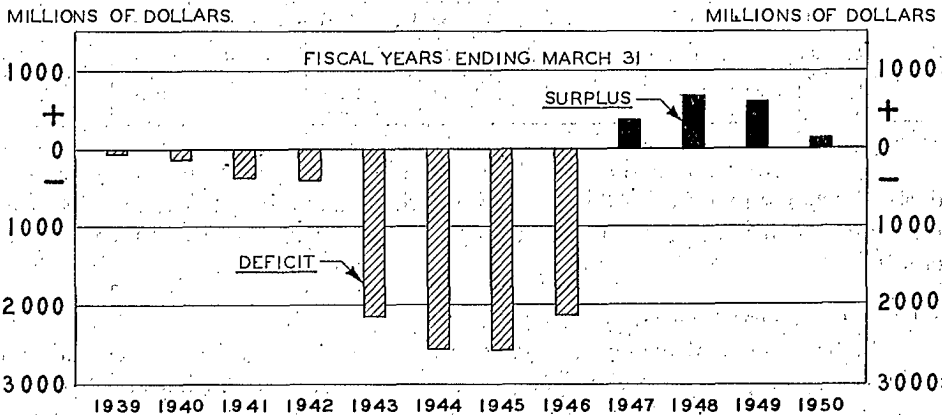
9. Ordinary revenues are estimated at \$2,489 million, a reduction of \$160 million from the total for the previous year. The total of \$60 million for special receipts and credits represents a decrease of \$62 million from the total of \$122 million received in 1948-49. The reduction in these receipts, which consists largely of refunds of previous years' war, demobilization and reconversion expenditures and sales of surplus Crown assets, continues to reflect the normal decline which is to be expected in revenues from this source.

10. On the expenditure side, all categories contributed to the over-all increase of \$262 million. The total of ordinary expenditures increased by \$139 million (from \$1,573 million in 1948-49 to \$1,712 million in 1949-50) and was attributable largely to increases of \$26.7 million in family allowances, \$27.2 million in old age pensions and pensions to blind persons and \$21.9 million in premium, discount and exchange expenditures. The total for demobilization and reconversion expenditures, more than half of which represents defence costs, increased by \$38 million (from \$426 million in 1948-49 to \$464 million in the current year). Other charges, including the write-down of assets, reflect an increase of \$60 million from \$84 million in 1948-49 to \$144 million in 1949-50. The remainder is accounted for by increases of \$6 million in capital expenditures, \$13 million in government-owned enterprises, and \$6 million in special expenditures.

BUDGETARY REVENUES AND EXPENDITURES



BUDGETARY SURPLUS OR DEFICIT



4. ANALYSIS OF REVENUES

11. Estimated revenues for the year 1949-50, classified according to major categories, are presented in the following table, along with corresponding figures for the previous fiscal year.

SUMMARY OF REVENUES, BY MAJOR CLASSIFICATIONS,
FOR THE YEARS ENDED MARCH 31, 1950 AND MARCH 31, 1949

(In millions of dollars)

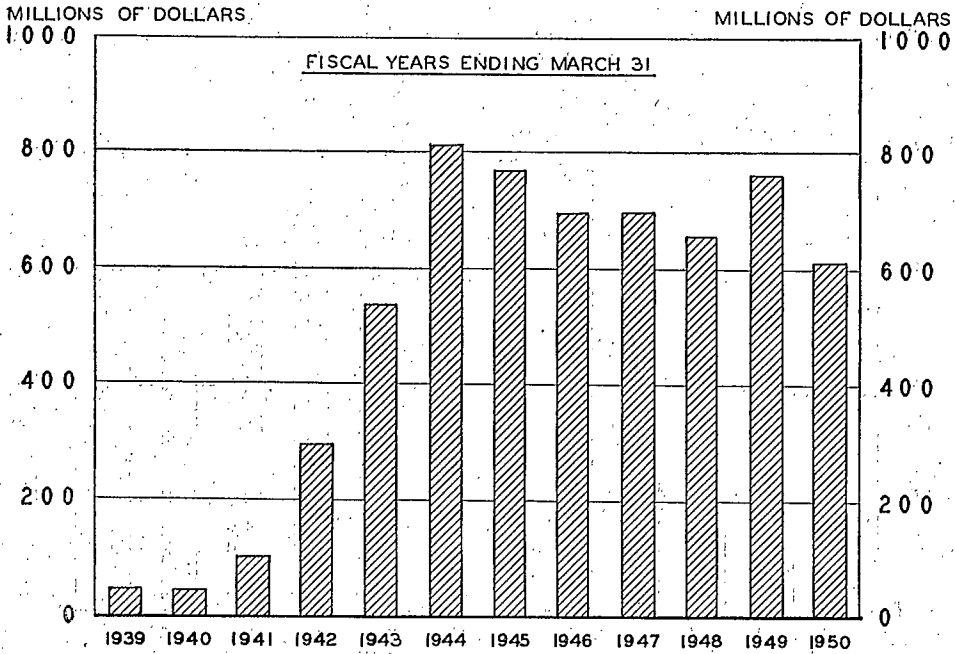
	Fiscal Year Ended March 31				Increase (+) or Decrease (-) in 1949-50
	1950 (Estimated)		1949		
	Amount	Percent	Amount	Percent	
	\$		\$		\$
Direct Taxes—					
Individual Income Tax.....	611.5	24.0	762.6	27.5	-151.1
Corporation Income Tax.....	586.5	23.0	492.0	17.8	+ 94.5
Excess Profits Taxes.....	- 2.5	- 0.1	44.8	1.6	- 47.3
Tax on Interest, Dividends, Rents and Royalties.....	45.5	1.8	43.4	1.6	+ 2.1
Succession Duties.....	28.5	1.1	25.5	0.9	+ 3.0
Total Direct Taxes.....	1,269.5	49.8	1,368.3	49.4	-98.8
Indirect Taxes—					
Customs Duties.....	229.0	9.0	223.0	8.0	+ 6.0
Excise Duties.....	215.5	8.5	204.7	7.4	+ 10.8
Excise Taxes.....	568.0	22.3	636.1	23.0	- 68.1
Other Indirect Taxes.....	4.0	0.1	4.0	0.1	-
Total Indirect Taxes.....	1,016.5	39.9	1,067.8	38.5	- 51.3
Non-Tax Revenue—					
Post Office.....	84.0	3.3	80.6	2.9	+ 3.4
Return on Investments.....	90.4	3.6	107.9	3.9	- 17.5
Other Non-Tax Revenue.....	28.6	1.1	24.5	0.9	+ 4.1
Total Non-Tax Revenue.....	203.0	8.0	213.0	7.7	- 10.0
Total Ordinary Revenue.....	2,489.0	97.7	2,649.1	95.6	-160.1
Special Receipts and Credits.....	59.6	2.3	122.3	4.4	- 62.7
Total Revenue.....	2,548.6	100.0	2,771.4	100.0	-222.8

12. It will be noted that 49.8% of grand total revenues for the year was derived from direct taxes, 39.9% was obtained from indirect taxes, and the remaining 10.3% was attributable to non-tax revenues and special receipts and credits.

Tax on Personal Incomes.

13. The personal income tax yielded an estimated total of \$611.5 million and retained its position as the largest single source of revenue. Total collections from this tax showed a decrease of \$151.1 million from the 1948-49 total due to the reduction in tax rates announced in March, 1949, effective from January 1, 1949. The full effect of this reduction in rates was not apparent in 1949-50, because of substantial payments received during the fiscal year in respect of 1948 and previous taxation years, and also because tax deductions at the source continued for a period at the higher rates.

TAXES ON PERSONAL INCOME

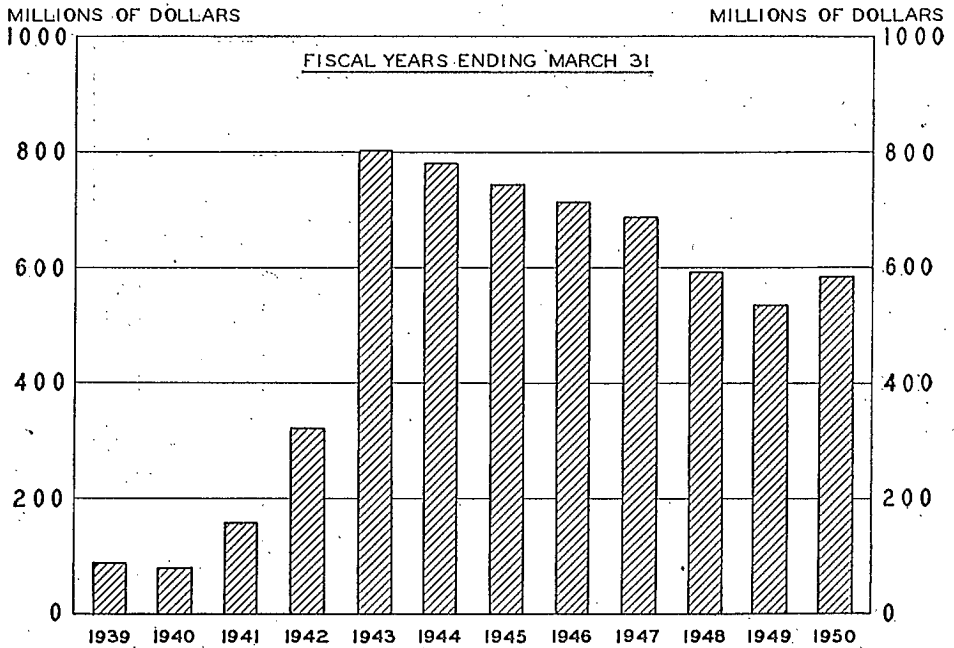


Corporation Income and Excess Profits Taxes.

14. Corporation income taxes yielded a total of \$586.5 million, an increase of \$94.5 million over the previous year's total. This increase is attributable to the decline during the year in tax refunds and adjustments in connection with the re-negotiation of war contracts, and apparently to somewhat higher profits in 1949.

The excess profits tax ceased to be levied on profits earned after December 31, 1947. Small clean-up payments were received during the year but were exceeded by refunds and adjustments.

CORPORATION INCOME AND EXCESS PROFITS TAXES



Taxes on Interest, Dividends, Rents and Royalties.

15. Revenues under this heading come from withholding taxes on certain payments made to non-residents. The 1949-50 total of \$45.5 million is approximately \$2.1 million greater than for the previous year, an increase largely due to a higher level of dividend payments during 1949.

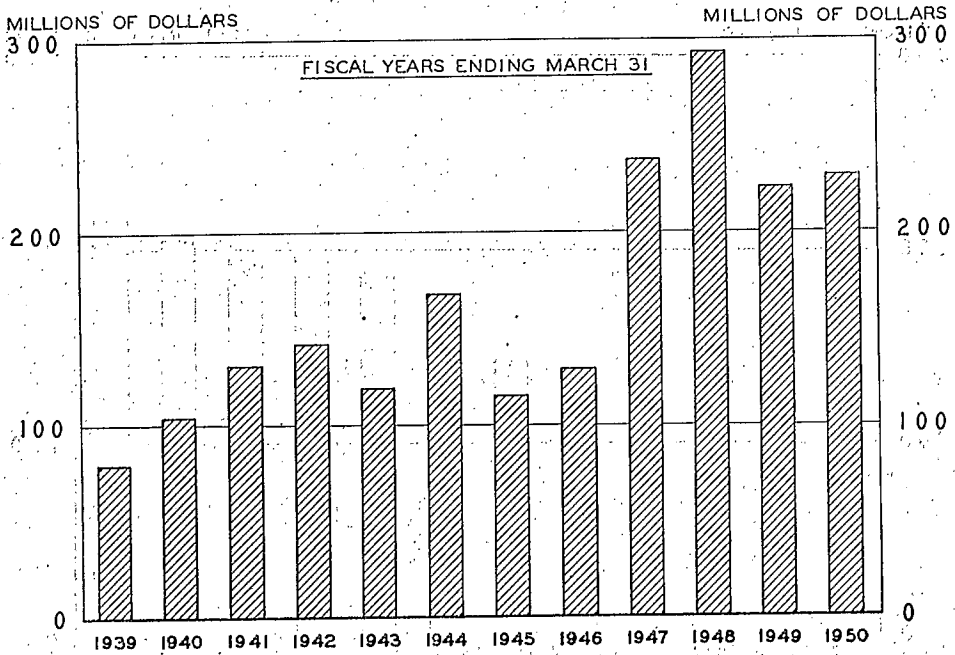
Succession Duties.

16. Revenue from succession duties is estimated at \$28.5 million for 1949-50. This is an increase of \$3.0 million over the previous year's total.

Customs Duties.

