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CANADA

BUDGET SPEECH

DELIVERED BY

HONOURABLE WALTER HARRIS

MINISTER OF FINANCE

MEMBER FOR GREY-BRUCE

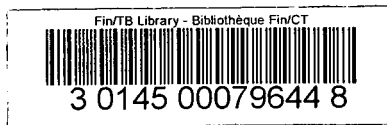
IN THE

HOUSE OF COMMONS

APRIL 5, 1955



EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1955



I N D E X

International Position	3
Domestic Economic Conditions	5
Government Accounts 1954-55	8
Federal-Provincial Relations	9
Tax Policy	9
Tax and Tariff Changes	12
Corporation Income Tax	12
Personal Income Tax	12
Customs Tariff	15
Sales and Excise Taxes	16
Summary and Conclusion	17
Resolutions	18
Budget Papers:	
Part I Economic Review of 1954	46
Part II Review of Government Accounts 1954-55	75

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THE BUDGET

ANNUAL FINANCIAL STATEMENT OF THE
MINISTER OF FINANCE

Hon. W. E. Harris (Minister of Finance)
moved:

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

He said: Before I proceed with my remarks, Mr. Speaker, I think I ought to draw attention to the fact that it was 81 years ago this week that the first Liberal finance minister presented his first budget. Since Sir Richard Cartwright there has been a long succession of distinguished predecessors of mine: Fielding, Robb, Dunning, Ilsley and my immediate predecessor Mr. Abbott.

My hon. friends opposite have their traditions also. They have had distinguished gentlemen in this portfolio. I mention only a few: Tilley, Tupper, Foster and more recently, Sir Thomas White. At this point I should like to pay my respects to the memory of Sir Thomas White who was, as everyone knows, the finance minister in the first world war. He has just recently passed from us full of years and honours which were richly deserved for the service he gave to his country.

In presenting the ninety-first budget since confederation, Mr. Speaker, I have followed the practice of the last few years in placing before hon. members a white paper which contains the facts and the figures with respect to the accounts of the past year. With this white paper before you it will not be necessary for me to go into any great detail about the accounts for the time being. However, I wish to make a general survey of the economic conditions of the country and of the accounts of last year. In doing so I crave the indulgence of hon. members, who may recall that on occasion I have expressed certain views about the length of speeches in

the House of Commons, because I am now obliged to break the rule that I have heretofore tried to observe.

THE INTERNATIONAL POSITION

I should like to begin with a short review of the international scene as it affects our budgetary problems.

On the political side, 1954 was a year of constructive achievement, although our hopes of realizing a permanent and stable peace continued to be disappointed. In Europe there was some easing of tensions as further improvement was made in the political and military strength of the Atlantic alliance. Hostilities in Indo-China were brought to an end and a number of countries in south and southeast Asia made additional progress in their program of economic development. Despite these improvements, however, the world situation, particularly in the Far East, remains troubled and uneasy, and it is abundantly clear that the free world cannot yet afford to relax its efforts to build up their defences.

We must therefore continue to expect substantial expenditures for this purpose.

In economic matters abroad, 1954 was in most respects a good year. In the United States, economic activity, after receding from the peak level of 1953, began to turn up in the last quarter of the year and has continued to improve since that time. This progressive improvement in the United States has been a very heartening development, not only to us but to all friendly countries.

Another encouraging feature of the past year has been the continued expansion in production in most overseas countries of the free world, particularly the United Kingdom and western Europe. As post-war shortages have been overcome, most of the controls and restrictions which distort production and hinder basic adjustments have been abandoned. This has undoubtedly helped to bring

about the improvement which has occurred both in productive investment and in living standards.

There has been a welcome easing of restrictions on international trade and payments. The United Kingdom has continued to give a constructive lead on these matters by relaxing quotas and licensing requirements, reducing discriminations against dollar imports, easing exchange restrictions and reopening commodity markets.

There is still, of course, a long way to go before the goal of full convertibility and truly liberal trade arrangements is attained. A number of countries still face formidable inflationary problems and balance of payments difficulties, and some succeed in balancing their external accounts only with the help of large amounts of United States off-shore purchases and other forms of aid. However, substantial inroads have been made on entrenched restrictions and there is growing recognition that domestic inflationary pressures must be contained if international balance is to be achieved and maintained. In this connection, it is encouraging that the recent set-back in the steady progress made by the United Kingdom during the last few years in rebuilding her international reserves has not been dealt with by imposing new restrictions, but in other, and better, ways.

In helping countries to restore stability in the post-war years, to expand production and to increase their international trade, no nation has played a more constructive role than the United States. As every member of this house is aware, the success that has already been recorded is due largely to generous and farsighted American policies. In the past twelve months, however, while there was no basic change in American policies, there was a disappointing lack of progress toward actual reductions in trade barriers and there were disconcerting signs of a revival of protectionist feeling in response to the increase in competitive conditions.

I should remind the house that the United States administration has resisted proposals which, in our opinion, would not advance the cause of friendly and mutually advantageous trade. This resistance we welcome. On the other hand, it must be confessed that the resistance has not been uniformly successful. We all have our difficulties and it is not always possible to achieve ideal solutions. But it must be recognized that actions taken or even implied by the government of the United States may weaken support for liberal commercial policies and may impose upon those of us who are firm supporters of such policies a greater burden in defending them in our own countries. One country

cannot attempt to get the maximum benefit at the cost of the minimum adjustments without creating a desire in other countries to achieve the same result. There must be a reasonable give and take in any durable trade relationships, whether under the GATT or under any other system.

It is of the utmost importance for the future of international economic co-operation that the United States should continue to give positive direction and leadership in reducing barriers to the free flow of world trade.

We in Canada will continue to play our part in any further steps that are taken to promote these objectives. As one of the world's great trading nations, it is clearly in our interest to encourage overseas countries to earn dollars in order that they may be able to buy our exports, which are the source of over one-fifth of our income. If we are to maintain our standard of living and use our resources and skills to best advantage, we must be prepared to permit other nations to do the same. Markets everywhere are becoming more competitive, but as an important exporting nation we must continue to look very carefully at all proposals involving government protection and aid. The effects of the higher costs resulting from artificial assistance in one form or another would have to be borne by the Canadian consumer in the form of higher taxes and higher prices and, even more important, by the Canadian producer for export in the form of lost markets overseas and lost employment here.

We should be particularly careful about impeding imports from countries whose trading position was impaired by the war, countries which are now dismantling their discriminatory restrictions against our exports and which can be expected to buy still more from us as long as we do not prevent them from earning the dollars with which to do so. With such considerations as these in mind, the government has studied the recent report of the tariff board relating to our tariff on British woollens. We have decided that even though sections of our own industry are experiencing difficulties it would not be wise to increase the tariff. While the relatively low level of our present rates may have contributed to the difficulties of certain sections of the industry, there are, as the report emphasizes, many other factors at work, including changes both of consumer preference and of technology. It seems clear that no change in the tariff, such as was proposed to the board by the industry as a minimum requirement, would solve the basic problems that currently beset the Canadian woollen and worsted manufacturer.

Our trade relations with most of the outside world continue to be governed by the general agreement on tariffs and trade. This agreement, I believe, serves our interests far better than a series of separate individual trade agreements with all the other contracting parties and it is, of course, infinitely better for us than the chaotic trade warfare that might take place if there were no trade agreements at all. The articles of the general agreement were the subject of close scrutiny during a long conference this winter in Geneva and a number of amendments were provisionally agreed upon there.

These negotiations were under the personal direction of my colleague the Minister of Trade and Commerce (Mr. Howe), and I am sure we all agree that there is no one better qualified to conduct such negotiations on behalf of Canada. He has reported to the house that the revised GATT is greatly to be preferred to no agreement at all, and that it will continue to be in Canada's interest to adhere to it. In this connection I can now announce that we propose to join with others in the general rebinding of tariff schedules as from July 1 of this year.

DOMESTIC ECONOMIC CONDITIONS

I turn now to our own domestic circumstances and prospects. It is not an easy matter to generalize about the course of economic events last year, or about the probable trend for the immediate future.

In the fall of 1953 it began to be apparent that the year by year expansion of the Canadian economy which has been so conspicuous a feature of our post-war development was slowing down. Nevertheless it was felt at that time, and the record of 1954 shows that this belief was well founded, that the basic strength of our economy was not in question.

There were some people who feared a major economic downswing. This fear was based, I suppose, on the thought that the decline in production which was then taking place would inevitably spread from one industry to another by a sort of contagion of falling confidence exerting its adverse influences on wider and wider circles of the economy. In fact, no such contagion or acceleration of the forces making for weakness occurred.

By and large, the principal declines in the Canadian economy have stemmed from the small western grain crop, reductions in business spending on new machinery and equipment, and lower purchases by consumers of the more durable kinds of goods. All these reductions were from levels which had been unusually high by any standard of comparison. The lower expenditure on capital equipment and consumer durables was largely, but

not wholly, offset by new records of production in our lumber, pulp and paper, mineral and petroleum industries. The net result was that our gross national product in 1954, estimated at \$24 billion, was 2 per cent, or \$400 million, below 1953.

In dollar terms the sharp decline in the grain crop was equal to the total decline in the gross national product, and in addition its effects permeated all other sectors of the economy. For example, loans under the Farm Improvement Loans Act, which are a good indicator of farm equipment sales, fell from \$98 million in 1953 to \$62 million in 1954. Retail sales on the prairies in the last half of 1954 were 7 per cent below the same period of 1953 while in the rest of the country they were slightly higher. The small western harvest thus contributed both directly and indirectly to our lower gross national product. Apart from the three prairie provinces, however, agriculture had a good year, and farm cash income was moderately higher than in 1953.

On the industrial side, it is necessary to remind ourselves that unevenness in the rate of growth, as well as adjustments within industries are more characteristic of an expanding economy such as ours than of a mature or static economy. In recent years we have become so accustomed to big improvements in production that even a minor reversal of the trend is apt to cause more concern than the situation warrants. In a real sense, of course, such changes are partly the result of the very rapid expansion of earlier years, as well as the result of a changing external situation.

As I said a moment ago, the principal declines in the industrial sector were in capital equipment and consumer durables, and these, in turn, were reflected in reduced activity in the primary iron and steel industry. The output of metals and minerals, however, continued to grow, supported by strong markets at home and abroad. The output of oil and other petroleum products increased at an impressive rate, giving more employment and enabling us to reduce our dependence on external supplies. 1954 was also a record year for lumber, woodpulp and newsprint. Employment in trade, in finance and in other service industries also continued to grow. The improvement in this last group of industries is not featured in the headlines, but it employs about one-third of the total labour force of Canada.

Perhaps the principal sustaining factor behind the demand for goods and services in 1954 was consumer expenditures. The increase was from \$15,100 million to nearly

\$15,600 million, or slightly more than 3 per cent. The continued confidence of consumers in their economic future is important since their decisions to spend or not to spend can spell the difference between expansion and contraction for many of our industries and, of course, for the economy as a whole.

I should note at this point the important role played by our federal welfare and income maintenance policies. During the past year almost \$1,200 million was paid out in veterans benefits, family allowances, pensions or assistance to the old, the disabled and the blind, and in unemployment benefits.

In 1954 more than 100,000 families decided to build or acquire new housing accommodation, involving an increase of 10 per cent in the number of housing starts during the year. The new provisions of the National Housing Act helped them to finance their plans. Of course this increase in consumer expenditures and in housing starts was supported by the growth in population and by an increase in the total of personal incomes, largely in wages and salaries.

The increase during 1954 of 405,000 in our population is especially worth noting. It is as if we had added one new Vancouver or 20 new Guelphs to our country. It may be that some small part of this increase in population had its reflection in our total unemployment; but I am certain that if we had not had this increase, both native born and immigrant—we would have had relatively less employment and been a poorer country.

Defence spending also remained high throughout 1954 although there was a decrease of about 8 per cent compared with the previous year. However, an increase in the non-defence expenditures of the federal, provincial and municipal governments almost exactly offset the defence decline in the total demand for goods and services.

New capital investment in plant and equipment continued at a high level and, if we include housing also, constituted nearly 20 per cent of the total national product. However, for the first time in the post-war period there was a small decline in total new investment, amounting to about \$300 million or about 6 per cent. Investment in new plant and equipment declined by nearly \$400 million, but the amount of new housing construction increased by about \$100 million. I shall revert to this question of capital investment a little later.

Exports continued to support a high level of production and to give encouragement to plans for the further expansion of many of our primary industries. The experience of 1954 confirms the view that Canada has the

potentialities for producing efficiently and cheaply a larger output of many of the basic commodities which the world needs. Although total exports were some 5 per cent below the level of the previous year the decline in the sales of wheat and flour is largely responsible for this change. Moreover, the past four months have seen an encouraging reversal in the trend of our total export sales. In these four months exports have been \$107 million, or 8½ per cent, above the figures for the same four months a year ago. Wheat and flour exports have improved; pulp and paper were up 10 per cent; non-ferrous metals 25 per cent; lumber 40 per cent; and chemical products 50 per cent.

Imports fell by a little more than exports so that the small deficit on merchandise trade in 1953 was replaced by a small surplus last year. Taking the non-merchandise transactions into account as well, there was a deficit in Canada's international transactions on current account of \$427 million, or about \$12 million less than last year.

Large amounts of foreign capital, chiefly from the United States but also in good volume from British and European sources, continued to be invested in Canada in 1954. Direct investment inflows were down somewhat on the year, and new issues by Canadians on United States security markets fell quite noticeably after the first quarter of 1954. On the other hand, non-resident purchases of outstanding Canadian shares were distinctly higher.

Net capital movements, on balance, were more than sufficient to cover the current account deficit. Official reserves of gold and U.S. dollars rose during 1954 by \$124 million to \$1,942 million. The rate of exchange of the Canadian dollar was, on the average, slightly higher in 1954 than in the preceding year. As hon. members are aware, the Canadian dollar rate has declined again in recent months.

There has been no change in the policy of the government to allow the rate of exchange to be determined by the sum total of the forces operating in the exchange market, including of course the influence of fiscal and monetary conditions. The resources of the exchange fund are not used to reverse persistent trends but only to contribute to orderly conditions by limiting excessive short-run movements in either direction which might otherwise occur.

No appraisal of the economic situation could avoid some reference to the revival of international competition. So far as the basic industries are concerned, most of our producers have proved quite capable of maintaining and even increasing their markets at

home and abroad. However, some of the secondary manufacturing industries have lost ground in export and domestic markets to their competitors. I mention this to illustrate the point that the difficulties which some industries are facing today are not the result of any general decline of demand, but of a new situation applicable to the industries concerned and in large measure capable of correction by those industries. Clearly these are situations which cannot be corrected by government. What is needed is resourceful efforts by management and labour to meet that competition by reduction in real costs and the improvement of quality and efficiency—all of which I firmly believe Canadian management and labour can provide.

Canadian production and employment last year was, of course, adversely influenced by the recession in the United States. Our economic relations with that country are too significant for Canada to remain unaffected when the American economy is going through a period of readjustment. Fortunately, those conditions are beginning to disappear.

In the United States the new year got off to a good start and I note that there is a widespread belief in that country that the present expansion of production will continue. This is already reflected in our exports to the United States. The continuation of prosperous conditions in western Europe and in commonwealth countries, together with better prices for many of the industrial raw materials which count so heavily in our exports to these areas, supports the belief that total exports will continue to expand in the year ahead.

The second important ingredient of further expansion exists in the program for the construction of new capital facilities. The present intentions of individuals, business and governments in this respect were summarized in a white paper tabled by my colleague the Minister of Trade and Commerce a few weeks ago, which indicates a 6 per cent increase in 1955 over 1954. Quite apart from the extension of capital facilities in the industrial and commercial sectors of the economy it is to be observed that new investment for the development of natural resources is going on apace, despite the completion of some of the more spectacular developments which have captured our imagination in recent years.

There should also be an increase in construction activity in the season now beginning. Indeed, it is clear to all of us that alongside the pushing back of the physical frontiers of our country there is also taking place an expansion of urban facilities which is simultaneously making Canada a land of large cities. This trend toward metropolitan

development creates special problems of its own, but it is undoubtedly expanding the demands upon the products of industry and for the employment of our people.

Our fiscal and monetary policies will continue to be directed towards the encouragement of enterprise, investment and employment. I shall speak of fiscal policy in a moment. As for monetary policy, it has been definitely expansionist in character. Through 1954 the cash reserves of the chartered banks were more than sufficient to enable them to meet the demand for loans. The banks were therefore in a position to purchase government securities in the market on a substantial scale and thus add to the money holdings of the public. This and other influences brought about a considerable reduction of interest rates in Canada and rising security prices, which have made it easier to finance capital and other expenditures by borrowing or by converting securities into cash. I may add that interest rates in Canada have declined somewhat since the beginning of 1955 while rates were tending to rise in the United States and elsewhere.

Government expenditures will continue to provide a substantial support to production and employment in the year ahead. Total expenditures on defence will not differ much from last year. The construction of the St. Lawrence seaway and power development will require large expenditures this year, and will stimulate production in other industries. In addition, of course, the so-called "built-in" supports to production and employment through government payments of pensions, family allowances and other welfare payments will continue to expand in line with the growth in population. Provincial and municipal expenditures are expected to increase. It is also reasonable to assume a normal grain crop this year, with a resultant stimulus to purchasing power in rural areas.

These estimates of future demand, imperfect and rough as they must be in the early part of April, confirm my feeling of confidence for the coming year. They indicate an active year for production, which will be reflected in increased incomes and employment, and a further increase in consumer demand can be confidently anticipated. All in all, then, I feel justified in counting upon an increase in the total national product in 1955 of something better than a normal rate of growth. Assuming normal crops, and if no unforeseen adverse events occur, I would expect our gross national production in 1955 to exceed 1954 by 5 or 6 per cent; that is, it should reach \$25½ billion or perhaps just a bit more, and on that figure I shall base my revenue forecasts.

GOVERNMENT ACCOUNTS 1954-55

I turn now to a brief survey of the government accounts for the fiscal year which ended last week. These are set out in considerable detail in the white paper. I should, of course, remind hon. members that our books of account will not be finally closed and audited for some time, and that the figures which I use tonight are subject to revision.

Subject to these qualifications, the results for the year can be stated briefly. Our total budgetary revenues were about \$4,107 million, our expenditures about \$4,255 million and the deficit for the year was about \$148 million.

Revenues at \$4,107 million were about \$360 million or 8 per cent less than the forecast of a year ago and about \$290 million less than we collected in 1953-54. Customs, sales, and excise duties and taxes, and non-tax revenues have all fallen slightly short of expectations. However, corporation income tax collections which were \$190 million less than expected and personal income tax receipts which were \$60 million less than expected were the two principal factors contributing to the over-all shortfall. Corporate profits were substantially lower than had been expected at the time of the last budget.

In his budget speech last year my predecessor projected a scale of expenditures and revenues that almost exactly balanced. He made it clear, however, that his projection was based upon two assumptions—normal crops and an early resumption of our normal rate of industrial expansion. He said explicitly that if these conditions did not materialize there would be a deficit of 2 or 3 per cent. Well, as hon. members know, we had a poor wheat crop, the poorest in 17 years, and the resumption of a normal rate of industrial expansion has been slower than we had hoped. As a consequence we have a deficit equal to $3\frac{1}{2}$ per cent of our expenditures.

Expenditures last year amounted to \$4,255 million. This was \$205 million or $4\frac{1}{2}$ per cent less than forecast and \$95 million less than the total spent in the previous year. Expenditures for defence amounted to \$1,700 million. Although this was \$160 million or 8 per cent less than in 1953-54, it still constituted 40 per cent of the total budgetary outlay. Civil or non-defence expenditures amounted to about \$2½ billion. About \$775 million or 30 per cent of this was for family allowances and other health, welfare and social security services, and veterans' benefits. In addition, we paid out about \$350 million from the old age security fund. Interest and other charges for servicing the public debt amounted to over \$500 million or 20 per cent of the total,

and subsidies and tax rental payments to provinces were \$360 million or 15 per cent. In brief, two-thirds of all our civil expenditures were for welfare and social security services, public debt charges, and provincial subsidy and tax rental payments.

As usual, in addition to these expenditures for government services which are included in the budgetary accounts, we made substantial loans and advances and provided large sums for a variety of other authorized and essential purposes. I should like to say a word about these non-budgetary transactions and their effect on our cash position.

During the fiscal year non-budgetary disbursements amounted to \$290 million. To meet them, \$490 million was available from non-budgetary sources of which \$205 million came from the various annuity, insurance and pension accounts which the government holds and administers, and \$220 million from the repayment of loans and advances.

After taking into account the budgetary deficit of \$148 million and the net balance of \$200 million available from non-budgetary transactions, some \$50 million was available for debt reduction. By using this amount and by drawing down about \$150 million of the large cash balances we held at the beginning of the year, the funded debt in the hands of the public was reduced during the year by \$200 million.

The government's public debt operations during the past year have again included the redemption or refinancing of a large volume of bonds. The redemption of the third and fourth victory loans, amounting to \$2,000 million, involved the two largest refunding operations in our history. Net sales of Canada savings bond series 9 amounted to \$767 million, and represented the largest net increase in savings bond holdings by the Canadian public in any year since this type of security was introduced nine years ago. During the year there was a net increase in the amount of treasury bills outstanding of \$240 million reflecting the government's desire to develop a more active Canadian market for short-term securities. Apart from the refunding of treasury bills which matured periodically, the total of new securities issued was \$4,610 million and we redeemed matured or called securities and acquired others for our sinking fund and securities investments accounts to a total of \$4,810 million. In consequence, as I have pointed out, we were able to reduce our unmatured funded debt outstanding in the hands of the public by \$200 million.

Interest rates declined during the year. Early in 1954, long-term government of Canada bonds were selling to yield about 3.75 per cent. During the past two months the

rate has been under 3.20. Treasury bill rates also declined. A year ago the rate on 3 month bills was around 1.60 per cent. Currently this rate is about 1.15 per cent. The average rate of interest on the government's entire funded debt was 2.86 per cent a year ago. Now it stands at 2.74.

FEDERAL-PROVINCIAL RELATIONS

Federal-provincial relations are currently a matter of particular interest and concern. They are one of the most important problems facing us as a nation today. I do not propose at this time to review them in detail, or to suggest any revisions or alternatives to our present arrangements. We will be meeting with the provincial representatives later this month, preliminary to a full federal-provincial fiscal conference later in the year. We on our part, and I am quite sure this is true of all others, will be coming to these meetings with open minds, and I do not wish to pre-judge the issues and the problems we shall then be discussing.

Government in a federal state is an extremely complex matter, and in no field is this truer than in federal-provincial financial relations. Various provincial spokesmen have from time to time expressed views on these questions. Some have proposed larger payments by the federal government to the provinces; others have asked that the federal government take on additional responsibilities, or contribute substantially to their cost. Some have pressed for a return to what they believe to be the original intentions of the framers of our constitution; others have advocated a formal reallocation of financial powers and responsibilities.

I find it difficult to envisage any re-allocation of taxing powers or more precise definition of sources of revenue that is likely to meet all future contingencies. If that is the case, there is much to be said for medium-term agreements, freely entered into, and subject to renewal or reconsideration at regular intervals. I think we are more likely to reach sensible and acceptable solutions in that way.

No one, so far as I know, has ever claimed that the tax rental approach has been satisfactory in all respects; but it would be most unwise to undervalue the many advantages the country has gained from it. These agreements have been a unique and interest-

ing experience in intergovernmental co-operation and the disagreements that have occurred from time to time should not lead us to overlook the substantial benefits that have accrued to the provincial governments and to the people of Canada through this co-operation.

In considering our future course of action we can hope and expect that the expansion of our economy will continue to provide a tax potential sufficient for all levels of government. I suggest that we should seek a scheme of federal-provincial fiscal arrangements that will provide the total revenues required with the greatest degree of equity and efficiency; that will impose as little duplication and confusion as possible on the common body of taxpayers; that will spend the revenues so acquired so as to afford the greatest measure of public service; and at the same time will fully preserve provincial autonomy as provided in our constitution. Our success in achieving the best possible blend of these will be the test of our collective statesmanship.

I have not considered it necessary at this time to refer in any detail to the solution reached in the matter of the credits for personal income tax levied by the province of Quebec. This was explained to this house by the Prime Minister on January 17 last. I need only say that no other province has indicated a desire to withdraw from its agreement in favour of terms similar to those made available to Quebec. Among the resolutions I shall be tabling this evening will be those giving effect to the arrangements announced by the Prime Minister last January.

May I say by way of interpolation that I am quite sure nearly all Canadians are extremely pleased that the present Prime Minister (Mr. St. Laurent) will be presiding over the conference with the provincial premiers.

TAX POLICY

I come now to the question of what should be the basic principles governing our tax policy this year.

I am sure that all will agree that when employment and incomes are high, and the economy expanding at a normally healthy rate, we should fully balance our budget, with a modest amount for the reduction of debt.

I think there will also be general agreement that, under boom conditions when abnormal demands are putting undue strain on our resources and inflationary pressures are building up, fiscal policy should play its part, along with other appropriate policies, in placing some restraint on such boom conditions. Conversely, when the rate of economic advance slackens, and the economy as a whole is not fully employed, a moderate budgetary deficit should be no cause for alarm.

Let me add at once that I do not think that fiscal policy is the only means of promoting economic stability and expansion. Fiscal policy is just one of several means to that end. Monetary policy, trade policy and policies relating to resource development and basic income maintenance are equally important, and in certain contexts may have considerably greater influence. The important thing is that all the useful tools and weapons at the disposal of the government should be used and directed toward that fundamental objective of all economic policy—the steady expansion of the wealth and welfare, the employment and incomes, of the Canadian people. Nor would I want to leave the impression that governments alone bear these responsibilities. The healthy expansion of the Canadian economy is everybody's business.

Fiscal policy, however, is one of several important means of promoting the expansion of wealth and welfare. I propose to recommend to the house a tax policy and a tax structure that would produce a balanced budget under conditions which represent a high level of output and employment.

There are various ways of describing what we mean by high levels of employment and incomes, and various ways of estimating what revenues a certain tax structure will produce from a given level of activity. This is not a simple exercise, but I shall put it in simple terms without adding all the qualifications—the “ifs” and “buts”—which perhaps ought to accompany it.

1953 was a good year in fact the best we have ever had. The gross national product in that year was \$24.4 billion. Our available labour force, our managerial and technical skills, and our stock of capital equipment should grow and improve. Consequently our capacity to produce goods and services should normally expand. Had we had this expansion during the past year, our

gross national product in 1954 would have been a bit over \$25 billion. Actually it was only \$24 billion.

If it were possible to pick up this slack and at the same time add a normal rate of growth, we would have a gross national product in 1955 of a little more than \$26 billion. I propose, therefore, to recommend a tax structure which, as closely as I can estimate, would produce a balanced budget if we had a gross national product of about \$26 billion.

As I said a moment ago, it is not a simple matter to forecast revenues under changing economic conditions. Our tax structure as a whole is progressive, that is, our tax yields tend to rise more rapidly and fall more rapidly than the national income as a whole. How rapidly our revenues rise or fall depends largely on the shifts in the various elements that make up the total national income.

After analysing all the relevant considerations, I have concluded that our present tax structure would produce revenues close to \$4,550 million if we had a gross national product of \$26 billion. I have already said that I do not expect that we shall average so high a rate for 1955 as a whole, but I am hopeful that we shall reach that rate before the end of our fiscal year. For the purpose of forecasting our actual revenues I shall assume, as I said earlier, a realised gross national product of \$25½ billion in this calendar year, and on that basis our federal revenues will be about \$4,350 million.

If I may have unanimous consent I would like to place in *Hansard* at this point a table showing my estimate of our revenues for the year just closed and of the revenues that would be received in the coming year if no changes in taxation were made.

TABLE I
Revenues before Tax Changes
(in millions of dollars)

	Preliminary 1954-55	Forecast 1955-56
Personal income tax	\$1,176	\$1,235
Non-resident income tax	61	65
Corporation income tax	1,008	1,085
Succession duties	42	45
Customs duties	393	416
Excise duties	227	238
Sales tax	576	600
Other excise taxes	254	265
Miscellaneous taxes	16	17
Total tax revenues	3,753	3,960
Non-tax revenues and credits ..	354	390
	<u>\$4,107</u>	<u>\$4,350</u>

The main estimates of expenditure have already been tabled in the amount of \$4,360 million. The government has continued its efforts toward maximum economy and efficiency in government operations. With the co-operation of all my colleagues it has been possible this year to achieve a reduction in the main estimates—the first in seven years. Decreases from last year are shown for ten departments. The reduction in estimates has been achieved after providing for the automatic increase in social security payments arising from the growth of our population. In order to help maintain employment, there has been no curtailment in the planned program of useful and necessary public works. Indeed, if we include loans to government agencies, there is provision for a substantial increase in expenditures on public works during the present year. Also there is provision for the normal expansion of government services designed to promote the expansion of our economy. For this purpose, increases have been proposed in the outlays on research, on services which encourage the development of resources, and on the administration and development of our northern areas.

We have sought to reduce expenditures through economies in administration and overhead. In the coming year there will be substantial savings in interest charges resulting from refinancing of loans at lower interest rates. Additional steps have been taken to ensure proper economy in the use of staff in government departments. Administrative procedures are constantly being reviewed in order to eliminate waste and to increase efficiency. There will be no relaxation in these efforts. The more successful we are in the exercise of economy and efficiency in operating costs, the more possible it will be to provide necessary services and to undertake constructive projects which promote the growth and prosperity of our economy.

There will, of course, be the usual supplementaries. On the other hand, there will be the usual lapsings and underspending in many of the 500 separate items in the estimates. After a careful study of all these factors, I have reached the conclusion that a fair estimate of our actual spending during the coming year is \$4,300 million. Thus on the basis of the accounting methods we have been using in the past I would expect a surplus of about \$50 million at the present rates of taxation.

At this point, however, I should like to report on the operations of the old age security fund. Hon. members will recall that

parliament set up this system and this fund in 1951, and it came into operation in stages during 1952. The revenue of the fund comes from a two per cent sales tax, a two per cent corporation income tax, and a two per cent personal income tax (with a maximum individual payment of \$60).

The amount and the disposition of the annual deficit of this fund are shown in the following table which I ask leave to place upon *Hansard*:

TABLE II

Fiscal Years	Old Age Security Fund (in millions of dollars)			Disposition of Deficit
	Receipts	Payments	Deficit	
1951-52	\$26	\$76	\$50	Charged to current expenditure
1952-53	244	323	99	Written off to active asset reserve
1953-54	293	339	46	Carried as a temporary loan
1954-55*	291	353	62	Carried as a temporary loan

*Preliminary—final figures not available until final closing of the 1954-55 accounts.

The deficit in the fund for the year just closed is about \$62 million and during the coming year I expect that it will be about the same.

We have now had three full years of experience with the operations of this fund, and I think we should now take steps to close out the deficit each year. I propose, therefore, to ask the authority of parliament to wipe out the temporary loan for the year 1953-54 by charging it to current expenditure in the year 1954-55. Similarly I shall ask parliament in the June supplementaries, when the exact deficit for 1954-55 is known, to charge the past year's deficit to this year's expenditure.

When this is done it will have the effect of increasing our budgetary deficit for the year just ended by \$46 million; that is, instead of the \$148 million I reported earlier, and also referred to in the white paper, the adjusted deficit will be \$194 million. It will have the further effect of adjusting the current year's estimated expenditure from the \$4,300 million I mentioned a moment ago to \$4,362 million.

Having forecast the revenues, before any tax changes, at \$4,350 million, and the expenditures at \$4,362 million, I would face a deficit of \$12 million this year. If, however, employment, incomes and business activity were at the desirable level—that is, such as to yield a gross national product of about \$26 billion—our present tax structure would

be generating a substantial surplus. I think in these circumstances it is good sense to anticipate this situation and make some moderate tax reductions now.

Apart from and outside the budget, we shall as usual be called upon to make a number of authorized loans and advances for which we must find cash. The Canadian National Railways capital requirements are financed initially by advances from the government. In 1955 these may amount to \$150 million. Loans to the St. Lawrence seaway authority will be about \$50 million and another \$40 or \$50 million will probably be required for advances to Central Mortgage and Housing Corporation. In addition cash will be needed for other crown corporations and departmental working capital accounts, for loans to veterans and other authorized purposes. Moreover, I should expect that there will be substantial net disbursements from the defence equipment replacement account.

On the other hand, we shall have cash coming in from the repayment of various loans and advances and from various annuity, insurance and pension accounts which the government administers. Changes during the year in the exchange fund cannot be accurately forecast. However, all in all I should expect that apart from our funded debt and exchange fund operations and the net requirements of the Canadian National Railways, the non-budgetary accounts will be approximately in balance.

TAX AND TARIFF CHANGES

I turn now to specific tax proposals. The burden of our present taxes is, I believe, distributed pretty fairly and sensibly. My problem, therefore, is to spread such reductions as I am able to recommend as fairly as possible. However, in addition to wanting to be as fair as possible, it is desirable that the reductions be made where they will be helpful in encouraging business activity and promoting employment.

CORPORATION INCOME TAXES

It is well known that a great part of our post-war industrial development has been financed out of corporate earnings which have been retained to expand production and create more jobs. Our present rate of tax on corporate profits is very high. The standard rate takes away nearly half the earnings of business enterprise. I share my predecessor's view that in the interests of the future of Canada—and that means all of us—the rate

should be lowered as circumstances permit. Sound and prudent government policies with respect to business enterprise encourage the growth and expansion of the whole country.

In the light of these considerations I propose to reduce the standard corporate rate from the present 49 per cent level to 47 per cent effective January 1, 1955. On an annual basis this will reduce revenue by about \$43 million and the revenue loss for this fiscal year will be about \$28 million.

PERSONAL INCOME TAX

The personal income tax is our largest source of revenue. It is also a progressive tax, broadly based, and directly touches more than 3,800,000 individual taxpayers. It is a tax where changes in rates—up or down—are quickly reflected in the current stream of personal incomes. It is in this direction that I propose to apply the greater part of the relief available this year.

I am recommending a new schedule of rates which will reduce the tax payable by 12 to 13 per cent for 85 per cent of our taxpayers. The method by which this result will be reached is to reduce the rates of tax payable on each bracket of income by two percentage points. The maximum reduction in the tax payable will be 13.3 per cent. Every married taxpayer with an income up to about \$5,000 will get at least a 12 per cent reduction. The rate of reduction beyond this point drops off gradually until it reaches 2.8 per cent at the highest income levels.

These changes, as is our regular practice, will be effective July 1, 1955. This means that for the great majority of taxpayers their tax reductions at the source will be reduced by 12 or 13 per cent commencing with their July pay cheques. For the calendar year 1955 the reduction in total tax payable will, of course, be just half that which I have mentioned, because every taxpayer will have paid during the first six months at the old rate, and the last six months at the new.

This reduction in personal income taxes will be confined to the regular income tax as calculated under the graduated schedule of rates and will not apply to that part of income tax levied under the old age security act nor to the special 4 per cent tax on investment income. The cost to the treasury of this abatement will be \$128 million in a full year, or \$85 million in this fiscal year.

With consent I should like to place on *Hansard* at this point the usual tables showing the tax payable at various income levels for the calendar year 1954, the calendar year 1955, and on a full year basis.

TABLE III
EFFECT OF THE PROPOSED PERSONAL INCOME TAX CHANGES
SINGLE TAXPAYER

Income	Tax paid for 1954	Tax for 1955 (6 months at present rates and 6 months at new rates)	Tax in full year at new rates	% reduction in full year
\$	\$	\$	\$	%
1,000.....	—	—	—	—
1,500.....	75	70	65	13.3
2,000.....	150	140	130	13.3
2,500.....	235	220	205	12.8
3,000.....	320	300	280	12.5
3,500.....	415	390	365	12.0
4,000.....	510	480	450	11.8
5,000.....	700	660	620	11.4
7,500.....	1,270	1,205	1,140	10.2
10,000.....	1,960	1,870	1,780	9.2
15,000.....	3,760	3,620	3,480	7.4
20,000.....	5,960	5,770	5,580	6.4
30,000.....	10,660	10,370	10,080	5.4
50,000.....	21,814	21,324	20,834	4.5
75,000.....	37,264	36,524	35,784	4.0
100,000.....	53,714	52,724	51,734	3.7
200,000.....	126,414	124,424	122,434	3.1
400,000.....	283,114	279,124	275,134	2.8

NOTE:

- (1) The old age security tax of 2 per cent of taxable income (maximum tax \$60) is payable in addition to the above amounts.
- (2) In calculating the above taxes it has been assumed that where incomes are in excess of \$30,000, that part of income which is in excess of \$30,000 is from investments, but no account has been taken of the tax credit for dividends from Canadian corporations.

TABLE IV
EFFECT OF THE PROPOSED PERSONAL INCOME TAX CHANGES
MARRIED TAXPAYER—NO DEPENDENTS

Income	Tax paid for 1954	Tax for 1955 (6 months at present rates and 6 months at new rates)	Tax in full year at new rates	% reduction in full year
\$	\$	\$	\$	%
2,000.....	—	—	—	—
2,500.....	75	70	65	13.3
3,000.....	150	140	130	13.3
3,500.....	235	220	205	12.8
4,000.....	320	300	280	12.5
5,000.....	510	480	450	11.8
7,500.....	1,030	975	920	10.7
10,000.....	1,660	1,580	1,500	9.6
15,000.....	3,360	3,230	3,100	7.7
20,000.....	5,510	5,330	5,150	6.5
30,000.....	10,160	9,880	9,600	5.5
50,000.....	21,264	20,784	20,304	4.5
75,000.....	36,664	35,934	35,204	4.0
100,000.....	53,064	52,084	51,104	3.7
200,000.....	125,714	123,734	121,754	3.2
400,000.....	282,364	278,384	274,404	2.8

NOTE:

- (1) The old age security tax of 2 per cent of taxable income (maximum tax \$60) is payable in addition to the above amounts.
- (2) In calculating the above taxes it has been assumed that where incomes are in excess of \$30,000, that part of income which is in excess of \$30,000 is from investments, but no account has been taken of the tax credit for dividends from Canadian corporations.