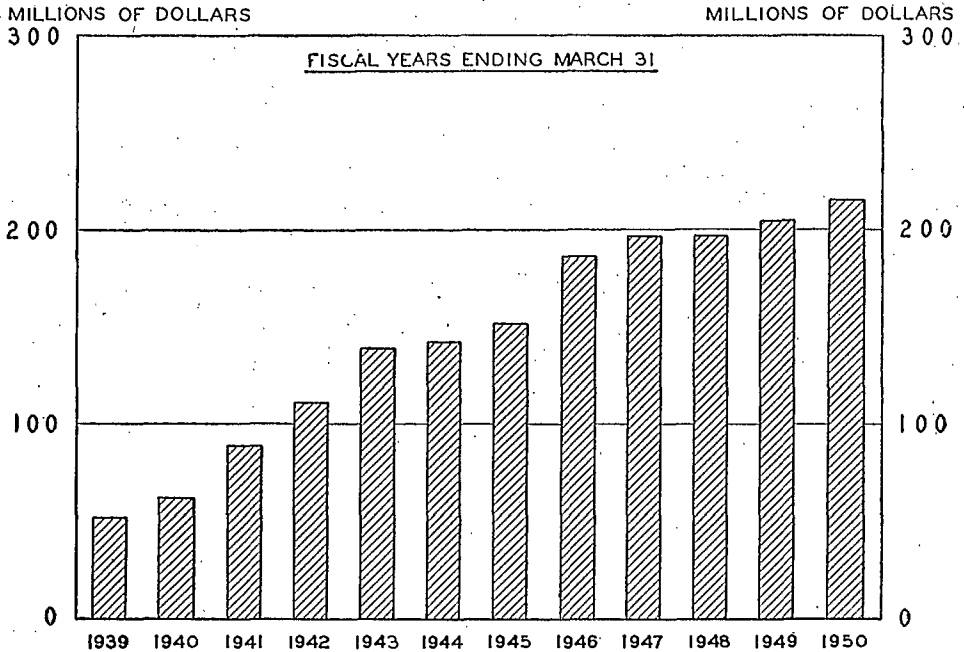
17. Net revenues from customs duties for the current year are estimated at \$229.0 million, representing a moderate increase of \$6.0 million over the 1948-49 total.

CUSTOMS DUTIES

*Excise Duties.*

18. Excise duties are levied exclusively on alcoholic beverages and tobacco products. In 1949-50 they yielded an estimated total revenue of \$215.5 million, an increase of approximately \$10.8 million over the previous year. Gross receipts from these duties, before deducting refunds, are divided as follows: \$104.5 million from alcoholic beverages (\$101.1 million in 1948-49), and \$114.0 million from tobacco products (\$106.2 million in 1948-49).

EXCISE DUTIES



Excise Taxes.

19. Excise taxes are levied on a variety of items under the Excise Tax Act. Total net collections for the year are estimated at \$568.0 million, a reduction of about \$68.1 million from 1948-49. The most important of these taxes in terms of revenue is the sales tax, which yielded a gross revenue of \$415.5 million, an increase of \$25.3 million over the previous year. This increase took place despite the fact that during the year fuel oils were added to the list of exempt items.

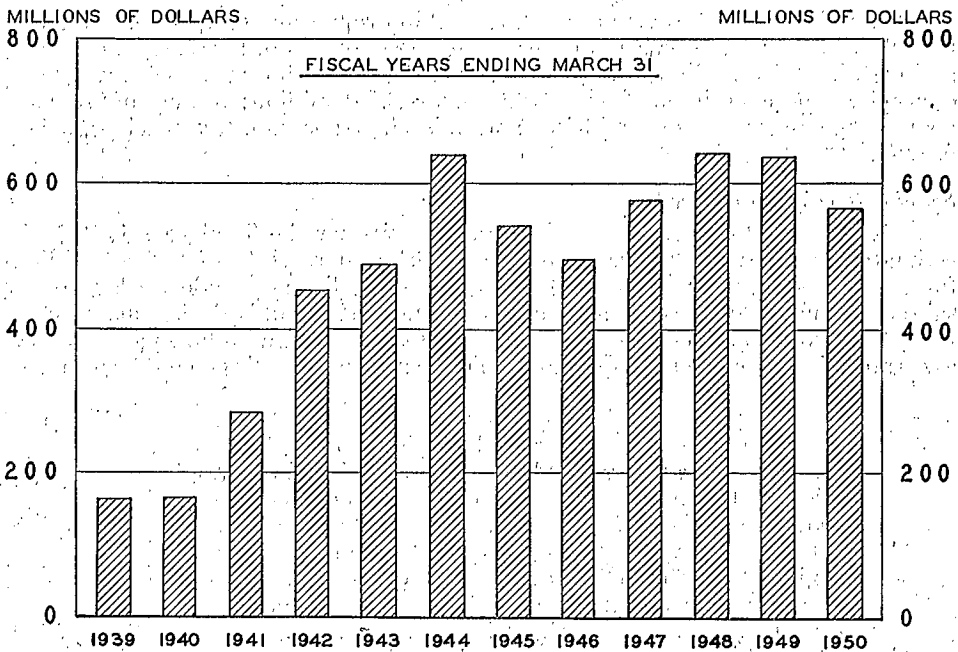
20. The second largest revenue source among the excise taxes is the tax on tobacco products which yielded approximately \$83.4 million. This is an increase of 7.3% over the previous year's total reflecting the continued upward trend in tobacco consumption. Other tax sources showing small amounts of increase during the year were cigarette papers and tubes (\$71,000) and wines (\$110,000).

21. Despite these increases the over-all yield from excise taxes was reduced from the preceding year by the elimination, or reduction in rates, of taxes on a number of commodities and services. The taxes on beverages, candy and chewing gum, transportation tickets and communications were all repealed on March 22, 1949, and only yielded clean-up amounts during the year. The taxes on toilet articles, luggage, matches and lighters, smokers' supplies, and pens and pencils, were all reduced to 10% on March 22, 1949, and as a result yielded sharply reduced revenue during the year. The change of the retail purchase tax to a 10% tax at the manufacturer's level resulted in a lower yield from this source. The revenue from the tax on automobiles and rubber tires and tubes also showed a decline from the previous year. This occurred because the revenue from this source in the previous year reflected in part the temporary high tax rates imposed on automobiles up until the end of July, 1948, as part of the exchange conservation program.

22. The tax sources showing the largest decrease, and the amount of the decrease in each case, are given below:

	Estimated decrease from 1948-49
Beverages.....	\$26,059,000
Transportation and communications.....	25,084,000
Candy and chewing gum.....	18,868,000
Toilet preparations and soaps.....	3,337,000
Trunks, bags, luggage, etc.....	3,275,000
Automobiles, rubber tires and tubes.....	2,743,000
Matches and lighters.....	2,332,000

EXCISE TAXES



Other Indirect Taxes.

23. Small amounts of tax revenue were derived from the tax on chartered bank note circulation; from the tax on the net premium income of insurance companies; from a tax on the export of electric energy from Canada; and from a tax on the export of furs from the Northwest Territories. Total revenue from all these sources in 1949-50 is estimated at \$4.0 million, about the same as the previous year.

Non-Tax Revenues.

24. Non-tax revenues for 1949-50 are estimated at \$203.0 million, a decrease of \$10 million from the 1948-49 total. Revenue classified as "Return on Investments", is expected to reach \$90.4 million in 1949-50 as compared with a total of \$107.9 million in 1948-49. The larger items entering into total receipts under this classification are: interest on advances to the Canadian National

Railways, \$21.8 million; Bank of Canada profits, \$20.4 million; interest on loans to, and operating profits of, the Foreign Exchange Control Board, \$16.0 million; interest on bonds held in Securities Investment Account, \$5.6 million; interest on loans to foreign governments under Part II of The Export Credits Insurance Act, \$15.0 million; and interest on advances under the Soldier Settlement and Veterans' Land Act, \$3.5 million.

25. Also included in the general category of non-tax revenues are post office receipts, which are estimated at \$84.0 million for 1949-50 as compared with a total of \$80.6 million during 1948-49. It may be of interest to note that the total costs of operating the Post Office Department during the year are estimated at \$83.1 million, so that receipts on this account exceeded costs by approximately \$0.9 million. In making this comparison, however, it should be borne in mind that the total shown for Post Office receipts does not reflect the value of services rendered free of charge to other departments. Similarly the total shown for operating expenses does not reflect any charges for premises owned by the Government and occupied by the Post Office Department.

26. Other non-tax revenues of \$28.6 million represent receipts derived from the following sources: services and service fees, \$10.6 million; privileges, licences, and permits, \$7.8 million; bullion and coinage, \$4.1 million; proceeds from sales of publications, experimental farm produce, etc., \$3.0 million; refunds of previous years' expenditures, \$1.3 million; and miscellaneous non-tax receipts, \$1.8 million.

Special Receipts and Credits.

27. The total of Special Receipts and Credits for the fiscal year 1949-50 is estimated at \$59.6 million as compared with total receipts of \$122.3 million for the preceding year. Special Receipts and Credits are made up largely of sales of surplus Crown assets and sundry refunds arising out of war, demobilization and reconversion expenditures of previous years. The following summary gives an estimate of the principal items and receipts under this general heading,—

	Millions
Receipts from the Crown Assets Disposal Corporation, after allowing for transfers to "Active Assets" of amounts applicable to "Balances Receivable under Agreements of Sale of Crown Assets".....	\$17.5
Amount to be recovered from contractors and Income Tax Division of the Department of National Revenue in respect of re-negotiation of war contracts with private contractors.....	16.0
Amount received from the Central Mortgage and Housing Corporation representing a sum in excess of the \$5 million reserve fund established by the Company.....	6.5
Payments by foreign governments in settlement of military relief supplies.....	8.7
Amount to be credited to revenue in connection with Park Steamship Company Limited vessels chartered by the United Kingdom Government.....	2.7
Estimated surplus of the Canadian Arsenals Limited.....	2.0
Rental of land and buildings, revenue from meals and quarters and sundry receipts received by the Department of National Defence.....	3.3
Miscellaneous receipts, sundry departments.....	2.9
	<hr/>
	\$ 59.6

5. COMPARISON OF ACTUAL REVENUE WITH BUDGET FORECAST

28. The total revenues now estimated for the year 1949-50 will be only \$3.6 million more than the revised forecast of revenues made in the budget speech of October 20, 1949. The revenues from sales tax, personal income tax and corporation income tax proved more buoyant than expected last March. By October it was possible to make a more accurate estimate and the revenues actually received during the year from all sources are quite close to the forecast made at that time.

DETAILED STATEMENT OF BUDGET FORECAST COMPARED WITH
ACTUAL REVENUE FOR 1949-50

(in millions of dollars)

Source of Revenue	Budget Forecast of Revenue (Oct. 20, 1949)	Actual Revenue (Estimated)	Increase (+) or Decrease (-) in Revenue as Compared with Budget Forecast
Customs import duties.....	235.0	229.0	-6.0
Excise duties.....	215.0	215.5	+0.5
Sales tax (net).....	406.0	404.1	-1.9
Other excise taxes.....	168.0	163.9	-4.1
Personal income tax.....	603.0	611.5	+8.5
Corporation income tax.....	588.0	586.5	-1.5
Interest, dividends, rents, royalties.....	48.0	45.5	-2.5
Excess profits tax.....	—	2.5	+2.5
Succession duties.....	26.0	28.5	+2.5
Miscellaneous taxes.....	4.0	4.0	—
Total tax revenue.....	2,293.0	2,286.0	-7.0
Non-tax revenue.....	202.0	203.0	+1.0
Total ordinary revenue.....	2,495.0	2,489.0	-6.0
Special receipts.....	50.0	59.6	+9.6
Total revenue.....	2,545.0	2,548.6	+3.6

6. ANALYSIS OF EXPENDITURES

29. The table which follows presents a summary of expenditures, by major classifications, for the fiscal year 1949-50, together with corresponding figures for the previous fiscal year.

SUMMARY OF EXPENDITURES, BY MAJOR CLASSIFICATIONS, FOR THE YEARS
ENDED MARCH 31, 1950, AND MARCH 31, 1949

(in millions of dollars)

	Fiscal Year Ended March 31				Increase or Decrease (—)
	1950 (Estimated)		1949		
	Amount	Per Cent	Amount	Per Cent	
ORDINARY EXPENDITURE—					
Public Debt Charges—					
Interest on Public Debt.....	439.2	18.0	465.1	21.4	—25.9
Other Debt Charges.....	10.5	0.4	9.7	0.4	0.8
	449.7	18.4	474.8	21.8	—25.1
Subsidies and Compensation to Provinces under Tax Agreements (including Transi- tional Grant to Newfoundland).....	103.9	4.3	101.4	4.7	2.5
Family Allowances.....	297.6	12.2	270.9	12.5	26.7
Old Age Pensions and Pensions to Blind Persons.....	94.0	3.9	66.8	3.1	27.2
Unemployment Insurance Act—					
Administration and Government's Con- tribution.....	46.5	1.9	39.1	1.8	7.4
Premium, Discount and Exchange.....	22.0	0.9	0.1		21.9
Agriculture.....	25.0	1.0	20.4	0.9	4.6
Citizenship and Immigration.....	18.3	0.8			18.3
Mines and Resources.....			46.3	2.1	—46.3
Mines and Technical Surveys.....	22.9	0.9			22.9
National Revenue.....	51.0	2.1	49.3	2.3	1.7
Post Office.....	83.1	3.4	77.6	3.6	5.5
Public Works.....	66.8	2.7	50.6	2.3	16.2
Resources and Development.....	26.1	1.1			26.1
Trade and Commerce.....	36.3	1.5	26.9	1.2	9.4
Transport.....	54.7	2.2	41.5	1.9	13.2
Veterans Affairs.....	175.2	7.2	133.0	8.4	— 7.8
Other Departments.....	139.1	5.7	124.8	5.7	14.3
Total Ordinary Expenditure.....	1,712.2	70.2	1,573.4	72.3	138.8
CAPITAL EXPENDITURE.....	24.2	1.0	18.5	0.8	5.7
DEMILITARIZATION AND RECONVERSION EXPEN- DITURE—					
National Defence (Army, Navy and Air Services and Defence Research).....	364.5	14.9	254.9	11.7	109.6
Veterans Affairs.....	52.8	2.2	87.3	4.0	—34.5
Wartime Prices and Trade Board (including subsidies, drawback claims of millers, and administrative costs).....	4.0	0.2	29.2	1.3	—25.2
Agriculture.....	22.5	0.9	23.2	1.1	— 0.7
Trade and Commerce.....	6.5	0.3	13.8	0.6	— 7.3
Other Departments.....	13.8	0.6	17.2	0.8	— 3.4
Total Demilitarization and Reconversion Expenditure.....	464.1	19.1	425.6	19.6	38.5
SPECIAL EXPENDITURE.....	40.8	1.7	34.8	1.6	6.0
GOVERNMENT OWNED ENTERPRISES.....	52.3	2.1	39.7	1.8	12.6
OTHER CHARGES.....	143.9	5.9	83.9	3.9	60.0
GRAND TOTAL EXPENDITURE.....	2,437.5	100.0	2,175.9	100.0	261.6

ORDINARY EXPENDITURES

Debt Charges

30. Interest on public debt was again the largest single item of government expenditure, the estimated total of \$439.2 million for 1949-50 being 18% of the total expenditure for the year. Of the total interest payments, \$408 million represents interest paid on the government's outstanding funded debt, while the balance of \$31.2 million represents interest paid or credited to various annuity, superannuation, insurance and trust accounts. The substantial decrease of \$25.9 million from 1948-49 is attributable in part to a reduction in the outstanding funded debt and in part to the absence of any payment during 1949-50 comparable to that in 1948-49 for the accumulated interest on the 1943 and 1944 refundable portion of personal income taxes, which were repaid in March, 1949. The reduction of \$10.8 million in the payment of interest on the outstanding funded debt, and of \$19.1 million on the payment of interest on the refundable portion of personal income taxes, was partially offset by an increase of \$4 million in interest paid or credited to the various annuity, superannuation, insurance and trust funds.

31. The annual charges for the amortization of discounts and commissions, for other costs of new loan flotations which are not amortized, and for miscellaneous debt servicing expenses bring the total of all public debt charges for the year to \$449.7 million.

Payments to Provinces

32. Payments to provinces for statutory subsidies and compensation under the Dominion-Provincial Tax Rental Agreements amounted to \$103.9 million. The net increase of \$2.5 million over the total for the previous year is explained in the following table.

	Fiscal Year Ended March 31		Increase or Decrease (—)
	1950 (Estimated)	1949	
	(millions of dollars)		
All Provinces (excluding Newfoundland)—			
Statutory subsidies.....	17.3	17.1	0.2
Compensation under tax rental agreements.....	73.4	84.3	—10.9
	90.7	101.4	—10.7
Newfoundland—			
Statutory subsidy.....	1.9	—	1.9
Compensation under tax rental agreement.....	4.8	—	4.8
Transitional grant.....	6.5	—	6.5
	13.2	—	13.2
	103.9	101.4	2.5

A reduction of \$20.2 million, equivalent to the amount which it is anticipated that the Government will have paid during the year to the seven provinces participating in the 1947 tax rental agreements on account of collections of the provincial 5% corporation taxes, offset by a general increase of \$9.3 million in basic payments, accounts for the net decrease of \$10.9 million in tax compensation payments.

Details of payments, by provinces, for the current fiscal year are:

	Statutory Subsidies	Compensation under the Dominion- Provincial Tax Rental Agreements	Transitional Grant	Total
(millions of dollars)				
Newfoundland.....	1.9	4.8	6.5	13.2
Nova Scotia.....	2.0	9.8	—	11.8
Prince Edward Island.....	0.7	1.8	—	2.5
New Brunswick.....	1.6	7.6	—	9.2
Quebec.....	2.9	—	—	2.9
Ontario.....	3.1	—	—	3.1
Manitoba.....	1.8	11.0	—	12.8
Saskatchewan.....	2.1	12.6	—	14.7
Alberta.....	2.1	12.3	—	14.4
British Columbia.....	1.0	18.3	—	19.3
	19.2	78.2	6.5	103.9

Family Allowances, Old Age Pensions and Pensions to Blind Persons

33. Payments for family allowances are estimated at \$297.6 million for 1949-50, representing approximately 12.2 per cent of the total expenditures for the year. Part of the estimated increase of \$26.7 million over the preceding year is attributable to the payment of \$9.8 million to residents of Newfoundland. Elimination of the reduction in allowances payable for children after the fourth child, the reduction in the period of residence in Canada required for immigrants and settlers to one year prior to registration, and the natural increase in population in the eligible age groups, account for the remainder of the increase.

34. Expenditures for old age pensions and pensions to blind persons are expected to total \$94 million, an increase of approximately \$27.2 million over the total for 1948-49. Of the total increase, \$2.2 million is attributable to payments to residents of Newfoundland; the remainder is due to an increase from \$30 to \$40 per month in the basic rate of pension provided in legislation enacted in April, 1949, and to an increase in the numbers receiving aid.

35. The estimated distribution of these payments, by provinces, is as follows:

	Family Allowances	Old Age Pensions and Pensions to Blind Persons
(millions of dollars)		
Newfoundland.....	9.8	2.2
Nova Scotia.....	15.3	6.4
Prince Edward Island.....	2.4	0.9
New Brunswick.....	13.4	5.5
Quebec.....	95.9	23.7
Ontario.....	84.9	29.1
Manitoba.....	15.7	5.8
Saskatchewan.....	19.0	5.6
Alberta.....	19.8	5.4
British Columbia.....	20.8	9.4
Northwest and Yukon Territories.....	0.6	—
	297.6	94.0

Premium, Discount and Exchange

36. The revaluation of the Canadian dollar on September 19, 1949 is chiefly responsible for the increase of \$21.9 million in premium, discount and exchange expenditures. Assets and liabilities payable in sterling and United States dollars, previously carried on the balance sheet of Canada at £1 sterling = \$4.03 Canadian and \$1 U.S. = \$1 Canadian, were revalued as of that date to £1 sterling = \$3.08 Canadian and \$1 U.S. = \$1.10 Canadian. An increase of \$35.7 million in net indebtedness payable in United States dollars (consisting of an exchange debit of \$39.9 million on matured and unmatured funded debt and outstanding interest, less a credit of \$4.2 million on cash and securities held in New York) was offset by a decrease of \$14.4 million in net indebtedness payable in sterling (consisting of an exchange credit of \$19.4 million on matured and unmatured funded debt and outstanding interest, less a debit of \$5.0 million on cash and securities held in London).

Citizenship and Immigration

Mines and Technical Surveys

Resources and Development

37. During the year the functions and services of the Department of Mines and Resources and the Department of Reconstruction and Supply were transferred to the newly created Departments of Citizenship and Immigration, Mines and Technical Surveys and Resources and Development. The administration of Indian Affairs and Immigration Services was transferred from the Department of Mines and Resources to the Department of Citizenship and Immigration, which also took over the citizenship and citizen registration services which formerly came under the Secretary of State. The administration of mines, and topographic, geological, hydrographic and geodetic surveys and certain other technical services, including the operation of the Dominion observatories, was transferred from the Department of Mines and Resources to the Department of Mines and Technical Surveys. The Department of Resources and Development took over the forests, water resources, wild life, national parks and other services, including the administration of the Northwest and Yukon Territories, from the Department of Mines and Resources and the housing and planning and development services, and the administration of the Canadian Government Travel Bureau and the National Film Board from the Department of Reconstruction and Supply.

38. To compare satisfactorily the expenditures on these services as between the years 1948-49 and 1949-50, it is necessary to consider the expenditures of these departments together. The following table is a comparative summary of the expenditures for the last two years:

	Fiscal Year ended March 31	
	1950 (Estimated)	1949
	(millions of dollars)	
Mines and Resources.....	—	46.3
Reconstruction and Supply.....	—	3.4
Secretary of State (Citizenship and Citizen Registration Branches).....	—	0.2
Citizenship and Immigration.....	18.3	—
Mines and Technical Surveys.....	22.9	—
Resources and Development.....	26.1	—
	67.3	49.9

The net increase of \$17.4 million is accounted for in part by increases in payments under the Emergency Gold Mining Assistance Act, and in part by an extension of services and a general increase in service costs.

Public Works

39. Public Works expenditures still reflect the policy in effect during recent years of deliberately deferring, wherever possible, all expenditures on new construction and equipment. There was however an increase of approximately \$16.2 million over the total for the preceding year, accounted for by a general increase in operational, maintenance and repair costs for public works and buildings and in the costs of dredging and improving harbours and rivers.

Transport

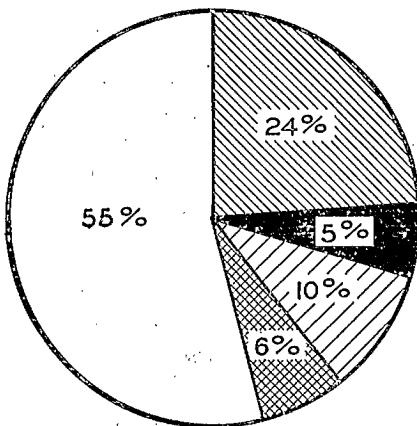
40. A general expansion of Air Services, with expenditures of \$24.1 million in 1949-50 as compared with the total of \$15.9 million in the previous year, accounts for the major part of the increase of \$13.2 million in the expenditures of the Department of Transport. The remainder is attributable largely to a general increase in the costs of departmental services.

Veterans Affairs

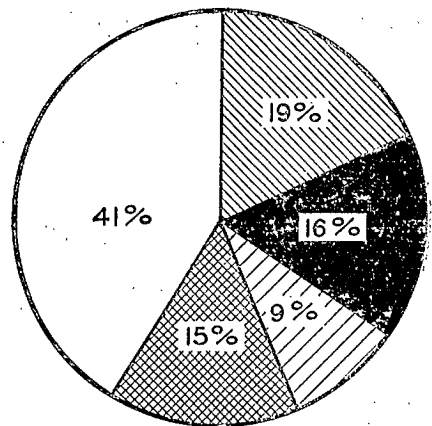
41. The ordinary expenditures of the Department of Veterans Affairs for 1949-50 are estimated at \$175.2 million, a decrease of \$7.8 million as compared with the total for the previous year. The greater part of this decrease is attributable to a reduction in payments of pensions to veterans.

BUDGET EXPENDITURES

FISCAL YEARS ENDING MARCH 31



1939



1950

ALL DEBT CHARGES

OLD AGE PENSIONS (1939)
OLD AGE PENSIONS AND
FAMILY ALLOWANCES (1950)

VETERANS AFFAIRS

NATIONAL DEFENCE

ALL OTHER EXPENSES

CAPITAL EXPENDITURES.

42. Expenditures charged to capital account are estimated at \$24.2 million for the fiscal year as compared with a total of \$18.5 million for 1948-49. The principal items in this category are the costs of constructing and improving civil airways and airports, the costs of dredging the St. Lawrence ship channel, and expenditures for construction and improvement of terminal facilities for the Prince Edward Island Car Ferry and Terminals.

DEMOBILIZATION AND RECONVERSION EXPENDITURES.

43. Demobilization and Reconversion expenditures for 1949-50 are estimated at \$464.1 million, an increase of \$38.5 million as compared with the total of \$425.6 million for the previous year. An increase of \$109.6 million in the expenditures of the Department of National Defence for Army, Navy and Air Services and for Defence Research was offset by decreases of \$34.5 million for the Department of Veterans Affairs, \$25.2 million for Wartime Prices and Trade Board, \$7.3 million for the Department of Trade and Commerce, and a total of \$4.1 million for other departments.

44. The greater part of the decrease in the demobilization and reconversion expenditures of the Department of Veterans Affairs is due to substantial reductions of \$20 million in post-discharge rehabilitation benefit payments, and \$13.3 million in payments of war service gratuities and re-establishment credits.

45. Of the estimated decrease of \$25.2 million in the expenditures of the Wartime Prices and Trade Board, \$14.9 million is accounted for by a decrease in the cost of subsidies, and \$9.7 million by a reduction in the amount of payments of drawback claims to millers.