TABLE V
EFFECT OF THE PROPOSED PERSONAL INCOME TAX CHANGES
MARRIED TAXPAYER—WITH TWO CHILDREN ELIGIBLE FOR FAMILY ALLOWANCES

Income	Tax paid for 1954	Tax for 1955 (6 months at present rates and 6 months at new rates)	Tax in full year at new rates	% reduction in full year
\$	\$	\$	\$	%
2,300.....	—	—	—	—
2,500.....	30	28	26	13.3
3,000.....	105	98	91	13.3
3,500.....	184	172	160	13.0
4,000.....	269	252	235	12.6
5,000.....	453	426	399	11.9
7,500.....	964	912	860	10.8
10,000.....	1,582	1,505	1,428	9.7
15,000.....	3,240	3,113	2,986	7.8
20,000.....	5,375	5,198	5,021	6.6
30,000.....	10,010	9,733	9,456	5.5
50,000.....	21,099	20,622	20,145	4.5
75,000.....	36,484	35,757	35,030	4.0
100,000.....	52,869	51,892	50,915	3.7
200,000.....	125,504	123,527	121,550	3.2
400,000.....	282,139	278,162	274,185	2.8

NOTE:

- (1) The old age security tax of 2 per cent of taxable income (maximum tax \$60) is payable in addition to the above amounts.
- (2) In calculating the above taxes it has been assumed that where incomes are in excess of \$30,000, that part of income which is in excess of \$30,000 is from investments, but no account has been taken of the tax credit for dividends from Canadian corporations.

There are a number of minor changes in the field of income tax that need to be made. Many of these will be found in the resolutions. I perhaps might explain some of them.

Our Income Tax Act imposes a special tax of 4 per cent on investment income. Profits from carrying on business are, of course, earned income and not subject to this tax. In the case of rental incomes derived from the ownership and management of real estate it has been found impossible to draw a consistent line defining the "carrying on of a business". I am proposing, therefore, that income in the form of rentals from real estate be excluded from the base to which the special 4 per cent tax on investment income applies. The revenue loss will be about \$700,000 in a full year, and about \$300,000 in this fiscal year.

An amendment will be introduced to allow as a business expense the costs incidental to borrowing money and issuing shares. This deduction will cover such items as professional fees, printing costs, and the like, but will not include bond discount or commissions on the sale of securities.

The amending bill will make provision for a tax on companies which in future pay dividends out of "designated" surplus to non-resident persons or to tax-exempt persons where control of the corporation has been acquired since December 31, 1954. The rate of tax on such companies will be 15 per cent and it will be computed by reference to the amount of dividends paid to the person controlling it.

For fiscal periods ending in 1956 and thereafter, income in the form of rentals in excess of 10 per cent of gross income will disqualify

a company from the status of "non-resident owned investment corporation". Likewise, the receipt of income from operating ships or aircraft will debar a company from the status of "foreign business corporation".

Commencing tomorrow, payments for timber cut in Canada made to non-resident persons will be subject to our regular 15 per cent tax. This will close a gap in the existing law.

Our tax laws contain special incentive provisions for the oil, gas and mining industries. It has been the policy in the past few years to review these provisions each year and annually to grant an extension of them. There are certain advantages in this procedure but, on the other hand, it carries with it some uncertainty for the future. In the past few months I have been giving considerable thought to the operation of these incentives and to the importance of these two industries to the future of Canada. I believe these special tax provisions have clearly established their value in promoting expansion and I now propose to make them a permanent part of our law. There is one minor exception to the general statement I have made. The tax credits which are specially authorized under orders in council for deep test wells will not be continued beyond the present year.

In addition to the income tax changes which I have just mentioned the amending bill will contain numerous changes of a technical nature and less general in their application.

Now just a word about succession duties. The budget speech of last year indicated the intention of the government to undertake a complete revision of the act and invited representations regarding it. Useful briefs and comments have been received and the work of drafting and shaping a new structure is under way. The task has proved to be somewhat more difficult and time-consuming than was anticipated. The new bill will not be ready for introduction at the present session, but I hope it will be ready next year. In the meantime the present law will stand unchanged.

CUSTOMS TARIFF

The resolutions which I am placing before the house tonight contain a number of tariff changes; for the most part, however, these changes are of a familiar character. Many

of them are essentially formal; but they serve to bring the wording of individual tariff items into line with changing trade practices and changing technology. Others make permanent certain temporary reductions in our tariffs on materials imported for use in Canadian manufacturing, reductions that were originally introduced by order in council in past years on a trial basis. Still others provide for new tariff reductions.

None of the proposed tariff changes affects items producing a substantial amount of revenue, and the aggregate effect of all the changes on revenues will not be significant. Nevertheless a number of the changes are of some general interest.

One of these relates to Canadians returning from abroad. Recently the tariff board ruled that returning Canadians are not entitled to bring in their personal and household goods as settlers' effects, and therefore some new provision has to be made for them. I am sure we do not want to put obstacles in the path of Canadians who, after working or studying abroad, decide to come home. Accordingly I propose to extend to all returning Canadians facilities similar to those at present available to members of the armed forces and government employees who have been posted abroad for more than one year.

In our effort to keep the tariff abreast of technical changes we have substantially rewritten two groups of items, one covering sugar syrups and molasses and the other covering aircraft parts. In the former field, apart from one deliberate reduction, no changes are intended from the rates in effect over past years. In the latter field there are a number of reductions.

A number of the reductions will benefit farmers, directly or indirectly. They include reduction or elimination of tariffs on brooders for farm animals, certain components of feedstuffs, sweet potato seedlings, poultry eviscerating equipment, and others.

Several items will be of interest to the fishing industry, in particular the elimination of duty on fishing vessels over 100 feet in length and the reduction of duty on fish meal plant and fish cooking equipment.

Two items in tonight's resolution stem from reports of the tariff board. Some years ago the board reviewed the whole plastics schedule and recommended a series of adjustments in rates which parliament adopted in 1952.

Naturally there have been changes since that time in the rapidly developing plastics industry. Some of these changes were in fact forecast in 1952, and I have recently received a supplementary report which my predecessor requested from the board on polyethylene and its products. This report recommends a change from free entry to a rate of 10 per cent for polyethylene resins, together with some consequential adjustments on manufactures of polyethylene. After considering this report I have decided to recommend a rate of $7\frac{1}{2}$ per cent together with appropriate consequential adjustments. In addition, the duty on phenol aldehyde resins is changed from free entry to $7\frac{1}{2}$ per cent, except when used for the manufacture of plywood. The new rate is in line with those established in 1952.

This evening I am tabling two tariff board reports. One, which I have just mentioned, relates to polyethylene, and the decision to accept its recommendations in large measure is embodied in tonight's resolutions. The other, relating to ethylene glycol, recommends an increase in a rate bound under GATT. If it is decided to accept this recommendation, it will be necessary to renegotiate the rate under the provisions of GATT; otherwise the GATT countries affected might withdraw tariff concessions of value to our exporters. It may be necessary to introduce this item, and possibly one or two others, into the resolutions as an amendment at the time they are in committee.

It is my intention to continue the practice of my predecessors in referring individual tariff rates or sections of the tariff to the tariff board from time to time. This is one of the ways, and a very important way, of keeping our tariff abreast of technical and industrial change, and the newly revised GATT will allow us a little more flexibility than the old. However, I should like to emphasize that I am not implying any general change in our present commercial policy.

I am at present planning to refer to the tariff board two sections of the tariff that have become out of date: a section covering chemicals, and a section covering primary iron and steel products. The former section is, perhaps, the more urgently in need of review, because the chemical industry has been changing and developing so rapidly; but the primary iron and steel schedule was worked out many years ago and badly needs overhaul-

ing. I am also planning to refer to the tariff board the item covering potatoes. There have been many representations made to the government on this commodity. I am aware of the varied regional and seasonal aspects of this problem, and I believe the tariff board is the appropriate body to study and report upon it.

SALES AND EXCISE TAXES

Turning now to the field of domestic commodity taxes, I should say at once that I am not making any change in the general sales tax. I am proposing, however, a few additions to the schedule of exemptions. These include, among others, materials to be used exclusively in the manufacture or production of feeds for poultry, cattle and other livestock and fur-bearing animals; creosote oil and other wood preservatives when used exclusively in the treatment of timber; poles or lumber; perforated bituminous fibre pipe for drainage purposes not exceeding 4 inches in diameter; floor tile and wall paper. It is estimated that the cost of allowing sales tax exemption on these items will be about \$1 million annually.

No changes will be made this year in the special class of taxes on liquor, beer, wines, cigarettes and tobacco products.

This leaves for consideration the so-called special excise taxes.

A few of these items bear a rate of 15 per cent. This higher rate still applies to automobiles and to radios and T.V. sets. In the case of radios and T.V. sets hon. members will recall that this tax replaces the former annual licence fee on all receiving sets.

In the case of automobiles, however, I think the rate should now be brought down to 10 per cent. Effective tomorrow, therefore, the rate of excise tax on automobiles will be reduced by 5 percentage points. It is estimated that on a full year's basis this reduction will cost the treasury \$27 million and in the current fiscal year \$26 million.

At the present the 10 per cent excise tax applies to tires and tubes; not merely to automobile tires but also to those used for trucks, buses, and aircraft. In these latter cases the special tax applies to items which enter into the cost of carrying on certain kinds of business. I have decided to repeal completely the excise tax on all tires and tubes regardless of their use. The revenue loss will be \$8.5 million in a full year and \$8 million in this fiscal year.

My colleague the Minister of National Revenue (Mr. McCann) has asked me to give notice that in accordance with standard practice no claims for refunds arising out of tax reductions in respect of goods on which tax has been paid, will be entertained.

Before leaving this subject of sales and excise taxes I want to say that my colleague, the Minister of National Revenue, and I are concerned about the present statutory provisions with respect to the base on which the tax rate applies. The problem arises when manufacturers sell to customers at different levels in the marketing process. This and several related questions need careful examination. In view of the nature of the particular problems involved it seems desirable to seek some advice from persons outside the government service. We propose, therefore, to invite a small committee, including experienced persons in the business world, to study these technical problems with us and to make recommendations.

May I say at this point, Mr. Speaker, what I think all hon. members know, that the Minister of Finance imposes and receives taxes. It is the duty of the Minister of National Revenue and his department to collect them. I should like to express my thanks to him and to his officials for the efficient and impartial manner in which this duty is discharged.

SUMMARY AND CONCLUSION

I am now in a position to summarize my over-all budgetary position for the coming year. The total tax reductions I have proposed will reduce the revenue by about \$207 million in a full year, and the actual revenues in this fiscal year by approximately \$148 million. If I may have consent I shall insert here in *Hansard* the following table of expected annual revenues.

1955-56 Revenues Before and After Tax Changes (in millions of dollars)			
	Before	Reduction	After
Personal income tax	\$1,235	\$85	\$1,150
Non-resident tax	65	-	65
Corporation income tax ..	1,085	28	1,057
Succession Duties	45	-	45
Customs duties	410	-	410
Excise duties	238	-	238
Sales tax	600	1	599
Other excise taxes	265	34	231
Other taxes	17	-	17
Total tax revenue	3,960	148	3,812
Non-tax revenue	390	-	390
Total	\$4,350	\$148	\$4,202

It will be seen that I estimate the total revenue to be \$4,202 million. Since I have forecast expenditures, including the past year's deficit in the old age security fund, at \$4,362 million, I shall expect a budgetary deficit this year of \$160 million, as compared with the adjusted deficit for last year of \$194 million.

But in line with my earlier analysis, as we reach a level of economic activity represented by a gross national product of \$26 billion, I would expect our revenues, after making these tax changes, to be flowing in at an annual rate of about \$4,350 million. Under these conditions our deficit in the old age security fund would be declining, and I would therefore expect our flow of total revenue and expenditure to be in very close balance.

I have one further matter I should like to mention. I referred earlier in my speech to existing policies which are promoting steady economic expansion.

I have referred to monetary and trade policies and I have naturally dealt at some length with fiscal policy. I have also mentioned our policies relating to basic income maintenance and social security; unemployment insurance, family allowances, old age security, pensions to veterans, the disabled and the blind, agricultural and fisheries price supports.

I should like to say something more about the longer-run questions of economic expansion. The long-term economic outlook for Canada is extremely bright. It has changed tremendously in the past 25 or 30 years, and it will continue to change. The world we live in has changed too, and that process will go on.

To meet these changes, as a federal government we are spending many scores of millions of dollars on research, surveys and development, and we have been steadily increasing our expenditure in these directions year by year. The provinces are doing a good deal along these lines also. Several of them have research councils and industrial development councils, and recently I have been greatly interested to learn something of the regional development council set up co-operatively in the Atlantic provinces. I think we all agree that this money and these efforts have been paying us dividends and will continue to do so.

None of us has any doubts as to our great future, or of our capacity greatly to expand our population and our standards of living. I suppose that all of us in the house have, from time to time, made speeches about our great opportunities and our shining future. I think the time has come to spend a little time, thought and money on carefully documenting the reality underlying these after-dinner speeches.

The government intends, therefore, to appoint a royal commission with instructions to look ahead and examine carefully our future economic prospects. The sort of study we have in mind would include probable developments both in our productive capacities and in our external markets. It would include an examination of our population growth in both its regional and age distribution aspects. It would assemble information and speculate thoughtfully about the magnitude and nature of our future requirements for the great varieties of physical amenities which contribute to a steadily rising level of well-being. I am sure our provincial and municipal governments, our businessmen and producers, management and workers, would like to have comprehensive and carefully documented analyses of our various potentialities.

All Canadians will agree that a clear understanding of these matters is a first step in developing wise and practical policies. Wise and practical policies are founded on knowledge, inspiration and courage. The Canadian people have always demonstrated that they have inspiration and courage. I suggest we improve our knowledge that we may not fail to take full and proper advantage of the heritage with which Providence has so richly endowed this nation.

What would emerge from the work of such a royal commission? Not a detailed blueprint of the Canadian economy 30 years hence; that would be impossible. Nor a long series of detailed policy recommendations; governments cannot abdicate their functions to royal commissions.

I think the work of this royal commission will do several things. It will focus public attention, here and abroad, in a rather specific and detailed way, on our prospects. It will gather together the considerable amount of material already in existence, but scattered

in many different places, that throws light on these prospects. It will also promote and stimulate studies to fill the many gaps in essential factual material. It will sharpen our understanding of some of the problems we face, and will provide useful guides to governments and businessmen and to leaders in all walks of life, in making plans and policies for the future.

This will be no short-run undertaking. The commission will probably take many months to complete its report. But in the light of such a report on our economic prospects, and the further and continuing studies it will inspire, we shall all of us be better able to review our current policies, revise or modify those which may have served us well in the past, but may not be so well adapted to the coming decades, and press forward those which seem likely best to serve our future.

That, Mr. Speaker, completes the contents of my budget for 1955. The financial policies of this government, I dare say, over the past two decades have won the respect and admiration of our friends in other countries and, if I can count, sir, seem to have met with the approval of our people at home.

RESOLUTIONS

INCOME TAX ACT

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

1. That for the 1956 and subsequent taxation years each of the graduated rates of tax at present applicable to individuals be reduced by two percentage points, and that for the 1955 taxation year each of the graduated rates of tax at present applicable to individuals be reduced by one percentage point.

2. That with respect to income of corporations earned on and after January 1, 1955, the 47 per cent rate of tax on income in excess of \$20,000 be reduced to 45 per cent.

3. That for the 1954 taxation year an individual may deduct from the tax otherwise payable by him the amount of tax on income paid to the government of any province in which he resided, was employed or carried on business, not exceeding 10 per cent of the tax otherwise payable by him.

4. That for the 1955 and 1956 taxation years an individual who resided, was employed or carried on business in a province in which a tax on income was payable to the govern-

ment of the province may deduct from the tax otherwise payable by him to Canada that proportion of 10 per cent of his tax otherwise payable that his income for the period during which he resided in the province or his income earned in the province is of his whole income.

5. That for the 1955 and subsequent taxation years rental income from real property shall not be included in income to which the additional 4 per cent tax on investment income applies.

6. That the right of an investment company at present to elect as regards its taxable status be repealed and that for the 1955 and subsequent taxation years an investment company be subject to a tax of 20 per cent on its taxable income.

7. That expenses incurred in the 1955 and subsequent taxation years by a taxpayer in the course of issuing or selling shares of its capital stock or in the course of borrowing money used in the taxpayer's business (other than amounts in respect of commissions, bonus payments or discounts) be allowed as a deduction in computing the income of the taxpayer.

8. That for the 1955 and subsequent taxation years proceeds of a sale or realization of inventory or accounts receivable of a taxpayer upon or after selling or ceasing to carry on a business be included in computing income, but that the taxpayer be given the option of paying tax in respect thereof at his average rate of tax for the three taxation years immediately preceding the year in which he sold or ceased to carry on the business.

9. That a corporation resident in Canada that pays a dividend out of its designated surplus to a non-resident corporation or a person exempt from tax, by whom the payer corporation was controlled, be subject to a tax of 15 per cent computed by reference to the amount of the dividend, where control of the payer corporation was acquired after December 31, 1954.

10. That for the 1956 and subsequent taxation years a corporation more than 10 per cent of whose gross revenue was derived from rents be disqualified from being treated for tax purposes as a non-resident-owned investment corporation.

11. That for the 1956 and subsequent taxation years a corporation any part of whose income was derived from leasing or operating ships or aircraft be disqualified from being treated for tax purposes as a foreign business corporation.

12. That payments made after April 5, 1955, to a non-resident, computed by reference to the amount of timber cut or taken from a timber limit in Canada be subjected to the 15 per cent tax on income from Canada of non-residents.

13. That the exemption of income from metalliferous or industrial mineral mines for the first three years of production be extended to mines coming into production at any time hereafter.

14. That the special deduction from income allowed for expenses of exploring or drilling for petroleum or natural gas in Canada and the special deduction from income allowed for expenses of searching for minerals in Canada be allowed for expenses incurred at any time hereafter.

15. That a deduction from income be allowed to a corporation whose principal business is production, refining or marketing of petroleum, petroleum products or natural gas or exploring or drilling for petroleum or natural gas, and to a corporation whose principal business is mining or exploring for minerals, for expenses incurred in the 1954 and subsequent calendar years in exploring or drilling for petroleum or natural gas in Canada or searching for minerals in Canada, if such expenditures were incurred otherwise than on its own account, in consideration for shares or an option or right to purchase shares of a corporation on whose account they were incurred.

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 on automobiles adapted or adaptable to passenger use be reduced from fifteen per cent to ten per cent.

2. That the excise tax on tires and tubes for automotive vehicles of all kinds be repealed.

3. That the sales tax on the following goods be repealed:

(a) materials to be used exclusively in the manufacture or production of feeds for poultry, cattle and other stock and fur bearing animals;

(b) creosote oil and other wood preservatives when for use exclusively in the treatment of timber, poles or lumber;

CUSTOMS TARIFF

(c) material to be used exclusively in the production of terrazzo flooring;

(d) perforated bituminized fibre pipe for drainage purposes not to exceed four inches in diameter;

(e) rims for kitchen sinks;

(f) floor tile;

(g) wallpaper.

4. That any enactment founded upon this Resolution be deemed to have come into force on the sixth day of April, nineteen hundred and fifty-five.

1. Resolved, that schedule A to the Customs Tariff be amended by striking out tariff items 9c, 46a, 134, 135, 135a, 135b, 136, 136a, 140, 157a, 181b, 237a, 254, 254b, 326c(4), 364, 407, 409e(1), and (2), 409f, 409m(1), 410k, 410p, 410t, 418, 422a, 423, 427b, 438b, 438c, 438i, 440l, 440m(i) and (ii), 440n, 440o(i) and (ii), 443c, 447b, 476, 523f, 541, 557b, 663i, 695a, 696a, 703(c), 711, 756, 825, 901(a), 901(b), 902, and 905, 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:

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
9c	Horse meat, tripe and other animal offal, ground or unground, unfit for human consumption; <i>whale meat</i> ; feeds consisting wholly or in part of cereals but not including baked biscuits; all the foregoing when for use exclusively in the feeding of fur-bearing animals or in the manufacture of feeds for such purposes..	Free	Free	Free	Free 2 cts. per lb.	Free 2½ cts. per lb.	Free 5 cts. per lb.
82	<i>Sweet potato plants</i>	Free	Free	30 p.c.	12½ p.c.	12½ p.c.	30 p.c.
134	All sugar above number sixteen Dutch standard in colour, and all refined sugars of whatever kinds, grades or standards, not covered by tariff item No. 135, when not exceeding eighty-eight degrees of polarization.....per one hundred pounds	83 cts.	\$1.50	\$1.50	83 cts.	\$1.50	\$1.50
	When exceeding eight-eight degrees but not exceeding eighty-nine degrees.....per one hundred pounds	85 cts.	\$1.53	\$1.53	85 cts.	\$1.53	\$1.53
	When exceeding eighty-nine degrees but not exceeding ninety degrees.....per one hundred pounds	87 cts.	\$1.55	\$1.55	87 cts.	\$1.55	\$1.55
	When exceeding ninety degrees but not exceeding ninety-one degrees.....per one hundred pounds	89 cts.	\$1.58	\$1.58	89 cts.	\$1.58	\$1.58
	When exceeding ninety-one degrees but not exceeding ninety-two degrees.....per one hundred pounds	91 cts.	\$1.62	\$1.62	91 cts.	\$1.62	\$1.62
	When exceeding ninety-two degrees but not exceeding ninety-three degrees.....per one hundred pounds	93 cts.	\$1.65	\$1.65	93 cts.	\$1.65	\$1.65
	When exceeding ninety-three degrees but not exceeding ninety-four degrees.....per one hundred pounds	95 cts.	\$1.68	\$1.68	95 cts.	\$1.68	\$1.68
	When exceeding ninety-four degrees but not exceeding ninety-five degrees.....per one hundred pounds	97 cts.	\$1.70	\$1.70	97 cts.	\$1.70	\$1.70
	When exceeding ninety-five degrees but not exceeding ninety-six degrees.....per one hundred pounds	99 cts.	\$1.74	\$1.74	99 cts.	\$1.74	\$1.74
	When exceeding ninety-six degrees but not exceeding ninety-seven degrees.....per one hundred pounds	\$1.01	\$1.77	\$1.77	\$1.01	\$1.77	\$1.77
	When exceeding ninety-seven degrees but not exceeding ninety-eight degrees.....per one hundred pounds	\$1.03	\$1.80	\$1.80	\$1.03	\$1.80	\$1.80
	When exceeding ninety-eight degrees but not exceeding ninety-nine degrees.....per one hundred pounds	\$1.09	\$1.89	\$1.89	\$1.09	\$1.89	\$1.89

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
134 Con.	When exceeding ninety-nine degrees..... .....per one hundred pounds Refined sugar shall be entitled to entry under the British Preferential Tariff upon evidence satisfactory to the Minister, that such refined sugar has been manufactured wholly from raw sugar produced in the British colonies and possessions, and not otherwise. Sugar imported under this item shall not be subject to special duty in excess of three-fourths of one cent per pound.	\$1.09	\$1.89	\$1.89	\$1.09	\$1.89	\$1.89
135	Sugar above number sixteen Dutch standard in colour when imported or purchased in bond in Canada by a recognized sugar refiner, for refining purposes only, under regulations by the Minister, and sugar, n.o.p., not above number sixteen Dutch standard in colour, when not exceeding seventy-six degrees of polarization.....per one hundred pounds	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.
	When exceeding seventy-six degrees but not exceeding seventy-seven degrees.....per one hundred pounds	20-627	70-851	70-851	20-627	70-851	70-851
	When exceeding seventy-seven degrees but not exceeding seventy-eight degrees.....per one hundred pounds	20-647	73-213	73-213	20-647	73-213	73-213
	When exceeding seventy-eight degrees but not exceeding seventy-nine degrees.....per one hundred pounds	20-667	75-574	75-574	20-667	75-574	75-574
	When exceeding seventy-nine degrees but not exceeding eighty degrees.....per one hundred pounds	20-687	77-936	77-936	20-687	77-936	77-936
	When exceeding eighty degrees but not exceeding eighty-one degrees.....per one hundred pounds	20-707	80-298	80-298	20-707	80-298	80-298
	When exceeding eighty-one degrees but not exceeding eighty-two degrees.....per one hundred pounds	20-727	82-659	82-659	20-727	82-659	82-659
	When exceeding eighty-two degrees but not exceeding eighty-three degrees.....per one hundred pounds	20-747	85-021	85-021	20-747	85-021	85-021
	When exceeding eighty-three degrees but not exceeding eighty-four degrees.....per one hundred pounds	20-767	87-383	87-383	20-767	87-383	87-383
	When exceeding eighty-four degrees but not exceeding eighty-five degrees.....per one hundred pounds	20-857	90-040	90-040	20-857	90-040	90-040
	When exceeding eighty-five degrees but not exceeding eighty-six degrees.....per one hundred pounds	20-947	92-697	92-697	20-947	92-697	92-697
	When exceeding eighty-six degrees but not exceeding eighty-seven degrees.....per one hundred pounds	21-036	95-353	95-353	21-036	95-353	95-353
	When exceeding eighty-seven degrees.....per one hundred pounds	21-126	98-010	98-010	21-126	98-010	98-010

	Cts.			Cts.		
When exceeding eighty-seven degrees but not exceeding eighty-eight degrees....per one hundred pounds	21-512	\$1-00963	\$1-00963	21-512	\$1-00963	\$1-00963
When exceeding eighty-eight degrees but not exceeding eighty-nine degrees.....per one hundred pounds	21-897	\$1-03915	\$1-03915	21-897	\$1-03915	\$1-03915
When exceeding eighty-nine degrees but not exceeding ninety degrees.....per one hundred pounds	22-872	\$1-07457	\$1-07457	22-872	\$1-07457	\$1-07457
When exceeding ninety degrees but not exceeding ninety-one degrees.....per one hundred pounds	23-848	\$1-11000	\$1-11000	23-848	\$1-11000	\$1-11000
When exceeding ninety-one degrees but not exceeding ninety-two degrees.....per one hundred pounds	24-823	\$1-14542	\$1-14542	24-823	\$1-14542	\$1-14542
When exceeding ninety-two degrees but not exceeding ninety-three degrees.....per one hundred pounds	25-799	\$1-18085	\$1-18085	25-799	\$1-18085	\$1-18085
When exceeding ninety-three degrees but not exceeding ninety-four degrees.....per one hundred pounds	26-762	\$1-21627	\$1-21627	26-762	\$1-21627	\$1-21627
When exceeding ninety-four degrees but not exceeding ninety-five degrees.....per one hundred pounds	27-737	\$1-25170	\$1-25170	27-737	\$1-25170	\$1-25170
When exceeding ninety-five degrees but not exceeding ninety-six degrees.....per one hundred pounds	28-712	\$1-28712	\$1-28712	28-712	\$1-28712	\$1-28712
When exceeding ninety-six degrees but not exceeding ninety-seven degrees.....per one hundred pounds	29-688	\$1-32255	\$1-32255	29-688	\$1-32255	\$1-32255
When exceeding ninety-seven degrees but not exceeding ninety-eight degrees....per one hundred pounds	30-664	\$1-35798	\$1-35798	30-664	\$1-35798	\$1-35798
When exceeding ninety-eight degrees but not exceeding ninety-nine degrees.....per one hundred pounds	31-64	\$1-47606	\$1-47606	31-64	\$1-47606	\$1-47606
Over ninety-nine degrees.....per one hundred pounds	35-606	\$1-47606	\$1-47606	35-606	\$1-47606	\$1-47606
Sugar imported under this item shall not be subject to special duty.						
135a Invert sugar, and syrups the product of the sugar cane or beet, and all imitations thereof or substitutes therefor, in which the percentage of the total of reducing sugars after inversion is 71 per centum or greater of the total solids by weight, not including syrups in receptacles of such size that the gross weight of the receptacle and contents does not exceed 60 pounds:						
When the total of reducing sugars after inversion is equivalent to not more than 65 per centum by weight of the total syrup.....per one hundred pounds	68 cts.	\$1.23	\$1.23	68 cts.	\$1.23	\$1.23
When the total of reducing sugars after inversion is equivalent to more than 65 per centum, but not more than 70 per centum by weight of the total syrup per one hundred pounds	74 cts.	\$1.33	\$1.33	74 cts.	\$1.33	\$1.33
When the total of reducing sugars after inversion is equivalent to more than 70 per centum by weight of the total syrup.....per one hundred pounds	83 cts.	\$1.50	\$1.50	83 cts.	\$1.50	\$1.50

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
136	<i>Syrups, the product of the sugar cane, in which the percentage of the total of reducing sugars is less than 71 per centum of the total solids by weight.... per gallon</i>	Free	1 ct.	1½ cts.	Free	2½ cts. 1 ct.	3 cts. 1½ cts.
140	<i>Syrups, the product of the sugar cane or beet, and all imitations thereof or substitutes therefor, n.o.p.... per gallon</i>	5 cts.	6½ cts.	7 cts.	35 cts. per 100 lbs. 15 p.c.	45 cts. per 100 lbs. 20 p.c.	50 cts. per 100 lbs. 25 p.c.
157a	<i>Amyl alcohol.....</i>	Free	Free	Free			
181b	<i>Processed paper, in single sheets, punched or not, printed or not, for use as master units in offset duplicating machines.....</i>	Free	7½ p.c.	35 p.c.	Free	7½ p.c.	35 p.c.
219h	<i>Chemicals, except antibiotics, of a kind not produced in Canada, without admixture or mixed only with any necessary carrier or diluent, when for use in the manufacture of animal or poultry feeds.....</i>	Free	Free	25 p.c.	Various	Various	Various
237a	<i>Deuterium oxide or heavy water; uranium in the form of pigs, ingots, billets or bars.....</i> On and after July 1, 1958	Free Free	Free 15 p.c.	25 p.c. 25 p.c.	Free	15 p.c.	25 p.c.
238	<i>Activated carbon.....</i>	Free	Free	25 p.c.	Free Free	Free 15 p.c.	25 p.c. 25 p.c.
254	<i>Gums, namely:</i> (1) Copal, damar, benzoin, Pontianac, nattakuching, barberry, elemi, gedda, Senegal, tragacanth, mastic and sandarac..... (2) Amber and Arabic..... (3) Australian and kauri; ambergris..... (4) Gums and blends consisting wholly or in chief part of gums, n.o.p.....	Free Free Free Free	Free Free 10 p.c.	15 p.c. Free 15 p.c.	Free Free Free	Free Free 10 p.c.	15 p.c. Free 15 p.c.
255	<i>Lac, crude, seed, button, stick and shell.....</i>	Free	10 p.c.	15 p.c.	Free	10 p.c.	15 p.c.
255a	<i>Bleached shellac, including refined or dewaxed bleached shellac.....</i>	Free	10 p.c.	15 p.c.	Free	10 p.c.	15 p.c.
255b	<i>Lac, crude, seed or stick when imported by manufacturers of bleached shellac for use exclusively in the manufacture of bleached shellac in their own factories.....</i>	Free	Free	Free	Free	Free	Free

262	Chemical compounds for removing water and salts from crude petroleum oils.....	Free	Free	25 p.c.	15 p.c.	20 p.c.	25 p.c.
326c	(4) Glass plates or discs and prisms, rough cut or unwrought, for use in the manufacture of optical instruments, when imported by manufacturers of optical instruments.....	Free	Free	Free	10 p.c.	17½ p.c.	22½ p.c.
364	Diamond dust or bort and black diamonds, for borers; diamond dust mixed with a carrier, in cartridges or in tubes, the component material of chief value being diamond dust.....	Free	Free	Free	12 p.c.	17½ p.c.	27½ p.c.
407	Silent chain and finished roller chain, of iron or steel, and complete parts thereof, of a class or kind not made in Canada, n.o.p., either chain of the type which operates over or with gears or sprockets or radially grooved wheels with machine cut teeth...	Free	20 p.c.	25 p.c.	15 p.c.	22½ p.c.	35 p.c.
409e	(1) Spraying and dusting machines and attachments therefor, including hand sprayers; apparatus for the destruction of predatory animals by the discharge of poisonous cartridges and poisonous cartridges for such apparatus; automatic explosive bird-scaring devices; starter cartridges for diesel engines; apparatus specially designed for sterilizing bulbs; pressure testing apparatus for determining maturity of fruit; pruning hooks; pruning shears; dehorning instruments; parts of the foregoing.....	Free	Free	Free	10 p.c.	22½ p.c.	35 p.c.
	(2) Combination bagging and weighing machines, and grading, grating, washing and wiping machines, for fresh fruits and fresh vegetables; machines for topping vegetables; machines for bunching and/or tying cut flowers, vegetables and nursery stock; machines for making or lidding boxes for fruit or vegetables; egg-graders and egg-cleaners; silage caps; parts of the foregoing.....	Free	Free	Free	Free	Free	Free
409f	Automatic stock watering bowls; Barn hay forks, carriage, pulleys and track; Barn litter carriers and track; Grain crushers; Grain or hay dryers; Grain or hay grinders; Hitches and couplings; Hydraulic hoists for unloading vehicles; Machines and tools for use on tractors, including blades, loaders, rippers, rakes and related operating and controlling gear; Milk coolers; Plough bolts; Sodium metabisulphite;						

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
409f Con.	Sprinkler irrigation systems; Steel stanchions for confining livestock either in pens or individually, <i>and</i> complete equipment for milking parlors; All the foregoing for use on the farm for farm purposes only; <i>Brooders for rearing young farm animals;</i> Ensilage cutters; Fodder or feed cutters; Grain loaders or elevators with a capacity not exceeding 40 bushels per minute; Hay loaders; Hay tedders; Post hole diggers; Potato diggers; Potato planters; Snaths; Stumping machines; All other agricultural implements or agricultural machinery, n.o.p.;						
	Parts of all the foregoing.....	Free	Free	Free	Free	Free	Free
409m	(1) Internal combustion tractors other than highway truck-tractors; accessories for such tractors, <i>n.o.p.</i> ;				Free	12½ p.c.	20 p.c.
	parts of all the foregoing.....	Free	Free	Free	Free	Free	Free
409s	<i>Poultry processing equipment, namely: plucking, scalding, washing, singeing, eviscerating and packaging equipment; parts of the foregoing.....</i>	Free	7½ p.c.	35 p.c.	10 p.c. Free	22½ p.c. 7½ p.c.	35 p.c. 35 p.c.
410k	Machinery and apparatus, of a class or kind not made in Canada, for use exclusively in handling ore and other materials to be charged into a blast furnace or an <i>electric smelting furnace</i> , from the dock, car or stock pile, at the smelting works.....	Free	Free	Free	Various	Various	Various

410p	Sundry articles of metal as follows, for use exclusively in metallurgical operations, viz.: furnaces for the smelting of ores; converting apparatus for metallurgical processes in metals; apparatus for chemical conversion, extraction, reduction or recovery, n.o.p.; machinery for the extraction of precious metals by the chlorination or cyanide processes, not to include pumps, vacuum pumps or compressors; blast furnace blowing engines for the production of pig iron; parts of the foregoing.....	Free	Free	Free	Free	Free	Free
410t	Blowers, of iron or steel, of a class or kind not made in Canada, for use in the smelting of ores, or in reduction, separation or refining of metals, ores or minerals; rotary kilns, revolving roasters and furnaces of metal, of a class or kind not made in Canada, for roasting ore, mineral, rock or clay; furnace slag trucks and slag pots, of a class or kind not made in Canada; and parts of all the foregoing.	Free	Free	Free	Free	Free	Free
418	Machinery and apparatus and parts thereof, for use exclusively in the manufacture of fish meal, liquid fish and fish solubles, stock and poultry food and fertilizers from fish and waste thereof.....	Free	10 p.c.	20 p.c.	Free	15 p.c.	20 p.c.
422a	Concrete road-paving machines, self propelling, end loading type, with a capacity of 21 cubic feet of wet concrete or more; concrete and asphalt road finishing machines; form graders; sub-graders; combination excavating and transporting scraper units; concrete mixers, transit type; dump wagons or trailers, having a capacity of 10 cubic yards or over, not self-propelled; back-filling machines and equipment, mounted on self-propelling wheels or crawling traction, semi- or full-revolving boom and scraper type; steam or air driven pile hammers or extractors; well points, <i>well screens</i> , <i>well strainers</i> ; truck turntables; all the foregoing of a class or kind not made in Canada, and complete parts thereof.....	Free	10 p.c.	12½ p.c.	20 p.c.	20 p.c.	30 p.c.
423	<i>Dental chairs; dental units; electric dental engines; parts of the foregoing</i>	Free	Free	35 p.c.	10 p.c. 15 p.c.	22½ p.c. 22½ p.c.	35 p.c. 30 p.c.
427b	(1) Ball and roller bearings for the repair of agricultural implements and agricultural machinery specified in tariff items 409, 409a, 409b, 409c, 409d, 409e, 409f, 409h, 409i, 409k, 409l 409n, 409o, 409q and the tractors provided for in tariff item 409m; parts thereof.	Free	Free	Free	Free	17½ p.c.	35 p.c.
	(2) <i>Ball and roller bearings of a class or kind not made in Canada, n.o.p.; parts thereof</i>	Free	Free	35 p.c.	Free Free	17½ p.c. Free	35 p.c. Free
	(3) <i>Ball and roller bearings, n.o.p.; parts thereof</i>	Free	17½ p.c.	35 p.c.	Free	17½ 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
427m	Machines and tools, including blades, loaders, rippers, rakes and related operating and controlling gear; all the foregoing for use on internal combustion tractors, other than highway truck-tractors; parts of the foregoing. (1) of a class or kind made in Canada..... (2) of a class or kind not made in Canada.....	10 p.c. Free	22½ p.c. 7½ p.c.	35 p.c. 35 p.c.	10 p.c. Free	22½ p.c. 7½ p.c.	35 p.c. 35 p.c.
432f	Closures or caps, bearing the tax seal of a foreign government, to be used for capping receptacles holding liquid to be exported.....	Free	Free	30 p.c.	10 p.c.	20 p.c.	30 p.c.
438b	Bearings, ball or roller; Bearings, clutch release, with or without collar attached; Bearings, graphite; Bearings, steel or bronze backed, with non-ferrous metal lining, parts and materials therefor; Bearings, steering knuckle thrust; Bushings or sleeve bearings of bronze or powdered metal; Bushings, graphited or oil impregnated; Ceramic insulator spark plug cores not further manufactured than burned and glazed; printed or decorated or not, without fittings; Collars, crankshaft thrust; Compressors and parts thereof, air; Commutator copper segments; commutator insulating end rings; Tapered discs of hot rolled steel, with or without centre hole, for disc wheels; Diaphragms for fuel and vacuum pumps; Distributor rotors and cam assemblies; Door bumper shoes; Electric wiring terminals, sockets, fittings and connectors and parts and combinations thereof, including brackets and fittings permanently attached thereto, but not to include battery terminals; Gaskets of any material except cork or felt, composite or not, parts and materials therefor; Ignition contact points; Keys for shafting;						

Auxiliary driving control kits, designed for attachment to motor vehicles to facilitate their operation by physically disabled persons, and parts thereof; Lenses of glass for motor vehicle lamps and for light reflectors;
 Lock washers;
 Magnetic plugs;
 Piston ring castings in the rough, with or without gates and fins removed;
 Propeller shaft tubes of steel bonded by rubber;
 Rails of lock seam section, corners, locks and catches, unplated ventilators and parts thereof, the foregoing being of metal other than aluminum, for the manufacture of window sashes for bus bodies;
 Steel bolts, studs, plugs, rivets or nuts, capped with stainless steel, and parts thereof;
 Switches, relays, circuit breakers and solenoids and combinations and parts thereof, including starter switch assemblies;
 Shift control, electric, for two speed rear axles;
 Vacuum, hydraulic or air control assemblies and parts thereof;
 Vulcanized fibre in sheets, rods, strips and tubings;

Parts of all the foregoing;
 All of the foregoing for use in the manufacture or repair of goods enumerated in tariff items 424 and 438a, or for use in the manufacture of parts therefor:-

- | | | | | | | |
|---|------|----------|---------|------|---------|---------|
| 1. When of a class or kind not made in Canada.. | Free | Free | 30 p.c. | Free | 25 p.c. | 35 p.c. |
| 2. When of a class or kind made in Canada..... | Free | 17½ p.c. | 30 p.c. | Free | 25 p.c. | 35 p.c. |

438c Ammeters;
 Arm rests and wheel housing lining of indurated fibre, pressed to shape;
 Axle housings, one piece welded, machined or not, including parts welded thereto;
 Carburetors;
 Chassis frames and steel shapes for the manufacture thereof;
 Cigar and cigarette lighters, whether in combination with a cigarette holder or not, including base;
 Control ventilator gear box;
 Cylinder lock barrels, with or without sleeves and keys thereof;
 Dash heat indicators;
 Engine speed governor units;
 External ornaments unplated, including name plates, letters and numerals, not including finish or decorative mouldings;
 Fluid couplings with or without drive plate assemblies;

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
438c Con.	Gauges, gasoline, oil or air; Grilles not plated, polished or not before assembly, and parts thereof not plated or polished <i>after final forming, casting or piercing</i> , not to include added finish or decorative mouldings; Hinges, finished or not, for bodies; Horns; Instrument bezel assemblies; Instrument board lamps; Instrument panel, glove compartment, luggage compartment, hood compartment and door step lamps and wire assemblies; Locks, electric ignition, steering gear, transmission, or combinations of such locks; Mouldings of metal, with nails set in position, lead filled or not; Oil filter parts, viz:—perforated filter refill oil board bodies, refill end discs, and roll-seam perforated tubes; Ornaments and identification plates of metal, unplated, not including finished or decorative mouldings; Pipe lines of tubing, rigid, covered or not, with or without fittings, and tubing therefor; Purifiers for gasoline, including brackets and fittings therefor; Radiator shutter assemblies, automatic; Radiator water gauges; Radiator shells not plated nor metal finished in any degree; Shackles, bearing spring; Speedometers; Spring covers of metal and closing strips or shapes therefor; Steering wheels, rims and spiders therefor; Sun visor blanks of gypsum weatherboard; Tachometers, with or without tachographs, both electric and gear driven; Thermostatic controls; Throttle, spark, choke, and hood lock release assemblies, including buttons therefor; Torque converters;						

Auxiliary transmission overdrive units and controls therefor;
 Universal joint ball assemblies;
 Windshield and window wipers;
 Parts of all the foregoing, including brackets, fittings and connections therefor;
 Stampings, body, cowl, fender, front end, hood, instrument board, shields and baffles, of metal in the rough, trimmed or not, whether or not welded in any manner before final forming or piercing, but not metal finished in any degree;

All of the foregoing when for use in the manufacture or repair of the goods enumerated in the tariff items 410a(iii), 424, and 438a or for use in the manufacture of parts therefor.....