46. Reductions of \$2.4 million in payment of production and transportation subsidies for Canadian steel producers, and of \$2.6 million in the cost of administration, reconversion and operation of Crown companies and plants, account for the reduction in the demobilization and reconversion expenditure of the Department of Trade and Commerce.

SPECIAL EXPENDITURES.

47. Special expenditures are estimated at \$40.8 million for the year, an increase of \$6 million compared with the 1948-49 expenditures. Increases of \$4.2 million under the Prairie Farm Assistance Act for the deficit of the Prairie Farm Emergency Fund and of \$7.4 million in agricultural and other projects, are offset by a decrease of \$5 million due to the grant in 1948-49 to British Columbia for emergency relief and rehabilitation in connection with the Fraser River flood disaster. The principal items making up the 1949-50 total of expenditures are: the deficit of the Prairie Farm Emergency Fund, \$12.8 million; expenditures under the Prairie Farm Rehabilitation Act, \$3 million; the net operating loss of the Agricultural Prices Support Account for 1948-49, in connection with the 1947 and 1948 Nova Scotia apple crops and the 1948 Ontario crop of white beans, \$3.5 million; irrigation and water conservation projects in the prairie provinces, \$7.1 million; the deficit of the Canadian Wheat Board for 1947 and 1948 flaxseed and 1948 rapeseed operations, etc., \$4.6 million; and Canada's share of the cost of repairing and reconstructing dykes and other protection of works in the Fraser Valley, \$4.1 million.

GOVERNMENT OWNED ENTERPRISES.

48. Expenditures under this heading consist of the operating deficits of, and non-active loans to, wholly owned governmental enterprises established prior to World War II.

49. The increase of \$12.6 million in this category of expenditures as compared with the previous year is accounted for largely by an increase of \$8.5 million in the deficit of the Canadian National Railways from \$33.5 million for the calendar year 1948 to \$42 million for the year 1949. The over-all C.N.R. deficit for the year includes all interest charges paid on government advances. It should be noted, therefore, that although the charges to the government's expenditures for 1949-50 reflect the absorption of the C.N.R.'s total deficit of \$42 million, the government's revenues for the year also included, under "Return on Investments", an amount of \$21.8 million received from the Railways for interest on such advances.

50. Other charges under this classification include \$4.3 million for the 1949 operating deficit of Trans-Canada Air Lines (as compared with the 1948 deficit of \$2.9 million); \$1.2 million for the 1949 operating deficit of the Prince Edward Island Car Ferry and Terminals (\$1.2 million in 1948) and \$4.3 million for losses of, and non-active loans to, the National Harbours Board (\$2 million in 1948-49).

OTHER CHARGES, INCLUDING THE WRITE-DOWN OF ASSETS.

51. The total expenditures for the fiscal year in this category are estimated at \$143.9 million, an increase of \$60 million as compared with the total of \$83.9 million for 1948-49. The increase is attributable to the non-recurring charge of \$62.3 million in connection with the assumption by Canada of part of the Newfoundland debt in accordance with the Terms of Union.

52. The largest single item is again an amount of \$75 million transferred to the general reserve for possible losses on ultimate realization of active assets. This reserve was established in 1940-41, and \$25 million was set aside annually from that time up to and including the fiscal year 1946-47. In 1947-48, 1948-49 and again this year, the annual provision has been \$75 million—the larger provision being deemed advisable to offset the charges that have been made to the reserve during recent years and to establish the reserve at a level commensurate with the government's active assets. The reserve now stands at \$320.8 million.

53. Also included under this classification is the reserve provision of \$6.6 million for conditional benefits under the Veterans' Land Act.

7. ESTIMATED BALANCE SHEET POSITION
AT MARCH 31, 1950

54. The following table presents, in summary form, the Government's estimated balance sheet position as at March 31, 1950, with the comparable figures for March 31, 1949.

SUMMARY OF THE GOVERNMENT'S BALANCE SHEET POSITION AS AT
MARCH 31, 1949, AND MARCH 31, 1950

(In millions of dollars)

	Fiscal Year Ended March 31		Increase or Decrease (—)
	1950 (Estimated)	1949	
	\$	\$	\$
LIABILITIES			
Floating Debt.....	494.2	450.7	43.5
Deposit and Trust Accounts.....	136.6	107.5	29.1
Annuity, Insurance, Pension and Guaranty Accounts.....	816.6	718.0	98.6
Deferred Credits.....	11.7	4.4	7.3
Sundry Suspense Accounts.....	68.7	59.6	9.1
Province Debt Accounts.....	11.9	11.9	.....
Reserve for conditional benefits—Veterans' Land Act.....	19.9	13.3	6.6
Funded Debt.....	15,191.6	15,585.0	—393.4
Total Liabilities.....	16,751.2	16,950.4	—199.2
ACTIVE ASSETS			
Cash and Other Current Assets.....	1,428.8	1,660.3	—231.5
Loans to, and Investments in, Crown Agencies.....	1,163.0	1,058.9	104.1
Other Loans and Investments.....	2,724.6	2,578.6	146.0
Province Debt Accounts.....	2.3	2.3	.....
Deferred Charges.....	62.6	65.8	— 3.2
Sundry Suspense Accounts.....	25.7	54.2	— 28.5
Total Active Assets.....	5,407.0	5,420.1	— 13.1
Less reserve for possible losses on ultimate realization of active assets.....	—320.8	—245.8	— 75.0
Net Active Assets.....	5,086.2	5,174.3	— 88.1
Net Debt (Excess of Liabilities over Net Active Assets).....	11,665.0	11,776.1	—111.1

55. The aggregate liabilities of the Government at March 31, 1950, are estimated at \$16,751.2 million, a reduction of \$199.2 million from the comparable total at the end of the previous year. Unmatured funded debt outstanding, including bonds, treasury bills, deposit certificates and the estimated refundable portion of excess profits taxes, accounts for \$15,191.6 million or approximately 91 per cent of all liabilities. Of the total unmatured funded debt now outstanding, only \$499.7 million, or approximately 3.3 per cent is payable in foreign currencies—\$437.8 million payable in United States dollars and \$61.9 million in pounds sterling. A complete statement in tabular form of the Government's unmatured funded debt at March 31, 1950, with details of interest rates, dates of maturity, annual interest charges, and principal amounts for each loan may be found at the end of this Appendix.

56. Floating debt, consisting of outstanding cheques and interest, matured funded debt and similar demand liabilities is estimated at \$494.2 million. Amounts at the credit of annuity, insurance, pension and guaranty accounts are expected to total \$816.6 million.

57. The other principal items on the liabilities side of the balance sheet are: deposit and trust accounts (consisting of moneys deposited with or held in trust by the Receiver General for various purposes), \$136.6 million; sundry suspense accounts (where some uncertainty as to disposition exists), \$68.7 million; reserve for conditional benefits under the Veterans' Land Act, \$19.9 million; province debt accounts (representing settlements arising from agreements at the time of confederation), \$11.9 million; and deferred credits (consisting of balances whose ultimate accounting treatment is known, but which are held until certain conditions are met), \$11.7 million.

58. Offsetting these liabilities, and in a measure explaining their existence—for a substantial portion of the total debt is attributable to loans, advances, and investments—are the Government's active assets. Essentially, these consist of assets which yield interest, profits, or dividends, together with very liquid assets such as cash and departmental working funds.

It is estimated, although some of the items are very difficult to forecast, that the totals of the principal asset categories at March 31, 1950, will be: cash and other current assets, \$1,428.8 million; loans to, and investments in, Crown agencies, \$1,163 million; other loans and investments, \$2,724.6 million; deferred charges (discounts and commissions on loan flotations in the process of being amortized over the life of the loans), \$62.6 million; sundry suspense accounts, \$25.7 million; and province debt accounts, \$2.3 million.

59. The reserve for possible losses on the ultimate realization of active assets which now stands on the books at \$320.8 million is shown on the balance sheet as a deduction from the total of the active assets.

8. ANALYSIS OF CHANGES IN PRINCIPAL LIABILITY CLASSIFICATIONS DURING THE YEAR

60. The most significant change on the liabilities side of the balance sheet was again the substantial reduction in the Government's outstanding funded debt. The unmatured funded debt decreased from \$15,585 million at March 31, 1949 to an estimated total of \$15,191.6 million at March 31, 1950, representing a total net reduction of \$393.4 million. The various loan redemptions and flotations which resulted in this net decrease, are described in greater detail in the following section.

61. Annuity, pension, insurance and guarantee accounts show an estimated increase of \$98.6 million, attributable largely to increases of \$59.3 million in government annuities; \$16 million in the permanent forces pension fund; \$8.9 million in the Civil Service Superannuation account; and \$7.6 million in the cash balance of the Unemployment Insurance Fund.

62. It is estimated that there will be an increase of \$43.5 million in floating debt. An increase of \$49.4 million in the amount of demand notes payable to the International Monetary Fund is offset by a decrease of \$4.4 million in the amount of such notes payable to the International Bank for Reconstruction and Development.

63. Other increases on the liabilities side of the balance sheet are: deposit and trust accounts, \$29.1 million (\$24.1 million of which is attributable to the deposit by the Government of Newfoundland of a portion of its financial surplus, as provided under the Terms of Union); sundry suspense accounts, \$9.1 million; deferred credits, \$7.3 million; and reserve for conditional benefits under the Veterans' Land Act, \$6.6 million.

9. SUMMARY OF SECURITY ISSUES AND REDEMPTIONS DURING THE YEAR

64. During the fiscal year ending March 31, 1950, Government obligations totalling \$3,137.4 million and all payable in Canada matured or were called for redemption. The financing of these retirements was effected as follows:

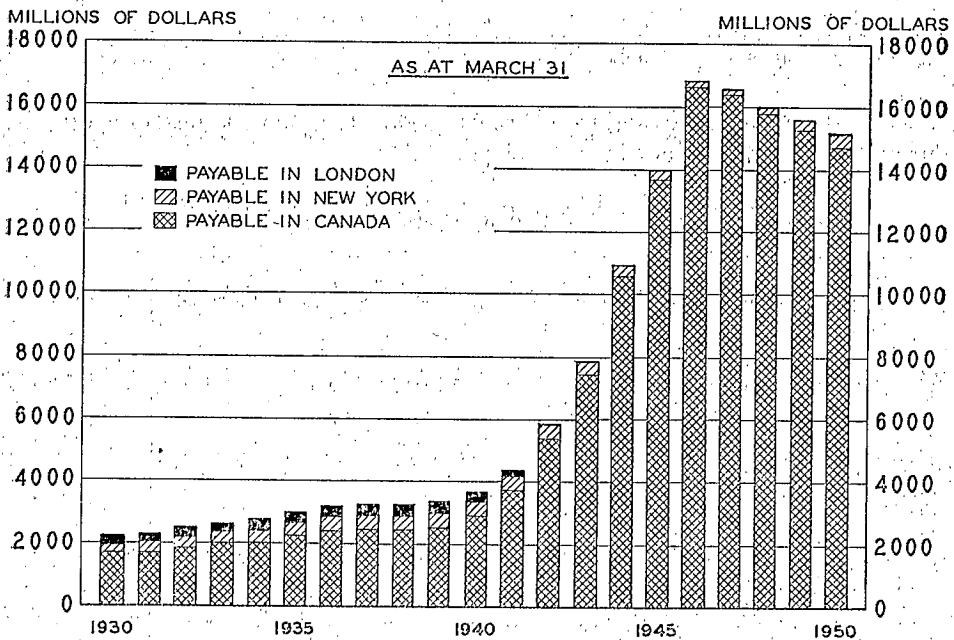
	(Millions)
By refunding or conversion into new issues.....	\$ 2,213.3
By proceeds of new borrowings—	
Sale of Canada Savings Bonds Series IV.....	293.2
Sale of Deposit Certificates (part).....	45.0
From available cash.....	585.9
	<hr/>
	\$ 3,137.4

65. The retirement of \$585.9 million out of available cash represents the net reduction achieved during the year in the total funded debt payable in Canadian dollars.

66. Funded debt payable in United States funds increased by \$139.8 million in the fiscal year. Most of this increase represented merely a switch from guaranteed debt to direct debt resulting from the \$100 million twenty-five year $2\frac{3}{4}\%$ bonds dated September 1, 1949, which were issued in New York in August, 1949, at a cost to the Government of 2.79%. The proceeds of this issue to the extent of \$98.8 million were sold to the Canadian National Railways and the National Harbours Board to provide United States dollars to redeem obligations of these agencies payable in U.S. dollars, which bore the guarantee of the Government of Canada. In addition, Canada's funded debt payable in United States dollars was written up by \$39.8 million due to the revaluation of the Canadian dollar in September, 1949.

67. Funded debt payable in pounds sterling increased during the fiscal year by \$52.6 million. This was due to the assumption as of April 1, 1949, in accordance with the Terms of Union, of liability for \$71.7 million of Newfoundland 3% Guaranteed Stock less a reduction of \$19.1 million in the amount of sterling debt expressed in Canadian dollars as a result of the revaluation of the pound in September, 1949.