(1) provided, that if the above articles, when of a class or kind not made in Canada, are for use as original equipment by a manufacturer of passenger automobiles (having a seating capacity for not more than ten persons each) enumerated in tariff item 438a whose total factory output during the year in which importation is sought, does not exceed ten thousand such complete passenger automobiles, and provided that not less than forty per cent of the factory cost of production of such automobiles, not to include duties and taxes, is incurred in the British Commonwealth, the rates of duty under this item shall be.....

(2) Provided, that if the above articles, when of a class or kind not made in Canada, are for use as original equipment by a manufacturer of passenger automobiles (having a seating capacity for not more than ten persons each) enumerated in tariff item 438a, whose total factory output, during the year in which importation is sought, exceeds ten thousand, but does not exceed twenty thousand such complete passenger automobiles, and provided that not less than fifty per cent of the factory cost of production of such automobiles, not to include duties and taxes, is incurred in the British Commonwealth, the rates of duty under this item shall be.....

Free

17½ p.c.

30 p.c.

Free

25 p.c.

35 p.c.

Free

Free

25 p.c.

Free

Free

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
438c Con.	(3) Provided, that if the above articles, when of a class or kind not made in Canada, are for use as original equipment by a manufacturer of passenger automobiles (having a seating capacity for not more than ten persons each) enumerated in tariff item 438a, whose total factory output, during the year in which importation is sought, exceeds twenty thousand such complete passenger automobiles, and provided that not less than sixty per cent of the factory cost of production of such automobiles, not to include duties and taxes, is incurred in the British Commonwealth, the rates of duty under this item shall be.....	Free	Free	25 p.c.			
	(4) Provided, that if the above articles, when of a class or kind not made in Canada, are for use as original equipment by a manufacturer of motor trucks, motor buses, electric trackless trolley buses, fire fighting vehicles, motor ambulances, and hearses, or chassis for same, as enumerated in tariff items 410a(iii), 438a and 424, whose total factory output of such vehicles during the year in which importation is sought, does not exceed ten thousand such vehicles, and provided not less than forty per cent of the factory cost of production of such vehicles, not to include duties and taxes, is incurred in the British Commonwealth, the rates of duty under this item shall be.....	Free	Free	25 p.c.			
	(5) Provided, that if the above articles, when of a class or kind not made in Canada, are for use as original equipment by a manufacturer of motor trucks, motor buses, electric trackless trolley buses, fire fighting vehicles, motor ambulances and hearses, or chassis for same, as enumerated in tariff items 410a(iii), 438a and 424, whose total factory output of such vehicles during the year in which importation is sought, exceeds ten thousand units, and provided not less than fifty per cent of the factory cost of production of such vehicles, not to include duties and taxes, is incurred in the British Commonwealth, the rates of duty under this item shall be.....	Free	Free	25 p.c.			

	(6) Provided, that if the above articles are of a class or kind not made in Canada and are for use in the repair of the goods enumerated in tariff items 410a(iii), 424 and 438a, or are for use in the manufacture of repair parts therefor, the rates of duty under this item shall be.....	Free	Free	25 p.c.		
	(7) Provided that the Governor in Council may make such regulations, if any, as are deemed necessary for carrying out the provisions of this item..					
438i	Body bottom cross members and steel shapes for the manufacture thereof; Bumpers, front and rear, including spring steel bumper plates; Casket tables or platforms for hearses; Destination and route sign assemblies, illuminated or not; Direction signals, illuminated or not; Door and step mechanism, hand, vacuum or air operated; Door locks and catches; Electric switches, buzzers, bells, push buttons, fuse assemblies; Forward drive control conversion assemblies; Lamps of all kinds, illuminating and indicating, including sockets, flanges, terminals, glassware, lenses and gaskets therefor, assembled or not, but not to include lamp bulbs, sealed beam units, and electric head lamps; Metal stampings and assemblies thereof, <i>whether or not coated with oil, primer or sound deadening compound</i> ; Rubber fenders; Seat operating mechanisms; Ventilators, including motor driven fan type, and grilles; Window operating mechanisms;					
	Parts of all the foregoing: All of the foregoing when imported to be used only in the manufacture or repair of motor truck bodies, motor bus bodies, electric trackless trolley bus bodies, fire fighting vehicles, ambulances and hearses.....	Free	Free	20 p.c.	Free	Free 20 p.c.
439g	<i>Ships and other vessels, for use in the commercial fishing industry, over 100 feet registered length.....</i>	Free	Free	25 p.c.	Free	25 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
440m	Aircraft, not including engines, under such regulations as the Minister may prescribe:—						
	1. When of types or sizes not made in Canada... on and after July 1, 1958.....	Free Free	Free 15 p.c.	27½ p.c. 27½ p.c.	Free	Free	Free
	2. When of types and sizes made in Canada.....	Free	15 p.c.	27½ p.c.	Free	15 p.c.	27½ p.c.
440n	Aircraft engines, when imported for use in the equipment of aircraft:—						
	1. When of types or sizes not made in Canada... on and after July 1, 1958.....	Free Free	Free 15 p.c.	27½ p.c. 27½ p.c.	Free	Free	Free
	2. When of types and sizes made in Canada.....	Free	15 p.c.	27½ p.c.	Free	15 p.c.	27½ p.c.
440p	Parts of aircraft, n.o.p.:						
	1. When of types or sizes not made in Canada.....	Free	Free	27½ p.c.	Various	Various	Various
	2. When of types and sizes made in Canada.....	Free	15 p.c.	27½ p.c.	Various	Various	Various
440q	Parts of aircraft engines, n.o.p.:						
	1. When of types or sizes not made in Canada.....	Free	Free	27½ p.c.	Free	7½ p.c.	27½ p.c.
	2. When of types and sizes made in Canada.....	Free	7½ p.c.	27½ p.c.	Free	7½ p.c.	27½ p.c.
440r	Auxiliary power units; Bars, tubes, extrusions of aluminum, aluminum alloys and magnesium alloys; Batteries; Bolts, cocks, cotter pins, eyelets, nuts, pins, rivets, screws, turnbuckles and clevis, washers; Brakes, with related operating gear; Carburettors; Director or inertia starters with or without related operating gear; Distributors; De-icing and anti-icing equipment; Electric generators; Electric lamps; Exhaust gas analyzers; Fuel pressure warning devices; Forgings and castings;						

	<i>Hinges;</i> Hydraulic jacks; Hydraulic pumps; Ignition coils, Instruments Landing and navigation lights; Magnetos; Oil coolers; Pressure fire extinguishers; Primer pumps; Propellers and helicopter rotors; Radio for navigation and air traffic communication; Seats; Spark plugs; Steel tubing; Swaged wires and tie rods; Tires and tire inner tubes; Vacuum pumps with related operating gear; Voltage control boxes; Wheels						
	<i>Parts of all the foregoing;</i> All of the foregoing when of types or sizes not made in Canada and for use in aircraft, aircraft engines, airborne aircraft equipment, or parts of aircraft, air- craft engines, or airborne aircraft equipment.....	Free	Free	27½ p.c.	Various	Various	Various
443c	Automatic pilots, thermostatic controls, thermostati- cally-operated controls, hydrostatically-operated controls and parts of the foregoing, of a class or kind not made in Canada, for use in the manufacture of gas water heaters.....	Free	5 p.c.	30 p.c.	Free	10 p.c.	30 p.c.
443f	Fryers, equipped with automatic conveyors, for use in the commercial processing of food; parts of the foregoing..	Free	7½ p.c.	30 p.c.	15 p.c.	22½ p.c.	30 p.c.
447b	Forged steel rolls, hardened and ground; solid tungsten carbide rolls; steel rolls, faced with tungsten carbide on the rolling surface; any roll of iron or steel consisting of a forged or cast mandrel and a forged sleeve; all o, the foregoing for use exclusively in rolling ferrous or non-ferrous metals.....	Free	Free	Free	10 p.c. Free	22½ p.c. 7½ p.c.	35 p.c. 35 p.c.
476	Surgical and dental instruments of any material; sur- gical needles; clinical thermometers and cases therefor; X-ray apparatus and X-ray film; micro- scopes valued at not less than fifty dollars each, retail; complete parts of all the foregoing.....	Free	Free	Free	Free	Free	Free
476d	Gloves, mittens and other wearing apparel; all of the foregoing when lead-impregnated or lead-lined, for the use of X-ray operators.....	Free	Free	Free	20 p.c.	25 p.c.	45 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
481a	Individual pairs of boots or shoes for defective or abnormal feet, when purchased on the written order of a registered medical practitioner.....	Free	Free	40 p.c.	20 p.c.	27½ p.c.	40 p.c.
523f	Woven fabrics of cotton, not coloured, for use in the manufacture of typewriter ribbons.....	Free	12½ p.c.	15 p.c.	17½ p.c.	17½ p.c. and 3 cts. per pound	27½ p.c. and 4 cts. per pound
532e	Fabrics wholly of cotton, coated or impregnated, for use in the manufacture of projection screens.....	Free	Free	20 p.c.	Free	Free	20 p.c.
541	Woven fabrics, wholly of jute, not bleached nor coloured, n.o.p.....	Free	5 cts. per 100 lineal yards	15 p.c.	Free	5 p.c.	15 p.c.
550d	Garnetted material, wholly or in part of wool, the hair of the camel, alpaca, goat or other like animal, in the natural or undyed state, but not containing silk, nor synthetic fibres or filaments, nor cotton, for use in Canadian manufactures.....	Free	Free	Free	Free	Free	Free
557b	Garnetted material wholly of silk or of synthetic textile fibres or filaments, obtained by disintegrating cocoons, yarns or fabrics, prepared for use; waste portions of unused fabrics, wholly of silk or of synthetic textile fibres or filaments, n.o.p., not to include remnants nor mill ends.....	Free	7½ p.c.	10 p.c.	Free	7½ p.c.	10 p.c.
557c	Synthetic staple fibres not exceeding twelve inches in length, not more advanced than in the form of sliver; continuous or uncut synthetic filaments imported for converting into lengths not exceeding twelve inches; for use in the manufacture of textile yarns or flock, n.o.p.....	Free	7½ p.c.	10 p.c.	Free	7½ p.c.	10 p.c.
561d	Woven cord tire fabric, Wholly or in chief part by weight of synthetic textile fibres or filaments, not to contain silk nor wool, coated with a rubber composition, when imported by manufacturers of rubber, to be incorporated by them in pneumatic tires, in their own factories..... and, per pound	Free	17½ p.c. 3½ cts.	25 p.c. 4 cts.	Free	17½ p.c. 3½ cts.	25 p.c. 4 cts.

604c	<i>Alum tanned horsehide leather when imported for use in the manufacture of baseballs.....</i>	Free	7½ p.c.	27½ p.c.	Free	7½ p.c.	27½ p.c.
663i	<i>Defluorinated calcium phosphates for use in the manufacture of animal or poultry feeds.....</i>	Free	Free	Free	Free	Free	Free
671	<i>Artificial abrasive grains, crushed or ground.....</i>	Free	Free	Free	Free	15 p.c.	25 p.c.
681c	<i>Cobalt-bearing scrap imported by refiners or smelters for the recovery of the cobalt and attendant by-products.</i>	Free	Free	Free	Free	Free	Free
695a	<i>Paintings, drawings and pastels by artists, all of the foregoing when valued at not less than twenty dollars each; paintings and sculptures by artists domiciled in Canada but residing temporarily abroad for purposes of study, under regulations by the Minister..</i>	Free	Free	Free	12½ p.c.	20 p.c.	22½ p.c.
696a	<i>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.....</i>	Free	Free	Free	Free	Free	Free
696d	<i>Sound recordings for the use and by order of any society or institution incorporated or established solely for religious purposes, and not for sale or rental, under such regulations as the Minister may prescribe.....</i>	Free	Free	Free	Free	Free	Free
696e	<i>Articles and materials designed for the training of mentally retarded children, when for the use and by order of any association, society or institution which trains mentally retarded children.....</i>	Free	Free	Free	15 p.c.	20 p.c.	30 p.c.
703	(c) Goods (not including alcoholic beverages, cigars, cigarettes or manufactured tobacco) imported (1) by members of the Canadian Armed Forces or by employees of the Canadian Government after an absence from Canada of not less than one year, or (2) by former residents of Canada returning to Canada to resume residence therein after having been residents of another country for a period of not less than one year,				Various	Various	Various

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
703 Con.	and acquired by them for personal or household use and actually owned abroad by them for at least six months before their return to Canada, under such regulations as the Minister may prescribe..... Any such goods that are sold or otherwise disposed of within twelve months after importation are subject to the duties and taxes otherwise prescribed.	Free	Free	Free	Various	Various	Various
711	All goods not enumerated in this schedule as subject to any other rate of duty, and not otherwise declared free of duty, and not being goods the importation whereof is by law prohibited..... Duty shall not be deemed to be provided for by this item upon dutiable goods mentioned as "n.o.p." in any other tariff item. When the component material of chief value in any non-enumerated article consists of dutiable material enumerated in this schedule as bearing a higher rate of duty than is specified in this tariff item, such non-enumerated article shall be subject to the highest duty which would be chargeable thereon if it were composed wholly of the component material thereof of chief value, such "component material of chief value" being that component material which shall exceed in value any other single component material in its condition as found in the article.	15 p.c.	25 p.c.	25 p.c.	15 p.c.	25 p.c.	25 p.c.
901	(a) Synthetic resins without admixture, including scrap or waste:						
	1. Phenol-aldehyde type.....	7½ p.c.	7½ p.c.	17½ p.c.	Free	Free	10 p.c.
	2. Amino-aldehyde type.....	Free	Free	10 p.c.	Free	Free	10 p.c.
	3. Alkyd type.....	5 p.c.	5 p.c.	15 p.c.	5 p.c.	5 p.c.	15 p.c.
	4. Polyamide type.....	Free	Free	10 p.c.	Free	Free	10 p.c.

	5. Polystyrene type.....	7½ p.c.	7½ p.c.	17½ p.c.	7½ p.c.	7½ p.c.	17½ p.c.
	6. Vinyl type, except vinylidene.....	5 p.c.	5 p.c.	15 p.c.	5 p.c.	5 p.c.	15 p.c.
	7. Resins derived from natural resin or tall oil, n.o.p.	Free	Free	10 p.c.	Free	Free	10 p.c.
	8. Polyethylene type.....	7½ p.c.	7½ p.c.	17½ p.c.	Free	Free	10 p.c.
	9. Other type.....	Free	Free	10 p.c.	Free	Free	10 p.c.
	(b) Synthetic resins in the form of aqueous emulsions, aqueous dispersions or aqueous solutions, without admixture:						
	1. Phenol-aldehyde type.....	7½ p.c.	7½ p.c.	17½ p.c.	Free	Free	10 p.c.
	2. Amino-aldehyde type.....	Free	Free	10 p.c.	Free	Free	10 p.c.
	3. Alkyd type.....	5 p.c.	5 p.c.	15 p.c.	5 p.c.	5 p.c.	15 p.c.
	4. Polyamide type.....	Free	Free	10 p.c.	Free	Free	10 p.c.
	5. Polystyrene type.....	7½ p.c.	7½ p.c.	17½ p.c.	7½ p.c.	7½ p.c.	17½ p.c.
	6. Vinyl type, except vinylidene.....	5 p.c.	5 p.c.	15 p.c.	5 p.c.	5 p.c.	15 p.c.
	7. Resins derived from natural resin or tall oil, n.o.p.....	Free	Free	10 p.c.	Free	Free	10 p.c.
	8. Other type.....	Free	Free	10 p.c.	Free	Free	10 p.c.
902	Synthetic resins, compounded with other materials, in any form, including scrap or waste, for moulding, casting, extruding, calendering, pressing, (moulding compositions or materials for processing into moulding compositions); synthetic resins compounded with other materials in the form of not fully cured preforms or not fully cured blanks for compression mouldings:—						
	(a) Phenol-aldehyde type.....	10 p.c.	15 p.c.	25 p.c.	10 p.c.	15 p.c.	25 p.c.
	(b) Alkyd type.....	5 p.c.	5 p.c.	15 p.c.	5 p.c.	5 p.c.	15 p.c.
	(c) Polystyrene type.....	10 p.c.	10 p.c.	20 p.c.	10 p.c.	10 p.c.	20 p.c.
	(d) Vinyl type, except vinylidene.....	10 p.c.	10 p.c.	20 p.c.	10 p.c.	10 p.c.	20 p.c.
	(e) Polyethylene type.....	10 p.c.	10 p.c.	20 p.c.	Free	Free	10 p.c.
	(f) Other type.....	Free	Free	10 p.c.	Free	Free	10 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
905	Synthetic resin plates, sheets, film, sheeting or strips, not less than 6 inches in width, n.o.p.; synthetic resin lay-flat tubing, not less than 6 inches in circumference, n.o.p.—						
	(a) Phenol-aldehyde type, not further manufactured than cast.....	Free	Free	10 p.c.	Free	Free	10 p.c.
	(b) Acrylic type, not further manufactured than moulded or cast.....	Free	Free	10 p.c.	Free	Free	10 p.c.
	(c) Polyethylene type:						
	1. Plain, uncoated, undecorated.....	12½ p.c.	12½ p.c.	20 p.c.	10 p.c.	10 p.c.	20 p.c.
	2. Other.....	15 p.c.	15 p.c.	25 p.c.	15 p.c.	15 p.c.	25 p.c.
	(d) Vinyl type, except vinylidene:						
	1. Plain, uncoated, undecorated.....	15 p.c.	15 p.c.	25 p.c.	15 p.c.	15 p.c.	25 p.c.
	2. Other.....	15 p.c.	20 p.c.	30 p.c.	15 p.c.	20 p.c.	30 p.c.
	(e) Vinyl type, vinylidene:						
	1. Plain, uncoated, undecorated.....	Free	Free	10 p.c.	Free	Free	10 p.c.
	2. Other.....	Free	Free	10 p.c.	Free	Free	10 p.c.
	(f) Other type:						
	1. Plain, uncoated, undecorated.....	Free	Free	10 p.c.	Free	Free	10 p.c.
	2. Other.....	10 p.c.	10 p.c.	20 p.c.	10 p.c.	10 p.c.	20 p.c.
925	Phenol-aldehyde resins in the form of aqueous emulsions, aqueous dispersions or aqueous solutions, without admixture, for use in the manufacture of plywood.....	Free	Free	17½ p.c.	Free	Free	10 p.c.

2. Resolved, that Schedule B to the Customs Tariff be amended by striking out tariff items 1044, 1052 and 1053, the enumerations of goods and the rates of drawback of customs duties set opposite each of the said items, and by inserting the following items, enumerations and rates of drawback of customs duties in said Schedule B:

Item No.	Goods	When Subject to Drawback	Portion of Duty (Not including Special Duty or Dumping Duty) / Payable as Drawback
1019	<i>Electric-welded pipe of iron or steel, more than sixteen inches in diameter, iron or steel couplings therefor and complete parts of such couplings.</i>	<i>When used in the transmission of natural gas under high pressure to points of distribution.....</i>	50 p.c.
1044	Fire brick.....	When used by producers of ingots, blooms, slabs and billets of iron or steel, in the construction or repair of blast furnaces, blast furnace stoves, open hearth furnaces (including checker chambers) and soaking pit furnaces.....	99 p.c.
1052	Machinery; precision instruments and apparatus for heat treating, welding, sorting, testing, inspecting or correcting; control panels for use with the aforementioned machinery and precision instruments and apparatus; all of the foregoing of a class or kind not made in Canada; accessories and attachments for use with the aforementioned machinery and precision instruments and apparatus; parts of all the foregoing, not including consumable tools.	When for use in the plants of manufacturers of automobiles and motor vehicles or of automobile or motor vehicle parts for the manufacture of automobiles and motor vehicles or of automobile or motor vehicle parts.....	99 p.c.
1053	Machinery; precision instruments and apparatus for heat treating, welding, sorting, testing, inspecting, or correcting; control panels for use with the aforementioned machinery and precision instruments and apparatus; all of the foregoing of a class or kind not made in Canada; accessories and attachments for use with the aforementioned machinery and precision instruments and apparatus; parts of all the foregoing, not including consumable tools.	When for use in the manufacture of aircraft, aircraft engines, airborne aircraft equipment, or of parts of the foregoing.....	99 p.c.
1071	Materials of a class or kind not made in Canada.....	When for use in the manufacture or repair of aircraft, aircraft engines, airborne aircraft equipment, or of parts of the foregoing.....	99 p.c.

3. Resolved, that Schedule C to the Customs Tariff be amended by striking out tariff item 1209 and by inserting the following item in said Schedule C:

1209	Any goods (a) <i>the importation of which has been prohibited by an order made under section 51 of the Trade Marks Act or had been specifically prohibited under this item before April 1, 1955, except with the consent of the person or the successor of the person at whose instance the prohibition has been imposed; provided however that specific prohibition relating to goods to which a trade mark registered in Canada has been applied may be removed if the registration of such trade mark is expunged or struck out or cancelled or is amended to exclude such goods, or</i> (b) <i>in association with which any description is used that is false or incomplete in a material respect and likely to mislead the public as to the geographical origin of such goods.</i>
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4. Resolved, that any enactment founded upon the foregoing resolutions shall be deemed to have come into force on the 6th day of April, 1955, and to have applied to all goods mentioned in the foregoing resolutions imported or taken out of warehouse for consumption on or after that date, and to have applied to goods previously imported for which no entry for consumption was made before that date.

BUDGET PAPERS

presented by

the Honourable W. E. Harris, M.P.,

for the information of Parliament

in connection with the Budget of 1955-56

FOREWORD

The purpose of these Papers is twofold:

1. to present a general economic review of 1954, bringing together in one place and in convenient form 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 ended March 31, 1955.

PART I

ECONOMIC REVIEW OF 1954

	PAGE
1. National Accounts—	
National Income and Product.....	47
National Expenditure.....	49
Personal Income and its Disposition.....	50
Source and Disposition of Saving.....	53
Investment and Capital Expenditure.....	54
Revenue and Expenditure of All Governments.....	56
2. Monetary and Credit Developments.....	62
3. Balance of International Payments.....	64
4. Employment and Earnings.....	68
5. Price Trends.....	70

The tables in this Budget Paper are based upon estimates provided by the Dominion Bureau of Statistics and other Government Agencies. Some of the figures appear for the first time; others have been published elsewhere. All 1954 estimates are preliminary and subject to revision.

THE NATIONAL ACCOUNTS

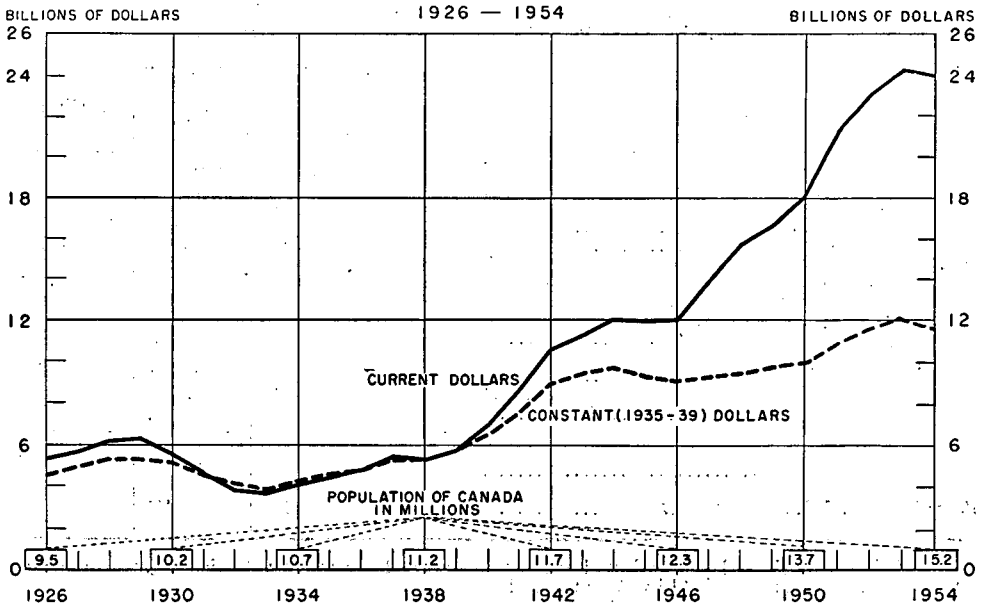
NATIONAL INCOME AND PRODUCT

Gross national product for 1954 is estimated at \$24.0 billion, a decline of \$.4 billion from 1953. This indicates a reduction of 2 per cent in terms of value; but in terms of volume or real product the decline may have been slightly larger. The decline in production for 1954 is in sharp contrast with the large gains of the four years 1950 to 1953; and came about despite a further increase in the potential of the economy, because the effect of some slackening in aggregate demand was combined with a large and fortuitous reduction in the western grain crop. During the year population increased by 3 per cent. Despite an increase of 1 per cent in the civilian labour force, there was a small decrease in the number of people employed. Unemployment was in consequence substantially above the levels of 1953.

For the most part, the decline in production was confined to the goods producing industries, particularly agriculture and manufacturing. The reduction in agricultural output was itself equal to about 2 per cent of gross national product. But this decline was the result of natural and uncontrollable factors and its impact was partly offset by the existence of large inventories of grain. In this sense it was less significant than the shrinkage in manufacturing output which was a reflection of weakened demand. The largest offsets to these two major declines were provided by the continuing expansion of services and by increases in the primary industries other than agriculture, notably in mining. There was also some gain in the construction industry where increases in home building more than outweighed the decline in non-residential construction.

Although production in 1954 was lower for the year as a whole than in 1953, there was an upturn in the volume of production in the last quarter of the year. The fourth quarter estimate of gross national product exclusive of agriculture was higher on a seasonally adjusted basis than any previous quarter

GROSS NATIONAL EXPENDITURE
IN CURRENT AND CONSTANT 1935-39 DOLLARS



in either 1954 or 1953. At the same time the index of industrial production, which was consistently below 1953 throughout the first nine months of 1954, exceeded the 1953 level in the fourth quarter. This was partly the result of increased activity in mining, exaggerated in the year-to-year comparison because strikes adversely affected production in the latter part of 1953. Although non-durable manufactures showed some increase, manufacturing as a whole remained below the 1953 level largely because of continued slackness in the iron and steel and transportation equipment industries.

Salaries and wages, inclusive of military pay and allowances, increased by \$297 million or 2 per cent in 1954 compared with an increase of 8 per cent in the previous year. All of the increase was accounted for by higher rates of pay since there was a decline of about 1 per cent in the number of paid workers. For the three-year period following 1951 labour income increased by \$2,350 million, almost $1\frac{1}{2}$ times the total increase in national income. Farm income and corporation profits were both at peak levels in 1951 and have declined in each year since then. As a result, labour income grew from 58 per cent of national income in 1951 to 65 per cent in 1954—the highest percentage in the last twenty years.

Net farm income declined by almost one-third from the previous year's level. Most of this decline was the result of the poor western grain crop. The reduction in farm cash income was considerably smaller than the reduction in farm net income and amounted to about 12 per cent. This was because the effect on cash income of a lower volume of production was partially offset by the running down of farm inventories. In areas other than the prairie provinces there was actually a modest gain in farm cash income. During the year there was a slight increase in the agricultural labour force, a change from the downward trend which has been noticeable for some time.

Net income of unincorporated businesses other than farming is estimated to have decreased by about 3 per cent. This decline was concentrated in manufacturing and retail trade.

TABLE 1
NATIONAL INCOME AND GROSS NATIONAL PRODUCT

	1951	1952	1953	Prelim. 1954
(Millions of Dollars)				
1. Wages, salaries and supplementary labour income.	9,716	10,818	11,661	11,900
2. Military pay and allowances.	201	270	309	367
3. Investment income.	3,642	3,733	3,775	3,709
4. Net income of unincorporated business—				
(a) farm operators from farm production ¹ ...	2,072	1,858	1,649	1,114
(b) non-farm unincorporated business.	1,507	1,575	1,692	1,645
5. National Income (1+2+3+4)	17,138	18,254	19,086	18,735
6. Indirect taxes less subsidies.	2,478	2,714	2,900	2,913
7. Depreciation allowances and similar business costs	1,910	2,115	2,364	2,490
8. Residual error of estimate.	-52	119	66	-153
9. Gross National Product at Market Prices (5+6+7+8)	21,474	23,202	24,416	23,985
10. Index of G.N.P. in Constant Dollars.	100	107	111	108

¹Includes undistributed Wheat Board trading profits, and inventory valuation adjustment on a calendar year basis for grain held by Wheat Board.

Investment income is estimated to have declined by \$66 million or 2 per cent in 1954. But within this total there were opposite tendencies. Corporation profits, the largest single component, fell for the third successive year; and this decline, estimated at 7 per cent, brought the total to about 15 per cent below the peak of 1951. The decline of 1954 reflects the weakening of demand as well as the generally more competitive conditions induced by growth in capacity and supply. Interest and rents, the other major part of investment income, are estimated to have increased by about 12 per cent under the combined influence of somewhat higher rents and increases in the stock of housing and the amount of interest-bearing securities outstanding.

NATIONAL EXPENDITURE

During 1954 gross national expenditure fell by 2 per cent. There was a sizeable decrease in the amount of capital expenditure; exports and defence spending were lower and the economy received no such stimulus as in 1953 from additions to inventories. But consumer expenditure continued to grow.

Consumer expenditure rose from \$15,115 million in 1953 to \$15,581 million in 1954, an increase of \$466 million or 3 per cent compared with the increase of \$752 million or 5 per cent in 1953. This increase in consumer spending together with increased expenditure for new housing was an important sustaining influence although its effect was outweighed by the cessation of investment in inventories and by the declines in exports, in capital formation and in outlays for defence. As in 1953, the increase in consumer expenditure was closely related to the growth in labour income noted above.

Government expenditure on goods and services remained relatively stable in 1954, the 9 per cent decrease in defence spending being offset by increases in non-defence spending at federal, provincial and municipal levels. Defence spending which had been a very powerful stimulant for the economy in 1952 and which had acted positively although with lesser strength in 1953, declined by \$179 million in 1954 and this accounted for some of the reduction in aggregate demand.

TABLE 2.
GROSS NATIONAL EXPENDITURE

	1951	1952	1953	Prelim. 1954
	(Millions of Dollars)			
1. Personal expenditure on consumer goods and services.....	13,273	14,363	15,115	15,581
2. Government expenditure on goods and services....	3,243	4,259	4,362	4,360
3. Gross domestic investment—				
(a) plant, equipment and housing.....	3,810	4,256	4,840	4,546
(b) change in inventories.....	1,620	270	605	-230
4. Exports of goods and services ¹	5,089	5,573	5,420	5,134
5. Imports of goods and services ¹	-5,613	-5,400	-5,860	-5,559
6. Residual error of estimate.....	52	-119	-66	153
7. Gross National Expenditure at Market Prices (1+2+3+4+5+6).....	21,474	23,202	24,416	23,985
8. Index of G.N.E. in Constant Dollars.....	100	107	111	108

¹ Minor adjustments have been made to the figures of current receipts and payments shown in Table 13 and in "The Canadian Balance of International Payments, 1951 to 1954", Dominion Bureau of Statistics, to achieve consistency with the other component series.

For the first time in the post-war period, investment in non-residential construction and machinery and equipment declined. The major decrease was in machinery and equipment although there was a decline of about 2 per cent in non-residential construction. Investment in housing on the other hand continued to increase and was 9 per cent higher than in the previous year.

Inventories of farm grain and livestock and grain in commercial channels declined by \$157 million in 1954, a change of \$353 million from 1953 when there had been heavy accumulation. This was largely the result of the poor western grain crop. The change in business inventories was also quite different than in 1953 as lower levels of sales and expectations reduced the willingness to hold inventories. In the first three quarters of 1953 there had been continuous inventory accumulation and despite some decline in the fourth quarter, the effect for the year as a whole was positive and substantial. The change from moderately heavy additions to inventory in 1953 to a slight reduction in 1954 as a whole had the effect of withdrawing demand from the Canadian economy; and this withdrawal was greater than the whole increase in consumer spending. The effect of this inventory movement was greatest in the second and third quarters when there was heavy liquidation and new demands were to this extent met from stocks instead of setting production in motion. In the fourth quarter of 1954, however, the inventory decline appears to have been less than the normal seasonal movement and this suggests that growth factors have reasserted their influence.

PERSONAL INCOME AND ITS DISPOSITION

Personal income differs from national income in a number of ways although the components of these two totals are for the most part similar or identical. While national income is the total of the annual earnings of Canadian residents from the production of goods and services, personal income is the sum of the current receipts of income regardless of whether these receipts are earnings from production. For example, personal income includes only that part of corporation profits which is actually received by Canadian persons as dividends.

TABLE 3
SOURCES OF PERSONAL INCOME

	1951	1952	1953	Prelim. 1954
	(Millions of Dollars)			
1. Wages, salaries and supplementary labour income.	9,716	10,818	11,661	11,900
Deduct: Employer and employee contributions to social insurance and government pension funds	-329	-358	-390	-395
2. Military pay and allowances	201	270	309	367
3. Net income received by farm operators from farm production ¹	2,108	1,860	1,616	1,109
4. Net income of non-farm unincorporated business	1,507	1,575	1,692	1,645
5. Interest, dividends and net rental income of persons ²	1,406	1,573	1,683	1,865
6. Transfer payments to persons (excluding interest)—				
(a) from government	1,032	1,356	1,461	1,601
(b) charitable contributions made by cor- porations	27	26	25	24
(c) net bad debt losses of corporations	25	25	28	28
7. Personal Income (1+2+3+4+5+6)	15,693	17,145	18,085	18,144

¹ Excludes undistributed profits of the Wheat Board and an inventory valuation adjustment on a calendar year basis for grain held by the Wheat Board.

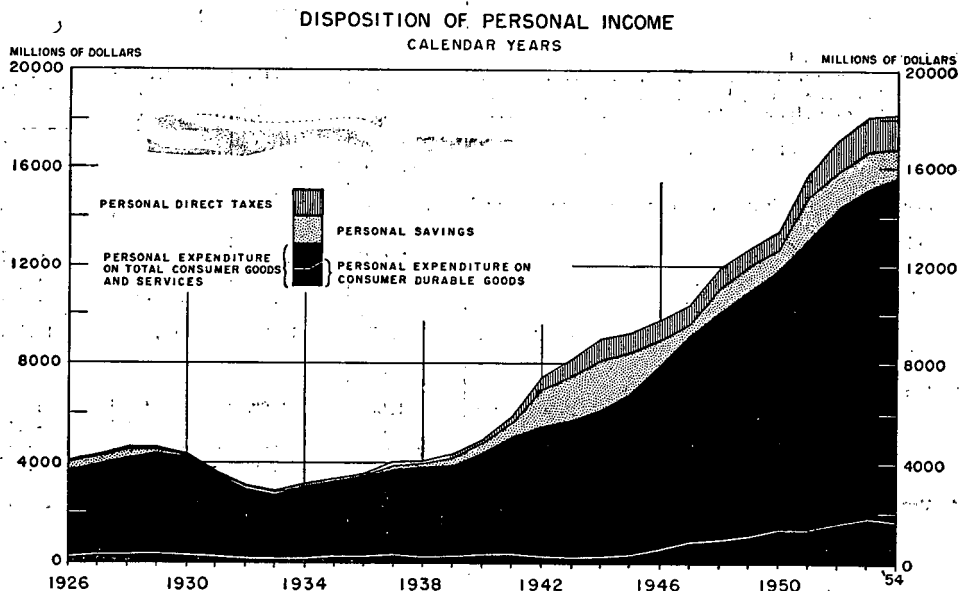
² Includes all government debt interest paid to persons.

On the other hand, transfer payments such as family allowances, old age pensions, veterans' benefits and charitable contributions of corporations, are part of personal income although they are not payments for services and, therefore, do not form part of national income.

For the first time in the post-war period there was during 1954 very little increase in personal income. A modest gain in labour income and increases in investment income and transfer payments were more or less offset by a large decline in net farm income.

Because of the great similarity in their composition, national income and personal income normally change in the same direction. In 1954, however, differences in their composition account for the fact that personal income rose slightly while national income declined by \$351 million. Thus, national income was affected by the decline of \$170 million in corporation profits, whereas personal income excludes this item but includes instead dividends paid out which rose by \$31 million. Similarly, national income does not include government transfer payments but the \$140 million increase in this item was reflected in personal income. Most of the increase in transfer payments was the result of a rise of approximately 50 per cent in unemployment insurance benefits and the normal growth in the numbers receiving family allowances and old age pensions.

The pattern of the disposition of personal income differed somewhat from 1953. With comparative stability in both personal income and personal direct taxes the growth of about 3 per cent in consumer expenditure resulted in some decline in the rate of personal saving. Thus personal saving, or the amount set aside from current personal income, constituted 6.8 per cent of disposable income in 1954 compared with 9.2 per cent in 1953. In absolute terms personal saving fell from \$1,539 million in 1953 to \$1,137 million in 1954, a decline of \$402 million, of which about half represented a reduction in saving in the form of farm inventories. The growth in personal assets was even more sharply reduced in 1954 than the \$402 million reduction in personal saving would indicate; for personal saving takes many forms and involves changes in both assets and liabilities.



During 1954 personal assets and personal liabilities both increased, but by very much smaller amounts than in 1953. The growth in liquid assets was much slower, the heavy liquidation of Government of Canada market securities being only partially offset by an increase above 1953 levels in additions to bank deposits and to holdings of Canada Savings bonds and other bonds and stocks. Direct investment was also lower since the drop in farm investment in machinery and equipment more than offset increased investment in housing. On the liability side, consumer debt is estimated to have increased by \$125 million compared with the much larger increase of \$314 million in 1953. The increase in mortgage debt, on the other hand, was greater than in the previous year.

The increase in consumer spending was confined to non-durable goods and to services. The largest percentage increase was in services, which rose by more than 6 per cent. However, somewhat more than half of this increase was attributable to higher prices. There was an increase of 3 per cent in expenditure on non-durable goods and with prices relatively unchanged this represented a volume increase of like amount. There was a sizeable decline of 6 per cent in spending on durable goods and with prices slightly lower than in the previous year the volume decline was probably about 5 per cent. The largest factor in the decline in durable goods was the reduction in purchases of automobiles.

Examination of the quarterly trends in consumer expenditure indicates that 1954 expenditures were consistently above those of 1953 and that the rate of advance was uniform. Thus, each quarter of 1954 was about 3 per cent above the comparable quarter of 1953. After allowing for price changes, the volume of total consumer expenditure rose by about 2 per cent for the year.

TABLE 4
DISPOSITION OF PERSONAL INCOME

	1951	1952	1953	Prelim. 1954
	(Millions of Dollars)			
1. Personal direct taxes—				
(a) income taxes.....	890	1,177	1,287	1,290
(b) succession duties.....	69	73	73	77
(c) miscellaneous taxes.....	71	70	71	59
Total direct taxes.....	1,030	1,320	1,431	1,426
2. Personal expenditure on consumer goods and services—				
Goods—				
(a) non-durable.....	7,969	8,366	8,571	8,847
(b) durable.....	1,399	1,590	1,795	1,682
Services.....	3,905	4,407	4,749	5,052
Total consumer expenditure.....	13,273	14,363	15,115	15,581
3. Personal saving—				
(a) personal saving excluding farm inventories	1,036	1,225	1,488	1,281
(b) change in farm inventories.....	354	237	51	-144
Total personal saving.....	1,390	1,462	1,539	1,137
4. Personal Income (1+2+3).....	15,693	17,145	18,085	18,144

SOURCE AND DISPOSITION OF SAVING

Saving is the source from which investment expenditure is financed. In addition to personal saving, which is discussed in the preceding section, there is business saving and government saving.

It is estimated that during 1954 the nation as a whole saved \$895 million less than in 1953, a decline of 18 per cent. The decline was confined for the most part to the personal and government sectors. Thus, business saving, which declined only slightly, became relatively more important in 1954 and constituted 75 per cent of the nation's total saving compared with 63 per cent in 1953, 59 per cent in 1952 and 52 per cent in 1951.

TABLE 5
SOURCES OF SAVING

	1951	1952	1953	Prelim. 1954
(Millions of Dollars)				
Personal saving.....	1,390	1,462	1,539	1,137
Gross business saving—total.....	2,567	2,717	3,107	3,053
(a) Undistributed corporation profits.....	721	624	733	587
(b) Depreciation allowances.....	1,910	2,115	2,364	2,490
(c) Net bad debt losses of corporations.....	-25	-25	-28	-28
(d) Undistributed Wheat Board trading profits and inventory valuation adjustment on grain held by Wheat Board.....	-36	-2	33	5
(e) Inventory valuation adjustment ¹	-3	5	5	-1
Adjusted government surplus (+) or deficit (-) ²	1,053	282	227	7
Residual error of estimate ³	-52	119	66	-153
Total.....	4,958	4,580	4,939	4,044

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

² See Table 10.

³ See Tables 1 and 2.

Throughout the post-war period 1947 to 1953 the combined total of revenues for all levels of government had exceeded the combined total of expenditures both capital and current. That is, there had been government saving of substantial amount. In 1954, however, the surplus for all levels of government combined all but disappeared. This was almost wholly the result of the change in the federal accounts from a moderate surplus in calendar year 1953 to a slight deficit in calendar year 1954; but there was also a small reduction in the combined surplus of provincial and municipal governments.

TABLE 6
DISPOSITION OF SAVING

	1951	1952	1953	Prelim. 1954
(Millions of Dollars)				
Gross domestic investment—				
Housing, plant and equipment.....	3,810	4,256	4,840	4,546
Change in inventories.....	1,620	270	605	-230
Net increase in foreign assets (including foreign ex- change) adjusted ¹	-524	173	-440	-425
Residual error of estimate ²	52	-119	-66	153
Total.....	4,958	4,580	4,939	4,044

¹ Minor adjustments have been made to the figures appearing in Table 13.

² See Tables 1 and 2.

Business saving is comprised for the most part of amounts set aside by corporations for depreciation allowances and of undistributed profits. During 1954 these two major components of business saving behaved differently. It is estimated that there was a further increase of about 5 per cent in depreciation allowances. Undistributed profits, on the other hand, declined substantially, largely because of the decline in corporation profits after taxes but to some extent because of the modest increase in dividends paid out. The estimated increase in business savings through depreciation allowances was not quite as large as the decline in undistributed profits and a slight reduction in business saving out of current income for 1954 is therefore indicated. It is interesting to note the very large extent to which capital investment of the post-war period has been financed by business saving; that is, the extent to which business has been able to provide the funds for its own expansion.

TABLE 7
CORPORATION PROFITS, TAXES AND DIVIDENDS

	1951	1952	1953	Prelim. 1954
	(Millions of Dollars)			
Corporation profits before taxes ¹	2,810	2,640	2,570	2,400
Deduct corporation taxes ²	-1,429	-1,386	-1,209	-1,154
Corporation profits after taxes.....	1,381	1,254	1,361	1,246
Deduct dividends paid out ³	-660	-630	-628	-659
Undistributed corporation profits ⁴	721	624	733	587

¹ Includes depletion charges and is adjusted for losses, and for conversion to a calendar year basis.

² Taxes paid or payable in respect of the calendar year's income (See Table 10).

³ Includes charitable contributions made by corporations (See Table 3 Item 6(b)).

⁴ See Table 5.

It is estimated that Canada's total payments abroad on current account exceeded total receipts by \$425 million and there was, therefore, an increase of like amount in net foreign liabilities. Thus, capital inflows from abroad were almost unchanged from 1953 and because of the lower level of domestic investment, slightly more important in the nation's financing. Some of the capital inflow was the result of Canadian borrowing abroad; but the greater part was initiated outside the country as capital flowed into Canada in response to opportunities for direct investment, thus contributing to the deficit on current account while furnishing the funds to finance it. These transactions are treated more fully in the section on the Balance of International Payments.

INVESTMENT AND CAPITAL EXPENDITURE

It is estimated that investment in plant, equipment and housing amounted to \$4,546 million, a decline of \$294 million or 6 per cent from 1953. This is the first decline of the post-war period. Most of the reduction was in machinery and equipment which was 17 per cent lower than in 1953 but there was also a reduction of 2 per cent in non-residential construction. Investment in housing, on the other hand, continued to increase, stimulated by easier financing under the National Housing Act and aided by the increased availability of mortgage funds after the chartered banks were authorized to invest in insured loans on residential real estate. The gain of 9 per cent was less striking than the 35 per cent expansion of 1953. However, the 1954 increase marked a movement beyond an already high level whereas the rapid growth in 1953 must be considered in part as a recovery from lower levels.

Despite the decline in capital investment during 1954, it was still high in absolute and relative terms and constituted 19 per cent of gross national expenditure compared with 20 per cent in 1953. As mentioned previously, in explaining the lower aggregate demand of 1954, the cessation of growth in business inventories is an even more important factor than the decline in capital investment. Together they would account for a drop of 3 per cent in the nation's product.

TABLE 8
GROSS DOMESTIC INVESTMENT

	1951	1952	1953	Prelim. 1954
	(Millions of Dollars)			
Housing, plant and equipment—total ¹	3,810	4,256	4,840	4,546
New residential construction.....	781	786	1,061	1,159
Other new construction.....	1,260	1,554	1,706	1,676
New machinery and equipment.....	1,769	1,916	2,073	1,711
Change in inventories—total.....	1,620	270	605	-230
Grain in commercial channels ²	-1	92	145	-13
Farm grain and livestock ²	354	237	51	-144
All other inventories ³	1,267	-59	409	-73
Gross Domestic Investment⁴.....	5,430	4,526	5,445	4,316

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

² Value of physical change.

³ Change in value. Includes privately financed industrial and trade inventories.

⁴ See Table 2, Item 3 and footnote to Table 9, page 14.

Table 9 gives an industrial distribution of business capital expenditures and brings them together with public capital outlays included under government expenditure in Table 2. The total of public and private capital expenditure is estimated to have declined by \$343 million or 6 per cent. As mentioned above, this is in contrast with the continued advances of the post-war period. The original forecast of capital investment for 1954 indicated that it would be about 3 per cent above the 1953 level. It was expected that there would be some declines in heavy manufacturing and in goods producing industries generally, and that these would be more than offset by an increase in the service industries and in housing. As it turned out, the expansion in the service industries and housing was not sufficient to offset the declines in the goods producing industries. Some of these declines followed the completion of projects set in motion by the post-Korean defence demands. Others were an indication of the inevitable unevenness in investment which results from the completion of individual large scale projects such as the Labrador iron ore development and Kitimat. In some instances, the bad weather of the early part of the year delayed the start of construction, and investment plans were not fully realized within the year. At any rate, the decline of 1954 does not appear to mark the beginning of a new trend since the capital forecast for 1955 indicates a further increase of about 6 per cent.

The greatest percentage decline was in agriculture and fishing which fell by \$153 million or 28 per cent from 1953 to 1954. This was almost wholly the result of reduced purchases of machinery and equipment.

In the manufacturing group, there was a large overall decline of \$174 million but there were also many increases. There was a large decline of \$83 million in the chemical products group and this followed completion of large plants

such as those at Edmonton and Sarnia. Transportation equipment declined by \$29 million largely because of the completion of Ford and General Motors expansion in 1953; iron and steel products declined by \$30 million, paper products by \$22 million, and clothing by \$6 million. On the other hand, investment in food and beverage industries increased by \$13 million, printing, publishing and allied industries by \$12 million, non-metallic metal products by \$10 million, and products of petroleum and coal by \$14 million.

In the utilities group, there was a decline of about 8 per cent in which the drop in machinery and equipment was about equal to the drop in construction. Within this total, central electric stations and steam railways provided the major declines, while the continued expansion of telephone facilities provided a sizeable offset. The railways continued to increase their expenditure for machinery and equipment but new construction was reduced by almost a half with the completion of the Quebec North Shore railway. Part of the decline in central electric stations can be attributed to the completion of a phase of the Adam Beck development at Niagara.

In 1954, as in 1953, the largest growth was in the trade, finance and commercial services group where the increase was about 10 per cent. This was largely the product of continued urban growth. There was also a substantial increase in investment in institutions, the growth being particularly marked in schools. The growing urbanization of the war and post-war periods has been placing increasing strains on school facilities and on municipal services generally. There was some decline in capital investment of government departments but only at the federal level where there were sizeable reductions in defence construction and capital assistance.

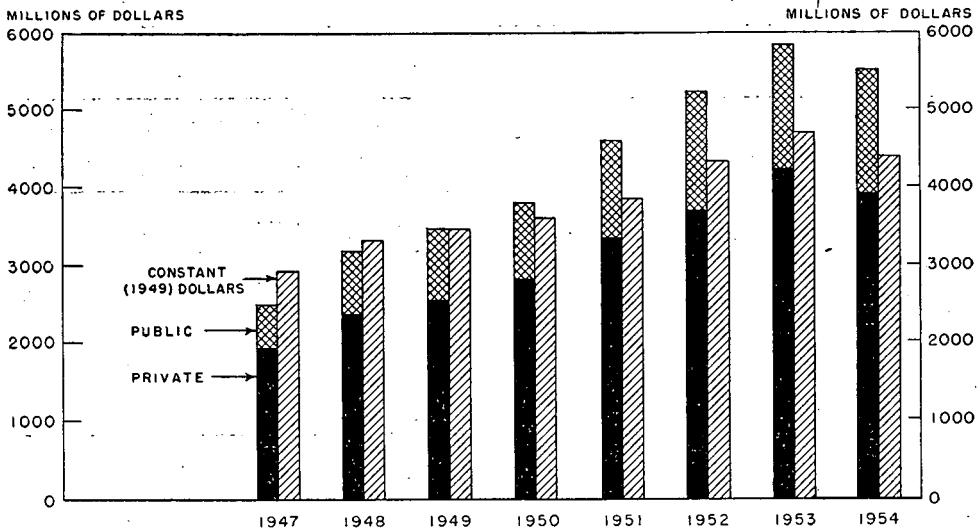
TABLE 9
PUBLIC AND PRIVATE CAPITAL EXPENDITURE

	1951	1952	1953	Prelim. 1954
(Millions of Dollars)				
Agriculture and fishing.....	515	555	546	393
Forestry.....	58	39	34	41
Mining, quarrying and oil wells.....	181	211	257	249
Manufacturing.....	793	973	969	795
Electric power, gas and water works.....	440	578	536	478
Transportation, storage and communications.....	460	581	673	636
Construction industry.....	66	73	91	66
Trade, finance and commercial services.....	412	344	526	577
Institutions.....	236	278	301	329
Housing.....	821	826	1,084	1,169
Government departments.....	595	827	824	765
Total Capital Expenditure¹.....	4,577	5,285	5,841	5,498
Total Capital Expenditure as a percentage of Gross National Expenditure.....	21.3	22.8	23.9	22.9
Index of total Capital Expenditure in Constant Dollars.....	100	112	121	113

¹ For reconciliation with Gross Domestic Investment in Table 8, see below.

	1951	1952	1953	Prelim. 1954
PUBLIC AND PRIVATE CAPITAL EXPENDITURE—Table 9.....	4,577	5,285	5,841	5,498
DEDUCT:				
Provincial hospitals and schools, and municipal schools....	-130	-159	-151	-173
Government housing excl. C.M.H.C. rental housing.....	-40	-40	-23	-10
Direct government department outlays.....	-595	-827	-824	-765
Other.....	-2	-3	-3	-4
ADD:				
Change in Inventories.....	1,620	270	605	-230
TOTAL GROSS DOMESTIC INVESTMENT—Table 8.....	5,430	4,526	5,445	4,316

PUBLIC AND PRIVATE CAPITAL EXPENDITURE



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 differ from those shown in the various public accounts. It has been necessary to adjust the governments' accounting statements of fiscal year revenue and expenditure to exclude certain transactions such as those relating to reserves, write-offs, amortization, and other similar items, as well as the purchase and sale of existing capital assets; and to include the transactions of extra-budgetary funds such as unemployment insurance, old age security, workmen's compensation and government pension funds. Total expenditure includes both current and capital expenditure but government loans and investments and debt retirement are excluded. Municipalities are for the most part on a calendar year basis but the provincial and federal fiscal year figures are adjusted to the calendar year basis. Some of the more substantial adjustments to the federal accounts are shown in the reconciliation statement appended to Table 10.

On the national accounts basis it is estimated that the revenue and expenditure of all levels of government combined were in approximate balance for the calendar year 1954 compared with the surplus of about 3 per cent indicated for 1953. Thus, viewing the operations of Canadian governments as a unit, their fiscal effect was approximately neutral in 1954; whereas they had in 1953 exerted some mild negative or restraining influence on economic activity by taking about 3 per cent more in revenue than they spent on current and capital account. Apart from disparate tendencies within these three levels of government, this broad effect was the result of comparative stability in revenues which declined by less than 1 per cent, and an increase of a little more than 2 per cent in expenditures altogether accounted for by the growth of transfer payments. In terms of specific levels of government, however, there was a moderate rise in both revenues and expenditures of provincial and municipal governments

TABLE 10
GOVERNMENT TRANSACTIONS RELATED TO THE NATIONAL ACCOUNTS

	1951	1952	1953	Prelim. 1954
	(Millions of Dollars)			
GOVERNMENT REVENUE—				
Direct Taxes—Persons.....	1,030	1,320	1,431	1,426
Income—				
Federal.....	890	1,177	1,287	1,277
Provincial and Municipal.....				13
Succession Duties—				
Federal.....	35	39	40	41
Provincial.....	34	34	33	36
Miscellaneous—				
Federal.....	6	7	2	1
Provincial and Municipal.....	65	63	69	58
Direct Taxes—Corporations.....	1,429	1,386	1,209	1,154
Income—				
Federal.....	1,240	1,232	1,150	1,090
Provincial.....	189	154	59	64
Other Direct Taxes—				
Withholding taxes—Federal.....	56	55	54	58
Indirect Taxes.....	2,606	2,814	3,009	3,001
Federal.....	1,495	1,595	1,697	1,612
Provincial and Municipal.....	1,111	1,219	1,312	1,389
Investment Income.....	456	533	558	562
Federal.....	167	218	226	222
Provincial and Municipal.....	289	315	332	340
Employer and Employee Contributions to Social Insurance and Government Pension Funds.....	329	358	390	395
Federal.....	214	230	253	255
Provincial and Municipal.....	115	128	137	140
Transfers from Other Governments—				
Provincial and Municipal.....	259	368	412	430
Total Revenue.....	6,165	6,834	7,063	7,026
Federal.....	4,103	4,553	4,709	4,556
Provincial and Municipal.....	2,062	2,281	2,354	2,470
Deficit (or surplus).....	-1,053	-282	-227	-7
Federal ¹	-1,042	-219	-178	+16
Provincial and Municipal.....	-11	-63	-49	-23
Total Revenue plus Deficit (or minus Surplus)....	5,112	6,552	6,836	7,019
Federal.....	3,061	4,334	4,531	4,572
Provincial and Municipal.....	2,051	2,218	2,305	2,447

¹ For reconciliation with Public Accounts Surplus, see page 17.

TABLE 10—Concluded

GOVERNMENT TRANSACTIONS RELATED TO THE NATIONAL ACCOUNTS

	1951	1952	1953	Prelim. 1954
	(Millions of Dollars)			
GOVERNMENT EXPENDITURE—				
Goods and Services.....	3,243	4,259	4,362	4,360
Federal—				
Defence.....	1,157	1,800	1,907	1,728
Non-defence.....	537	670	619	684
Provincial and Municipal.....	1,549	1,789	1,836	1,948
Transfer Payments.....	1,482	1,825	1,953	2,141
Federal.....	984	1,400	1,487	1,645
Provincial and Municipal.....	498	425	466	496
Subsidies.....	128	100	109	88
Federal.....	124	96	106	85
Provincial and Municipal.....	4	4	3	3
Transfers to Other Governments—				
Federal.....	259	368	412	430
Total Expenditure.....	5,112	6,552	6,836	7,019
Federal.....	3,061	4,334	4,531	4,572
Provincial and Municipal.....	2,051	2,218	2,305	2,447

	1951	1952	1953	Prelim. 1954
	(Millions of Dollars)			
Reconciliation with Public Accounts Surplus:				
Federal Government calendar year surplus for national accounts purposes.....	+1,042	+219	+178	-16
Adjustments:				
Difference between calendar and fiscal year.....	-300	+367	+24	+195
Difference between corporation tax accruals and government receipts.....	-161	-8	+87	-33
Revenue items omitted.....	+67	+49	+92	+79
Reserves, write-offs and similar items omitted from expenditure.....	-167	-195	-139	-142
Change in inventories of government commodity agencies.....	-16	+72	-24	-4
Shipment of military equipment to NATO countries, less replacement.....	-70	-95	-55	-5
Extra-budgetary funds for pensions and social insurance (net).....	-144	+27	-30	+54
Adjustment to place debt interest on a "due date" basis.....	.....	-90	-14	+23
Other adjustments.....	-40	-98	-95	-105
Federal surplus for fiscal year as per public accounts	+211	+248	+24	+46
	(1950-51)	(1951-52)	(1952-53)	(1953-54)

with a relatively small change in surplus. The change in the combined surplus was, therefore, almost wholly the result of the movement in the federal accounts from a moderate surplus of about 4 per cent in the calendar year 1953 to a slight deficit for the calendar year 1954. And this change in federal surplus was produced by a decline of 3 to 4 per cent in revenue coupled with a rise of less than 1 per cent in expenditure.

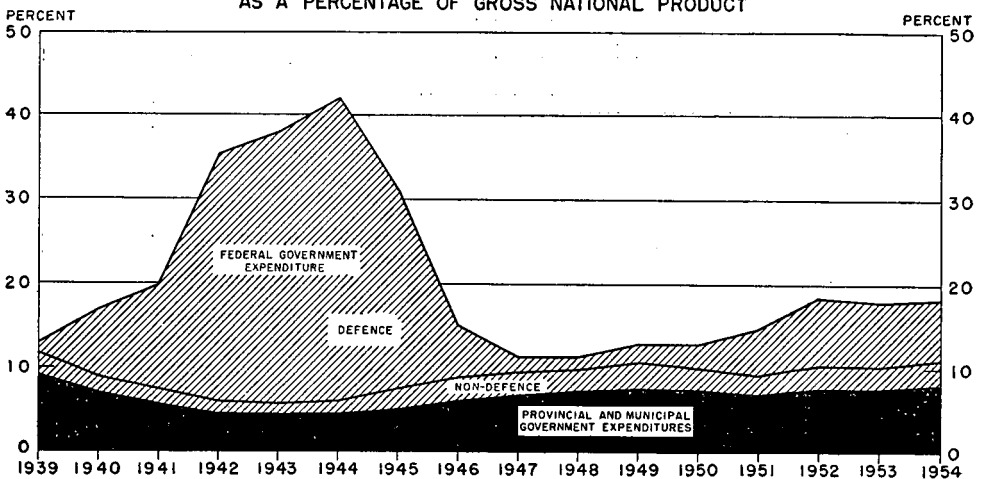
The fiscal effects of government operations are not, of course, confined to revenues and expenditures since cash outlays are affected also by changes in loans, advances and investments. In this sphere too the overall effect of federal government operations was moderately on the side of stimulation.

Expenditure on goods and services by all levels of government combined was practically unchanged between 1953 and 1954. This was the result of a decline in federal expenditure on goods and services and increases in provincial and municipal expenditure. The federal government's expenditure on goods and services declined by \$114 million or 5 per cent compared with an increase of \$56 million or 2 per cent in 1953. This change came about because of the decline of \$179 million or 9 per cent in defence spending for the calendar year 1954. Although federal defence expenditure accounted for a significant part of the withdrawal of demand in 1954, it remained an important element in the overall use of goods and services comprising about 7 per cent of total gross national expenditure and providing 72 per cent of the federal government's total demand for goods and services. Federal government non-defence spending, exclusive of inventory change, increased by about 7 per cent, a considerable part of which was the result of increases in the rates of pay to government employees.

The increase in provincial and municipal expenditure on goods and services is estimated at \$112 million, an increase of 6 per cent. About two-thirds of this increase was in municipal expenditure where the growth of cities continued to raise the requirements for schools and municipal facilities generally. The cost of municipal services also rose with generally higher rates of pay. In provincial governments the increase is mainly attributable to an expansion in highways expenditure and some increase in the general level of salaries and wages.

Transfer payments were substantially higher in 1954 than in 1953. The largest increases were in the federal sphere and amounted to \$158 million. About half of this increase was the result of a rise in unemployment insurance

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

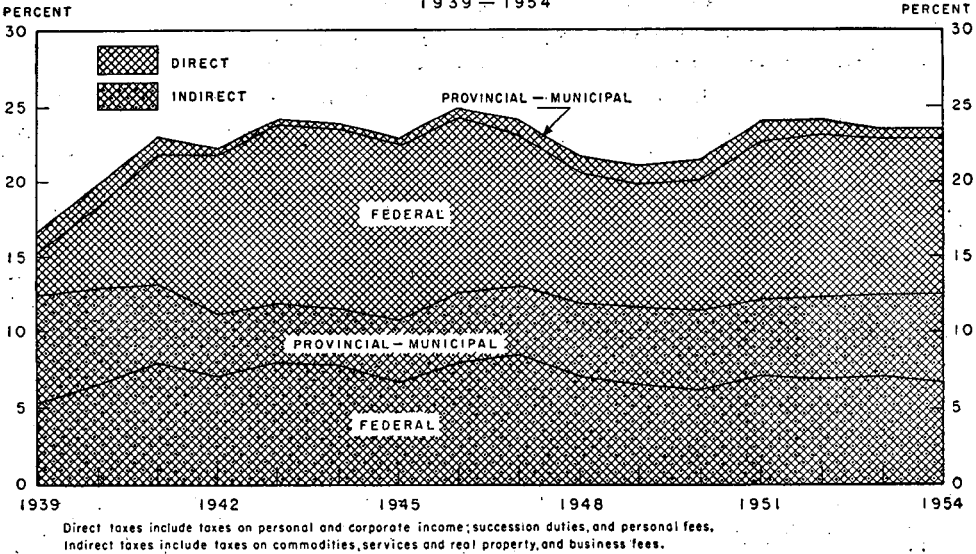


benefits but there was also a substantial increase in cost as a result of the growth in the numbers receiving old age pensions and family allowances. The largest increase in provincial and municipal transfer payments was in grants to private non-commercial institutions including hospitals.

Total revenue was down very slightly by something less than 1 per cent and this decrease was in direct taxes rather than in indirect taxes. Revenue from direct taxes, which is predominantly federal, declined by 2 per cent. Receipts from the federal personal income tax are estimated to have declined very slightly, the effect of the lower rates introduced in mid-1953 being more or less offset by an increase in personal taxable income. The yield of the corporation tax on an accrual basis was down about 5 per cent for the calendar year and this is a direct reflection of the estimated decline in corporation profits.

The stability in the yield of indirect taxes came about because the decrease of about 5 per cent in federal indirect taxes was offset by an increase of about 6 per cent in provincial and municipal taxes. In the federal accounts, receipts from customs duties were less because of the fall in imports. The yield of the sales tax and of a number of excise taxes shrank with the somewhat lower level of retail sales. The special excise tax on automobiles, tires and tubes, for example, yielded almost 20 per cent less than in 1953 when automobile sales were at their peak. In addition, certain excise taxes were removed and the rates for others were reduced in the 1954 budget and this led to lower revenues. These changes included the removal of the 15 per cent special excise tax on furs, electrical household appliances, cameras, etc. and the reduction of the tax rate from 15 per cent to 10 per cent in the case of candy, soft drinks, smokers' accessories, watches, jewellery, etc. At the time of the 1954 budget the revenue loss from these reductions was estimated at \$33 million. Of the increase of \$77 million in provincial and municipal indirect taxes, a little more than half was in the municipal sphere and consisted in the main of an increase in real property taxes. In the provincial governments there was some increase in the yield of the gasoline tax but the increased yield resulting from the higher rate of sales tax in British Columbia was even more important.

GOVERNMENT DIRECT AND INDIRECT TAXATION
AS A PERCENTAGE OF GROSS NATIONAL PRODUCT
1939 - 1954



MONETARY AND CREDIT DEVELOPMENTS

Monetary and credit conditions in 1954 were characterized by a noticeable decline in interest rates, by a rise in security prices, and by a generally easier availability of credit in Canada. These conditions considerably facilitated capital and consumer expenditures financed by borrowing or by converting securities into cash, and brought about a substantial increase in the bank deposits and currency holdings of the general public.

The decline in Canadian interest rates in 1954 represented a continuation of the trend which had become evident in the last quarter of the previous year. The main fall in rates on long-term government bonds occurred in the first quarter, but short-term yields continued to decline throughout the year. In the early part of the year particularly, declining interest rates in the United States had important direct and psychological effects on yields in Canada. In the second half of the year, the Canadian chartered banks were active buyers of securities and were a major factor in the change of interest yields. The 1954 revision of The Bank Act had the effect of increasing the amount of cash reserves which the chartered banks felt free to employ in expanding their earning assets. Prior to this revision, which took effect on July the first, the banks had been required to maintain a daily cash ratio of not less than 5 per cent, although they had in practice worked to a figure of about 10 per cent. The revised Act set the new minimum reserve ratio at a monthly average of 8 per cent. The chartered banks immediately began to work towards lower ratios and their average reserve declined to 8.7 per cent at the year end compared to 10.2 per cent at the end of 1953. In consequence, the chartered banks were in a position to add substantially to their assets during the second half of 1954.

As the demand for loans had levelled off, the banks employed their free reserves in the purchase of government bonds, treasury bills and other types of securities. At the same time, an increase in day-to-day loans made by the banks enabled dealers to increase their demand for short-term securities. These factors, together with a reduction in the outstanding supply of short-term maturities,

TABLE 11
YIELDS ON GOVERNMENT SECURITIES
CANADA AND THE UNITED STATES

	Long-Term Bonds ¹			Medium Term Bonds ²			3 Month Treasury Bills ³		
	Canada	U.S.	Spread	Canada	U.S.	Spread	Canada	U.S.	Spread
December 1953.....	3.61	2.78	.83	3.53	2.23	1.30	1.88	1.68	.20
June 1954.....	3.09	2.52	.57	2.63	1.81	.82	1.60	.63	.97
December 1954.....	3.05	2.57	.48	2.36	1.94	.42	1.08	1.25	-.17
March 1955.....	2.96	2.67	.29	2.20	2.26	-.06	1.20	1.29	-.09

¹ Canada—15 year theoretical 15th of each month. U.S. 2½'s of 67-72, Wednesday nearest 15th.

² Canada—average of 3-5 year theoreticals, 15th of each month. U.S.—Federal Reserve average of 3-5 year bonds, nearest mid-month.

³ Average tender nearest 15th of month.

contributed to the decline in medium and short term interest rates. The importance of chartered bank purchases is indicated by the fact that during the year as a whole they added \$553 million of all types of Government of Canada securities to their portfolios, while the total outstanding declined by \$175 million due to government redemptions. In the early part of 1955, the banks again added to their security holdings, thereby contributing to a further decline in interest rates, which in some cases reached levels below those prevailing in the United States.

The small increase in bank loans in 1954 was in contrast to 1953 when bank loans increased substantially, and reflects among other things the decline of business inventories, and the reduced rate of growth in consumer credit. The new day-to-day loans and insured residential mortgages which were introduced during the year more than accounted for the modest over-all increase, as there was a slight decline in the combined total of other categories of loans. Day-to-day loans were \$68 million at the year-end while net disbursements under residential mortgage loans were \$74 million, with commitments totalling a further \$86 million, involving in all some 17,000 housing units. On balance, the net effect of the activities of the chartered banks in 1954 on the public's holdings of liquid assets was small in comparison to the previous year, the increase being \$19 million compared to \$466 million in 1953.

The public's holdings of currency, bank deposits, and Government of Canada securities increased in 1954 by \$232 million, compared to \$264 million in 1953 and stood at the record year-end level of \$18,860 million. The main factor leading to this increase was the excess of \$227 million of cash outlays over receipts in the federal government sector. This was the result of both budgetary and non-budgetary transactions, as well as of changes in government loans and advances and the operations of the Unemployment Insurance Fund and other government accounts. These net disbursements in 1954 were in sharp contrast to the experience of 1953 when there was an overall surplus of receipts over disbursements of \$220 million which partially offset the increase of \$466 million in the public's liquid assets stemming from the operations of the chartered banks.

The increase of \$232 million in the public's quick assets differed in composition, as well as in origin, from the increase in 1953. There was a pronounced shift into bank deposits in 1954 with active deposits increasing \$272 million compared to a decrease of \$91 million in 1953, and inactive notice deposits rising \$501 million compared to a rise of \$82 million in the previous year. At the same time public holdings of Government of Canada securities, which had increased by \$221 million in the previous year, decreased by \$570 million despite an increase in holdings of non-market securities, mainly Canada Savings Bonds. There was

TABLE 12
GENERAL PUBLIC¹ HOLDINGS OF CURRENCY, BANK DEPOSITS, AND
GOVERNMENT OF CANADA SECURITIES AS AT DECEMBER 31

(Millions of Dollars)

	1951	1952	1953	1954
Currency—notes and coin.....	1,275	1,377	1,429	1,458
Bank deposits—				
Active deposits.....	3,568	3,796	3,705	3,977
Inactive notice deposits.....	3,894	4,129	4,211	4,712
Total bank deposits.....	7,462	7,925	7,916	8,689
Government Securities—				
Market securities.....	8,194	7,812	7,651	6,623
Non-market securities.....	1,194	1,250	1,632	2,090
Total government securities.....	9,388	9,062	9,283	8,713
Total liquid assets.....	18,125	18,364	18,628	18,860

¹ Includes all holdings other than those of the banking system and the federal government and government accounts.

also a shift towards the more liquid types of market securities such as treasury bills. The sharply increased liquidity of the general public as a result of the shift from government securities to bank deposits was effected mainly through the chartered bank purchases of securities discussed above. The redemption operations of the Government of Canada also played some part in this development.

The increased supply of money in the hands of the public, together with the lower interest rates and security yields prevailing during the year created a favourable climate for new provincial, municipal and corporate borrowing. Net new issues rose by about 12 per cent to an estimated \$1,132 million in 1954, with borrowings abroad being substantially reduced after the first quarter of the year. Consumer credit also continued to rise, although at a slower rate than in the previous year, the increase being of the order of \$125 million compared to \$314 million in 1953. Mortgage credit also expanded further, with the main supply coming from resident life insurance companies who sold about \$110 million of government securities compared to \$49 million in 1953 in order to finance their increased volume of new investments. As indicated above, the chartered banks were also an important source of credit in the field of new residential construction. Although non-residents continued to be sellers of Government of Canada securities, there was, on balance, a net inflow of funds for all types of outstanding Canadian securities of \$55 million, and this development, together with the net inflow of capital for investment in new issues, contributed to the buoyancy of Canadian security markets in 1954.

BALANCE OF INTERNATIONAL PAYMENTS

Canada's international payments and receipts reflected in 1954 the somewhat lower level of domestic economic activity and the maintenance of relatively firm international markets. Merchandise exports and imports were both lower than in 1953. The decline of 5 per cent in the value of exports was the result of a volume reduction of 3 per cent combined with a decline of 2 per cent in export prices; while the 7 per cent decline in the value of imports was wholly the result of a volume reduction. The terms of trade, or the ratio of export prices to import prices, were therefore slightly less favourable to Canada and consequently the greater volume decline in imports was not fully reflected in an improvement in the balance on merchandise account. Nevertheless, there was a small surplus of \$9 million in merchandise trade in 1954 compared with the deficit of \$57 million in 1953. Taking into account non-merchandise trade as well, the current account deficit of \$427 million in 1954 was only slightly changed from the \$439 million deficit of 1953.

The total value of merchandise exports in 1954 was \$3,929 million, down by \$223 million from 1953. The decline resulted for the most part from special situations and was concentrated in a few commodities such as wheat and other grains, motor vehicles, primary iron and steel, and items related to defence needs such as aircraft and parts and electrical apparatus. Wheat exports showed the greatest single decline. Part of this was the result of better crops in other parts of the world but there was in addition some running down of stocks in anticipation of lower prices. In addition, there was a decline in the value of wheat flour and coarse grain exports, bringing the fall in grain exports as a whole to almost \$300 million or considerably more than the total decline in exports. It is apparent, therefore, that apart from grain exports and the other commodities mentioned above, Canadian exports maintained their 1953 levels or showed substantial gains. The most marked increase was in exports of forestry products with newsprint reaching the highest value ever recorded for a single commodity in a calendar year. Fishery products, chemicals and base metals, particularly nickel, also recorded substantial gains over 1953.