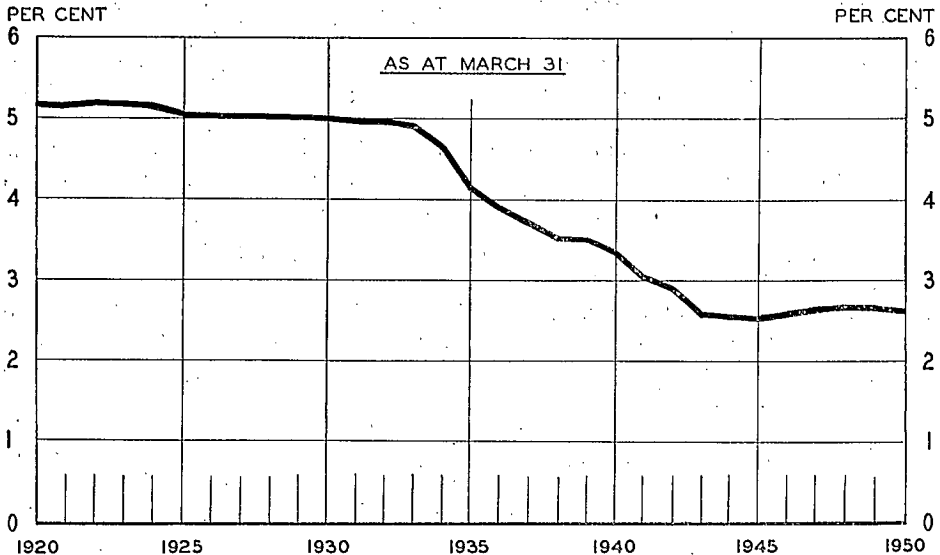
UNMATURED FUNDED DEBT



68. From the above analysis it will be seen that the over-all reduction in the Government's outstanding funded debt during the year amounted to \$393.4 million, i.e., the net reduction of \$585.9 million in Canadian debt less the increase of \$139.8 million in funded debt payable in New York and the net increase of \$52.6 million in funded debt payable in sterling.

69. It is interesting to note that the average coupon rate on the Government's outstanding funded debt at the close of the current fiscal year is estimated at 2.61%. The comparable figure at the close of the previous fiscal year was 2.64% and on March 31, 1939 was 3.52%.

AVERAGE INTEREST RATE ON FUNDED DEBT



70. More complete details of redemptions and new issues of securities during the year are set out in the following tables.

REDEMPTION OF FUNDED DEBT DURING FISCAL YEAR ENDED MARCH 31, 1950

Maturity or Call Date	Interest Rate	Where Payable	Amount
	%		\$
May 1, 1949.....	5	Canada	200,000,000
July 1, 1949.....	4	Canada	33,203,471
Sept. 1, 1949.....	4	Canada	550,000,000
Sept. 2, 1949.....	4	Canada	100,000,000
Oct. 1, 1949.....	3	Canada	324,945,700
Nov. 1, 1949.....	4	Canada	289,693,300
Nov. 1, 1949.....	3	Canada	200,000,000
Nov. 1, 1949.....	1	Canada	267,800,000
Feb. 1, 1950.....	3	Canada	50,086,750
Mar. 1, 1950.....	3	Canada	550,000,000
Mar. 1, 1950.....	1	Canada	325,000,000
Non-Interest Bearing Certificates.....		Canada	122,954
War Savings Certificates.....	3	Canada	42,632,632
Canada Savings Bonds, Series I, II and III.....	2	Canada	148,312,810
Total Bonds and Certificates.....			3,081,937,617
Repayment of Refundable Portion of Excess Profits Tax.....			55,416,413
Total Redemptions of Debt.....			3,137,354,030

NEW SECURITY ISSUES DURING FISCAL YEAR ENDED MARCH 31, 1950

	Issue Date	Maturity Date	Interest Rate	Price to Government	Yield at Price to Government	Total Amount Issued	Renewals or Reconversion Included in Amount Issued	Amount Issued for Cash
			%		%	\$	\$	\$
PAYABLE IN CANADA								
<i>Issued to Chartered Banks—</i>								
Three Year Bonds.....	Nov. 1, 1949	Nov. 1, 1952	1½	99-45	1-69	210,000,000	210,000,000	.....
Three Year Bonds.....	Mar. 1, 1950	Mar. 1, 1953	1½	99-30	1-74	139,505,000	139,505,000	.....
Deposit Certificates.....	Mar. 1, 1950	Aug. 30, 1950	4	100-00	0-75	100,000,000	55,000,000	45,000,000
						449,505,000	404,505,000	45,000,000
<i>Issued to Bank of Canada—</i>								
Six Months Treasury Notes.....	May 1, 1949	Nov. 1, 1949	3½	100-00	0-75	200,000,000	200,000,000	.....
Six Months Treasury Notes.....	Sept. 1, 1949	Mar. 1, 1950	3½	100-00	0-75	550,000,000	550,000,000	.....
Three Year Bonds.....	Nov. 1, 1949	Nov. 1, 1952	1½	99-45	1-69	90,000,000	90,000,000	.....
Six Months Treasury Notes.....	Nov. 1, 1949	May 1, 1950	3½	100-00	0-75	200,000,000	200,000,000	.....
Six Months Treasury Notes.....	Mar. 1, 1950	Sept. 1, 1950	3½	100-00	0-75	550,000,000	550,000,000	.....
Three Year Bonds.....	Mar. 1, 1950	Mar. 1, 1953	1½	99-30	1-74	185,495,000	185,495,000	.....
						1,775,495,000	1,775,495,000	.....
<i>Issued to General Public—</i>								
Canada Savings Bonds, Series IV— Net.....	Nov. 1, 1949	Nov. 1, 1959	2½	99-375	2-82	293,200,000	.....	293,200,000
<i>Issued to Prairie Provinces—</i>								
School Lands Debentures.....	July 1, 1949	July 1, 1950	4	100-00	4-00	33,293,471	33,293,471	.....
Total Issues Payable in Canada.....						2,551,493,471	2,213,293,471	338,200,000
PAYABLE IN UNITED STATES								
<i>Issued to General Public—</i>								
Twenty-Five Year Bonds.....	Sept. 1, 1949	Sept. 1, 1974	2½	99-25	2-79	100,000,000	.....	100,000,000
Grand Total.....						2,651,493,471	2,213,293,471	438,200,000

10. ANALYSIS OF CHANGES IN PRINCIPAL ASSET CLASSIFICATIONS DURING THE YEAR

Cash and Other Current Assets.

71. Cash and other current assets decreased by approximately \$231.5 million during the fiscal year. The following table summarizes the changes in the various accounts in this category:

CASH AND OTHER CURRENT ASSETS

(In millions of dollars)

	Balance at March 31		Increase or Decrease (—)
	1950 (Estimated)	1949	
	\$	\$	\$
Cash in current and special deposits including blocked currency...	103.8	90.7	13.1
Other Liquid Assets—			
Advances to Foreign Exchange Control Board.....	1,260.0	1,071.2	188.8
Securities Investment Account.....	18.3	455.8	—437.5
Sinking Funds.....	8.0	.....	8.0
Working Capital Advances—			
Departmental.....	25.1	21.9	3.2
Commodity Prices Stabilization Corporation.....	2.7	5.8	— 3.1
Other Crown Corporations.....	10.9	14.9	— 4.0
	1,428.8	1,660.3	—231.5

72. The two principal changes were a decrease of \$437.5 million in the temporary investments held in the Securities Investment Account and an increase of \$188.8 million in the advances to the Foreign Exchange Control Board, of which \$160 million represents additional cash advances for financing the purchase of gold and foreign exchange, and \$28.8 million, the elimination the Board's revaluation deficit consequent upon revaluation of the Canadian dollar in September, 1949.

Loans to, and Investments in, Crown Agencies.

73. The aggregate amount of loans to, and investments in, Crown agencies increased from \$1,058.9 million at March 31, 1949, to \$1,163 million at March 31, 1950, a net increase of \$104.1 million. The changes in this category of assets are summarized in the following table:

LOANS TO, AND INVESTMENTS IN, CROWN AGENCIES

(In millions of dollars)

	Balance at March 31		Increase or Decrease (—)
	1950 (Estimated)	1949	
	\$	\$	\$
Bank of Canada Capital Stock.....	5.9	5.9	.....
Central Mortgage and Housing Corporation—			
Capital advances.....	25.0	25.0	.....
Loans.....	190.0	90.5	99.5
Canadian Farm Loan Board—Capital stock and bonds.....	23.9	22.2	1.7
Loans to Canadian National Railways.....	744.4	764.8	— 20.4
Canadian Broadcasting Corporation.....	7.7	3.2	4.5
National Harbours Board.....	105.6	85.3	20.3
Other Crown Agencies.....	60.5	62.0	— 1.5
	1,163.0	1,058.9	104.1

74. Loans during the year to the Central Mortgage and Housing Corporation for housing loans, house construction and other building activities of the Corporation are expected to amount to \$99.5 million. The total advanced to March 31, 1950, including capital advances of \$25 million, is estimated at \$215 million.

75. Loans to the Canadian National Railways, of \$744.4 million represent advances by the Government for capital expenditures, including the purchase of railway equipment, the retirement of maturing debt and the temporary financing of current operations. The decrease of \$20.4 million reflects net repayments during the year.

76. The amount of \$105.6 million shown for the National Harbours Board represents the net outstanding advances in connection with harbour developments at Montreal and Vancouver. These are the only advances to the National Harbours Board which are classified as active assets in the Government's accounts. The increase of \$20.3 million during the year is largely accounted for by advances to the Board for the retirement of bonds originally issued to the public by the Harbour Commissioners of Montreal for the construction of the Jacques Cartier Bridge.

77. The total of \$60.5 million shown for Other Crown Agencies represents subscriptions to capital stock of, or advances to, sundry government agencies for capital, construction and other purposes. Of the total, \$42.9 million represents the Government's investment in Polymer Corporation Limited. The remainder includes loans to, or investments in, Eldorado Mining and Refining (1944) Limited (\$8.2 million); Export Credits Insurance Corporation (\$5 million); and Northwest Territories Power Commission (\$4.4 million).

Other Loans and Investments.

78. This group of assets includes loans to provincial and municipal governments; loans to the United Kingdom and foreign governments; the Government's subscriptions to the capital of the International Monetary Fund and the International Bank for Reconstruction and Development; and loans to veterans under the Soldier Settlement and Veterans' Land Acts. Details of the loans and investments in this category are shown in the following table:

OTHER LOANS AND INVESTMENTS

(In millions of dollars)

	Balance at March 31		Increase or Decrease (—)
	1950 (Estimated)	1949	
	\$	\$	\$
Loans to Provincial and Municipal Governments.....	98.5	102.4	— 3.9
Loans to United Kingdom and Other Governments.....	2,028.1	1,923.8	104.3
Canada's subscription to capital of the International Monetary Fund	322.5	300.0	22.5
Canada's subscription to capital of the International Bank for Reconstruction and Development.....	70.7	65.0	5.7
Advances under the Soldier Settlement and Veterans Land Acts..	185.8	167.3	18.5
Miscellaneous loans and investments.....	19.0	20.1	— 1.1
	2,724.6	2,578.6	146.0

79. Loans to provincial and municipal governments include the loans to provinces made originally under the Unemployment and Farm Relief Acts and other legislation, and the loans to municipalities under the Municipal Improvements Assistance Act. The reduction of \$3.9 million represents repayments during the year.

80. The loans to United Kingdom and other governments consist of loans to the Government of the United Kingdom under the authority of The War Appropriation (United Kingdom Financing) Act, 1942, and The United Kingdom Financial Agreement Act, 1946, loans to other countries under Part II of the Export Credits Insurance Act and miscellaneous foreign loans. Details of the changes in each of these categories are shown in the following table:

LOANS TO THE UNITED KINGDOM AND OTHER GOVERNMENTS

(In millions of dollars)

	Balance at March 31		Increase or Decrease (-)
	1950 (Estimated)	1949	
	\$	\$	\$
Loan to the United Kingdom under The War Appropriation (U.K. Financing) Act, 1942.....	292.0	302.0	- 10.0
Loan to the United Kingdom under The United Kingdom Financial Agreement Act, 1946.....	1,165.0	1,045.0	120.0
Advances under The Export Credits Insurance Act, Part II.....	523.5	534.5	- 11.0
Miscellaneous Advances.....	47.6	42.3	5.3
	2,028.1	1,923.8	104.3

81. It is estimated that during 1949-50 the United Kingdom Government will have repaid \$10 million of the interest-free loan granted under the provisions of The War Appropriation (United Kingdom Financing) Act, 1942, reducing the balance outstanding on this account to \$292 million at March 31, 1950. During the year, however, additional advances of \$120 million were made to the Government of the United Kingdom as part of the \$1,250 million loan authorized by The United Kingdom Financial Agreement Act of 1946. The total amount advanced under this agreement now stands at \$1,165 million.