Despite a decline of 7 per cent in 1954, imports remained at relatively high levels. Imports amounted to \$3,920 million in 1954 compared with \$4,209 million in 1953, a drop of \$289 million. In contrast to exports, the decline in imports was fairly general with agricultural products as a group showing the only significant increase. The moderately lower level of economic activity in Canada during 1954 reduced requirements for both industrial materials and many finished consumer goods. Poor weather in the early part of the year also reduced the demand for materials and equipment used in construction. In addition, a more cautious inventory policy on the part of business contributed to the lower level of imports. This last factor was especially important in the case of textiles which were also affected by a weaker Canadian market for products using textiles in their manufacture. Imports of farm implements also showed a substantial decline as a result of lower farm income. Other major decreases occurred in the import of automobile parts because of the lower output of automobiles, and in coal as a result of the substitution of oil for fuel uses.

TABLE 13
BALANCE OF INTERNATIONAL PAYMENTS
ESTIMATED CURRENT ACCOUNT BETWEEN CANADA AND ALL COUNTRIES
(Millions of Canadian Dollars)

	1951	1952	1953	Prelim. 1954
CURRENT CREDITS—				
Merchandise exports (adjusted) ¹	3,950	4,339	4,152	3,920
Gold available for export.....	150	150	144	155
Travel expenditures.....	274	275	302	300
Interest and dividends.....	115	145	164	136
Freight and shipping.....	351	383	337	306
Inheritances and immigrants' funds.....	77	85	92	91
Other current receipts.....	249	281	321	308
Total Credits.....	5,166	5,658	5,512	5,225
CURRENT DEBITS—				
Merchandise imports (adjusted).....	4,097	3,850	4,209	3,920
Travel expenditures.....	280	341	365	380
Interest and dividends.....	450	413	410	443
Freight and shipping.....	354	375	382	341
Inheritances and emigrants' funds.....	70	94	91	93
Other current payments.....	432	421	494	475
Total Debits.....	5,683	5,494	5,951	5,652
NET BALANCE ON CURRENT ACCOUNT.....	-517	+164	-439	-427

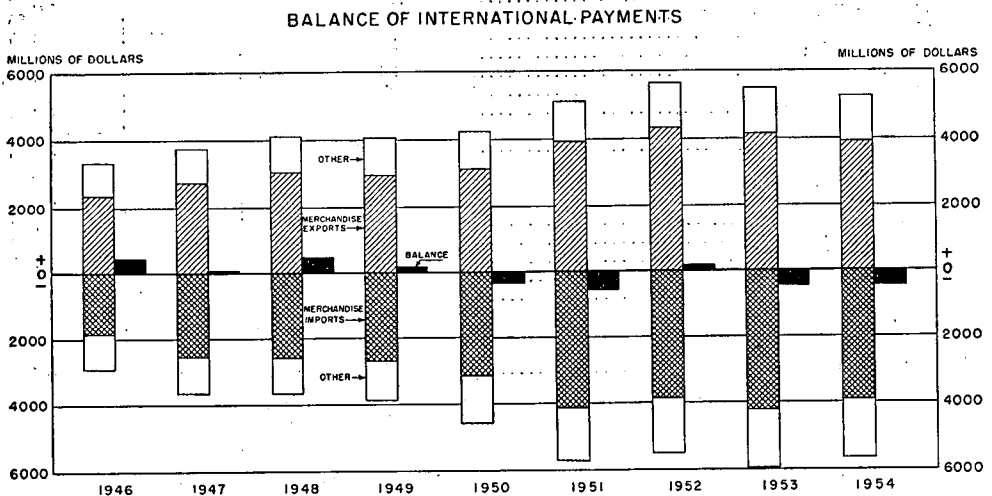
¹ Aid to NATO countries under Defence Appropriation Act has been excluded.

ESTIMATED GEOGRAPHICAL DISTRIBUTION OF THE NET BALANCE ON CURRENT ACCOUNT
(Millions of Canadian Dollars)

	1951	1952	1953	1954
Between Canada and—				
United States.....	-951	-849	-924	-818
United Kingdom.....	+223	+388	+142	+230
Rest of the Sterling Area.....	-24	+114	+87	+38
Other OEEC Countries.....	+223	+332	+179	+118
Other Countries.....	+12	+179	+77	+5
All Countries.....	-517	+164	-439	-427

The customary deficit on non-merchandise account widened from \$382 million in 1953 to an estimated \$436 million in 1954, an increase of \$54 million. Both payments and receipts fell below their 1953 levels with the greatest declines taking place in the freight account. This was a reflection of lower levels of trade in 1954 and further transfers of ships from Canadian registry. Interest and dividend receipts also showed a decline while payments showed a marked increase reflecting rising payments on earlier direct investment by foreigners in Canada and on Canadian issues held abroad. Travel expenditures by Canadians abroad were higher while receipts on this account were slightly lower than in the previous year. There was some drop in payments because of the large non-recurring military expenditures in 1953. The net result of these movements was that non-merchandise receipts declined from \$1,360 million in 1953 to \$1,296 million in 1954, a drop of \$64 million. Payments fell by only \$10 million from \$1,742 million in 1953 to \$1,732 million in 1954.

There were no significant changes in the direction of Canadian exports and imports in 1954. The decline in total exports was widely distributed. The lower value of exports to the United States was partly a consequence of reduced economic activity in that country in the early part of the year. On the other hand, the decline in exports to Commonwealth countries, including the United Kingdom, and to other overseas countries can be attributed almost entirely to lower exports of wheat and, to a lesser extent, motor vehicles. Apart from these items most other Canadian exports to these markets showed a strong upward trend. This was particularly true of the United Kingdom and Europe and is related to high levels of industrial activity as well as to increased liberalization of dollar trade and payments in those countries.



The decline in imports was concentrated in trade with the United States and the United Kingdom. The declines were mainly in consumer durable goods and machinery from the United States, in fibres and textiles from the United Kingdom and in iron and steel imports from both countries. Imports from the rest of the sterling area, Europe and all other overseas countries showed an increase, with the exception of imports from Latin America which declined fractionally from the previous year's level.

Excluding the movement in official reserves, the net inflow of capital into Canada in 1954 was considerably larger than in 1953. There were as well some changes in the components of the capital account. Direct investment was slightly lower, reflecting the somewhat lower level of activity and the effect

TABLE 14
CANADA'S OFFICIAL HOLDINGS OF GOLD AND U.S. DOLLARS
AS AT DECEMBER 31
(Millions of U.S. Dollars)

	1951	1952	1953	1954
Exchange Fund Account and Bank of Canada—				
Gold.....	841.7	885.0	986.1	1,072.7
U.S. Dollars.....	899.5	961.8	802.0	833.4
Other Government of Canada Accounts.....	37.4	13.4	30.4	36.5
Total Gold and U.S. Dollars.....	1,778.6	1,860.2	1,818.5	1,942.6

of bad weather in hampering development of the western oil fields. The total value of new Canadian securities issued abroad was also lower as a result of the decline of Canadian rates of interest relative to rates in the United States. The net proceeds from these issues were further reduced by large capital retirements. In contrast to 1953, there was however a substantial net inflow of capital arising from dealings in outstanding Canadian issues. The outflow resulting from repatriation of government securities was somewhat larger than in 1953, but this was more than offset by an increase of \$100 million in non-resident net purchases of common and preferred stocks of Canadian corporations. The operations of United States investment funds played an important part in this latter development. Other capital movements also resulted in a small inflow in 1954 compared with the large outflows of 1952 and 1953.

The total net inward movement of capital was more than sufficient to cover the deficit on current account and official exchange reserves rose by \$124 million during the year and the Canadian dollar remained at a premium over the United States dollar. Official reserves of gold and United States dollars were \$1,942 million at December 31, 1954, as compared with \$1,818 million at December 31, 1953. At the same dates, the United States dollar was \$.96 19/32 and \$.97 3/8, respectively, in terms of the Canadian dollar. In recent weeks the premium on the Canadian dollar has been somewhat less and the noon rate of exchange on the United States dollar in Canadian funds was 98 $\frac{2}{3}$ on March 29, 1955.

TABLE 15
SUMMARY OF CAPITAL MOVEMENTS
(Millions of Dollars)

	1951	1952	1953	Prelim. 1954
Direct investment in Canada.....	+309	+346	+398	+325
Direct investment abroad.....	- 20	- 77	- 56	- 70
Canadian securities—				
Trade in outstanding issues.....	+ 38	- 94	- 31	+ 55
New issues.....	+411	+316	+342	+318
Retirements.....	-184	- 89	-142	-192
Foreign securities.....	+ 15	- 8	- 1	- 21
Official Loan Repayments.....	+ 68	+ 56	+ 87	+ 72
Canadian dollar holdings of foreigners.....	-192	- 66	- 17	+ 26
Official holdings of gold and foreign exchange (increase, -)	- 56	- 37	+ 38	-124
Other capital movements.....	+128	-511	-179	+ 38
Net capital movement financing current account balances	+517	-164	+439	+427

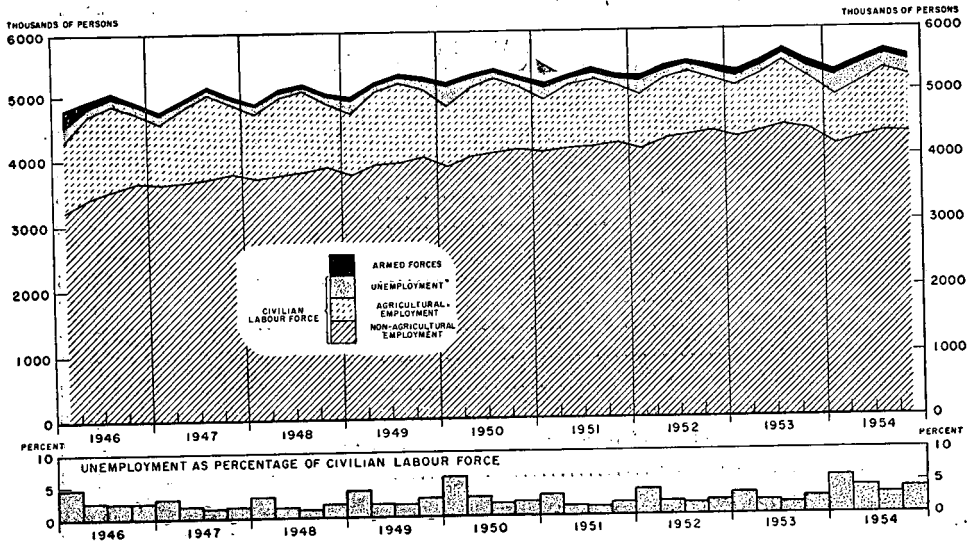
EMPLOYMENT AND EARNINGS

Employment in 1954 reflected the weakening of demand and the more competitive conditions which became evident in some sections of the economy in the latter part of 1953. The growth in the labour force was accompanied by a decline in employment and there was consequently some increase in unemployment. The number of persons without jobs and seeking work rose from an average of 137,000 in 1953 to 232,000 in 1954. The average number of persons employed in 1954 was 5,194,000 compared with 5,246,000 in 1953.

Although the demand for labour was stronger in 1953 than in 1954, this was less true of the last quarter of the year. Thus, in 1953 employment was relatively high for the first three quarters of the year but conditions deteriorated noticeably in the last quarter. This deterioration continued into 1954 and each month from January to September showed lower employment than the comparable month of the preceding year. However, at the beginning of the fourth quarter of 1954 the number of people with jobs was approximately equal to the number at the same time in 1953; and in December of 1954 employment was considerably above the level of December 1953 although because of the expansion of the labour force the number without jobs and seeking work was also higher. Total industrial employment increased slightly in the last quarter of 1954 and the decline relative to 1953 was less pronounced than for the first three quarters of the year. Employment in non-durable manufactures and in construction showed a similar pattern. In forestry and mining the level of employment was actually higher than had prevailed in the last quarter of 1953. In the service sector the first three quarters of the year had shown a gain over the comparable period of 1953; and this gain was continued into the fourth quarter.

The number of persons without jobs and seeking work averaged 4.3 per cent of the labour force in 1954 compared with 2.5 per cent in 1953. The highest unemployment was reached in March of 1954 when there were 321,000 persons without jobs and seeking work or 147,000 more than the number for the same month in 1953. The point of lowest unemployment was reached in September 1954 with 168,000 jobless persons looking for work or 83,000 more than in September 1953. In January 1955 the number of persons without jobs and

THE LABOUR FORCE



seeking work was 363,000 or 80,000 above the level of the comparable month in 1954; and in February 1955 the number of persons without jobs and looking for work was 379,000 or 64,000 more than in February 1954.

Despite the fact that employment averaged a little less in 1954 than in 1953 there was an increase of about 2 per cent in total labour income. Thus, the higher rates of pay in 1954 more than offset the combined effect of reduced employment and a slightly shorter working week. The average annual earnings per paid worker rose from \$2,940 in 1953 to \$3,034 in 1954, an increase of 3 per cent. Since 1951 average earnings per paid worker have risen by almost 17 per cent. Most of this increase represents a gain in real income, for the upward movement in prices, as indicated by the consumer price index, has only amounted to 2 per cent.

The greater part of the 8 per cent increase in labour income for 1953 was concentrated in the first half of the year. There was very little growth for the last half of the year and the seasonally adjusted figures indicate a slight decline in total earnings between the fourth quarter of 1953 and the first quarter of 1954. The moderate rise in total labour income for 1954 was distributed fairly evenly over the last three quarters of the year.

Finance and other services was the only industrial group in which the total of wages and salaries advanced at a faster rate in 1954 than in 1953 and this increase amounted to 9 per cent. The total of wages and salaries paid in the primary industries rose by 2 per cent during 1954. In public utilities, transportation, storage and trade there was a moderate increase slightly greater than for labour income as a whole. In both manufacturing and construction on the other hand there was a small decline in aggregate earnings.

TABLE 16
THE CIVILIAN LABOUR FORCE

ANNUAL AVERAGES¹
(Thousands of Persons)

	1951 ²	1952 ²	1953 ²	1954 ²
Civilian Labour Force.....	5,217	5,315	5,383	5,426
Male.....	4,071	4,136	4,197	4,207
Female.....	1,146	1,179	1,186	1,219
Non-Agricultural.....	4,274	4,420	4,521	4,547
Agricultural.....	943	895	862	879
Persons without jobs seeking work.....	106	129	137	232
Persons with jobs.....	5,111	5,186	5,246	5,194
In Non-Agricultural Industries.....	4,171	4,295	4,388	4,321
Paid Workers.....	3,636	3,773	3,853	3,802
Employers, own account workers and unpaid family workers.....	535	522	535	519
In Agriculture.....	940	891	858	873
Paid Workers.....	99	111	113	120
Employers, own account workers and unpaid family workers.....	841	780	745	753

¹ Average of the quarterly labour force surveys in 1951 and 1952 and of the monthly surveys in 1953 and 1954.

² Revised to include all areas in the ten provinces.

The civilian labour force, which includes both the employed and the unemployed, averaged 5,426,000 for 1954 and accounted for 52.7 per cent of the non-institutional civilian population over 14 years of age. This compares with 53.1 per cent in 1953. The agricultural labour force increased from 862,000 in 1953 to 879,000 in 1954. This increase of 17,000 is in contrast to the trend of recent years when there has been a marked shift from rural to urban occupations.

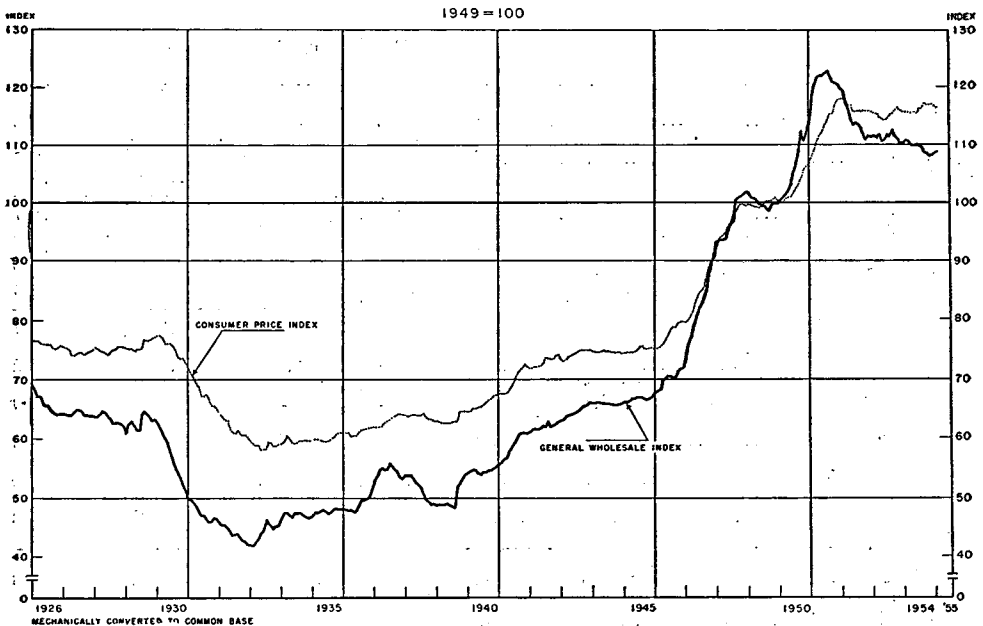
In addition to the civilian labour force, there were 115,000 men and women in the armed forces in 1954 compared with 106,000 in 1953.

PRICE TRENDS

Canadian prices were relatively stable during 1954. The consumer price index varied little more than $\frac{1}{2}$ per cent from its yearly average and ended the year less than 1 per cent above the January level. The general wholesale index declined slowly but more or less steadily throughout the year and was about 2 per cent lower in December than in January. The consumer price index has been almost unchanged for about three years and the wholesale price index has declined less than 3 per cent since September 1952.

The consumer price index moved fractionally upward from an average of 115.5 in 1953 to 116.2 in 1954. This was the result of moderate increases in the price of services. The largest increase was the 2 per cent rise in the shelter index. During the year the variations in the consumer price index followed closely the variations in food prices. The food index reached a low of 110.2 in May and a high of 114.4 in August. It was half a point higher at December 1954 than at December 1953, but the average of food prices for 1954 was slightly lower than for 1953. Clothing was the only other group in which prices averaged less than in 1953. There was a fairly steady decline throughout the year and clothing prices were about 2 per cent lower at the end of the year than at the beginning and about 6 per cent lower than they had been in December 1951.

CANADIAN WHOLESALE AND CONSUMER PRICE INDEXES



The United States consumer price index also averaged a little more for 1954 than for 1953. However, in the United States the movement throughout 1954 was slightly downward both in the total index and in the food component. In Canada, as has been pointed out, the movement was slightly upward.

The Canadian index of wholesale prices declined for the third successive year. The average for the year was 2 per cent below the average of 1953; and the moderate downward course throughout the year brought the index at year-end to a point only 3 per cent above the level of June 1950. Since wholesale prices reached their peak in July 1951, following the outbreak of war in Korea, the decline in the index has amounted to 12 per cent. The slight downward movement of the wholesale index in 1954 reflected the trend for the majority of goods. In general, raw materials declined somewhat less than manufactured products. The larger decreases took place in wholesale prices for farm products and textile and iron products. However, the decline in the price of farm and textile products was considerably less than in 1953. The fall in the wholesale price for iron products was about 4 per cent compared with an increase of 1 per cent in the previous year. Exceptions to the general downward trend occurred in the case of non-metallic minerals and chemicals which moved fractionally above 1953 levels.

TABLE 17
WHOLESALE PRICE INDEXES
(1935-39=100)

	General Wholesale Prices	Fully and Chiefly Manu- factured Goods	Canadian Farm Products
1939.....	99.2	101.9	92.6
1940.....	108.0	109.9	96.1
1941.....	116.4	118.8	106.6
1942.....	123.0	123.7	127.1
1943.....	127.9	126.9	145.4
1944.....	130.6	129.1	155.3
1945.....	132.1	129.8	166.4
1946.....	138.9	138.0	179.5
1947.....	163.3	162.4	192.2
1948.....	193.4	192.4	232.1
1949.....	198.3	199.2	228.7
1950.....	211.2	211.0	236.7
1951.....	240.2	242.4	268.6
1952.....	226.0	230.7	250.2
1953.....	220.7	228.8	220.9
1954.....	217.0	224.2	209.2
1954—January.....	219.8	227.8	212.9
February.....	219.0	227.3	212.3
March.....	218.6	226.9	210.2
April.....	217.9	225.1	209.0
May.....	218.2	224.5	213.1
June.....	217.8	224.5	213.1
July.....	217.4	223.6	217.8
August.....	215.8	222.3	207.9
September.....	215.3	222.6	204.1
October.....	214.3	221.8	201.1
November.....	214.8	222.2	203.8
December.....	215.3	222.3	204.7
1955—January.....	215.7	222.1	206.5
February.....	217.4	223.2	206.1

Note: 1954 Indexes are preliminary. The Canadian Farm Products index is fully revised only up to July 1953 and does not reflect final payments on all grains for subsequent months.

TABLE 18
CONSUMER PRICE INDEXES

	CANADA		UNITED STATES	
	Total	Food	Total	Food
	1949=100		1947-49=100	
1939.....	63.2	50.2	59.4	47.1
1940.....	65.7	52.6	59.9	47.8
1941.....	69.6	57.9	62.9	52.2
1942.....	72.9	63.4	69.7	61.3
1943.....	74.2	65.2	74.0	68.3
1944.....	74.6	65.5	75.2	67.4
1945.....	75.0	66.3	76.9	68.9
1946.....	77.5	70.0	83.4	79.0
1947.....	84.8	79.5	95.5	95.9
1948.....	97.0	97.5	102.8	104.1
1949.....	100.0	100.0	101.8	100.0
1950.....	102.9	102.6	102.8	101.2
1951.....	113.7	117.0	111.0	112.6
1952.....	116.5	116.8	113.5	114.6
1953.....	115.5	112.6	114.4	112.8
1954.....	116.2	112.2	114.8	112.6
1954—January.....	115.7	111.6	115.2	113.1
February.....	115.7	111.7	115.0	112.6
March.....	115.5	110.7	114.8	112.1
April.....	115.6	110.4	114.6	112.4
May.....	115.5	110.2	115.0	113.3
June.....	116.1	112.0	115.1	113.8
July.....	116.2	112.1	115.2	114.6
August.....	117.0	114.4	115.0	113.9
September.....	116.8	113.8	114.7	112.4
October.....	116.8	113.8	114.5	111.8
November.....	116.8	113.4	114.6	111.1
December.....	116.6	112.6	114.3	110.4
1955—January.....	116.4	112.1	114.3	110.6
February.....	116.3	111.5	114.3	110.8

PART II

REVIEW OF GOVERNMENT ACCOUNTS 1954-55

TABLE OF CONTENTS

	PAGE
1. Introduction.....	75
2. Highlights of Governmental Financial Operations during 1954-55.....	75
3. Budgetary Accounts.....	78
A. Revenues.....	79
B. Expenditures.....	87
4. Summary of Assets and Liabilities at March 31, 1955.....	106
A. Changes in Principal Liability Classifications during 1954-55.....	107
B. Changes in Principal Active Asset Classifications during 1954-55.....	111
C. Increase in Net Debt.....	115
5. The Cash Position.....	116
6. The Public Debt.....	118
7. Supplementary Detailed Tables.....	125

NOTE

Subsequent to the printing of these Budget Papers which were tabled in the House of Commons on Monday, April 4, 1955, the Minister of Finance announced in his Budget Speech on Tuesday, April 5, 1955, that the authority of Parliament would be sought to wipe out the temporary loan of \$45.8 million made to the old age security fund to cover the deficit in the fund for the fiscal year 1953-54 by charging it to expenditures in the fiscal year 1954-55. This will have the effect of increasing the estimated budgetary deficit for 1954-55 by \$45.8 million bringing the estimated expenditures for 1954-55 to \$4,301 million and the adjusted deficit for the year to \$194 million.

No changes have been made in either the tables or the text of these Budget Papers and therefore in using this material appropriate adjustments in these published figures should be made.

PART II

REVIEW OF GOVERNMENT ACCOUNTS

1954-55

1. INTRODUCTION

The figures which are presented in this Part must be regarded as preliminary and subject to revision. Although the Government's fiscal year ended on March 31, the books must remain open for several weeks in order to record various adjusting entries and to take into account all payments up to and including April 30 made on account of expenditures originating in and properly chargeable to the fiscal year 1954-55. Consequently the final figures when they become available next August may show some variations from those given in the following pages.

2. HIGHLIGHTS OF GOVERNMENTAL FINANCIAL OPERATIONS DURING 1954-55

The budgetary revenues of the government for the fiscal year ended March 31, 1955 are now estimated at \$4,107 million. This is \$357 million or about 8 per cent less than the amount of \$4,464 million forecast in last year's budget speech and approximately \$289 million less than the total collected in the preceding year.

Budgetary expenditures are estimated at \$4,255 million which is \$205 million or $4\frac{1}{2}$ per cent less than the budget forecast and about \$95 million less than the total spent in 1953-54.

On the basis of these figures the indicated deficit is about \$148 million compared with the budget forecast of a nominal surplus of \$4 million and a surplus of \$46 million for 1953-54.

On the revenue side of the government's budgetary operations the most significant feature was the decline of \$251 million in tax revenues. Corporation income taxes declined by \$183 million, excise taxes by \$53 million, customs import duties by \$14 million and personal income taxes by \$12 million, but these were only slightly offset by increases of \$7 million in taxes on dividends, interest, rents and royalties going abroad, and \$3 million in succession duties.

On the expenditure side, the most significant feature was the continued importance of defence in the government's expenditure programme. Although defence expenditures at \$1,697 million were \$157 million or about 8 per cent less than those of the previous year, they still constituted 40 per cent of the government's total budgetary outlay. In 1953-54, defence expenditures represented 42.6 per cent of the total.

Although the budgetary deficit was \$148 million, the government made loans, advances and other non-budgetary disbursements of about \$292 million and at the same time reduced the amount of its unmatured funded debt outstanding in the hands of the public by approximately \$202 million. This was achieved by using the \$488 million available from insurance, pension and annuity accounts receipts, the repayment of loans and advances and other non-budgetary receipts and credits, and by letting cash balances run down by \$154 million.

The following table summarizes the budgetary and non-budgetary transactions and changes in cash position for the fiscal year ended March 31, 1955:

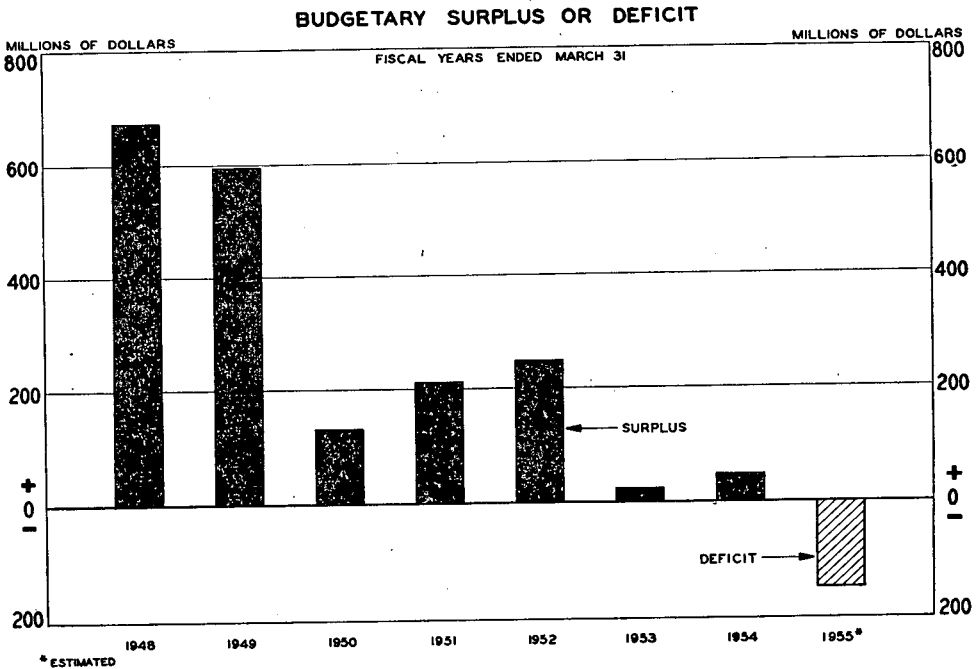
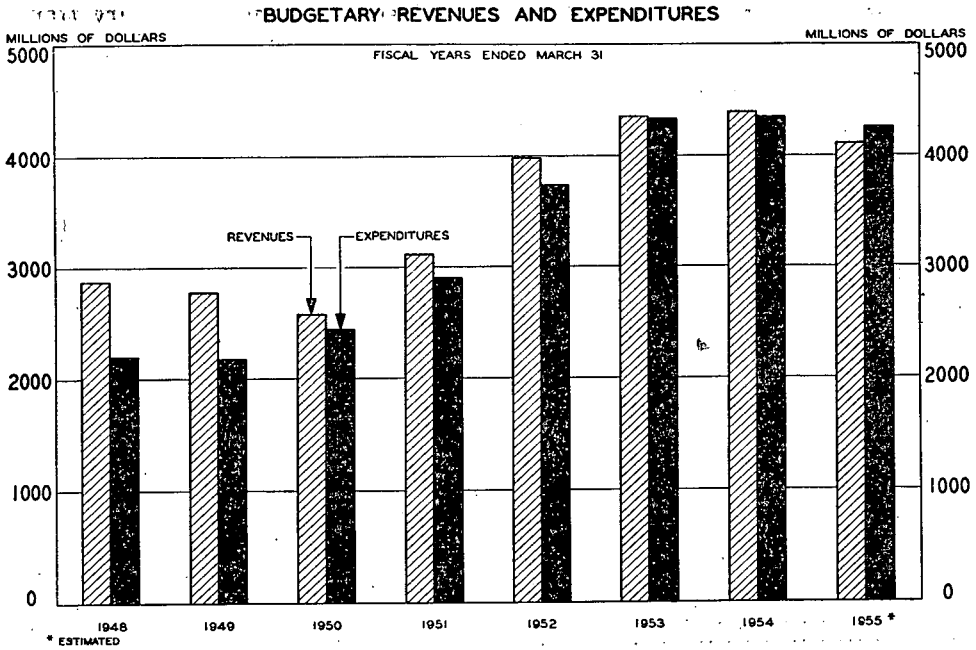
TABLE I

SUMMARY OF BUDGETARY AND NON-BUDGETARY TRANSACTIONS AND CHANGES IN CASH POSITION	Fiscal Year Ended March 31, 1955 (Estimated)
	(in millions of dollars)
Budgetary revenues.....	..... 4,107
Budgetary expenditures.....	..... 4,255
Budgetary deficit (-).....	..... -148
Non-budgetary receipts and credits (excluding unmatured debt transactions)—	
Repayments of loans, investments and working capital advances.....	222
Net government annuities account receipts.....	64
Net insurance and pension account receipts.....	139
Other non-budgetary receipts.....	63 488
Non-budgetary disbursements and charges (excluding unmatured debt transactions)—	
Loans, investments and working capital advances.....	179
Other non-budgetary disbursements.....	113 292
Net amount available from non-budgetary transactions.....	..... 196
Overall cash available from budgetary and non-budgetary transactions.....	..... 48
Net decrease in unmatured debt outstanding in the hands of the public.....	..... -202
Net decrease in cash balances.....	..... -154

Pension payments from the old age security fund amounted to \$353 million in 1954-55 and tax receipts credited to the fund amounted to \$291 million with the result that there was a deficit for the year of \$62 million which was covered by a temporary loan by the Minister of Finance to the fund. This amount, together with the loan of \$46 million covering the deficit of the fund for 1953-54 brings the total outstanding temporary loans made by the Minister of Finance to the fund to \$108 million.

During 1954-55, the government's liability for unmatured debt decreased by \$88 million, but as other liabilities of the government increased by \$109 million, the gross public debt increased by \$21 million to \$17,944 million at March 31, 1955. During the same period the net active or realizable or revenue-producing assets decreased by \$127 million to \$6,680 million with the result that the government's net debt—that is, the gross debt less the active assets—was \$11,264 million at March 31, 1955, an increase of \$148 million.

After taking into account the budgetary deficit of \$148 million and the net balance of \$196 million available from non-budgetary transactions, \$48 million was available for debt reduction. By using this amount and by allowing cash balances to run down by \$154 million, unmatured funded debt in the hands of the public, after taking into account sinking fund purchases and transactions in the securities investment account, was reduced by \$202 million.



3. THE BUDGETARY ACCOUNTS

Total revenues, at \$4,107 million for 1954-55, were \$289 million less than the total for 1953-54. Total expenditures at \$4,255 million were \$95 million less than in the previous fiscal year. The deficit for the fiscal year was \$148 million compared with a surplus of \$46 million for 1953-54.

A summarized statement of the estimated revenues and expenditures and deficit for the fiscal year ended March 31, 1955, with the actual figures for the fiscal years ended March 31, 1948 to 1954, inclusive, is given in the following table:

TABLE II
BUDGETARY REVENUES, EXPENDITURES AND SURPLUS OR DEFICIT
(In millions of dollars)

Fiscal Year Ended March 31	Budgetary Revenues	Budgetary Expenditures	Surplus or Deficit (-)
1948.....	2,871.7	2,195.6	676.1
1949.....	2,771.4	2,175.9	595.5
1950.....	2,580.1	2,448.6	131.5
1951.....	3,112.5	2,901.2	211.3
1952.....	3,980.9	3,732.9	248.0
1953.....	4,360.8	4,337.3	23.5
1954.....	4,396.3	4,350.5	45.8
1955 (Estimated).....	4,107.1	4,255.4	-148.3

A. REVENUES

Budgetary revenues amounted to \$4,107 million for the fiscal year 1954-55. This is \$289 million or 6.6 per cent less than the record amount of \$4,396 million received in the previous year. Of the total for the year \$3,753 million or 91.4 per cent was derived from taxes and \$354 million or 8.6 per cent from non-tax revenues and special receipts and credits.

A statement of estimated revenues for 1954-55 classified by major categories, and the corresponding actual figures for 1953-54 is given in Table III.

TABLE III
STATEMENT OF BUDGETARY REVENUE BY MAJOR CLASSIFICATIONS
(In millions of dollars)

Source	Fiscal Year Ended March 31				Increase or Decrease (—)	
	1955 (Estimated)		1954		Amount	Per cent
	Amount	Per cent	Amount	Per cent		
Tax revenues—						
Personal income tax*	1,176.0	28.6	1,187.7	27.0	—11.7	1.0
Taxes on interest, dividends, etc., going abroad	61.0	1.5	53.8	1.2	7.2	13.4
Corporation income tax*	1,008.0	24.5	1,191.2	27.1	—183.2	15.4
Succession duties	42.0	1.0	39.1	0.9	2.9	7.4
Customs import duties	393.0	9.7	407.3	9.3	—14.3	3.5
Excise duties	227.0	5.5	226.7	5.2	0.3	0.1
Sales tax*	576.0	14.0	587.3	13.4	—11.3	1.9
Other excise taxes	254.3	6.2	296.0	6.7	—41.7	14.1
Other taxes	15.5	0.4	14.5	0.3	1.0	6.8
Total tax revenues	3,752.8	91.4	4,003.6	91.1	—250.8	6.2
Non-tax revenues—						
Post Office	130.1	3.2	111.0	2.5	19.1	17.2
Return on investments	133.7	3.2	151.9	3.5	—18.2	12.0
Premium, discount and exchange			0.8		—0.8	100.0
Other non-tax revenues	56.8	1.4	54.5	1.2	2.3	4.2
Total non-tax revenues	320.6	7.8	318.2	7.2	2.4	0.8
Special receipts and credits	33.7	0.8	74.5	1.7	—40.8	54.8
Total revenues	4,107.1	100.0	4,396.3	100.0	—289.2	6.6

*Excluding tax credited to Old Age Security Fund—

	1954-55	1953-54
2% personal income tax	101.0	90.7
2% corporation income tax	46.0	55.6
2% sales tax	144.0	146.8
	291.0	293.1

(1) TAX REVENUE

Tax on Personal Incomes

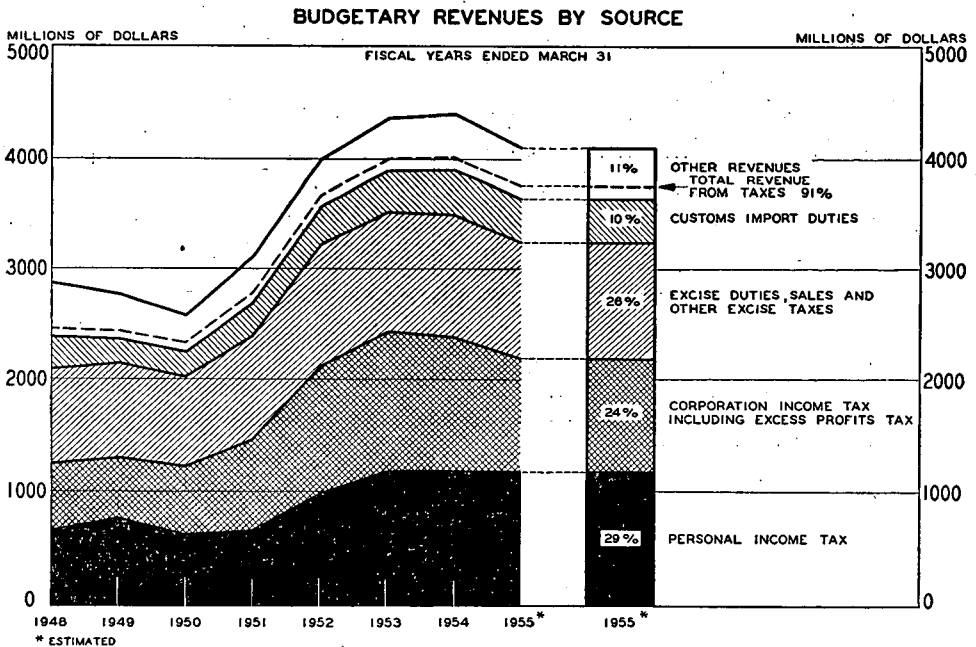
The personal income tax in 1954-55 replaced corporation income tax as the largest class of government revenues. The yield (excluding the old age security tax) for the year was \$1,176 million, a decrease of \$12 million or 1 per cent from 1953-54. This decrease is due to the continuing effect of the 1953

tax reductions and the introduction of a personal income tax in the Province of Quebec. Tax rates on personal incomes were reduced about 11 per cent on July 1, 1953. Consequently these lower rates were in operation for only three quarters of 1953-54 but applied through all of 1954-55. The fact that the tax rates for 1954 were on the average about 6 per cent below those for 1953 was reflected in lower quarterly instalments and balances of tax paid with returns in the fiscal year 1954-55. The allowance of a credit for the Quebec income tax up to 10 per cent of the federal tax resulted in lower quarterly instalment payments of federal tax during the year for some taxpayers in Quebec and refunds to some taxpayers in that province who filed their 1954 returns before the end of the fiscal year. The influence of these factors more than offset the small increase in the total of personal incomes that took place in 1954.

In addition the 2 per cent tax on personal incomes levied under the Old Age Security Act yielded an estimated amount of \$101 million during 1954-55 compared with \$91 million in 1953-54. The apparent increase in revenue from this tax during the period when the revenue from the personal income tax declined is due to the fact that the yield from this tax in 1953-54 did not represent a full year's return at the 2 per cent rate. This revenue was credited to the Old Age Security Fund.

Taxes on Interest, Dividends, Rents and Royalties Going Abroad

These revenues are derived from taxes withheld on payments of interest, dividends, rents, royalties, alimony and income from estates and trusts made to non-residents. The total of \$61 million in 1954-55 is \$7 million greater than in the previous year reflecting increased dividend payments during the year.



Corporation Income Tax

Corporation income tax was the second largest class of government revenue in 1954-55, being replaced as the largest revenue producer by the personal income tax. Collections (excluding the old age security tax) amounted to \$1,008 million, a decrease of \$183 million or 15 per cent from the previous year's total of \$1,191 million. Most of this decrease is due to the lower corporation profits in 1954. However, the continuing effect of the reduction in rates announced in the 1953 budget also influenced the comparison of revenue in 1954-55 with that of the previous year because some of the collections in 1953-54 were based on the higher rates of tax in force before January 1, 1953.

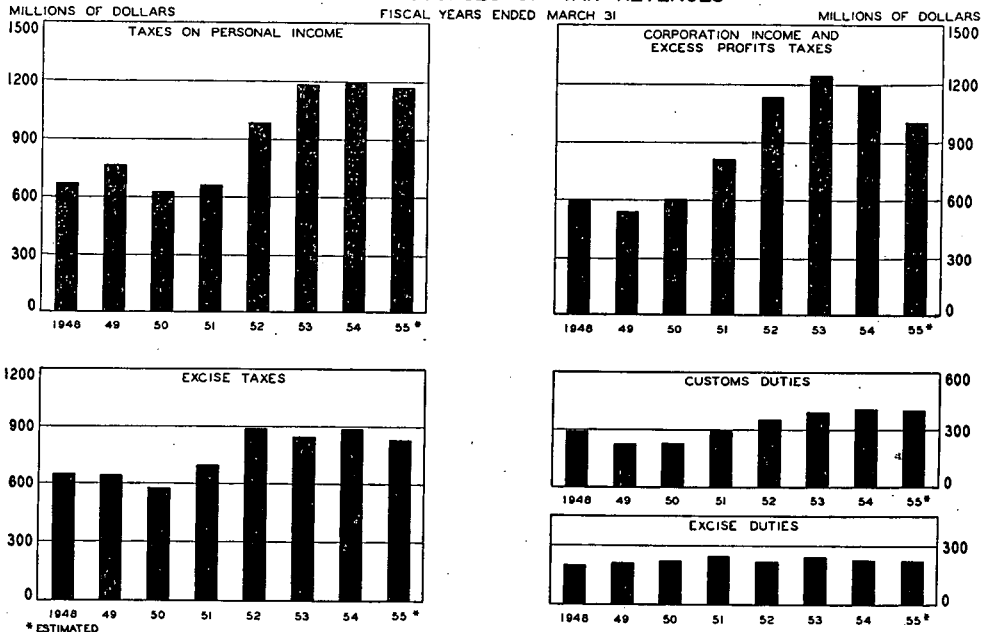
The total revenue from corporation income tax includes \$6.5 million paid by corporations paying the 15 per cent tax on their undistributed income. This compares with \$8.8 million collected from this source in 1953-54.

In addition the 2 per cent tax levied on corporate profits under the Old Age Security Act yielded \$46 million during 1954-55 compared with \$56 million collected from this source in 1953-54. These collections were credited to the Old Age Security Fund.

Succession Duties

Revenues from succession duties were \$42 million in 1954-55, an increase of \$3 million or 7 per cent over the previous year.

PRINCIPAL SOURCES OF TAX REVENUES



Customs Import Duties

Revenue from customs import duties amounted to \$393 million, a decrease of \$14 million or 3½ per cent from 1953-54. This decrease in revenue reflects the decrease in the total value of imports.

Excise Duties

Excise duties are levied exclusively on alcoholic beverages and tobacco products. (Additional taxes on tobacco products are levied under the Excise Tax Act). The revenue from excise duties for the year was \$227 million, only \$0.3 million less than in the previous year. The receipts from the tax on alcoholic beverages, before deducting refunds, showed a decline of \$2 million from the previous year but gross receipts from tobacco products were \$2 million higher.

Excise Taxes

Included under this heading are the revenues from the general sales tax and the special excise taxes levied on a wide range of manufactured products. Total net collections for the year are estimated at \$830 million, a decrease from 1953-54 of \$53 million or 6 per cent.

The sales tax, which from the standpoint of revenue is the most important tax levied under the Excise Tax Act, yielded an estimated net revenue of \$576 million in 1954-55 (excluding the 2 per cent old age security sales tax). This is \$11 million or 2 per cent less than the amount of \$587 million received from this source in the previous year. About \$3 million of this reduction may be attributed to the exemption of certain items from tax following the 1954 budget. The remaining part of the reduction in revenue was due to the slight decrease in sales of taxable goods during the year.

Excise taxes other than sales tax yielded approximately \$254 million or \$42 million less than 1953-54. Approximately \$33 million of this reduction in revenue is due to the reduction of the tax rate from 15 per cent to 10 per cent for a wide range of items and the repeal of the tax on certain other items such as household electrical appliances, furs, cameras and luggage following the 1954 budget. The rest of the reduction in revenue is more than accounted for by the decline in passenger automobile production during the year. The combined revenue from the tax on automobiles and tires and tubes in the year was \$84 million. This was \$22 million less than in the previous year.

The item showing the largest increase in revenue over the previous year was the tax on television sets, radios and tubes, which yielded \$22 million or \$5 million more than in 1953-54. Small increases in revenue were also realized from the tax on tobacco products and the tax on wines.

In addition the 2 per cent tax on sales levied under the Old Age Security Act yielded \$144 million during 1954-55 compared with \$147 million in 1953-54. These collections were credited to the Old Age Security Fund.

Other Taxes

The principal tax under this heading is the tax on the premium income of insurance companies which produced \$15 million in 1954-55 compared with \$14 million in the previous year. Small amounts of revenue were also received from the tax on the export of electrical energy from Canada and the tax on the export of furs from the Northwest Territories.

(2) NON-TAX REVENUES

Non-tax revenues for 1954-55 are estimated at \$321 million, an increase of \$2.4 million over the total for 1953-54. The following table presents a comparative summary of revenues under this heading for the past two years:

TABLE IV
(In millions of dollars)

NON-TAX REVENUES	Fiscal Year Ended March 31		Increase or Decrease (—)	
	1955 (Estimated)	1954	Amount	Per Cent
Post Office.....	130.1	111.0	19.1	17.2
Return on investments.....	133.7	151.9	—18.2	12.0
Premium discount and exchange.....		0.8	—0.8	100.0
Bullion and coinage.....	1.5	4.2	—2.7	64.3
Privileges, licences and permits.....	13.8	13.3	0.5	3.8
Proceeds from sales.....	5.3	5.4	—0.1	1.9
Services and service fees.....	19.8	17.6	2.2	12.5
Refunds of previous years' expenditures.....	13.1	11.3	1.8	15.9
Miscellaneous.....	3.3	2.7	0.6	22.2
Total non-tax revenues.....	320.6	318.2	2.4	0.8

Post Office

Gross Post Office receipts for 1954-55 are expected to amount to \$151 million. After making authorized disbursements from revenue of \$21 million for salaries and rent allowances at semi-staff and revenue offices, commissions at sub-offices, transit charges on Canadian mail forwarded through or delivered in foreign countries, etc., net post office receipts credited to budgetary revenues are estimated at \$130 million. The increase of \$21 million in gross receipts over the corresponding amount received in 1953-54, due mainly to the increase in postal rates, is offset in part by an increase of \$2 million in disbursements from revenue, chiefly on account of an increase in remuneration paid to revenue postmasters and their assistants.

As costs of operating the Post Office during 1954-55 (excluding the \$21 million charged to revenue) are expected to total \$124 million, net revenue will exceed net costs by approximately \$6 million. However, in making this comparison it is to be noted that the total shown for post office revenues does not reflect any payment for the franking privilege covering parliamentary and departmental mail or for certain miscellaneous services provided for other government departments and agencies, nor does the total shown for operating expenses reflect any charges for premises occupied by the Post Office Department or for certain accounting and miscellaneous services provided by other departments.

Return on Investments

Return on investments is expected to yield \$134 million, a decrease of \$18 million from the total of \$152 million received in 1953-54. The largest decrease was in the surplus of Canadian Arsenals Limited which for 1954-55 is expected to total \$6 million compared with \$12 million received in 1953-54. There was a decrease in profits in the Exchange Fund account of \$5 million and in the profits received from the Bank of Canada of \$3 million. Interest received on loans to the Canadian National Railways decreased by \$4 million while interest received from the Central Mortgage and Housing Corporation increased by \$2 million.

A comparative summary of receipts during 1954-55 and 1953-54 under this heading is given in the following table:

TABLE V
(In millions of dollars)

RETURN ON INVESTMENTS	Fiscal Year Ended March 31		Increase or Decrease (-)
	1955 (Estimated)	1954	
Loans to, and investments in, Crown agencies—			
Bank of Canada.....	41.5	44.1	-2.6
Exchange fund account.....	10.9	16.3	-5.4
Central Mortgage and Housing Corporation.....	16.4	14.3	2.1
Canadian Arsenals Limited.....	5.5	11.9	-6.4
Canadian National Railways.....	4.1	7.7	-3.6
National Harbours Board.....	4.2	4.5	-0.3
Polymer Corporation Limited.....	3.1	3.2	-0.1
Other Crown agencies.....	1.8	1.5	0.3
	87.5	103.6	-16.0
Other loans and investments—			
United Kingdom.....	22.8	23.1	-0.3
Other national governments.....	12.0	12.5	-0.5
Provincial and municipal governments.....	1.2	1.2	.....
Soldier and general land settlement loans and Veterans Land Act advances.....	4.8	4.6	0.2
Securities investment account.....	0.2	3.1	-2.9
Sinking fund and other investments held for retirement of unmatured debt.....	4.1	2.4	1.7
Other loans and investments.....	1.1	1.5	-0.4
	46.2	48.4	-2.2
	133.7	151.9	-18.2

Premium Discount and Exchange

Accounting adjustments with respect to premium, discount and exchange in the year under review are expected to result in a net expenditure of \$1 million compared with a net revenue of \$0.8 million in 1953-54. This is due mainly to exchange deficiencies resulting from the revaluation of the government's holdings of its own securities payable in United States dollars.

(3) SPECIAL RECEIPTS AND CREDITS

Special receipts and credits are estimated at \$34 million for the fiscal year 1954-55. This is a decrease of \$41 million from the total of \$75 million received in the previous year. A comparative summary of the sources of special receipts and other credits for the last two years is presented in the following table:

TABLE VI
(In millions of dollars)

SPECIAL RECEIPTS AND CREDITS	Fiscal Year Ended March 31		Increase or Decrease (-)
	1955 (Estimated)	1954	
Transfer to revenue of provincial 5 per cent corporation income tax suspense account pursuant to the 1952 tax rental agreements.....		46.8	-46.8
Proceeds from the sale of Crown assets.....	29.2	22.4	6.8
Transfer to revenue of royalties and license fees (Department of Defence Production).....	1.0		1.0
Payment received from the Government of the Union of Soviet Socialist Republics in settlement of equipment and material delivered under mutual aid after September 2, 1945.....		2.8	-2.8
Miscellaneous special receipts.....	3.5	2.5	1.0
	33.7	74.5	-40.8

It will be noted from the table that the transfer to revenue in 1953-54 of the balance of provincial corporation income taxes transferred to the Receiver General pursuant to the 1952 tax rental agreements more than accounts for the decrease in receipts in 1954-55.

A total of \$29 million was received during the fiscal year from the sale of Crown assets. Of this amount \$7 million was received from the Crown Assets Disposal Corporation representing the amount realized from the disposal of surplus Crown assets; \$16 million represented receipts from sales of Crown lands, buildings and equipment under agreements of sale; \$1 million was received from the sale of Government telegraph and telephone facilities in British Columbia; and \$5 million was received from the Central Mortgage and Housing Corporation representing the proceeds from the sale of wartime housing properties including depreciation provisions set aside in previous years by the corporation on properties that have now been sold.

An amount of \$1 million was transferred from Defence Production suspense account to revenue. This amount represented royalties and license fees on the use of patents in connection with war production.

(4) COMPARISON OF ACTUAL REVENUE WITH BUDGET FORECAST

Total budgetary revenues for 1954-55, excluding revenue from the old age security taxes, as now estimated were \$357 million less than the forecast made in the budget speech of April 6, 1954. This represents a shortfall of about 8 per cent. Revenue from all sources except the tax on non-residents, succession duties and miscellaneous taxes were less than expected and revenues from these three sources exceeded expectations by only small amounts. This failure of revenues to come up to the amounts forecast reflects the fact that the general level of economic activity and production throughout the year was somewhat less than the level which formed the basis for the budget forecast.

The following table shows the extent to which actual revenues for 1954-55 as now estimated, differ from the budget forecast:

TABLE VII
COMPARISON OF BUDGET FORECAST WITH ACTUAL REVENUES FOR
FISCAL YEAR ENDED MARCH 31, 1955
(In millions of dollars)

Source of Revenues	Budget Forecast of Revenues	Actual Revenues (Estimated)	Increase or Decrease (—) compared with Budget Forecast
Personal income tax.....	1,235.0	1,176.0	-59.0
Non-resident income taxes.....	55.0	61.0	6.0
Corporation income tax.....	1,200.0	1,008.0	-192.0
Succession duties.....	40.0	42.0	2.0
Customs import duties.....	415.0	393.0	-22.0
Sales tax (net).....	607.0	576.0	-31.0
Other excise duties and taxes.....	507.0	481.3	-25.7
Miscellaneous taxes.....	15.0	15.5	0.5
Total tax revenues.....	4,074.0	3,752.8	-321.2
Non-tax revenues.....	340.0	320.6	-19.4
Special receipts and credits.....	50.0	33.7	-16.3
Total budgetary revenues.....	4,464.0	4,107.1	-356.9

The revenue from the personal income tax was \$59 million or about 5 per cent less than the budget forecast. About \$3 million of this deficiency is due to the increased credit now allowed for the Quebec personal income tax but most of the shortfall occurred because the total of personal incomes did not rise as much as had been expected.

Revenue from the tax on income going to non-residents exceeded expectations because of a sharp increase in the dividend payments going from companies in Canada to persons abroad.

Corporation income tax revenue was approximately \$192 million less than the budget forecast which was based on the assumption that 1954 corporate profits would be slightly better than in 1953. Preliminary estimates are that 1954 profits were nearly 7 per cent below those for 1953.

Revenue from customs duties, sales tax and other excise taxes and duties fell from 5 to 6 per cent below the budget forecast. The deficiency in the sales and other excise tax revenue occurred in part because of the unexpected drop in automobile production during the year.

The shortfall of \$19 million in non-tax revenues from the budget forecast is attributable largely to return on investments being lower than anticipated.

Special receipts and credits are extremely difficult to estimate and the total of \$34 million fell short of the budget forecast by \$16 million.

B. EXPENDITURES

The table which follows presents a comparative summary of estimated expenditures by departments and principal purposes for the fiscal year 1954-55, with actual expenditures for the preceding year:

TABLE VIII
STATEMENT OF BUDGETARY EXPENDITURES BY DEPARTMENTS AND MAJOR CLASSIFICATIONS
(In millions of dollars)

	Fiscal Year Ended March 31				Increase or Decrease (—)	
	1955 (Estimated)		1954			
	Amount	Per cent	Amount	Per cent	Amount	Per cent
National Defence.....	1,677.3	39.4	1,805.9	41.5	—128.6	7.1
Defence Production.....	19.6	0.5	47.9	1.1	—28.3	59.1
	1,696.9	39.9	1,853.8	42.6	—156.9	8.2
Public debt charges—						
Interest on public debt.....	478.2	11.2	476.0	10.9	2.2	0.5
Other debt charges.....	24.5	0.6	19.7	0.5	4.8	24.4
	502.7	11.8	495.7	11.4	7.0	1.4
Provincial subsidies and tax rental pay- ments (including transitional grant to Newfoundland).....	358.5	8.4	341.0	7.8	17.5	5.1
Government contributions with respect to the superannuation account.....	37.4	0.9	54.5	1.3	—17.1	31.4
Provision for reserve for possible losses on ultimate realization of active assets.....			50.0	1.2	—50.0	100.0
Family allowances.....	366.5	8.6	350.1	8.0	16.4	4.7
Unemployment Insurance Act—Admin- istration and Government's contri- bution.....	60.2	1.4	57.9	1.3	2.3	4.0
Agriculture.....	83.3	2.0	108.4	2.5	—25.1	23.2
Atomic Energy.....	15.0	0.4	12.7	0.3	2.3	18.1
Canadian Broadcasting Corporation....	30.3	0.7	25.0	0.6	5.3	21.2
Citizenship and Immigration.....	28.1	0.7	25.5	0.6	2.6	10.2
External Affairs.....	44.1	1.0	45.7	1.1	—1.6	3.5
Finance.....	33.5	0.8	30.2	0.7	3.3	10.6
Mines and Technical Surveys.....	42.5	1.0	38.5	0.9	4.0	10.4
National Health and Welfare.....	86.6	2.0	80.4	1.8	6.2	7.7
National Research Council.....	15.7	0.4	15.4	0.4	0.3	1.9
National Revenue.....	55.2	1.3	49.9	1.1	5.3	10.6
Northern Affairs and National Re- sources.....	20.4	0.5	19.1	0.4	1.3	6.8
Post Office.....	124.5	2.9	113.6	2.6	10.9	9.6
Public Works.....	138.0	3.3	115.0	2.6	23.0	20.0
Royal Canadian Mounted Police.....	36.0	0.8	33.9	0.8	2.1	6.2
Trade and Commerce.....	17.7	0.4	16.5	0.4	1.2	7.3
Transport.....	158.8	3.7	118.0	2.7	40.8	34.6
Veterans Affairs.....	242.2	5.7	238.7	5.5	3.5	1.5
Other departments.....	61.3	1.4	61.0	1.4	0.3	0.5
Grand total.....	4,255.4	100.0	4,350.5	100.0	—95.1	2.2

National Defence and Defence Production

Defence expenditures, comprising the expenditures of the Department of National Defence and the Department of Defence Production, constituted 40 per cent of all government expenditures in 1954-55 and were consequently the largest category of government expenditure. Expenditures of the Department of National Defence were \$1,677 million, a decrease of \$129 million from the previous year, while those of the Department of Defence Production were

\$20 million, a decrease of \$28 million. The combined expenditures of \$1,697 million for these two departments in 1954-55 were \$157 million less than the total of \$1,854 million for 1953-54.

A comparative summary of expenditures for the two departments for the last two fiscal years is presented in the table which follows:

TABLE IX
(In millions of dollars)

NATIONAL DEFENCE AND DEFENCE PRODUCTION	Fiscal Year Ended March 31		Increase or Decrease (—)
	1955 (Estimated)	1954	
Department of National Defence—			
Army services.....	382.5	401.3	—18.8
Naval services.....	284.1	266.3	17.8
Air services.....	645.0	740.7	—95.7
	1,311.6	1,408.3	—96.7
Defence research and development.....	44.4	40.8	3.6
Government's contribution to the permanent services pension account.....	36.7	35.2	1.5
Mutual aid to NATO countries.....	257.4	289.7	—32.3
Contributions towards military costs of NATO.....	6.8	10.5	—3.7
Administration and general.....	20.4	21.4	—1.0
	1,677.3	1,805.9	—128.6
Department of Defence Production—			
Capital assistance.....	10.1	37.8	—27.7
Administration and general.....	9.5	10.1	—0.6
	19.6	47.9	—28.3
	1,696.9	1,853.8	—156.9

While expenditures for naval service showed an increase of \$18 million, expenditures for army and air services were below the 1953-54 level by \$19 million and \$96 million respectively; with the result that total expenditures for the three services were \$97 million less than in the previous year. Expenditures on defence research and development were \$44 million, or \$4 million more than in 1953-54.

The Government makes a contribution to the permanent services pension account of an amount equal to $1\frac{2}{3}$ times the contributions by permanent services personnel. During 1954-55 this contribution amounted to \$37 million, or \$2 million more than the amount of \$35 million contributed in 1953-54. Of the 1954-55 expenditures \$34 million related to current contributions and \$3 million to contributions for arrears. The corresponding amounts in 1953-54 were \$30 million and \$5 million respectively.

Expenditures under the Mutual Aid programme, which are authorized under Section 3 of the Defence Appropriation Act, 1950, were \$257 million in 1954-55, a decrease of \$32 million from 1953-54. Under the provisions of this section of the Act, defence equipment and supplies are transferred from Canadian stocks to other parties to the North Atlantic Treaty. The value of equipment and supplies acquired by the services prior to March 31, 1950, and transferred as Mutual Aid, is charged to this appropriation and credited to a special defence equipment replacement account. The equipment is valued on the basis of its estimated replacement value. In accordance with the provisions of Vote 239 of the Appropriation Act, No. 4, 1954, where equipment and supplies acquired for the services since March 31, 1950, are transferred as Mutual Aid, the estimated replacement value is credited to the appropriate service allotment instead of being paid into the replacement account, and may be expended during the current fiscal year for the purposes of the Canadian forces. The expenditure of

\$257 million from the replacement account in 1954-55 consists of approximately \$46 million for equipment and supplies transferred from Canadian stocks to North Atlantic Treaty countries and \$211 million for direct cash outlays for Mutual Aid by the Government of Canada, representing costs incurred in acquiring and supplying new military equipment to parties to the North Atlantic Treaty and in training in Canada aircrews from allied countries. In 1953-54, stock transfers totalled \$68 million and direct aid, \$222 million.

Contributions are also made from National Defence appropriations towards the military costs of NATO, on account of Canada's share of the NATO military budgets and infrastructure costs. The percentage share borne by each nation is established in the North Atlantic Council and is subject to ratification by the respective member governments. Expenditures for 1954-55 for this purpose are estimated at \$7 million, compared with payments of \$10.5 million during 1953-54.

As the capital assistance programme, which reached its peak in 1952-53, drew closer to completion, expenditures for the Department of Defence Production decreased in 1954-55; the total of \$20 million for the year represented a decrease of \$28 million from the amount of \$48 million spent in 1953-54. Capital assistance to private contractors, Crown plants operated on a management fee basis, and Crown corporations undertaking contracts essential to the defence programme, totalled \$10 million in 1954-55, compared with \$38 million for the preceding year. Administration and general expenditures, at \$10 million, decreased slightly from the total for 1953-54.

In addition to its budgetary expenditures the Department of Defence Production made cash outlays from the defence production revolving fund for the procurement of materials to be billed to the Department of National Defence or sold to defence contractors for use in the manufacture of defence equipment. It is estimated that the net asset holdings of the fund decreased by \$5 million in 1954-55, as compared with a decrease of \$22 million in 1953-54.

The replacement of equipment and supplies acquired by the Department of National Defence prior to March 31, 1950, and subsequently transferred to parties to the North Atlantic Treaty, also involved cash outlays that were not reflected as budgetary expenditures. The cost of such replacement is charged to the defence equipment replacement account, which is credited with the estimated value of the defence equipment and supplies when these are transferred from Canadian stocks to NATO countries. Transfers to this account during 1954-55 were \$47 million, and \$79 million was disbursed for the purchase of replacement equipment and supplies. The balance of the account at March 31, 1954, was \$306 million, and as a result of the year's operations there was a net disbursement of \$32 million from the account bringing the balance to \$274 million as of March 31, 1955.

In addition, credits were made to the replacement of materiel account in the amount of \$3.8 million and disbursements from the account totalled \$20 million. This account was established under the authority of section 11 of the National Defence Act to record the sale of materiel not immediately required for the use of the Canadian forces or the Defence Research Board to such countries and upon such terms as the Governor in Council may determine. The proceeds of the sale are credited to this account to be used for the procurement of replacement materiel.

By consolidating the net cash outlays from the defence equipment replacement account, the replacement of materiel account and the defence production revolving fund, with the net cash budgetary expenditures of the Departments of National Defence and Defence Production, the net effect of the defence programme

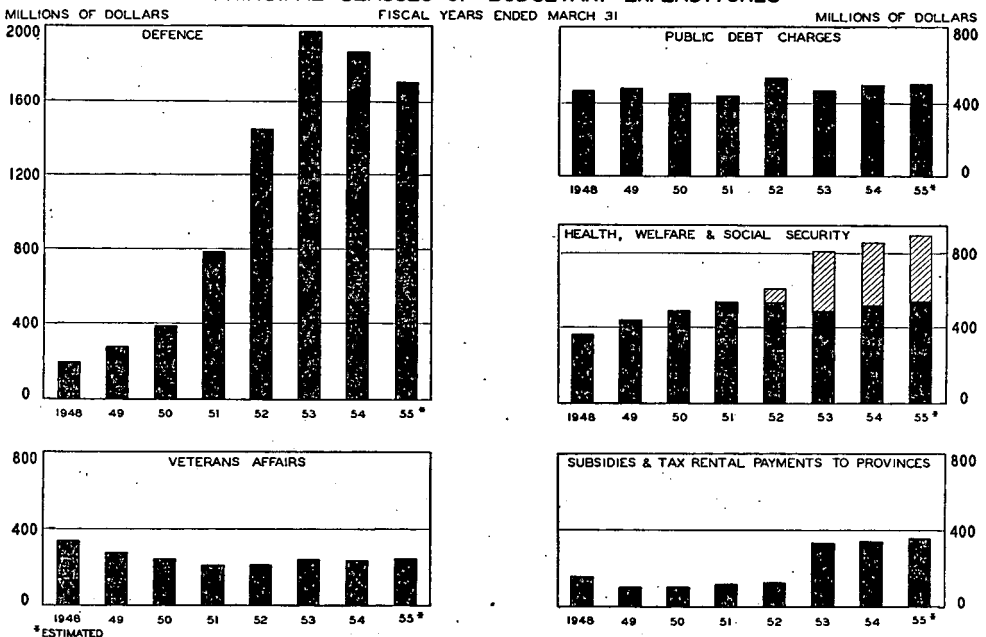
upon the Canadian economy can be seen. In 1954-55 cash outlays for defence amounted to \$1,740 million a decrease of \$58 million from the corresponding total in 1953-54.

A summary of cash disbursements for defence for the last two fiscal years is presented in the following table:

TABLE X
(In millions of dollars)

CASH OUTLAYS FOR DEFENCE	Fiscal Year Ended March 31		Increase or Decrease (-)
	1955 (Estimated)	1954	
Budgetary expenditures—			
Department of National Defence.....	1,677.3	1,805.9	-128.6
Department of Defence Production.....	19.6	47.9	-28.3
	1,696.9	1,853.8	-156.9
Less: value of military equipment and supplies transferred from existing Canadian stocks to NATO countries (included in budgetary expenditures).....	46.5	67.8	21.3
	1,650.4	1,786.0	-135.6
Disbursements from—			
Defence equipment replacement account.....	78.7	32.9	45.8
Replacement of materiel account (sec. 11, National Defence Act) (net).....	16.2	0.8	15.4
Defence production revolving fund (net).....	-5.2	-21.9	16.7
	89.7	11.8	77.9
Net cash outlay for defence.....	1,740.1	1,797.8	-57.7

PRINCIPAL CLASSES OF BUDGETARY EXPENDITURES



Note: The lightly shaded area in the chart for Health, Welfare and Social Security represents pension payments out of the old age security fund.

Public Debt Charges

Public debt charges in 1954-55 are estimated at \$503 million or 12 per cent of aggregate budgetary expenditures, an increase of \$7 million compared with a total of \$496 million or 11 per cent for the previous year. In 1954-55, as in 1953-54, public debt charges comprise the second largest item of Government expense.

Interest on public debt amounted to \$478 million, or \$2 million more than the total spent in the previous year. A decrease of \$6 million in interest on unmatured debt was more than offset by an increase of \$8 million in interest on insurance, pension and guaranty accounts.

Interest on unmatured debt payable in Canada, London and New York amounted to \$406 million compared with \$412 million in 1953-54. The decrease of \$6 million is due in part to a decrease of approximately \$88 million in unmatured debt payable in Canada and in part to lower rates of interest on new and renewal issues. Interest payable in London and New York reflect only minor changes due to slight changes in rates of exchange.

Interest on deposit and trust accounts decreased by \$0.1 million while interest on insurance, pension and guaranty accounts at \$69 million increased by \$8 million over the total of \$61 million in 1953-54. Of this increase, \$6 million relates to the superannuation account; \$2 million to the Government annuities account and \$2 million is in respect of the permanent services pension account; but these are partially offset by a decrease of \$2 million in respect of the civil service insurance fund, on which the crediting of interest was discontinued at the close of 1953-54.

Other public debt charges in 1954-55 are estimated at \$25 million compared with \$20 million in the previous year. The increase of \$5 million is attributable largely to higher annual amortization charges for discounts and commissions on previous bond issues.

The following table presents a comparative summary of public debt charges for 1954-55 and for the previous year:

TABLE XI
(In millions of dollars)

INTEREST AND OTHER PUBLIC DEBT CHARGES	Fiscal Year Ended March 31		Increase or Decrease (—)
	1955 (Estimated)	1954	
Interest on public debt—			
Funded debt and treasury bills—			
Payable in Canada.....	394.8	400.3	—5.5
Payable in London.....	1.5	1.6	—0.1
Payable in New York.....	9.9	9.9	.....
	406.2	411.8	—5.6
Deposit and trust accounts.....	3.0	3.1	—0.1
Insurance, pension and guaranty accounts.....	69.0	61.1	7.9
	72.0	64.2	7.8
Total interest on public debt.....	478.2	476.0	2.2
Annual amortization of bond discounts and commissions....	22.5	17.8	4.7
Servicing of public debt.....	0.8	0.6	0.2
Cost of issuing new loans.....	1.2	1.3	—0.1
Total public debt charges.....	502.7	495.7	7.0

Subsidies and Tax Rental Payments to Provinces

Payments to the provinces during 1954-55 for statutory subsidies, rentals under the tax rental agreements, the transitional grant to Newfoundland, and the transfer of a portion of income tax receipts from certain public utility companies were \$358 million compared with \$341 million in 1953-54.

A comparative summary of the payments for the two years is given in the following table:

TABLE XII
(In millions of dollars)

SUBSIDIES AND TAX RENTAL PAYMENTS TO PROVINCES	Fiscal Year Ended March 31		Increase or Decrease (-)
	1955 (Estimated)	1954	
Rentals under tax rental agreements, c. 49, Statutes of 1952..	327.4	309.2	18.2
Statutory subsidies.....	20.4	20.1	0.3
Transitional grant to Newfoundland.....	3.9	4.8	-0.9
Transfer of certain public utility tax receipts—			
Sec. 7, c. 58, Statutes of 1947.....		6.8	-6.8
Sec. 6, c. 49, Statutes of 1952.....	6.8		6.8
	358.5	341.0	17.5

The payments under the tax rental agreements in 1954-55 were \$18 million greater than in the previous year reflecting the increases in provincial populations and gross national product per capita in 1953 over the base year 1948.

Statutory subsidies in 1954-55 were \$0.3 million greater than in 1953-54 because of the upward adjustment of the subsidies to the three prairie provinces based on the estimated increases in their population at the mid-point between the quinquennial census of 1951 and 1956.

The amount of public utility tax receipts transferred to the provinces in 1954-55 is expected to be the same as in the previous year. Section 7 of the Dominion-Provincial Tax Rental Agreements Act, 1947, and section 6 of the Tax Rental Agreements Act, 1952 authorize the payment to the provinces, whether participating in the agreements or not, of a portion of the income tax collected from corporations whose main business was the distribution to, or the generation for distribution to, the public of electrical energy, gas or steam.

A summary of payments, by provinces, during 1954-55 is given in the following table:

TABLE XIII
(In millions of dollars)

SUBSIDIES AND TAX RENTAL PAYMENTS TO PROVINCES	Fiscal Year Ended March 31, 1955			
	Statutory Subsidies	Rentals under 1952 Tax Rental Agreements	Transitional Grant	Total
Newfoundland.....	1.6	12.5	3.9	18.0
Nova Scotia.....	2.1	20.5		22.6
Prince Edward Island.....	0.7	3.9		4.6
New Brunswick.....	1.7	17.0		18.7
Quebec.....	3.3			3.3
Ontario.....	3.6	142.8		146.4
Manitoba.....	1.8	26.2		28.0
Saskatchewan.....	2.1	26.6		28.7
Alberta.....	2.2	31.8		34.0
British Columbia.....	1.3	46.1		47.4
	20.4	327.4	3.9	351.7
Transfer of certain public utility tax receipts—Sec. 6, Chap. 49, Statutes of 1952.....				6.8
				358.5

Government contribution with respect to the Superannuation Account

The Government's contribution to the superannuation account was \$37 million in 1954-55 or \$17 million less than its contribution in 1953-54. Approximately one-half of this sum was required to match amounts transferred from the retirement fund in respect of contributors coming under the new Act. The balance is the Government's matching contributions in respect of current and prior service contributions of individuals. Of the \$54 million contributed in the previous year, \$38 million was in respect of the additional liability created by the general salary increases to civil servants effective December 1, 1953, and \$16 million representing the Government's contribution of an amount equal to the current and prior service payments of individuals.

*Provision for Reserve for Possible Losses on
Ultimate Realization of Active Assets*

No charge to expenditures was included in the Government's accounts during 1954-55 for an addition to the general reserve for possible losses on the ultimate realization of active assets. In 1953-54, \$50 million was added to the reserve and charged to expenditures. The balance of the reserve at March 31, 1955 was \$496 million which is equivalent to 7 per cent of the aggregate active assets.

Family Allowances

Family allowances are payable in respect of all children under sixteen resident in Canada, with minor exceptions such as in the case of children of immigrants who must reside in Canada a year before an allowance is payable.

The monthly allowance is \$5 if the child is less than six; \$6 in the age group 6 to 9; \$7 in the age group 10 to 12; and \$8 in the age group 13 to 15. There is no limit to the number of children in a family that may be eligible.

Payments for family allowances are estimated at \$366 million for 1954-55 representing 9 per cent of total expenditures compared with \$350 million or 8 per cent in the previous year. The increase of \$16 million reflects the increase in the number of children in the eligible age groups.

The following table presents a comparative summary of family allowance payments by provinces for the last two fiscal years:

TABLE XIV
(In millions of dollars)

FAMILY ALLOWANCE PAYMENTS	Fiscal Year Ended March 31		Increase
	1955 (Estimated)	1954	
Newfoundland.....	12.0	11.5	0.5
Nova Scotia.....	17.1	16.7	0.4
Prince Edward Island.....	2.6	2.6	.....
New Brunswick.....	15.0	14.7	0.3
Quebec.....	116.1	111.4	4.7
Ontario.....	110.5	104.4	6.1
Manitoba.....	18.8	18.0	0.8
Saskatchewan.....	20.9	20.2	0.7
Alberta.....	25.4	24.0	1.4
British Columbia.....	27.4	25.9	1.5
Northwest and Yukon Territories.....	0.7	0.7	.....
	366.5	350.1	16.4

Unemployment Insurance Act Administration and Government's Contribution

Expenditures relating to the Unemployment Insurance Act (excluding the Government's payment as an employer) are estimated at \$60 million for 1954-55, an increase of \$2 million over the total of \$58 million spent in 1953-54.

Unemployment insurance benefit payments are not charged directly to budgetary expenditures. The Unemployment Insurance Fund, from which such benefits are paid, is financed by contributions from employers and employees, by interest earned on investments, and by the government's contribution of an amount equal to one-fifth of combined employer-employee payments.

The Government's contribution to the fund for 1954-55 is estimated at \$32 million, about the same amount as contributed in the previous year. Administration costs are estimated at \$28 million, or \$2 million more than the total of \$26 million for 1953-54.

Agriculture

Expenditures of the Department of Agriculture are estimated at \$83 million for 1954-55, a decrease of \$25 million from the previous year. Operating losses of the agricultural prices support board decreased by \$35 million, and rehabilitation and reclamation project expenditures, at \$13 million, are \$2 million less than in the previous year. However, these decreases are offset in part by increases of \$5 million in marketing service \$2 million in freight assistance on western feed grains, \$1 million in experimental farms, and \$4 million in other services. The increase in marketing services is due in large part to payments of \$5 million

in 1954-55 under the Agricultural Products Co-Operative Marketing Act, c.5, R.S. 1952, the purpose of which is to assist and encourage the co-operative marketing of agricultural products by primary producers.

The following table presents a comparative summary of the expenditures of the department for the last two years:

TABLE XV
(In millions of dollars)

AGRICULTURE	Fiscal Year Ended March 31		Increase or Decrease(—)
	1955 (Estimated)	1954	
Operating losses of the agricultural prices support board....	3.2	37.8	—34.6
Freight assistance on western feed grains.....	19.0	17.0	2.0
Rehabilitation and reclamation projects.....	13.1	14.8	—1.7
Premium on hog carcasses including administrative costs.....	5.0	4.7	0.3
Experimental farms service.....	9.9	8.6	1.3
Science service.....	9.4	9.0	0.4
Production service.....	10.3	9.6	0.7
Marketing service.....	9.5	4.2	5.3
Administration and general.....	3.9	2.7	1.2
	83.3	108.4	—25.1

Atomic Energy Control Board and Atomic Energy of Canada Limited

Expenditures of the Atomic Energy Control Board and payments to Atomic Energy of Canada Limited are estimated at \$15.4 million for 1954-55 compared with \$12.7 million in 1953-54, an increase of \$2.7 million.

Administration expenses of the Atomic Energy Control Board and grants for researches and investigations with respect to atomic energy were \$0.3 million for the past two fiscal years.