82. The advances under Part II of The Export Credits Insurance Act represent loans to certain foreign countries to assist them in purchasing goods and services in Canada. It is estimated that the total of outstanding advances under this Act will be \$523.5 million at March 31, 1950, representing a net decrease of \$11 million compared with the total outstanding at March 31, 1949. A classification of these advances by recipient governments, showing the repayments during the year, is given in the following table:

ADVANCES TO FOREIGN GOVERNMENTS UNDER PART II OF THE EXPORT CREDITS INSURANCE ACT

(In millions of dollars)

	Total Out- standing at March 31, 1949	Repay- ments during 1949-50	Total Out- standing at March 31, 1950 (Estimated)
	\$	\$	\$
Belgium.....	64.6	2.3	62.3
China.....	50.5	0.3	50.2
Czechoslovakia.....	16.7	.....	16.7
France.....	242.7	8.4	234.3
Indonesia.....	15.4	.....	15.4
Netherlands.....	118.1	.....	118.1
Norway.....	23.6	.....	23.6
Union of Soviet Socialist Republics.....	2.9	.....	2.9
	534.5	11.0	523.5

Sundry Suspense Accounts.

83. The decrease of \$28.5 million in this asset classification is attributable mainly to the elimination of the revaluation deficit of the Foreign Exchange Control Board following the revaluation of the Canadian dollar in September, 1949. The revaluation surplus which will appear in the Board's balance sheet will not be shown in the Government's accounts.

Reserve for Possible Losses on Ultimate Realization of Active Assets.

84. For the third successive year an amount of \$75 million was added to this reserve with a corresponding amount being shown as an expenditure in the Government's accounts. There was no charge to the reserve during the year under review; the balance at the credit of the account being \$320.8 million at the fiscal year-end.

11. INDIRECT OR CONTINGENT LIABILITIES

85. It should be noted that the balance sheet as summarized above does not reflect any of the government's indirect or contingent liabilities. Included under this heading, for example, are the government's guarantees of certain securities issued by various government owned enterprises such as the Canadian National Railways, the Canadian National (West Indies) Steamships Limited, and the Saint John Harbour Commission; the guarantee of deposits maintained by the chartered banks in the Bank of Canada; guarantees of certain loans made by chartered banks to veterans or farmers for certain authorized purposes; guarantees under The Export Credits Insurance Act; and certain commitments under housing legislation.

86. The following table gives details of the bonds and debenture stocks guaranteed by the government, and also indicates the nature and approximate extent of the government's other guarantees and contingent liabilities:

BONDS AND DEBENTURE STOCKS GUARANTEED BY THE GOVERNMENT
AS AT MARCH 31, 1950

Date of Maturity	Issue	Interest Rate	Estimated Amount Outstanding
		%	\$
Sept. 1, 1951.	Canadian National.....	4½	48,022,000
Aug. 1, 1952.	Saint John Harbour Commissioners.....	5	667,953
July 10, 1953.	Canadian Northern.....	3	1,162,768
Feb. 1, 1954.	Canadian National.....	5	50,000,000
May 1, 1954.	City of Saint John Debentures assumed by Saint John Har- bour Commissioners.....	5½	3,329
Mar. 1, 1955.	Canadian National (West Indies) Steamships Limited....	5	9,400,000
June 15, 1955.	Canadian National.....	4½	48,496,000
Feb. 1, 1956.	Canadian National.....	4½	67,368,000
July 1, 1957.	Canadian National.....	4½	64,136,000
July 20, 1958.	Canadian Northern.....	3½	5,636,507
Jan. 15, 1959.	Canadian National.....	3	35,000,000
May 4, 1960.	Canadian Northern Alberta.....	3½	550,727
May 19, 1961.	Canadian Northern Ontario.....	3½	3,597,518
Jan. 1, 1962.	Grand Trunk Pacific.....	3	26,465,130
Jan. 1, 1962.	Grand Trunk Pacific.....	4	7,999,074
Jan. 3, 1963.	Canadian National.....	3	35,000,000
Jan. 2, 1967.	Canadian National.....	2½	50,000,000
Sept. 15, 1969.	Canadian National.....	2½	70,000,000
Jan. 10, 1971.	Canadian National.....	2½	40,000,000
Perpetual.....	Grand Trunk Debenture Stock.....	5	1,016,092
Perpetual.....	Great Western Debenture Stock.....	5	499,709
Perpetual.....	Grand Trunk Debenture Stock.....	4	5,446,733
Perpetual.....	Northern Railway of Canada Debenture Stock.....	4	22,591
			570,490,181

OTHER OUTSTANDING GUARANTEES AND CONTINGENT LIABILITIES
AS AT MARCH 31, 1950.

	Estimated Amount Outstanding
Deposits maintained by the chartered banks in the Bank of Canada (Feb. 28, 1950).....	\$ 554,839,714
Bank advances, re Province of Manitoba Savings Office (Feb. 28, 1950).....	3,740,078
Province of Manitoba Treasury Bill (Feb. 28, 1950).....	2,500,000
Loans made by chartered banks under the Farm Improvement Loans Act, 1944 (Jan. 31, 1950).....	10,755,301
Loans made by chartered banks under the Veterans' Business and Professional Loans Act (Dec. 31, 1949)....	1,717,190
Guaranteed Bank Loans—Acadia Coal Company (Feb. 28, 1950).....	438,000
Guarantees under Part II of The Export Credits Insurance Act (Feb. 28, 1950).....	12,750,000
Loans made by approved lending institutions under The Home Improvement Loans Guarantee Act, 1937 (Dec. 31, 1949).....	11,551
Loans made by approved lending institutions under Part IV of the National Housing Act, 1944, for home extensions (Dec. 31, 1949).....	5,704
Loans made by approved lending institutions under Dominion and National Housing Acts.....	Indeterminate
Guarantees of land assembly projects under National Housing Act (Dec. 31, 1949).....	806,035
Bank Advances, re Canadian Wheat Board (Feb. 28, 1950)	30,754,234

87. It will be noted that the total of guaranteed bonds and debentures outstanding at March 31, 1950, is estimated at \$570.5 million, an increase of approximately \$15.9 million over the amount outstanding at March 31, 1949. This increase was the net result of several transactions. The Canadian National Railways issued \$70 million in $2\frac{1}{8}\%$ Bonds dated September 15, 1949 and maturing September 15, 1969 and \$40 million in $2\frac{1}{8}\%$ Bonds dated January 16, 1950 and maturing January 16, 1971; less redemption on October 1, 1949 of \$57.7 million 5% Bonds and on February 1, 1950 of \$17.3 million 5% Bonds. In addition the National Harbours Board paid off on November 1, 1949, an issue of \$19.0 million 5% Bonds.

12. SUPPLEMENTARY DETAILED TABLES

REVENUES

EXPENDITURES

LOANS AND ADVANCES AND INVESTMENTS

UNMATURED FUNDED DEBT

STATEMENT OF REVENUES FOR THE LAST FIVE FISCAL YEARS
(thousands of dollars)

	1945-46	1946-47	1947-48	1948-49	Estimated 1949-50
	\$	\$	\$	\$	\$
Tax Revenue—					
Direct Taxes—					
Direct Taxes on Incomes—					
Individual Income Tax.....	661,586	694,530	659,828	762,564	611,500
Tax on Interest and Dividends....	26,824	28,428	33,929	40,965	45,500
Taxes on Rents and Royalties.....	1,486	1,708	1,960	2,480	
Corporation Income Tax.....	217,834	238,792	364,131	491,990	586,500
Excess Profits Tax.....	494,196	448,698	227,030	44,792	-2,500
Total Direct Taxes on Incomes..	1,431,926	1,412,156	1,286,878	1,342,791	1,241,000
Succession Duties.....	21,447	23,576	30,828	25,550	28,500
Total Direct Taxes.....	1,453,373	1,435,732	1,317,706	1,368,341	1,269,500
Indirect Taxes—					
Customs Import Duties.....	128,877	237,355	293,012	222,975	220,000
Excise Duties—					
Spirits, malt, etc.....	91,274	97,820	97,675	101,105	104,500
Cigars, cigarettes and tobacco.....	98,228	101,163	102,116	106,241	114,000
Licences.....	30	40	37	39	40
Less refunds.....	-2,815	-2,979	-3,034	-2,733	-3,040
Total Excise Duties.....	186,726	196,044	196,794	204,652	215,500
Excise Taxes—					
Taxes on Commodities—					
Sales Tax.....	326,253	328,073	383,012	390,174	415,500
War Exchange Tax.....	41,198	388			
Automobiles, rubber tires and tubes.....	6,701	16,340	31,949	36,943	34,200
Beverages.....	16,657	18,635	23,767	27,639	1,630
Candy and chewing gum.....	11,904	13,277	18,279	19,888	1,020
Cigars, cigarettes and tobacco.....	70,229	76,318	68,606	77,665	83,400
Cigarette papers and tubes.....	4,645	6,943	6,419	6,999	7,070
Electric and gas appliances.....	1,272	7	2,824	3,894	
Furs.....	4,976	3,102	3,139	3,693	3,020
Gasoline.....	29,836	36,220	2,208		
Matches and lighters.....	3,675	4,088	3,967	3,412	1,030
Phonographs, radios and tubes....	646	2,526	5,325	3,562	3,060
Special excise on importations....	787	1,185	2,113	279	
Sugar.....	9,974	11,839	10,572		
Toilet preparations and soaps.....	7,107	7,522	7,146	7,757	4,420
Trunks, bags, luggage, etc.....	4,711	5,710	4,962	5,565	2,290
Wines.....	2,066	2,394	2,342	2,060	2,170
Jewellery, ornaments, etc.....					4,260
Sundry.....	3,811	5,109	4,716	4,700	2,250
Taxes on Amusements and Services—					
Amusements.....	13,387	14,552	15,369	2,483	
Tax on pari-mutuel bets.....	2,188	2,510	2,519	105	
Transportation and communication Stamps, including payment of taxes on jewellery, chinaware, cabaret attendance, etc.....	26,893	27,931	27,531	29,034	3,950
Licences, interest and miscellaneous	21,697	24,437	24,300	22,725	9,720
Less refunds (mainly sales tax)...	302	313	376	382	350
Less refunds (mainly sales tax)...	-114,005	-29,845	-10,683	-12,871	-11,420
Total Excise Taxes.....	496,910	579,024	640,758	636,138	568,000
Other Taxes—					
Chartered bank note circulation.....	270	220	188	166	150
Insurance Companies.....	7,951	8,796	3,004	3,339	3,400
Miscellaneous.....	751	690	613	531	450
Total Indirect Taxes.....	821,485	1,022,129	1,134,369	1,067,801	1,016,500
Total Revenue from Taxes.....	2,274,858	2,457,861	2,452,075	2,436,142	2,286,000

STATEMENT OF REVENUES FOR THE LAST FIVE FISCAL YEARS—*Concluded*

(thousands of dollars)

	1945-46	1946-47	1947-48	1948-49	Estimated 1949-50
	\$	\$	\$	\$	\$
NON-TAX REVENUE—					
Post Office.....	68,613	72,978	77,759	80,604	84,000
Return on Investments.....	70,915	69,439	75,800	107,889	90,400
Bullion and coinage.....	4,954	2,098	1,731	3,253	4,100
Premium, discount and exchange.....			3,736		
Other.....	16,322	16,355	18,745	21,202	24,500
Total Non-tax Revenue.....	160,804	160,870	177,771	212,948	203,000
Total Ordinary Revenue.....	2,435,602	2,618,731	2,629,846	2,649,090	2,489,000
SPECIAL RECEIPTS AND CREDITS—					
Refunds of previous years' Special Expenditure.....	20	10	7	16	160
Special Receipts—War and Demobiliza- tion.....	626,616	412,763	225,757	117,121	58,928
Donations to the Crown.....	161	170	138	69	60
Canadian Wheat Board— Surpluses in certain special accounts.....		1,762	16	121	400
Canadian National Railways— Net credit due to increase in Cana- dian National Railways Securities Trust Stock (contra).....	22,631				
Investment in Crown plants trans- ferred to Active Assets.....	174	2,053	3,704	2,528	
	649,602	416,758	229,622	119,855	59,548
Capital and Non-active Accounts—					
Capital Accounts—					
Refunds of previous years' ex- penditure.....	376	110	61	82	2
Transfer to Consolidated Deficit Account (contra).....			158	2,243	
Non-active Accounts—					
National Harbours Board, reduc- tion of indebtedness.....		10	82		11
1936 and 1937 Saskatchewan Seed Grain Loans Guarantees— Adjustment pursuant to The Western Provinces Treasury Bills and Natural Resources Settlement Act, 1947.....			9,773		
Canadian National (West Indies) Steamships, Limited, reduction of indebtedness.....		1,105	256	80	
Write-off to Consolidated Deficit Account—					
Canadian National Railways Securities Trust Stock—re- duction due to retirement of equipment during calendar years 1946 and 1947.....		1,308	1,885		
Seed Grain and Relief Loans..	45	54	63	45	20
Total Capital and Non-active Accounts	421	2,587	12,278	2,450	51
Total Special Receipts and Credits....	650,023	419,345	241,800	122,305	59,599
Total Revenue.....	3,085,685	3,038,076	2,871,746	2,771,395	2,548,599
Less estimated amount of refundable Income and Excess Profits Taxes....	72,500	30,200			
Net Total Revenue.....	3,013,185	3,007,876	2,871,746	2,771,395	2,548,599

**STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS
FOR THE LAST FIVE FISCAL YEARS**

(thousands of dollars)

	1945-46	1946-47	1947-48	1948-49	Estimated 1949-50
—	\$	\$	\$	\$	\$
ORDINARY EXPENDITURE					
Agriculture.....	10,319	13,300	16,311	20,376	24,974
Auditor General's Office.....	379	390	395	533	566
Citizenship and Immigration*.....					5,833
Indian Affairs Branch.....					12,450
Civil Service Commission.....	479	593	665	771	1,523
External Affairs.....	4,522	5,128	7,195	8,676	9,500
Finance—					
Interest on Public Debt.....	409,134	464,395	455,455	465,138	439,200
Cost of Loan Flotations and Annual Amortization of Bond Discounts and Commissions.....	22,311	12,139	10,914	9,745	10,495
Premium paid on redemption of called bonds.....	5,842	271	35	9	
Subsidies to Provinces.....	14,447	14,353	33,394	17,095	19,170
Transitional Grant to Newfoundland..					6,500
Miscellaneous Grants and Contributions	617	95	113	147	497
Civil Pensions and Superannuation....	293	253	224	190	167
Government's contribution to Superan- nuation Fund.....	2,696	3,161	3,488	4,050	5,463
Premium, Discount and Exchange.....	14,734	9,172		111	22,000
Compensation to Provinces under Dom- inion-Provincial Taxation Agree- ments—					
Income and Corporation Taxes.....	94,343	94,330	122,497	84,387	78,206
Gasoline Tax.....	3,709				
Special payments in respect to mat- ters supplementary to Terms of Union of Newfoundland with Canada					1,432
Office of the Comptroller of the Treasury.....	5,565	7,521	8,933	11,103	11,162
Administrative and Sundry Expenditure	2,004	2,078	2,380	3,515	5,143
Fisheries.....	3,262	3,599	4,097	5,153	6,646
Governor General and Lieutenant- Governors.....	227	252	239	242	276
Insurance.....	199	212	237	263	315
Justice.....	2,843	3,194	3,917	4,025	4,364
Penitentiaries.....	3,253	3,806	4,564	5,863	7,232
Labour.....	1,620	2,010	2,319	4,712	5,335
Unemployment Insurance Act, 1940—					
Administration.....	6,185	7,496	17,641	13,965	25,016
Government's Contribution.....	12,514	15,200	17,500	20,103	21,500
Government Annuities—					
Payment to maintain reserve.....	294	977	332	11,408	1,500
Legislation—					
House of Commons.....	2,235	2,786	3,022	2,628	3,770
Library of Parliament.....	74	90	103	127	128
Senate.....	727	831	946	736	1,184
General.....	98	167	270	272	265
Chief Electoral Officer, including elections.....	3,091	144	151	287	4,447
Mines and Resources—*					
Administration.....	164	173	268	366	
Immigration.....	1,524	2,047	2,665	5,564	
Indian Affairs.....	4,466	5,948	7,180	10,378	
Lands, Parks and Forests.....	2,689	4,962			
Lands and Development Services.....			5,630	11,863	
Surveys and Engineering.....	1,323	3,444			
Special Projects.....			2,554	126	
Mines and Geological Survey.....	1,303	1,847			
Mines, Forests and Scientific Services			5,318	17,970	
Mines and Technical Surveys*.....					22,918
National Defence—					
Administration and sundry services...	127	253	615	1,127	353
Pensions—Militia Pensions Act.....	(1) —	(1) —	(1) —	4,863	5,000
Government's contribution to Perma- nent Forces Pension Fund.....			(2) —	7,867	9,046

(1) Included under Veterans Affairs.

(2) Included under Demobilization and Reconversion—Army, Navy and Air Services.

* See paragraphs 37 and 38.

**STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS
FOR THE LAST FIVE FISCAL YEARS—Continued**

(thousands of dollars)

	1945-46	1946-47	1947-48	1948-49	Estimated 1949-50
	\$	\$	\$	\$	\$
ORDINARY EXPENDITURE—Con.					
National Health and Welfare.....	7,294	8,616	10,815	14,381	16,900
Old age pensions, including pensions to blind persons.....	33,715	35,928	58,090	66,764	94,000
Family allowances.....	172,632	245,141	263,165	270,910	297,600
General health grants.....				7,528	14,000
National Revenue (including Income Tax).....	22,630	28,551	37,312	49,323	50,996
National War Services.....	5				
Post Office.....	57,730	64,213	67,944	77,643	83,145
Prime Minister's Office.....	61	88	99	106	110
Privy Council.....	419	808	1,287	4,351	3,988
Public Archives.....	127	149	157	173	209
Public Printing and Stationery.....	238	293	536	753	905
Public Works.....	16,283	26,360	35,545	50,644	66,800
Reconstruction and Supply*.....	2,103	1,932	12,342	3,403	
Resources and Development*.....					26,098
Dominion Fuel Board administration, coal subsidies and subventions.....	2,339	1,776	1,143	(3) —	(3) —
Royal Canadian Mounted Police.....	7,284	8,604	10,406	13,717	16,100
Secretary of State.....	954	1,157	1,345	1,559	1,640
Trade and Commerce.....	6,356	9,770	10,846	24,778	31,382
Dominion Fuel Board administration coal subsidies and subventions.....				2,164	4,921
Mail Subsidies and Steamship Sub- ventions.....	904	1,103	(4) —	(4) —	(4) —
Transport—					
Administration and general.....	1,440	1,499	1,973	3,492	3,305
Air Service.....	4,196	5,653	10,390	15,932	24,135
Marine Service.....	4,895	5,963	6,831	8,176	10,194
Railways and Canals.....	3,391	3,702	4,073	5,124	7,582
Maritime Freight Rates Act.....	4,345	4,871	5,090	6,606	7,025
Mail Subsidies and Steamship Subven- tions, including Canadian Maritime Commission.....			1,764	2,166	2,414
Veterans Affairs—					
Departmental Administration.....	1,142	1,680	1,677	2,225	2,235
Pensions (World War I and military)... Pensions (World Wars I and 2 and N.W. Rebellion, 1885).....	39,996	40,771	41,227		
Treatment and after-care of returned soldiers and allowances to depend- ents.....	(5) —	(5) —	(5) —	102,951	96,000
Soldiers Settlement and Veterans Land Acts.....	28,551	44,303	46,286	69,937	69,390
	3,160	6,551	8,092	7,885	7,591
Total Ordinary Expenditure.....	1,061,902	1,236,235	1,380,002	1,573,450	1,712,241
CAPITAL EXPENDITURE					
Railways.....	2,313	2,654	3,309	3,239	3,875
Public Works.....	2,195	8,546	11,847	15,234	20,272
Total Capital Expenditure.....	4,508	11,200	15,656	18,473	24,147

(3) See Department of Trade and Commerce.

(4) See Department of Transport.

(5) See War, Demobilization and Reconversion Expenditure

* See paragraphs 37 and 38.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS
FOR THE LAST FIVE FISCAL YEARS—Continued

(thousands of dollars)

	1945-46	1946-47	1947-48	1948-49	Estimated 1949-50
	\$	\$	\$	\$	\$
WAR, DEMOBILIZATION AND RECONVERSION EXPENDITURE					
National Defence—Army, Navy and Air Services.....			189,860	238,915	348,467
National Defence—Defence Research.....		4,090	6,024	16,033	21,005
National Defence—					
Army Services.....	949,578	219,124			
Naval Services.....	241,759	64,873			
Air Services.....	524,530	99,271			
Reconstruction and Supply (formerly Munitions and Supply)—					
Administration, reconversion and operation of Crown Companies and/ or Crown Plants.....		10,784	1,558	(⁶) —	—
Administration.....	6,858	4,140	1,805	122	
Housing development.....		35,323	38,558	1,013	
Production and transportation subsidies for Canadian steel producers, etc.....	(⁷) —	12,063	7,950	(⁶) —	(⁶) —
Research and development of jet engines and aircraft.....			4,500	(⁶) —	(⁶) —
Expansion of industry.....	112,075				
Acquisition of U.S. Assets.....	1,906				
Liquidation of contracts.....		24,743	1,007		
Termination of contracts.....	151,846	55,200	6,400		
Other.....	5,522	4,287	1,056	242	
	278,807	147,140	62,334	1,377	
Resources and Development.....					317
Agriculture—					
Disposal of agricultural products ren- dered surplus by the war.....	354	958	7		
Freight assistance on western feed grains.....	17,317	18,828	20,092	18,154	16,900
Fertilizer subventions and freight allowance.....	438	283			
Subsidies and bulk purchasing of fertilizer.....			597		
Subsidy on western wheat used ex- clusively as feed for live-stock.....	7,864	6,474	4,421		
Subsidy on milk and milk products... Premium on hog carcasses suitable for export to U.K.....	41,650	30,759	1,861		
To provide for reserve stocks of feed grains.....	9,573	4,506	5,474	4,585	5,100
Sundry.....	1,274	1,551	434		
	4,499	1,757	347	439	491
	82,978	71,116	33,233	23,178	22,491
External Affairs—					
Contribution to International Refugee Organization.....			5,468	5,412	5,827
General post UNRRA relief.....			16,927	325	
Sundry.....	383	837	5	102	1,133
	383	837	22,400	5,839	6,960
Finance—					
Comptroller of the Treasury.....	9,369	6,072	1,702	(⁶) —	(⁶) —
War-time Prices and Trade Board—					
Administration.....	14,753	12,738	5,794	3,321	2,621
Subsidies due to application of Order placing a ceiling over all prices.....	97,819	88,778	34,341	14,011	25
Advances for payment of drawback claims to millers and other manu- facturers of wheat products.....	14,750	26,000	17,000	11,000	1,350
House Conversion Program.....	1,764	(⁹) —	(⁹) —	(⁹) —	(⁹) —
Halifax V-E Day disorders and explo- sion.....					
Payment of claims.....	4,610	2,127			
Expenses of investigations.....	248	161			
Sundry.....	958	999	363	1,457	92
	144,271	136,875	59,200	30,689	4,088

(⁶) See Department of Trade and Commerce.(⁷) Included in Expansion of Industry.(⁸) Included in ordinary expenditure.(⁹) See Department of Reconstruction and Supply.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS
FOR THE LAST FIVE FISCAL YEARS—Continued

(thousands of dollars)

	1945-46	1946-47	1947-48	1948-49	Estimated 1949-50
	\$	\$	\$	\$	\$
WAR, DEMOBILIZATION AND RECONVERSION EXPENDITURE—Con.					
Labour—					
National Selective Service program...	11,268	11,230	(10) —	(10) —	(10) —
Removal of enemy aliens from protected areas.....	2,203	3,161			
Vocational training for discharged members of Canada's Armed Forces	4,355	13,049	6,405	3,472	2,386
Vocational Schools—Payments to Provinces.....	607	2,442	3,264	(11) —	(11) —
Sundry.....	4,416	2,772	1,723	1,767	1,402
	22,859	32,654	11,392	5,239	3,788
Mines and Resources.....	3,475	2,498	1,812	989	
Mines and Technical Surveys.....					1,354
National War Services.....	14,245	29			
National Health and Welfare—					
Old Age Pensions increased benefits...	9,103	9,517	996	(11) —	(11) —
Sundry.....	2,135	157	107	31	
	11,238	9,674	1,103	31	
Privy Council.....	1,272	45	8		
Public Works.....	6,205	5,651	1,242		
Royal Canadian Mounted Police.....	4,775	1,896	1,627		
Trade and Commerce—					
Administration.....				1,000	
Administration, reconversion and operation of Crown Companies and/or Crown Plants.....				2,585	
Production and transportation subsidies for Canadian steel producers, etc.				7,062	4,665
Research and development of jet engines and aircraft.....				2,000	1,500
Sundry.....	1,772	632	126	1,157	316
	1,772	632	126	13,804	6,431
Transport.....	15,013	9,723	6,337	1,637	1,273
Veterans Affairs—					
Treatment—Defence Forces.....	26,298	50,982	27,130	(12) —	(12) —
Pensions—Defence Forces.....	22,200	33,763	40,517	(12) —	(12) —
Additions, alterations and improvements to departmental hospitals, including land purchases.....	7,371	8,334	6,805	5,095	3,700
Post-discharge rehabilitation benefits.	32,131	96,762	78,323	44,826	24,900
War service gratuities and re-establishment credits.....	239,585	318,325	84,175	36,148	22,800
Sundry.....	774	273	418	1,181	1,390
	328,359	508,439	237,363	87,250	52,790
	2,453	2,181	805	593	67
Other Departments.....					
Write-off of Air Training Plan Loans and Advance as per United Kingdom Financial Agreement Act, 1946.....	425,000				
Mutual Aid (excluding administration)...	766,862				
Military Relief.....	54,463				
Canada's Contribution to UNRRA.....	142,852				
Total War, Demobilization and Reconversion Expenditures.....	4,002,949	1,314,798	634,421	425,574	464,031
SPECIAL EXPENDITURE					
Agricultural and Other Projects.....	4,423	4,432	5,253	10,489	17,858
Prairie Farm Assistance Act, 1939—					
Administration.....	327	333	450	402	450
Advances to Prairie Farm Emergency Fund.....	12,052	6,597	10,744	8,640	12,800
Wheat acreage reduction plan—					
Administration.....	159				
Payments of awards to farmers.....	397	2			

(10) Included in ordinary expenditure (Unemployment Insurance administration).