Expenditures of Atomic Energy of Canada Limited under its research programmes are estimated at \$15.1 million compared with \$12.4 million in 1953-54.

In addition, \$15 million was advanced to Atomic Energy of Canada Limited during the fiscal year to finance the construction of the new reactor and other buildings and works at Chalk River and Deep River. The Government's investment in the company was increased further by a net amount of \$1.4 million reflecting a write-up of \$2.8 million on the books of the Government and the company in respect of the value of housing accommodation at Deep River previously written off to research less a write-off of \$1.4 million on account of an adjustment in the proportion of the costs of the new reactor chargeable to the company's research programme. This brings the total of loans to the company to \$32.4 million to be covered by the issue of obligations or shares of the company.

Canadian Broadcasting Corporation

Payments by the Government of Canada to the Canadian Broadcasting Corporation were \$30 million in 1954-55 compared with \$25 million in 1953-54, an increase of \$5 million. Payments to the corporation of an amount equivalent to the collections of the 15 per cent special tax imposed on radio and television sets and tubes are estimated at \$22 million in 1954-55 compared with \$17 million in the previous year. For the current fiscal year \$17 million is in respect of television and \$5 million in respect of radio. In 1953-54, payments were \$12 million and \$5 million respectively.

The following table presents a comparative summary of expenditures for 1954-55 and the previous year:

TABLE XVI
(In millions of dollars)

PAYMENTS TO CANADIAN BROADCASTING CORPORATION	Fiscal Year Ended March 31		Increase or Decrease(—)
	1955 (Estimated)	• 1954	
Sound broadcasting service.....	6.2	6.2	
International shortwave broadcasting service.....	2.3	2.0	0.3
Payments to the corporation of amount equal to tax collected under the Excise Tax Act in respect of radio and tele- vision sets and tubes.....	21.8	16.8	5.0
	30.3	25.0	5.3

Citizenship and Immigration

Expenditures of the Department of Citizenship and Immigration are estimated at \$28 million for 1954-55, compared with \$25 million in the previous year.

The following table presents a comparative summary of the expenditures for 1954-55 and 1953-54:

TABLE XVII
(In millions of dollars)

CITIZENSHIP AND IMMIGRATION	Fiscal Year Ended March 31		Increase or Decrease(—)
	1955 (Estimated)	1954	
Indian affairs.....	18.0	16.5	1.5
Citizenship and citizenship registration.....	0.9	0.7	0.2
Immigration.....	8.4	7.3	1.1
Administration and general.....	0.8	1.0	-0.2
	28.1	25.5	2.6

External Affairs

Expenditures of the Department of External Affairs were \$44 million in 1954-55, a decrease of \$2 million compared with \$46 million in the previous year. Assistance to other countries directly or through international organizations was \$27 million compared with \$32 million in 1953-54. The principal item in this category is an amount of \$25 million for grants to assist in the economic development of countries in South and South-east Asia. A similar amount was provided in 1953-54. The decrease of \$5 million is attributable mainly to the fact that there was no item in 1954-55 comparable to the gift of \$5 million for wheat in 1953-54 as a contribution towards the relief of famine in Pakistan. Expenditure on representation abroad including construction, acquisition or improvement of buildings, works, and land, and outlay on new equipment and furnishings is estimated at \$8 million compared with \$6 million for 1953-54.

The following table presents a comparative summary of expenditures of the Department of External Affairs for the past two years:

TABLE XVIII
(In millions of dollars)

EXTERNAL AFFAIRS	Fiscal Year Ended March 31		Increase or Decrease(—)
	1955 (Estimated)	1954	
Assistance to other countries.....	27.5	31.9	—4.4
Canada's assessment for membership in international or commonwealth organizations.....	4.3	3.5	0.8
Representation abroad.....	7.5	6.3	1.2
Administration and general.....	4.8	4.0	0.8
	44.1	45.7	—1.6

Finance

The major items of expenditure during 1954-55 of the Department of Finance have been dealt with under the headings "Public Debt Charges", "Subsidies and Tax Rental Payments to Provinces", "Provision for reserve for possible losses on the ultimate realization of active assets" and "Government contributions in respect of the Superannuation Account".

In addition, other expenditures of the department for 1954-55 are estimated at \$33 million compared with \$30 million in 1953-54, an increase of \$3 million of which \$1 million is due to the federal contribution to the Government of the province of Ontario for assistance in meeting costs resulting from floods arising out of hurricane "Hazel".

The following table presents a comparative summary of these expenditures for the past two fiscal years:

TABLE XIX
(In millions of dollars)

FINANCE	Fiscal Year Ended March 31		Increase or Decrease(—)
	1955 (Estimated)	1954	
Office of the Comptroller of the Treasury—administration expenses.....	15.0	13.7	1.3
Grants to universities.....	5.4	5.2	0.2
Grants to municipalities in lieu of taxes on federal property..	3.3	3.0	0.3
Government contribution as an employer to the unemploy- ment insurance fund.....	1.0	1.1	—0.1
Premium, discount and exchange.....	1.0	.....	1.0
Implementation of guarantees—Ming Sung Industrial Co., Ltd.....	1.5	1.6	—0.1
Administration and general.....	6.3	5.6	0.7
	33.5	30.2	3.3

Mines and Technical Surveys

Expenditures of the Department of Mines and Technical Surveys are estimated at \$43 million for 1954-55 compared with \$39 million in 1953-54. Of this increase of \$4 million, \$1 million is attributable to the increased expenses in connection with the movement of coal under the Dominion Coal Board and \$2 million to increased outlays on surveys and mapping services.

A comparative summary of expenditures for the last two fiscal years is shown in the following table:

TABLE XX
(In millions of dollars)

MINES AND TECHNICAL SURVEYS	Fiscal Year Ended March 31		Increase or Decrease(—)
	1955 (Estimated)	1954	
Emergency gold mining assistance.....	15.3	15.2	0.1
Dominion Coal Board.....	11.3	10.3	1.0
Surveys and mapping including aerial photography.....	9.4	7.1	2.3
Mines branch.....	2.9	2.6	0.3
Geological survey of Canada.....	2.2	1.9	0.3
Administration and general.....	1.4	1.4	
	42.5	38.5	4.0

National Health and Welfare

Family allowance payments constitute a major item of expenditure of the Department of National Health and Welfare and, because of their importance in relation to the total government expenditures, have been dealt with under a separate heading in preceding paragraphs. Other expenditures of the department are estimated at \$86 million for 1954-55, an increase of \$6 million compared with \$80 million in 1953-54.

The following table presents a comparative summary of these other expenditures of the department for the last two years:

TABLE XXI
(In millions of dollars)

NATIONAL HEALTH AND WELFARE	Fiscal Year Ended March 31		Increase or Decrease(—)
	1955 (Estimated)	1954	
General health grants.....	31.7	29.2	2.5
Old age and disabled persons assistance.....	21.6	20.3	1.3
Allowances to blind persons.....	2.9	2.9	
Indians and Eskimos health services.....	16.0	14.3	1.7
Other health services.....	6.2	5.8	0.4
Civil defence programme.....	3.9	4.0	-0.1
Administration and general.....	4.3	3.9	0.4
	86.6	80.4	6.2

General health grants to assist the provinces in hospital construction, general health services and the control of diseases are estimated at \$32 million for 1954-55 compared with \$29 million in the previous year.

Under the Old Age Assistance Act, the federal government reimburses the provinces by paying 50 per cent of the lesser of \$40 monthly or the amount of assistance given by the provinces in the form of monthly pensions to eligible persons in need who are in the age group of 65 to 69. (Under the Old Age Security Act, all persons 70 years and over who satisfy the residence requirements may receive a pension of \$40 per month from the federal government out of the Old Age Security Fund.) Similarly, under the Blind Persons Act, the federal

government reimburses the provinces for allowances paid to eligible blind persons in need over the age of 21, but under this Act, the federal reimbursement is 75 per cent of the total payments.

Payments by the federal government in respect of old age assistance were \$21 million in 1954-55 compared with \$20 million in 1953-54. Payments on account of allowances to blind persons amounting to \$3 million for 1954-55 are unchanged from the previous year.

The following table presents an estimated distribution of these payments by provinces for the fiscal year 1954-55:

TABLE XXII
(In millions of dollars)

GENERAL HEALTH GRANTS AND FEDERAL SHARE OF OLD AGE ASSISTANCE AND ALLOWANCES TO BLIND PERSONS	Fiscal Year Ended March 31, 1955 (Estimated)		
	General health grants	Old age and disabled persons assistance	Allowances to blind persons
Newfoundland.....	0.9	0.9	0.1
Nova Scotia.....	1.6	1.1	0.2
Prince Edward Island.....	0.2	0.1	(1)
New Brunswick.....	1.4	1.3	0.3
Quebec.....	10.0	7.4	1.2
Ontario.....	8.3	5.1	0.6
Manitoba.....	1.9	1.2	0.1
Saskatchewan.....	2.2	1.1	0.1
Alberta.....	2.1	1.3	0.1
British Columbia.....	3.0	2.1	0.2
Northwest and Yukon Territories.....	(1)	(1)	(1)
	31.7	21.6	2.9

(1) Less than \$50,000.

Expenditures relating to Indian and Eskimo health services are estimated at \$16 million for 1954-55 compared with \$14 million in the previous year. Expenditures for other health services at \$6 million were slightly greater than the total spent in 1953-54.

Civil defence programme expenditures at \$4 million were also practically the same as for the previous fiscal year.

National Research Council

Expenditures of the National Research Council are estimated at \$16 million for 1954-55, only slightly higher than in 1953-54. Salaries and other expenses at \$14 million are \$1 million greater than the total of \$13 million for 1953-54, while the cost of construction or acquisition of buildings, works, land and new equipment was \$2 million in 1954-55, a decrease of \$1 million from the total of \$3 million in the previous year.

National Revenue

Expenditures for the Department of National Revenue are estimated at \$55 million compared with \$50 million for 1953-54. Increases of \$2 million for the customs and excise division and \$3 million for the taxation division account for the \$5 million increase.

The following table presents a comparative summary of the expenditures for 1954-55 and 1953-54:

TABLE XXIII
(In millions of dollars)

NATIONAL REVENUE	Fiscal Year Ended March 31		Increase or Decrease (—)
	1955 (Estimated)	1954	
Customs and excise division.....	29.5	27.0	2.5
Taxation division.....	25.6	22.8	2.8
Income tax appeal board.....	0.1	0.1	
	55.2	49.9	5.3

Northern Affairs and National Resources

Expenditures in 1954-55 for the Department of Northern Affairs and National Resources are estimated at \$20 million, an increase of \$1 million over the total of \$19 million in the previous year. Of this net increase, \$1 million is attributable largely to expenditures for the national parks and historic sites services of the National Parks Branch. A small increase in the northern administration and lands branch services is offset by a similar decrease in the forestry branch services.

The following table presents a comparative summary of expenditures for the department for the last two years:

TABLE XXIV
(In millions of dollars)

NORTHERN AFFAIRS AND NATIONAL RESOURCES	Fiscal Year Ended March 31		Increase or Decrease (—)
	1955 (Estimated)	1954	
National parks branch.....	8.5	7.4	1.1
Engineering and water resources branch.....	1.7	1.6	0.1
Northern administration and lands branch.....	4.2	3.5	0.7
Forestry branch.....	4.0	4.8	-0.8
Canadian government travel bureau.....	1.5	1.4	0.1
Administration and general.....	0.5	0.4	0.1
	20.4	19.1	1.3

Post Office

Gross expenditures of the Post Office Department for 1954-55, including payments from revenue, are estimated at \$145 million, an increase of \$13 million over the total of \$132 million for 1953-54. Remuneration of postmasters and staffs at revenue and semi-staff offices, commissions at sub-offices and certain other authorized disbursements, are paid from revenue. These payments, included in the total of \$145 million, are estimated at \$21 million for 1954-55 compared with \$19 million for the previous year. Disbursements charged to budgetary expenditures are estimated at \$124 million for 1954-55, an increase of \$11 million over the previous fiscal year.

The following table presents a comparative summary of expenditures for the department during the past two years:

TABLE XXV

(In millions of dollars)

POST OFFICE	Fiscal Year-Ended March 31		Increase OR Decrease (—)
	1955. (Estimated)	1954	
Charged to budgetary expenditure—			
Operations—salaries and other expenses of staff post offices, district offices and railway mail services and supplies, equipment and other items for revenue post offices.....	74.6	65.0	9.6
Transportation—movement of mail by land, air and water.....	46.1	45.0	1.1
Financial services.....	2.5	2.3	0.2
Administration and general.....	1.3	1.3	—
	124.5	113.6	10.9
Charged to revenue—			
Operations—salaries of postmasters and staffs at revenue and semi-staff offices, commissions paid at sub-offices and other disbursements.....	20.5	18.8	1.7
	145.0	132.4	12.6

Public Works

Expenditures for the Department of Public Works for 1954-55 are estimated to total \$138 million compared with \$115 million in 1953-54, an increase of \$23 million.

In 1954-55, expenditures of the architectural branch were \$79 million or \$17 million greater than the total of \$62 million for the previous year. Of this increase, \$14 million is attributable to the acquisition and construction of and improvements to public buildings while the operation and maintenance of public buildings and grounds accounted for a further increase amounting to \$3 million. Expenditures of the engineering branch are expected to show a decrease of \$1 million.

The Government's contribution to the provinces in connection with the Trans-Canada Highway Act is estimated at \$20 million for 1954-55, an increase of \$7 million compared with \$13 million for 1953-54.

Expenditures under housing legislation are estimated at \$3 million for 1954-55 compared with \$2 million for the previous year. The increase of \$1 million is attributable mainly to payments in 1954-55 relating to grants to municipalities for slum clearance.

The following table presents a comparative summary of expenditures for the department in the past two years:

TABLE XXVI
(In millions of dollars)

PUBLIC WORKS	Fiscal Year Ended March 31		Increase or Decrease(—)
	1955 (Estimated)	1954	
Architectural branch—			
Public buildings and grounds—			
Operation and maintenance—			
Ottawa.....	13.9	12.7	1.2
Other centres.....	20.9	19.1	1.8
Acquisition, construction and improvements—			
Public buildings.....	43.8	29.7	14.1
Other expenditures.....	0.7	0.5	0.2
	79.3	62.0	17.3
Engineering branch—			
Acquisition, construction and improvements of harbour and river works.....	19.6	21.9	-2.3
Harbours and rivers—repairs and upkeep.....	3.1	2.6	0.5
Dredging.....	4.6	3.9	0.7
Engineering services and other works generally.....	5.9	5.9	
	33.2	34.3	-1.1
Contributions to the provinces under the Trans-Canada Highway Act.....	20.0	13.4	6.6
Housing.....	2.5	1.7	0.8
Administrative and general expenditure.....	3.0	3.6	-0.6
	138.0	115.0	23.0

Royal Canadian Mounted Police

Expenditures for the Royal Canadian Mounted Police are estimated at \$36 million for 1954-55 compared with the total of \$34 million for 1953-54. The increase of \$2 million is due mainly to an increase in land and air services. These amounts represent gross expenditures; payments received from the provinces for police services are credited to revenue.

The following table presents a comparative summary of expenditures for 1954-55 and 1953-54:

TABLE XXVII
(In millions of dollars)

ROYAL CANADIAN MOUNTED POLICE	Fiscal Year Ended March 31		Increase or Decrease(—)
	1955 (Estimated)	1954	
Land and air services.....	25.0	23.1	1.9
Marine services.....	1.3	1.1	0.2
Headquarters administration.....	7.0	7.1	-0.1
Government contribution to the Royal Canadian Mounted Police pension account.....	0.7	0.7	
Other administration and general.....	2.0	1.9	0.1
	36.0	33.9	2.1

Trade and Commerce

Expenditures for the Department of Trade and Commerce are estimated at \$18 million for 1954-55, an increase of \$1 million over the total of \$17 million for the previous year.

The following table presents a comparative summary of expenditures for the department for 1954-55 and 1953-54:

TABLE XXVIII
(In millions of dollars)

TRADE AND COMMERCE	Fiscal Year Ended March 31		Increase or Decrease (—)
	1955 (Estimated)	1954	
Dominion Bureau of Statistics.....	5.6	5.3	0.3
Canada Grain Act.....	5.1	4.7	0.4
Trade Commissioners service.....	2.4	2.4	.....
Standards division.....	1.6	1.4	0.2
Administration and general.....	3.0	2.7	0.3
	17.7	16.5	1.2

Transport

Expenditures of the Department of Transport are estimated at \$159 million for 1954-55 compared with \$118 million in 1953-54, an increase of \$41 million as shown in the following table:

TABLE XXIX
(In millions of dollars)

TRANSPORT	Fiscal Year Ended March 31		Increase or Decrease (—)
	1955 (Estimated)	1954	
Air services—			
Telecommunications division.....	14.2	13.7	0.5
Meteorological division.....	7.4	6.7	0.7
Civil aviation division.....	23.5	20.7	2.8
Administration.....	0.2	0.2	.....
	45.3	41.3	4.0
Canal services.....	8.0	8.4	—0.4
Marine services.....	21.9	20.3	1.6
Railway services—			
Maritime Freight Rates Act—			
Difference between tariff and normal tolls.....	10.7	10.5	0.2
Other railway services.....	19.6	13.4	6.2
Maintenance of trackage.....	7.0	7.0	.....
	37.3	30.9	6.4
Canadian Maritime Commission.....	4.3	4.2	0.1
Government owned enterprises—			
Net income deficits—			
Canadian National Railways.....	28.8	.....	28.8
Other.....	4.4	4.5	—0.1
Non-active advances.....	4.0	4.2	—0.2
Administration and general.....	4.8	4.2	0.6
	158.8	118.0	40.8

Expenditures of \$45 million in 1954-55 for air services are \$4 million higher than in 1953-54. Of this increase, \$3 million relates to the civil aviation division, \$2 million of which is attributable to the cost of construction or acquisition of buildings, works, land and new equipment in connection with airways and airports.

Expenditures for marine services were \$22 million in 1954-55. The increase of \$2 million is due largely to an increase of \$1 million in expenditures for the administration, operation and maintenance of marine service steamers and \$1 million for the construction or acquisition of vessels and equipment.

Railway services expenditures were \$37 million compared with \$31 million in 1953-54. Of this increase of \$6 million, \$4 million is on account of Strait of Canso transportation improvements and facilities; \$1 million relates to the construction of new dock and terminal facilities at Port-aux-Basques, Newfoundland, and \$1 million to the construction or acquisition of auto-ferry vessels. Payments covering net operating deficits of and non-active loans and advances to certain government owned enterprises were \$37 million in 1954-55 compared with \$9 million in the previous year. The increase of \$28 million is more than accounted for by the operating deficit of the Canadian National Railways which was \$28.8 million for the calendar year 1954. In 1953 the Railway had an operating surplus of \$244,000.

Veterans Affairs

Expenditures for the Department of Veterans Affairs for 1954-55 are estimated at \$242 million, an increase of \$3 million compared with the total spent in the previous year. Increases of \$1 million in pensions, \$1 million in treatment services, \$2 million in war veterans allowances and other benefits are partially offset by a decrease of \$3 million in war service gratuities and re-establishment credits.

Expenditures relating to the administration of the Soldier Settlement and Veterans' Land Acts reflect an increase of \$1 million while the provision for the reserve for conditional benefits under the Veterans' Land Act at \$9 million for 1954-55 is slightly greater than the provision of \$8.5 million for 1953-54. These conditional grants are made to veterans who enter into agreements with the director for sales of land and chattels provided they fulfil the terms of the agreements for a period of ten years. The amount charged to expenditures during 1954-55 under this heading covers one-tenth of the conditional benefits included in sales to veterans prior to April 1955.

The following table presents a comparative summary of expenditures for the department for the past two years:

TABLE XXX
(In millions of dollars)

VETERANS AFFAIRS	Fiscal Year Ended March 31		Increase or Decrease (—)
	1955 (Estimated)	1954	
Pensions for disability or death.....	128.9	127.6	1.3
Treatment services.....	43.6	42.2	1.4
War veterans' allowances and other benefits.....	31.8	30.3	1.5
Post-discharge rehabilitation benefits.....	2.6	2.5	0.1
War service gratuities and re-establishments credits.....	6.2	8.9	-2.7
Soldier Settlement and Veterans' Land Acts—Administration and general.....	6.7	5.3	1.4
Provision for reserve for conditional benefits, Veterans Land Act.....	8.9	8.5	0.4
Departmental, district and pensions administration and mis- cellaneous payments.....	13.5	13.4	0.1
	242.2	238.7	3.5

All Other Departments

Expenditures of the departments not dealt with in the preceding sections amounted to \$61.3 million in 1954-55 compared with \$61 million in 1953-54. The table which follows presents a comparative summary of the expenditures for the past two years:

TABLE XXXI
(In millions of dollars)

ALL OTHER DEPARTMENTS	Fiscal Year Ended March 31		Increase or Decrease (-)
	1955 (Estimated)	1954	
Auditor General.....	0.7	0.6	0.1
Chief Electoral Officer.....	0.3	5.5	-5.2
Civil Service Commission.....	2.4	2.1	0.3
Fisheries.....	11.2	9.3	1.9
Governor General and Lieutenant-Governors.....	0.4	0.4	.....
Insurance.....	0.5	0.5	.....
Justice.....	6.0	5.8	0.2
Office of the Commissioner of Penitentiaries.....	10.9	9.2	1.7
Labour.....	9.8	9.6	0.2
Legislation.....	6.7	5.6	1.1
National Film Board.....	3.4	3.0	0.4
Privy Council.....	3.8	3.7	0.1
Public Archives and National Library.....	0.4	0.4	.....
Public Printing and Stationery.....	2.1	2.0	0.1
Secretary of State.....	2.7	3.3	-0.6
	61.3	61.0	0.3

Decreases of \$5 million in the expenses of the Chief Electoral Officer (the 1953-54 accounts included the costs of the 1953 federal election) and \$0.6 million for the Department of Secretary of State are more than offset by increases in expenditures of other departments, chief of which are \$2 million for the Department of Fisheries; \$1.7 million for the Office of the Commissioner of Penitentiaries and \$1 million for legislation reflecting increased sessional indemnities to members of the Senate and the House of Commons.

4. SUMMARY OF ASSETS AND LIABILITIES OF CANADA AT MARCH 31, 1955

The estimated balances of the asset and liability accounts as at March 31, 1955, the comparable balances at March 31, 1954, and the changes in each category during 1954-55 are shown in the following table:

TABLE XXXII
SUMMARY OF THE ASSETS AND LIABILITIES OF CANADA
(In millions of dollars)

	Balance at March 31		Increase or Decrease (—)
	1955 (Estimated)	1954	
LIABILITIES			
Floating debt.....	825.8	868.5	-42.7
Deposit and trust accounts.....	201.7	204.1	-2.4
Insurance, pension and guaranty accounts.....	1,977.7	1,772.9	204.8
Deferred credits.....	145.7	151.3	-5.6
Sundry suspense accounts.....	293.5	338.2	-44.7
Province debt accounts.....	11.9	11.9	.....
Unmatured debt.....	14,487.8	14,576.2	-88.4
	17,944.1	17,923.2	20.9
ACTIVE ASSETS			
Cash and other current assets.....	2,416.1	2,514.3	-98.2
Loans to, and investments in, Crown agencies.....	1,776.8	1,795.1	-18.3
Other loans and investments.....	2,331.6	2,437.9	-106.3
Sinking fund and other investments held for the retirement of debt.....	187.3	101.9	85.4
Province debt accounts.....	2.3	2.3	.....
Deferred charges.....	256.2	259.9	-3.7
Sundry suspense accounts.....	206.0	192.3	13.7
Total Active Assets.....	7,176.3	7,303.7	-127.4
Less: Reserve for possible losses on ultimate realization of active assets.....	496.4	496.4	.....
Net Active Assets.....	6,679.9	6,807.3	-127.4
Net Debt (excess of liabilities over net active assets).....	11,264.2	11,115.9	148.3

Liabilities

The gross liabilities of the Government as at March 31, 1955, are estimated at \$17,944 million, an increase of \$21 million over the total of \$17,923 million at the close of the previous fiscal year.

Unmatured debt outstanding, including bonds and treasury bills, amounted to \$14,488 million at March 31, 1955, or approximately 81 per cent of all liabilities. Of the total outstanding unmaturred debt, \$14,096 million or 97 per cent was payable in Canada and the balance of \$392 million was payable in foreign currencies—\$341 million in United States dollars and \$51 million in pounds sterling. A complete statement in tabular form of the Government's unmaturred debt as at March 31, 1955 with details of interest rates, dates of maturity, annual interest charges and amounts of principal outstanding for each loan is presented at the end of this Part.

The Government's liability as at March 31, 1955 in respect of insurance, pension and guaranty accounts is estimated at \$1,978 million. Floating debt, including outstanding cheques, miscellaneous accounts payable (cheques issued in April, 1955, in payment of accounts relating to the fiscal year 1954-55) and notes and other obligations payable on demand, is expected to total \$826 million.

The other liability items are: sundry suspense accounts (where some uncertainty as to disposal exists), \$293 million; deposit and trust accounts (consisting of moneys deposited with or held by the Receiver General for various purposes), \$202 million; deferred credits (consisting of balances whose ultimate accounting treatment is known, but which are held until certain conditions are fulfilled), \$146 million; and province debt accounts (representing settlements arising out of agreements at the time of Confederation), \$11.9 million.

Active Assets

Offsetting the liabilities, and to some extent explaining their existence— as a substantial part of the total debt has been incurred on account of them— are the Government's active assets. For the most part these consist of assets which yield interest, profits or dividends, liquid assets such as cash and departmental working funds together with certain prepaid expenses and sundry suspense accounts.

The total active assets at March 31, 1955, are estimated at \$7,176 million, a decrease of \$127 million from the total at the end of the previous year. The totals of the various active asset categories as at March 31, 1955, were: cash and other current assets, \$2,416 million; loans to, and investments in, Crown agencies, \$1,777 million; other loans and investments, (consisting of loans to provincial, municipal and national governments, subscriptions to international organizations and advances to veterans and others) \$2,332 million; deferred charges, \$256 million; sundry suspense accounts, \$206 million; sinking fund and other investments held for the retirement of debt, \$187 million and province debt accounts \$2.3 million.

The reserve for possible losses on ultimate realization of active assets amounting to \$496 million, is shown on the statement of assets and liabilities as a deduction from the total active assets, bringing the net active assets total to \$6,680 million.

A. CHANGES IN PRINCIPAL LIABILITY CLASSIFICATIONS DURING 1954-55

The gross liabilities of the Government are expected to show an increase of \$21 million over the total at the close of the previous fiscal year. An increase of \$205 million in insurance, pension and guaranty accounts is partially offset by decreases of \$88 million in unmatured debt, \$45 million in sundry suspense accounts, \$43 million in floating debt, \$6 million in deferred credits and \$2 million in deposit and trust accounts.

Floating Debt

It is estimated that floating debt decreased \$42 million during the fiscal year. Increases of \$9 million in miscellaneous accounts payable and \$13 million in outstanding cheques and warrants are partially offset by decreases of \$43 million in notes and other obligations payable on demand, \$20 million in matured debt outstanding, \$1 million in interest due and outstanding and \$0.2 million in post office account.

The estimated changes in floating debt during the fiscal year 1954-55 are shown in the following table.

TABLE XXXIII

(In millions of dollars)

FLOATING DEBT	Balance at March 31		Increase or Decrease (-)
	1955 (Estimated)	1954	
Matured debt outstanding.....	48.6	68.2	-19.6
Notes and other obligations payable on demand.....	225.3	268.7	-43.4
Interest due and outstanding.....	55.0	56.3	-1.3
Outstanding cheques and warrants.....	262.0	249.2	12.8
Miscellaneous accounts payable.....	211.4	202.4	9.0
Post Office (net liability for money orders, etc.).....	23.5	23.7	-0.2
	825.8	868.5	-42.7

Deposit and Trust Accounts

Deposit and trust accounts decreased by \$2 million during the year. The major changes in this category were an increase of \$13 million in the Colombo plan fund, representing the difference between the amount of \$25 million credited to the fund out of moneys voted by Parliament for assistance to countries in South and South-east Asia and disbursements from the fund, and a decrease of \$14 million in the prairie farm emergency fund, representing the difference between the total of \$20 million paid as awards under the Prairie Farm Assistance Act and \$6 million collected as levies.

Insurance Pension and Guaranty Accounts

The increase in insurance, pension and guaranty accounts during the fiscal year is estimated at \$205 million. The changes in the various accounts for the fiscal year are shown in the following table.

TABLE XXXIV

(In millions of dollars)

INSURANCE, PENSION AND GUARANTY ACCOUNTS	Balance at March 31		Increase or Decrease (-)
	1955 (Estimated)	1954	
Unemployment insurance fund.....	853.0	892.3	-39.3
Less: Investment in bonds and accrued interest.....	838.0	878.7	-40.7
	15.0	13.6	1.4
Government annuities.....	862.5	798.5	64.0
Superannuation account.....	732.7	656.7	76.0
Permanent services pension account.....	278.5	217.2	61.3
Other.....	89.0	86.9	2.1
	1,977.7	1,772.9	204.8

The decrease of \$39 million in the unemployment insurance fund, representing the amount by which benefit payments totalling \$255 million during 1954-55 exceeded contributions by employers, employees and the government, income from investments, and other miscellaneous revenue credited to the fund is reflected in a reduction in the investments of the fund; the cash balances held for the fund by the Receiver General at March 31, 1955 increased \$1 million from March 31, 1954.

The increase of \$76 million in the superannuation account is attributable mainly to the Government's contribution of \$37 million equal to the estimated current and prior service payments of individuals in 1953-54, and \$28 million interest credited to the account. The remainder of the increase is due to the excess of employees' current and prior service contributions over benefit payments.

The Government annuities account is expected to show an increase of \$64 million and the permanent services pension account an increase of \$61 million. The increase in the permanent services pension account represents the Government's contribution of \$37 million (which is made at the rate of one and two third times the current contributions and contributions for arrears), interest on the account \$9 million and contributions by permanent services personnel for current service and arrears, less the payments from the account.

Other insurance, pension and guaranty accounts show an increase of \$2 million for the year.

Old Age Security Fund

Under the Old Age Security Act pensions of \$40 per month are paid to all eligible persons seventy years of age and over without a means test from the old age security fund. During the fiscal year payments from the fund amounted to \$353 million while credits to the fund from the proceeds of the 2 per cent tax on personal incomes, the 2 per cent tax on corporation profits and the 2 per cent sales tax totalled \$291 million. Under the authority of section 11 of the Old Age Security Act, the Minister of Finance made a temporary loan of \$62 million to the fund to cover the deficit resulting from these transactions during 1954-55. This amount, together with the loan of \$46 million covering the deficit of the fund for 1953-54, brings the temporary loans made by the Minister of Finance to the fund to \$108 million.

The following table shows the transactions in the old age security fund for the last two years:

TABLE XXXV
(In millions of dollars)

OLD AGE SECURITY FUND	Fiscal Year Ended March 31	
	1955 (Estimated)	1954
Pension payments.....	353.2	338.9
Tax receipts—		
2 per cent sales tax.....	144.0	146.8
2 per cent individual income tax.....	101.0	90.7
2 per cent corporation income tax.....	46.0	55.6
	291.0	293.1
Excess of pension payments over tax receipts covered by temporary loans from the Minister of Finance.....	62.2	45.8
Temporary loan carried forward from previous year.....	45.8	99.5
Written off to active asset reserve.....		-99.5
Outstanding at end of fiscal year.....	108.0	45.8

A distribution by provinces of pension payments from the old age security fund for the last two years is shown in the following table:

TABLE XXXVI
(In millions of dollars)

OLD AGE SECURITY PAYMENTS BY PROVINCES	Fiscal Year Ended March 31		Increase or Decrease (—)
	1955 (Estimated)	1954	
Newfoundland.....	7.5	7.2	0.3
Nova Scotia.....	18.2	17.7	0.5
Prince Edward Island.....	3.2	3.2	.....
New Brunswick.....	13.0	12.6	0.4
Quebec.....	74.8	72.0	2.8
Ontario.....	130.4	125.8	4.6
Manitoba.....	21.0	20.1	0.9
Saskatchewan.....	21.1	20.1	1.0
Alberta.....	21.4	20.1	1.3
British Columbia.....	42.4	39.9	2.5
Northwest and Yukon Territories.....	0.2	0.2	.....
	353.2	338.9	14.3

Deferred Credits

The decrease in deferred credits is estimated to be \$6 million. The more important changes in this category are decreases of \$5 million in accrued interest on public debt and \$1 million in balances receivable under agreements of sale of Crown assets, set up as a contra account to an account under the same name in other loans and investments.

The decrease in balances receivable under agreements of sale of Crown assets reflects the repayment by A. V. Roe Canada Limited of \$8 million of the amount due by them under an agreement of sale offset by certain new balances of agreements of sale totalling \$7 million, including \$2.6 million with Canadian Pratt and Whitney Aircraft Limited and \$1.9 million with English Electric Company Limited.

Sundry Suspense Accounts

Sundry suspense accounts show a decrease of \$45 million. The major changes in the accounts in this category are decreases of \$32 million in the defence equipment replacement account and of \$16 million in the replacement of materiel account and an increase of \$3 million on account of the railway grade crossing fund. The transactions in the defence equipment replacement account reflect a reduction in the undisbursed balance in the account which was established under section 3 of the Defence Appropriation Act, 1950, and subsequent votes of Parliament for the same purpose. Under the terms of the Act, the value of defence materials and supplies acquired prior to March 31, 1950, and transferred to members of the North Atlantic Treaty Organization may be credited to the account and these credits may be used in subsequent years to purchase equipment or supplies for the naval, army or air services of the Canadian forces. Disbursements from the account are estimated at \$79 million, and credits for equipment transferred at \$47 million.

The replacement of materiel account established by section 11 of the National Defence Act is credited with amounts realized from the sale of materiel that has not been declared surplus to requirements but has been authorized by

the Governor in Council to be sold to other countries. The account is debited with disbursements representing amounts paid for the procurement of replacement materiel. During 1954-55 disbursements from the account exceeded credits by \$16 million.

The amount of \$3 million for the railway grade crossing fund reflects the setting up in the accounts of the undisbursed balance of moneys appropriated by the Railway Act for the purposes of the railway grade crossing fund up to the close of the fiscal year 1954-55.

Province Debt Accounts

There were no changes in the province debt accounts during the fiscal year. The amounts have remained unchanged for many years.

Unmatured Debt

The unmatured debt outstanding at the close of 1954-55 was \$14,488 million, a reduction of \$88 million for the year, all of which is reflected in debt payable in Canada. The details of the various loan redemptions, flotations and adjustments resulting in this net decrease are described more fully in the section on "The Public Debt".

B.—CHANGES IN THE PRINCIPAL ACTIVE ASSET CLASSIFICATIONS DURING 1954-55

It is estimated that active assets decreased by \$127 million during 1954-55. Decreases of \$106 million in other loans and investments, \$98 million in cash and other current assets, \$18 million in loans to, and investments in, Crown agencies and \$4 million in deferred charges were offset in part by increases of \$85 million in sinking fund and other investments held for the retirement of debt and \$14 million in sundry suspense accounts. There was no change during the fiscal year in the reserve for possible losses on ultimate realization of active assets which stood at \$496 million at March 31, 1955.

Cash and Other Current Assets

The changes in the various accounts in this category are shown in the following table:

TABLE XXXVII
(In millions of dollars)

CASH AND OTHER CURRENT ASSETS	Balance at March 31		Increase or Decrease (—)
	1955 (Estimated)	1954	
Cash in current and special deposits (including blocked currency of \$1.2 million at March 31, 1955, and \$2 million at March 31, 1954).....	206.0	359.9	—153.9
Cash in hands of collectors and in transit.....	96.0	123.6	—27.6
Other liquid assets—			
Exchange fund account—advances represented by cash and securities.....	1,769.5	1,763.8	5.7
Securities investment account.....	45.7	18.0	27.7
Working capital advances—			
Crown corporations.....	22.5	22.7	—0.2
Defence production revolving fund.....	75.0	80.2	—5.2
Temporary loan to old age security fund.....	108.0	45.8	62.2
Departmental.....	51.3	42.5	8.8
Miscellaneous departmental imprest and advance accounts.....	23.6	35.2	—11.6
Other current assets.....	18.5	22.5	—4.0
	2,416.1	2,514.3	—98.2

The principal changes in this category were decreases of \$154 million in cash in current and special deposits, \$28 million in cash in hands of collectors

and in transit and increases of \$6 million in the exchange fund account, \$62 million in the temporary loan by the Minister of Finance to the old age security fund, and \$9 million in departmental working capital advances.

Advances to the exchange fund amounted to \$158 million while repayments were \$138 million. However, the fund's revaluation deficit which stood at \$191 million at December 31, 1953 and \$205 million at December 31, 1954, is recorded under sundry suspense accounts. Consequently the net increase for the fiscal year was \$6 million, reflecting additional advances of \$20 million less the transfer of \$14 million to the revaluation deficit account.

The decrease of \$5 million in the Defence Production revolving fund represents the amount by which credits to the account from the sale of essential materials and defence supplies exceeded the cost of acquiring, storing, maintaining and transporting such materials.

Departmental working capital advances increased by \$9 million, the chief of which is the increase of \$9 million in the agricultural prices support account reflecting the difference between the credit to the account of \$3 million, representing the loss on operations for 1954-55, which is included in the year's expenditures, and the net debit of \$12 million to the account representing the excess of purchases over sales during the year by the Agricultural Prices Support Board.

The increase of \$62 million in the temporary loan to the old age security fund represents the advance made by the Minister of Finance to cover the deficit of the fund for the year 1954-55. This advance together with the advance of \$46 million to cover the deficit of the previous year brings the total temporary loan to \$108 million at March 31, 1955.