(11) Included in ordinary expenditure.

(12) Included in ordinary expenditure.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS
FOR THE LAST FIVE FISCAL YEARS—*Continued*
(thousands of dollars)

	1945-46	1946-47	1947-48	1948-49	Estimated 1949-50
	\$	\$	\$	\$	\$
SPECIAL EXPENDITURES—<i>Con.</i>					
Deficits—Canadian Wheat Board.....		20,562	31,450	4,454	4,580
Subsidies on oats and barley, used as feed for live stock—Dept. of Agriculture....			13,963		
Reimbursement to Canadian Wheat Board for expenses of regulating deliv- eries of grain—Department of Trade and Commerce.....			733	128	
Reimbursement to Canadian Commer- cial Corporation for expenses in pur- chasing materials, etc., on behalf of Dept. of National Defence—Dept. of Trade and Commerce.....			548	776	1,005
Fraser Valley, B.C., Flood Area— Repairing and reconstructing dykes... Grant for emergency relief and rehabi- litation.....				4,500	3,000
Repairs to Federal Government struc- tures and telegraph and telephone lines.....				5,000	
Protection of works.....				424	1,125
Total Special Expenditure...	17,358	31,926	63,141	34,813	40,818
GOVERNMENT OWNED ENTERPRISES					
Losses charged to Consolidated Deficit Account—					
Prince Edward Island Car Ferry and Terminals.....	683	888	932	1,220	1,221
Canadian National Railways.....		8,962	15,885	33,533	42,043
Canadian National (West Indies) Steamships, Ltd.....					461
Trans-Canada Airlines.....			1,370	2,933	4,318
National Harbours Board.....	86	114	137	238	83
Total charged to Consoli- dated Deficit Account....	774	9,964	18,324	37,924	48,126
Loans and advances non-active— National Harbours Board.....	560	718	371	1,739	4,219
Total Government Owned Enterprises.....	1,334	10,682	18,695	39,663	52,345
OTHER CHARGES					
Write-down of assets chargeable to Con- solidated Deficit Account—					
Reduction of soldier and general land settlement loans.....	36	232	3		(13)
Reduction of Veterans' Land Act Loans Yearly established losses in seed grain and relief accounts—		129	2,097	1,000	(13)
Department of Resources and Devel- opment.....	45	54	63	45	20
Cancellation of Canadian Farm Loan Board Capital Stock.....	1				
Canadian National Railways Securities Trust Stock—reduction due to retire- ment of equipment.....		1,308	1,885		
Provision for reserve for possible losses on ultimate realization of Active Assets.....	25,000	25,000	75,000	75,000	75,000

(13) Included in ordinary expenditure.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS
FOR THE LAST FIVE FISCAL YEARS—*Concluded*

(thousands of dollars)

	1945-46	1946-47	1947-48	1948-49	Estimated 1949-50
	\$	\$	\$	\$	\$
Other Charges— <i>Conc.</i>					
Provision for reserve for conditional benefits under Veterans' Land Act...	464	2,663	4,505	5,631	6,600
Assumption of part of Newfoundland debt under Terms of Union.....					62,293
Canadian National Railways Securities Trust Stock—					
Net change in Dominion's equity in Canadian National Railways.....	22,631				
Transfer from Capital Account to Con- solidated Deficit Account.....			158	2,243	
Total Other Charges.....	48,177	29,386	83,711	83,919	143,913
Grand Total Expenditures.....	5,136,228	2,634,227	2,195,626	2,175,892	2,437,545

**ANNUAL CHANGES IN ACTIVE LOANS AND INVESTMENTS FOR THE LAST
FIVE FISCAL YEARS**
(In thousands of dollars)

	Fiscal Years Ended March 31				
	1946	1947	1948	1949	Estimated 1950
	\$	\$	\$	\$	\$
WORKING CAPITAL ADVANCES TO CROWN CORPORATIONS					
Canadian Arsenals, Ltd.....			2,500	2,500	
Canadian Commercial Corporation.....		2,500		1,000	Cr. 3,000
Canadian Wool Board.....	Cr. 6,947	Cr. 6,457			
Commodity Prices Stabilization Cor- poration.....	Cr. 7,819	15,638	Cr. 19,341	Cr. 14,911	Cr. 3,016
Crown Assets Disposal Corporation.....	1,293		Cr. 345	Cr. 103	Cr. 1,085
Export Credits Insurance Corporation— Capital Surplus.....	2,000		2,500		
	Cr. 11,473	11,081	Cr. 14,686	Cr. 11,519	Cr. 7,101
LOANS TO, AND INVESTMENTS IN, CROWN AGENCIES					
Central Mortgage and Housing Corpora- tion— Capital.....	25,000				
Loans.....			22,500	68,000	99,500
Central Mortgage Bank Capital Stock... Cr. 250					
Canadian Broadcasting Corporation.....		2,000		1,250	4,500
Canadian Farm Loan Board.....	Cr. 2,401	Cr. 600	99	1,050	1,700
National Harbours Board.....	Cr. 66	151	Cr. 26	213	20,273
Railway and Steamship Companies.....	43,164	Cr. 20,521	81,717	4,067	Cr. 20,422
Crown Plants.....	Cr. 4,997	Cr. 41,101			
Other Crown Agencies.....	Cr. 6,613	Cr. 14,767	2,500	4,615	Cr. 1,498
	53,837	Cr. 74,838	100,790	79,195	104,053
OTHER LOANS AND INVESTMENTS					
Provincial and Municipal Governments. Cr. 4,350		Cr. 2,530	Cr. 63,029	Cr. 5,376	Cr. 3,852
United Kingdom and Other Govern- ments— United Kingdom, Australia and New Zealand—Air Training Accounts.....	Cr. 249,504	Cr. 2			
United Kingdom—British Common- wealth Air Training Plan—Settle- ment.....	Cr. 200,000				
United Kingdom—Loan under The War Appropriation (U.K. Financing) Act, 1942.....	Cr. 63,946	Cr. 95,800	Cr. 111,285	Cr. 29,487	Cr. 9,927
United Kingdom Financial Agreement Act, 1946—Loan.....		640,000	368,000	37,000	120,000
Export Credits Insurance Act.....	67,412	267,983	130,934	68,196	Cr. 10,964
Other (U.K. and Other Governments) Canada's subscription to Capital of— International Monetary Fund.....	111,497	Cr. 165,415	Cr. 5,712	2,000	5,336
International Bank for Reconstruction and Development.....	33	299,970			22,499
Miscellaneous— Loans to veterans under the Soldier Settlement and Veterans' Land Acts.....	36	48,750	16,250		5,058
Dominion and National Housing Acts Loans.....	18,677	55,202	37,522	21,901	18,521
Balances receivable under agreements of sale of Crown Assets.....	Cr. 14,721				
Other miscellaneous loans.....		13,503	Cr. 1,972	Cr. 1,230	Cr. 349
	Cr. 61	Cr. 10,550	Cr. 1,157	Cr. 588	Cr. 751
	Cr. 334,927	1,051,111	308,951	92,476	146,171
Net Total of Changes in Loans and Investments.....	Cr. 292,563	987,954	461,055	160,152	243,123

UNMATURED FUNDED DEBT AND TREASURY BILLS AS AT MARCH 31, 1950,
AND ANNUAL INTEREST THEREON

Date of Maturity	Rate per Cent	Where Payable	Amount of Loan		Annual Interest Charge	
			\$	cts.	\$	cts.
1950, May 1	$\frac{3}{4}$	Canada	200,000,000	00	1,500,000	00
July 1	4	Canada	33,293,470	85	1,331,738	83
Sept. 1	$\frac{3}{4}$	Canada	550,000,000	00	4,125,000	00
Nov. 1	$1\frac{1}{2}$	Canada	335,690,000	00	5,874,575	00
Nov. 1	$1\frac{1}{2}$	Canada	400,000,000	00	7,000,000	00
1951, Feb. 1	$3\frac{1}{4}$	Canada	(1) 50,155,600	00	1,621,932	00
June 15	3	Canada	(2) 649,969,592	50	19,306,027	50
Nov. 1	$1\frac{1}{2}$	Canada	500,000,000	00	8,750,000	00
1952, Feb. 1	$3\frac{1}{4}$	Canada	(3) 50,559,000	00	1,625,000	00
Nov. 1	$1\frac{1}{2}$	Canada	300,000,000	00	4,500,000	00
1953, Mar. 1	$1\frac{1}{2}$	Canada	325,000,000	00	4,875,000	00
1954, Mar. 1	3	Canada	(4) 676,355,489	00	20,089,767	00
1955, May 1	$3\frac{1}{4}$	London	2,930,121	84	95,228	96
June 1	3	Canada	40,000,000	00	1,200,000	00
June 1	3	Canada	55,000,000	00	1,650,000	00
1956, Nov. 1	3	Canada	(5) 855,607,410	50	25,414,081	50
Nov. 1	$2\frac{1}{2}$	Canada	*284,780,000	00	7,331,450	00
1957, May 1	3	Canada	1,111,261,650	00	33,337,849	50
Nov. 1	$2\frac{1}{4}$	Canada	*155,850,000	00	4,285,875	00
1958, June 1	3	Canada	88,200,000	00	2,646,000	00
Sept. 1	4	London	1,967,941	43	78,717	66
Nov. 1	$2\frac{1}{4}$	Canada	*161,325,000	00	4,436,437	50
1959, Jan. 1	3	Canada	1,197,324,750	00	35,919,742	50
Nov. 1	$2\frac{1}{4}$	Canada	*203,200,000	00	8,063,000	00
1960, June 1	3	Canada	1,165,300,350	00	34,959,010	50
Oct. 1	4	New York	110,000,000	00	4,400,000	00
1961, Jan. 15	$3\frac{1}{4}$	New York	52,800,000	00	1,716,000	00
1962, Feb. 1	3	Canada	1,315,639,200	00	39,469,176	00
1963, July 1	$3\frac{1}{4}$	London	2,176,198	85	70,726	46
July 1	3	London	*54,812,834	29	1,644,335	03
Aug. 1	3	New York	165,000,000	00	4,950,000	00
Oct. 1	3	Canada	1,295,819,350	00	38,874,580	50
1966, June 1	$3\frac{1}{4}$	Canada	54,703,000	00	1,777,847	50
Sept. 1	3	Canada	1,691,796,700	00	50,753,901	00
1974, Sept. 1	$2\frac{1}{4}$	New York	110,000,000	00	3,025,000	00
Perpetual	3	Canada	55,000,000	00	1,650,000	00
1950, April 6 Treasury Bills	.513	Canada	75,000,000	00	384,750	00
April 21 Treasury Bills	.512	Canada	75,000,000	00	384,000	00
May 5 Treasury Bills	.512	Canada	75,000,000	00	384,000	00
May 26 Treasury Bills	.513	Canada	75,000,000	00	384,750	00
June 9 Treasury Bills	.513	Canada	75,000,000	00	384,750	00
June 23 Treasury Bills	.512	Canada	75,000,000	00	384,000	00
Aug. 30 Deposit Certificates	.75	Canada	100,000,000	00	750,000	00
June 15 Non-Interest Bearing Certificates		Canada	*148,700	00		
War Savings Certificates	3	Canada	*135,000,000	00	4,050,000	00
Refundable portion of excess profits tax (estimated)			15,076,607,359	26	395,954,299	94
			*115,000,000	00		
			15,191,607,359	26	395,954,299	94
Payable in Canada			14,691,920,262	85	96.71%	
Payable in New York			437,800,000	00	2.88%	
Payable in London			61,887,096	41	0.41%	
			15,191,607,359	26	100.00%	

(1) Redeemable at 100½ per cent. Amount outstanding includes \$ 250,000.00 redemption bonus.

(2) Redeemable at 101 per cent. Amount outstanding includes \$6,435,342.50 redemption bonus.

(3) Redeemable at 101 per cent. Amount outstanding includes \$ 500,000.00 redemption bonus.

(4) Redeemable at 101 per cent. Amount outstanding includes \$6,696,589.00 redemption bonus.

(5) Redeemable at 101 per cent. Amount outstanding includes \$8,471,360.50 redemption bonus.

* Estimated.

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