Loans to, and Investments in, Crown Agencies

It is estimated that loans to, and investments in, Crown agencies decreased by \$18 million during the year. The more important changes during the year are a decrease of \$93 million in loans and advances to the Canadian National Railways and increases of \$49 million in loans to Central Mortgage and Housing Corporation and \$16 million in advances to Atomic Energy of Canada Limited. The changes in this category are shown in the following table:

TABLE XXXVIII
(In millions of dollars)

LOANS TO, AND INVESTMENTS IN, CROWN AGENCIES	Balance at March 31		Increase or Decrease (-)
	1955 (Estimated)	1954	
Atomic Energy of Canada Limited.....	32.4	16.0	16.4
Bank of Canada—capital stock.....	5.9	5.9	.....
Canadian Broadcasting Corporation.....	19.0	16.0	3.0
Canadian Farm Loan Board.....	36.8	32.6	4.2
Canadian National Railways.....	934.2	1,027.4	-93.2
Canadian National (West Indies) Steamships, Limited.....	3.7	0.1	3.6
Canadian Overseas Telecommunication Corporation.....	4.0	3.8	0.2
Central Mortgage and Housing Corporation—			
Capital advances.....	25.0	25.0	.....
Loans.....	555.8	506.3	49.5
Eldorado Mining and Refining Limited.....	8.2	8.2	.....
Export Credits Insurance Corporation.....	5.0	5.0	.....
National Harbours Board.....	107.2	106.2	1.0
Northwest Territories Power Commission.....	7.8	8.1	-0.3
Polymer Corporation Limited.....	30.0	34.0	-4.0
St. Lawrence Seaway Authority.....	1.3	.....	1.3
Other Crown agencies.....	0.5	0.5	.....
	1,776.8	1,795.1	-18.3

In the fiscal year ended March 31, 1955, the government advanced \$119 million to the Canadian National Railway Company for capital purposes and the retirement of funded debt in the hands of the public. A portion of the proceeds of a \$250 million 2½ per cent bond issue sold to the public in December 1954, was used to repay \$219 million of government advances then outstanding. In addition, a temporary loan of \$12 million outstanding at the beginning of the year together with \$16 million advanced during the year for income deficit was paid off from an appropriation in the Further Supplementary Estimates. The consequence of all these transactions was a net reduction of \$112 million during the fiscal year in advances to the Company.

In addition, the government purchased \$19.3 million of 4 per cent preferred stock of the Canadian National Railway Company in order to assist the Company to finance additional capital expenditures. This stock is issued under the authority of the Canadian National Railways Capital Revision Act, 1952, in an amount equal to three per cent of the gross operating revenues of the Company.

Loans to Central Mortgage and Housing Corporation during the fiscal year amounted to \$53 million, of which \$45 million was for lending purposes, \$1 million for construction and \$7 million for federal-provincial housing projects. Repayments of \$3 million on account of house construction and \$1 million on federal-provincial housing projects bring the net increase for the fiscal year in loans to the Corporation to \$49 million.

Other increases in loans and advances to Crown agencies during the year were; \$16 million to Atomic Energy of Canada Limited, \$4 million to the Canadian Farm Loan Board, \$3.6 million to the Canadian National (West Indies) Steamships Limited, \$3 million to the Canadian Broadcasting Corporation, \$1 million to the National Harbours Board, and \$1.3 million to The St. Lawrence Seaway Authority.

Polymer Corporation Limited reduced its indebtedness to the government by \$4 million during the year and Northwest Territories Power Commission by \$0.3 million.

Other Loans and Investments

Other loans and investments decreased by \$106 million during the year. The balances of the main accounts in this category together with the changes during the year are shown in the following table:

TABLE XXXIX
(In millions of dollars)

OTHER LOANS AND INVESTMENTS	Balance at March 31		Increase or Decrease (—)
	1955 (Estimated)	1954	
Loans to United Kingdom and other governments.....	1,700.7	1,772.3	—71.6
Subscription to capital of International Monetary Fund.....	293.4	322.5	—29.1
Subscription to capital of International Bank for Reconstruction and Development.....	70.9	70.9	.....
Loans to provincial and municipal governments.....	79.8	83.6	—3.8
Advances under Soldier Settlement and Veterans' Land Acts.....	162.6	162.0	0.6
Miscellaneous loans and investments.....	24.2	26.6	—2.4
	2,331.6	2,437.9	—106.3

The loans to the United Kingdom and other governments are estimated to total \$1,701 million, a decrease of \$71 million from the total at the close of the previous year. The changes in these loans are shown in the following table.

TABLE XL
(In millions of dollars)

LOANS TO UNITED KINGDOM AND OTHER NATIONAL GOVERNMENTS	Balance at March 31		Increase or Decrease (-)
	1955 (Estimated)	1954	
Loans to United Kingdom—			
The War Appropriation (United Kingdom Financing) Act, 1942.....	112.5	142.5	-30.0
The United Kingdom Financial Agreement Act, 1946....	1,127.3	1,142.1	-14.8
	1,239.8	1,284.6	-44.8
Loans under the Export Credits Insurance Act, Part II—			
Belgium.....	50.8	53.1	-2.3
China.....	49.4	49.4	.....
Czechoslovakia.....	9.9	9.9	.....
France.....	192.5	200.8	-8.3
Indonesia.....	3.1	6.2	-3.1
Netherlands.....	101.0	105.6	-4.6
Norway.....	10.5	15.8	-5.3
	417.2	440.8	-23.6
Miscellaneous loans and advances—			
France—Military relief credits settlement.....	3.0	3.5	-0.5
Interim credit—consolidated interest.....	1.9	2.0	-0.1
Greece.....	6.5	6.5	.....
Netherlands—Military relief and currency credit settlement.....	4.0	4.6	-0.6
Roumania.....	24.3	24.3	.....
Union of Soviet Socialist Republics.....	3.6	5.4	-1.8
Miscellaneous.....	0.4	0.6	-0.2
	43.7	46.9	-3.2
	1,700.7	1,772.3	-71.6

During the year the Government of the United Kingdom reduced the balance of the \$700 million interest free loan granted under the provisions of the War Appropriation (United Kingdom Financing) Act, 1942, by \$30 million as arranged under the terms of an agreement entered into on August 13, 1953 between the Governments of the United Kingdom and Canada. The balance outstanding at March 31, 1955 was \$112 million. Under the terms of the agreement the loan is to continue to be free of interest until December 1958.

The Government of the United Kingdom also repaid \$15 million on account of the \$1,185 million loan made under the \$1,250 million credit authorized by United Kingdom Financial Agreement Act, 1946, reducing the unpaid balance to \$1,127 million at the close of the fiscal year.

Advances under Part II of the Export Credits Insurance Act to certain foreign countries to assist them in purchasing goods and services in Canada were reduced by \$24 million during the year. Repayments by the various countries during the year are shown in the preceding table. All payments of principal due during the fiscal year 1954-55 were made in accordance with the agreements entered into by the Governments of the various countries and the Government of Canada with the exception of those owing by the Governments of China and Czechoslovakia.

Miscellaneous loans and advances to foreign governments were reduced by \$3 million, of which \$1.8 million was received from the Government of the Union of Soviet Socialist Republics.

The subscription to the capital of the International Monetary Fund was reduced by \$29 million during the year. This decrease represents adjustments occasioned by the increased value in terms of Canadian dollars of Canada's subscription to the fund.

Loans to provincial and municipal governments decreased by \$3.8 million during the year. Repayments by provinces amounted to \$3.4 million and by municipalities to \$0.4 million.

Advances under the Soldier Settlement and Veterans' Land Acts increased by \$9.1 million. However, as \$8.5 million was added to the reserve for conditional benefits under the Veterans' Land Act, the net increase was only \$0.6 million.

Miscellaneous loans and investments decreased by \$2 million during the year. A decrease of \$3 million in balances receivable under agreements of sale of Crown assets was offset by increases in other items in this category totalling \$1 million.

Sinking Fund and Other Investments Held for the Retirement of Unmatured Debt.

There was an increase of \$85 million in these assets during the fiscal year 1954-55 due mainly to the purchase of bonds of various Government of Canada issues payable in United States dollars.

Province Debt Accounts

There were no changes in the province debt accounts during the fiscal year. The amount resulting from financial adjustments with certain of the provinces at Confederation have remained unchanged for many years.

Deferred Charges

Deferred charges decreased by \$4 million during the fiscal year. There was no change in the unamortized portion of the superannuation account liability during the year but payments of \$19 million for commissions and discounts on new loans were more than offset by the annual amortization charges of \$23 million applicable to 1954-55 included in the year's expenditures.

Sundry Suspense Accounts

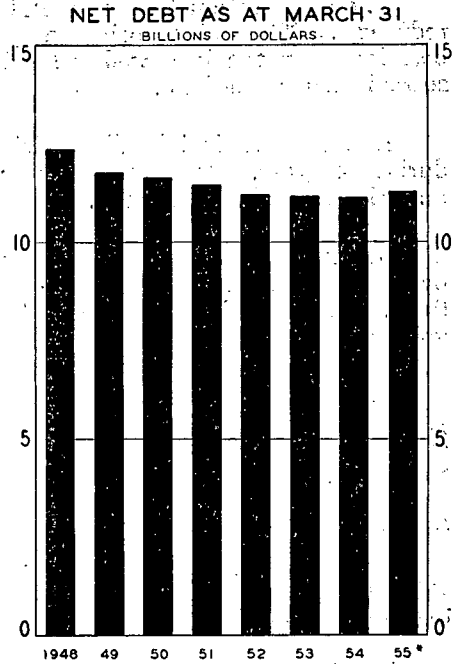
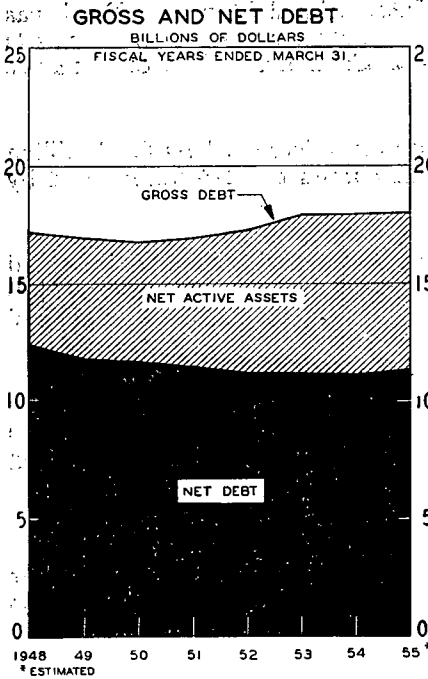
The increase of \$14 million in sundry suspense accounts during the year is mainly due to the fact that the deficit arising from exchange revaluations of the assets and liabilities of the exchange fund was \$205 million at December 31, 1954, compared with \$191 million at December 31, 1953.

Reserve for Possible Losses on Ultimate Realization of Active Assets

There was no charge or credit to the reserve for possible losses on ultimate realization of active assets during the year. It is shown on the statement of assets and liabilities as at March 31, 1955, as \$496 million, unchanged from the end of the previous year.

C. INCREASE IN NET DEBT

The estimated deficit for the fiscal year of \$148 million resulted in a corresponding increase in the net debt of Canada, increasing it from \$11,116 million at March 31, 1954 to \$11,264 million at March 31, 1955.



5. THE CASH POSITION

While a substantial part of all government activities is directly reflected in the budgetary accounts, it is important to note that in addition to collecting revenues and making expenditures in the strict budgetary sense the government's financial operations include many transactions which involve the receipt and disbursement of large sums of cash which lie outside the budget proper.

In preceding sections of this survey the budgetary revenues and expenditures for the fiscal year 1954-55 have been described and analyzed in some detail. Although these budgetary transactions resulted in a deficit of \$148 million, unmatured debt in the hands of the public was reduced by \$202 million while cash balances declined by only \$154 million. It is apparent that in considering the full scope of the government's financial operations and measuring their impact upon the nation's economy, non-budgetary as well as budgetary transactions must be taken into account.

The non-budgetary transactions are those which result in increases or decreases in the government's assets and liabilities. They do not appear in the government's income account nor do they enter into the calculation of the annual budgetary surplus or deficit.

On the assets side, they consist, for the most part, of loans and advances to, and repayments by, Crown corporations and other government agencies and funds (including the old age security fund), national, provincial and municipal governments and other borrowers, and investments in government securities.

On the liabilities side, the transactions relate mainly to receipts and payments in connection with the numerous deposit and trust, and annuity, insurance and pension funds held or administered by the government.

The following statement summarizes these non-budgetary transactions for 1954-55 and indicates how, together with the budgetary transactions, they affected the government's funded debt and cash position. For purposes of comparison, the corresponding figures for 1953-54 are also shown:

TABLE XLI
(In millions of dollars)

NON-BUDGETARY TRANSACTIONS AND CHANGES IN CASH POSITION	Fiscal year ended March 31	
	1955 (Estimated)	1954
NON-BUDGETARY RECEIPTS AND CREDITS (excluding unmatured debt transactions)		
Repayments of loans, investments and working capital advances—		
Loans to, and investments in, Canadian National Railways.....	93.2	18.1
Advances to defence production revolving fund.....	5.2	21.9
Subscription to capital of International Monetary Fund.....	29.1	
1942 loan to United Kingdom.....	30.0	53.6
1946 loan to United Kingdom.....	14.8	14.6
Loans to other national governments.....	26.8	24.3
Loans to provincial and municipal governments.....	3.8	3.7
Other loans, investments and working capital advances.....	19.0	5.4
	221.9	141.6
Net government annuities account receipts—		
Premium receipts less payments to beneficiaries.....	31.9	32.5
Government contribution to maintain reserve.....	0.5	0.1
Interest paid by government.....	31.6	29.3
	64.0	61.9
Net insurance and pension account receipts—		
Employee contributions less payments to beneficiaries.....	27.0	19.6
Government contributions.....	74.9	90.8
Interest paid by government.....	37.5	31.8
	139.4	142.2
Net increase in Colombo plan fund.....	13.5	13.7
Net increase in cash balances of unemployment insurance fund.....	1.4	1.6
Net increase in reserve for conditional benefits—Veterans Land Act....	8.4	8.5
Net reduction in unamortized discounts and commissions on loans.....	3.7	-10.3
Net receipts in sundry other accounts.....	35.8	20.4
Total.....	488.1	384.6
NON-BUDGETARY DISBURSEMENTS AND CHARGES (excluding unmatured debt transactions)—		
Loans, investments and working capital advances—		
Loans to Central Mortgage and Housing Corporation.....	49.5	98.8
Temporary loans to old age security fund.....	62.2	-53.7
Loans to, and investments in, Atomic Energy of Canada, Limited.....	16.4	7.4
Advances to agricultural prices support account.....	9.1	-55.4
Advances to exchange fund.....	20.0	-15.0
Loans under Soldier Settlement and Veterans Land Acts.....	9.1	7.8
Other loans, investments and working capital advances.....	13.3	27.8
	179.6	17.7
Other non-budgetary disbursements—		
Net decrease in defence equipment and materiel replacement accounts.....	48.4	-33.8
Net decrease in prairie farm emergency fund.....	13.7	-7.4
Net decrease in interest accrued on public debt.....	5.0	-12.0
Net decrease in matured debt, and other demand liabilities.....	42.7	-4.6
Net disbursements from sundry other accounts.....	2.8	1.9
Net decrease in provincial 5 per cent corporation income tax suspense account.....		47.9
Net decrease in reserve for possible losses on ultimate realization of active assets.....		49.5
Total.....	292.2	59.2
Net amount available from non-budgetary transactions.....	195.9	325.4
Add, Budgetary Surplus, or Deduct Budgetary Deficit (—).....	-148.3	45.8
Overall cash available for debt reduction.....	47.6	371.2
Net increase or decrease (—) in unmatured debt outstanding in the hands of the public—		
Unmatured debt.....	-88.4	-234.4
Sinking fund.....	-85.4	-74.2
Securities investment account.....	-27.7	41.5
	-201.5	-267.1
Net increase, or decrease (—), in cash balances.....	-153.9	104.1

As the table indicates, non-budgetary receipts and credits (excluding unmatured debt transactions) were \$488 million while non-budgetary disbursements and charges (also excluding unmatured debt transactions) were \$292 million resulting in a net amount available from non-budgetary transactions of \$196 million. This latter amount less the budgetary deficit of \$148 million made \$48 million available for debt reduction. In 1953-54, the excess of non-budgetary disbursements over receipts made \$325 million available which, with the budgetary surplus of \$46 million, made a total of \$371 million available for debt reduction.

Non-budgetary receipts and credits for 1954-55 amounted to \$488 million. Repayments of loans, investments and working capital advances totalled \$222 million due mainly to net repayments of \$93 million by Canadian National Railways (loans of \$154 million during the fiscal year were more than offset by repayments totalling \$247 million); a reduction of \$29 million in Canada's subscription to the capital of the International Monetary Fund, and repayments of \$72 million by the United Kingdom and other national governments. Other non-budgetary receipts and credits included \$64 million on government annuities account, \$139 million in respect of the several insurance and pension accounts which the government administers, \$13 million representing the excess of credits over disbursements from the Colombo plan fund, and \$49 million in respect of various other accounts.

Non-budgetary disbursements and charges amounted to \$292 million during 1954-55. Loans, investments and working capital advances amounted to \$180 million and included \$49 million loaned to Central Mortgage and Housing Corporation for housing construction and loans, \$62 million in temporary loans to the old age security fund to finance the amount by which pension payments exceeded tax receipts, \$16 million advanced to Atomic Energy of Canada, Limited, for working capital and to finance the construction of the new reactor and other buildings and works at Chalk River and Deep River, \$20 million to the exchange fund for the acquisition of gold and foreign exchange and \$32 million for miscellaneous loans, investments and working capital advances (including \$9 million for loans to veterans). In addition, \$154 million was loaned during the year to Canadian National Railways for additions and betterments, the acquisition of new rolling stock and equipment and for additional working capital but these loans were more than offset by repayments totalling \$247 million. Other non-budgetary disbursements and charges amounting to \$113 million, include net disbursements of \$48 million from the defence equipment and materiel replacement accounts, \$14 million from the prairie farm emergency fund and \$51 million from various other accounts.

By using the amount of \$48 million available from budgetary and non-budgetary transactions and by allowing cash balances to run down by \$154 million, unmatured debt in the hands of the public, after taking into account sinking fund purchases and transactions in the securities investment account, was reduced by \$202 million during 1954-55.

6. THE PUBLIC DEBT

While the unmatured funded debt of Canada decreased by \$88 million during the fiscal year, other liabilities increased by \$109 million. Consequently, the gross public debt of Canada increased by \$21 million from \$17,923 million at March 31, 1954 to an estimated total of \$17,944 million at March 31, 1955. During the same period the net active assets decreased by \$127 million, with the result that the net debt—which is the gross debt less the active or revenue producing assets—was increased by \$148 million.

The following table shows the relationship between the gross public debt, the unmatured funded debt and the net debt at the end of each fiscal year, March 31, 1948 to 1955 inclusive:

TABLE XLII
STATEMENT OF PUBLIC DEBT, UNMATURED FUNDED DEBT, ACTIVE ASSETS AND NET DEBT
OF CANADA

(In millions of dollars)

As at March 31	Gross Public Debt			Less Active Assets	Net Debt	Increase (—) or Decrease in Net Debt during Fiscal Year
	Unmatured Funded Debt	Other Liabilities	Total			
1948.....	15,957.4	1,239.9	17,197.3	4,825.7	12,371.6	676.1
1949.....	15,585.0	1,365.4	16,950.4	5,174.3	11,776.1	595.5
1950.....	15,188.1	1,562.7	16,750.8	5,106.1	11,644.6	131.5
1951.....	15,026.8	1,896.5	16,923.3	5,490.0	11,433.3	211.3
1952.....	14,695.4	2,562.3	17,257.7	6,072.4	11,185.3	248.0
1953.....	14,810.5	3,108.0	17,918.5	6,756.8	11,161.7	23.5
1954.....	14,576.2	3,347.0	17,923.2	6,807.3	11,115.9	45.8
1955 (Estimated).....	14,487.8	3,456.3	17,944.1	6,679.9	11,264.2	-148.3

Unmatured Funded Debt

It is estimated that the unmatured funded debt of Canada totalled \$14,488 million at March 31, 1955. This is \$88 million less than at the close of the previous fiscal year and \$1,470 million less than at March 31, 1948. However, during the same eight year period while interest charges declined by approximately 6 per cent from \$432 million in 1947-48 to \$406 million in 1954-55 the gross national product rose from \$13,768 million in 1947 to \$23,985 million in 1954, an increase of approximately 74 per cent. Consequently, the relative burden of the funded debt, measured in terms of interest charges as a percentage of the gross national product, declined from 3.1 per cent in 1947-48 to 1.7 per cent in 1954-55.

Summary of Security Issues and Redemptions during the year

During the fiscal year 1954-55 the Government issued securities payable in Canadian dollars in the principal amount of \$4,607 million (excluding the refunding of treasury bills which mature periodically) and redeemed maturing issues in the amount of \$4,695 million, all of which was payable in Canadian dollars. There were no issues or redemptions in foreign currencies:

The redemption of the Third and Fourth Victory Loans, which together were outstanding in the amount of \$1,967 million, involved the two largest refunding operations in Canadian financial history. Net sales of \$767 million of Canada Savings Bonds Series 9, while lower than those of Series 8 by nearly \$100 million, were nonetheless the second highest ever recorded for issues of this type.

The amount of treasury bills outstanding at the end of the fiscal year was \$890 million, \$240 million greater than on March 31, 1954. This amount was equally divided between three-month bills and nine-month bills. Since March 31, 1952 treasury bills outstanding have risen by \$440 million, a growth which reflects in part the Government's increasing interest in developing an active Canadian market for short-term securities.

The financing of redemptions was effected as follows:

(in millions of dollars)	
By proceeds of new issues:	
Canada Savings Bonds Series 9 (net).....	766.5
Three month, Twenty-Three day Loan.....	200.0
Increase in Treasury Bills.....	240.0
	<u>1,206.5</u>
By refunding or conversion into new issues.....	3,400.0
By available cash (payable in Canada).....	88.3
	<u>4,694.8</u>

As a result of these transactions the net decrease in funded debt is estimated at \$88 million.

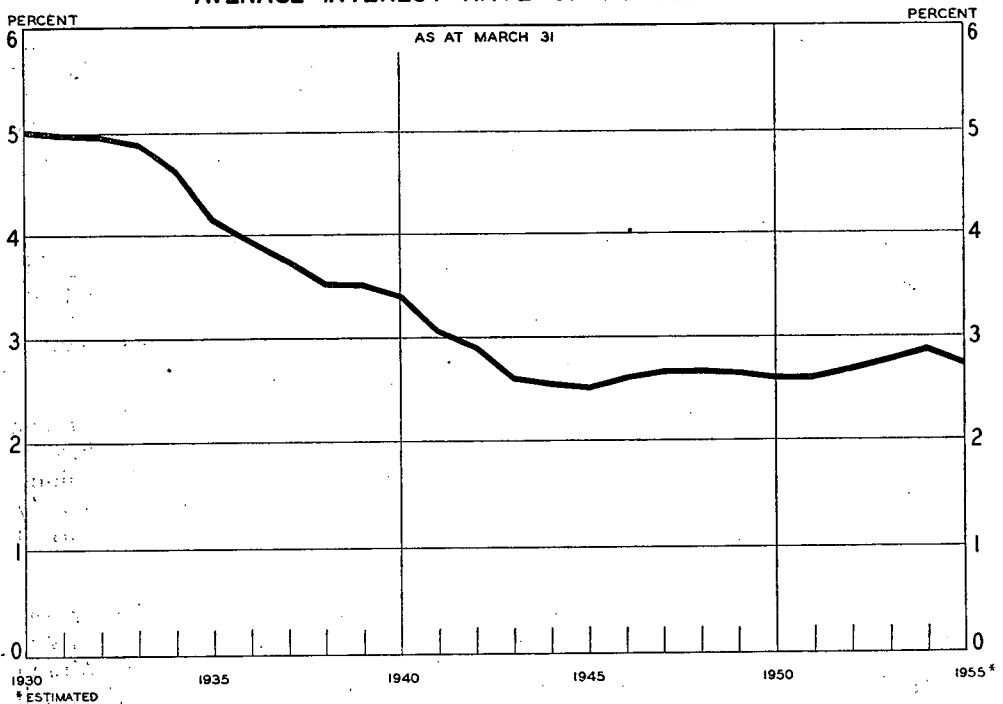
Interest Rates

The average interest rate on the Government's outstanding unmatured funded debt as at March 31, 1955 was 2.74 per cent a slight decrease from the rate of 2.86 per cent at the end of the previous fiscal year. This is the first decrease recorded since the fiscal year 1949-50, when the rate was 2.60 per cent.

Interest rates generally fell sharply during the year. The last public issue during the year with a term of more than 10 years, the Canada Savings Bonds Series 9, was sold to yield 3.25 per cent, while the yield on a similar issue in the previous fiscal year was 3.75 per cent.

Treasury bill yields also declined noticeably. On the three-month bills the average yield on the issue sold March 25, 1955 was 1.130 per cent against 1.585 per cent for the last issue sold in the previous fiscal year. The average yield on the issue of nine-month bills made March 25, 1955 was 1.342 per cent compared to 1.903 per cent for the last issue sold in the fiscal year 1953-54.

AVERAGE INTEREST RATE ON FUNDED DEBT



Details of redemptions and new issues of securities during the fiscal year are set out in the following tables.

TABLE XLIII

REDEMPTION OF FUNDED DEBT DURING FISCAL YEAR ENDED MARCH 31, 1955

Maturity Date	Interest Rate	Where Payable	Amount
May 1, 1954.....	2½	Canada	200,000,000
July 1, 1954.....	2	Canada	100,000,000
September 1, 1954.....	2	Canada	550,000,000
November 1, 1954.....	1¾	Canada	200,000,000
November 15, 1954.....	1½	Canada	200,000,000
December 15, 1954.....	2	Canada	150,000,000
December 15, 1954.....	2	Canada	395,000,000
March 1, 1955.....	1½	Canada	550,000,000
November 1, 1956 ⁽¹⁾	3	Canada	855,607,410
May 1, 1957 ⁽²⁾	3	Canada	1,111,261,650
June 1, 1958 ⁽³⁾	3	Canada	88,200,000
Canada Savings Bonds Series 1-8.....	2½-3¾	Canada	294,700,000
Total Redemption of Debt.....			4,694,769,060

⁽¹⁾ Third Victory Loan—called for redemption June 1, 1954.⁽²⁾ Fourth Victory Loan—called for redemption October 1, 1954.⁽³⁾ Called for redemption December 1, 1954.

TABLE XLIV

NEW SECURITY ISSUES DURING FISCAL YEAR ENDED MARCH 31, 1955

—	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
			%		%	\$	\$	\$
<i>Issued to Bank of Canada—</i>								
Six Months Treasury Notes.....	May 1, 1954	Nov. 1, 1954	1½	100·00	1·75	200,000,000	200,000,000	
Loan, Three Months, Twenty-Three Days.....	July 23, 1954	Nov. 15, 1954	1½	99·97	1·59	50,000,000		50,000,000
Six Months Treasury Notes.....	Sept. 1, 1954	Mar. 1, 1955	1½	100·00	1·50	550,000,000	550,000,000	
Six Months Treasury Notes.....	Nov. 1, 1954	May 2, 1955	1½	100·00	1·375	200,000,000	200,000,000	
Two Month Treasury Notes.....	Mar. 1, 1955	May 2, 1955	1½	100·00	1·125	500,000,000	500,000,000	
						1,500,000,000	1,450,000,000	50,000,000
<i>Issued to Chartered Banks—</i>								
Loan, Three Months, Twenty-Three Days.....	July 23, 1954	Nov. 15, 1954	1½	99·97	1·59	150,000,000		150,000,000
<i>Issued to General Public—</i>								
Loan, Two Years, Six and One-Half Months.....	June 1, 1954	Dec. 15, 1956	2½	99·50	2·46	550,000,000	550,000,000	
Loan, Twenty-Two Years.....	June 1, 1954	June 1, 1976	3½	98·25	3·36	300,000,000	300,000,000	
Loan, Three Years.....	Oct. 1, 1954	Oct. 1, 1957	2	99·50	2·17	700,000,000	700,000,000	
Loan, Twenty-Five Years.....	Oct. 1, 1954	Oct. 1, 1979	3½	99·25	3·29	400,000,000	400,000,000	
Canada Savings Bonds Series IX Net...	Nov. 1, 1954	Nov. 1, 1966	3½	99·25	3·33	766,500,000		766,500,000
Increase in Treasury Bills.....	Various	Various	Various	Various	Various	240,000,000		240,000,000
						2,956,500,000	1,950,000,000	1,006,500,000
GRAND TOTAL.....						4,606,500,000	3,400,000,000	1,206,500,000

Contingent Liabilities

In addition to the direct debt set out in the statement of assets and liabilities, the Government has certain contingent liabilities. These consist of securities issued by various Government owned enterprises (such as the Canadian National Railways), guaranteed as to principal and interest or as to interest only, and a number of other miscellaneous guarantees, the chief of which are the guarantee of deposits maintained by the chartered banks in the Bank of Canada, insured loans made by chartered banks and other approved lending institutions under the National Housing Act, 1954, and bank advances to the Canadian Wheat Board; the 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.

The following tables give details of the bonds and debenture stocks guaranteed by the Government, and also indicate the nature and approximate extent of the Government's other guarantees and contingent liabilities. The most significant change during the fiscal year was the sale of \$250,000,000 $2\frac{3}{4}$ per cent guaranteed bonds of the Canadian National Railway Company. The proceeds were used to repay interest-bearing capital advances from the Government of Canada and for capital expenditures of the Company.

TABLE XLV

BONDS AND DEBENTURE STOCKS GUARANTEED BY THE GOVERNMENT AS AT MARCH 31, 1955

Date of Maturity	Issue	Interest Rate	Estimated Amount Outstanding
		%	\$
June 15, 1955.....	Canadian National.....	$4\frac{1}{4}$	48,496,000
Feb. 1, 1956.....	Canadian National.....	$4\frac{1}{4}$	67,368,000
July 1, 1957.....	Canadian National.....	$4\frac{1}{4}$	64,136,000
July 20, 1958.....	Canadian Northern.....	$3\frac{1}{2}$	5,636,506
Jan. 15, 1959.....	Canadian National.....	3	35,000,000
May 4, 1960.....	Canadian Northern Alberta.....	$3\frac{1}{2}$	550,727
May 19, 1961.....	Canadian Northern Ontario.....	$3\frac{1}{2}$	3,597,518
Jan. 1, 1962.....	Grand Trunk Pacific.....	3	26,465,130
Jan. 1, 1962.....	Grand Trunk Pacific.....	4	7,999,074
Feb. 1, 1963.....	Canadian National.....	$2\frac{3}{4}$	250,000,000
Jan. 3, 1966.....	Canadian National.....	3	35,000,000
Jan. 2, 1967.....	Canadian National.....	$2\frac{1}{2}$	50,000,000
Sept. 15, 1969.....	Canadian National.....	$2\frac{1}{2}$	70,000,000
Jan. 16, 1971.....	Canadian National.....	$2\frac{1}{2}$	40,000,000
Feb. 1, 1974.....	Canadian National.....	$3\frac{1}{4}$	200,000,000
June 15, 1975.....	Canadian National.....	$2\frac{3}{4}$	6,000,000
Perpetual.....	Grand Trunk Debenture Stock.....	5	98,706
Perpetual.....	Great Western Debenture Stock.....	5	3,407
Perpetual.....	Grand Trunk Debenture Stock.....	4	71,817
			\$910,422,885

TABLE XLVI

OTHER OUTSTANDING GUARANTEES AND CONTINGENT LIABILITIES

	Estimated Amount Outstanding
Deposits maintained by the chartered banks in the Bank of Canada (February 28, 1955).....\$	503,841,332
Province of Manitoba Treasury Bill (March 31, 1955).	750,000
Loans made by chartered banks under the Farm Improvement Loans Act (December 31, 1954)....	35,804,794
Loans made by chartered banks under the Veterans' Business and Professional Loans Act (December 31, 1954).....	2,225,796
Guarantees under Part II of the Export Credits Insur- ance Act (March 31, 1955).....	7,650,000
Loans made by approved lending institutions under Dominion and National Housing Acts (December 31, 1954).....	Indeterminate
Guarantees of land assembly projects under National Housing Act (December 31, 1954).....	Nil
Loans insured under the National Housing Act, 1954 (December 31, 1954).....	121,571,940
Loans made by approved lending institutions under Part IV of the National Housing Act, 1944, for home extensions or improvements (December 31, 1954).....	7,483
Loans made by chartered banks under The Prairie Producers' Interim Financing Act, 1951 (February 28, 1955).....	3,450
Loans made by chartered banks to Canadian Wheat Board (February 28, 1955).....	95,899,203

7. 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)

	1950-51	1951-52	1952-53	1953-54	Estimated 1954-55
	\$	\$	\$	\$	\$
TAX REVENUES—					
Income tax—					
Personal ⁽¹⁾	652,329	975,676	1,180,026	1,187,656	1,176,000
Corporations ⁽¹⁾	799,197	1,130,680	1,240,090	1,191,187	1,008,000
On dividends, interest, rents and royalties, going abroad.....	61,610	55,017	53,674	53,761	61,000
Excess profits tax.....	10,141	2,365			
Succession duties.....	33,599	38,208	38,071	39,138	42,000
Customs duties.....	295,722	346,365	389,442	407,312	393,000
Excise duties—					
Spirits, malt and beer.....	129,390	120,851	127,684	133,036	131,000
Cigarettes, tobacco and cigars.....	114,486	100,711	116,914	96,970	99,000
Licences.....	38	36	38	37	37
Less refunds.....	-2,868	-3,658	-3,276	-3,311	-3,037
	241,046	217,940	241,860	226,732	227,000
Excise taxes—					
Sales tax ⁽¹⁾ ⁽²⁾	470,627	587,194	566,233	587,332	576,000
Other excise taxes—					
Automobiles, tires and tubes.....	70,841	100,904	89,883	106,097	84,000
Beverages (soft drinks).....	7,212	19,230	12,481	11,691	8,200
Candy and chewing gum.....	10,880	11,531	12,391	12,813	10,000
Cigarette papers and tubes.....	7,734	423			
Cigarettes, tobacco and cigars.....	85,199	106,354	102,645	113,161	114,000
Electrical appliances.....	2,080	4,893	4,305	5,101	400
Furs.....	4,509	4,793	5,710	3,751	100
Jewellery, watches, ornaments etc.	6,459	9,714	7,488	7,256	4,800
Matches and lighters.....	1,161	1,855	1,394	1,370	1,000
Stamps on cheques, money orders, etc.....	10,945	11,346	10,561		
Stoves, washing machines and refrigerators.....		10,923	1,546		
Television sets, radios, tubes and phonographs.....	5,548	8,252	10,706	16,771	21,900
Toilet preparations.....	4,551	8,467	7,195	7,103	5,500
Trunks, bags, luggage, etc.....	2,604	3,969	3,603	3,478	500
Wines.....	2,225	2,167	2,216	2,231	2,300
Sundry commodities.....	4,327	7,173	5,964	6,443	2,200
Licences, interest and miscellaneous	372	463	461	396	400
Less refunds.....	-10,506	-13,723	-2,892	-1,637	-1,000
	216,141	298,754	275,657	296,025	254,300
Tax on insurance premiums.....	4,228	4,753	12,361	13,756	14,600
Miscellaneous tax revenue.....	710	843	679	686	900
	2,785,560	3,657,776	3,997,593	4,003,555	3,752,800
NON-TAX REVENUES—					
Return on investments.....	89,529	117,622	116,906	151,858	133,700
Premium discount and exchange.....	17,562	17,697	1,467	838	
Post Office—net postal revenue.....	90,443	104,610	111,905	110,953	130,140
Bullion and coinage.....	4,708	4,838	4,386	4,241	1,433
Other.....	31,106	37,205	45,471	50,297	55,285
	233,348	231,972	230,135	318,187	320,608
SPECIAL RECEIPTS AND CREDITS—					
Central Mortgage and Housing Cor- poration—					
Profits paid to Receiver General....	2,862	3,144	2,054	(3)	(3)
Proceeds and depreciation reserve with respect to the sale of wartime housing properties.....	4,351	9,843	6,701	5,234	4,545
Refundable portion of income tax and excess profits tax—Transfer to reve- nue of excess reserves set up in pre- vious years.....	25,000	7,367			
Transfer to revenue of provincial 5 per cent corporation income tax suspense account pursuant to the 1952 tax rental agreements.....			45,000	46,786	
Proceeds from the sale of Crown assets	19,613	14,712	7,638	17,222	24,657
Transfer to revenue of Canadian Wheat Board suspense account.....			6,325		

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

(thousands of dollars)

	1950-51	1951-52	1952-53	1953-54	Estimated 1954-55
	\$	\$	\$	\$	\$
SPECIAL RECEIPTS AND CREDITS—					
<i>Concluded</i>					
Surplus of Canadian Arsenal, Limited			6,114	(³)	(³)
Write-up to active assets—Atomic Energy of Canada, Limited			4,794		1,437
Miscellaneous special receipts	42,012	6,096	4,469	5,306	3,089
	93,838	41,162	83,095	74,548	33,728
TOTAL REVENUE	3,112,536	3,980,909	4,360,823	4,396,320	4,107,136

(1) Excluding tax credited to old age security fund—

	1951-52	1952-53	1953-54	Estimated 1954-55
2% personal income tax	100	45,250	90,700	101,000
2% corporation income tax	2,000	36,850	55,690	46,000
2% sales tax	24,298	141,558	146,833	144,000

(2) The total for 1950-51 represents gross collections; for 1951-52, gross collections less transfer to the old age security fund, and in subsequent years the totals are net after deduction of refunds and drawbacks as well as transfers to the old age security fund.

(3) Included in Return on Investments.

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

(thousands of dollars)

	1950-51	1951-52	1952-53	1953-54	Estimated 1954-55
	\$	\$	\$	\$	\$
Agriculture—					
Administration and general.....	692	733	824	852	987
Science service.....	6,685	6,992	8,136	8,969	9,367
Experimental farms service.....	7,140	7,729	8,272	8,574	9,888
Production service.....	9,182	9,335	9,337	9,555	10,324
Marketing service.....	4,936	4,555	4,780	4,212	9,532
Rehabilitation and reclamation projects	13,212	11,813	13,852	14,683	13,067
Freight assistance on western feed grains	15,638	14,999	20,661	16,999	19,000
Premium on hog carcasses suitable for export to United Kingdom.....	5,100	5,374	6,405	4,679	5,034
Advances to prairie farm emergency fund.....	4,304				
Payment to Canadian Wheat Board for distribution to producers.....	65,000				
Net operating loss—Agricultural prices support account.....	3,485	1,743	32,533	37,759	3,211
Other expenditure.....	7,411	3,861	1,911	2,079	2,925
	142,785	67,134	106,711	108,861	83,535
Auditor General's Office.....	574	601	576	615	676
Canadian Broadcasting Corporation.....	2,405	8,301	8,235	8,259	8,479
Payment from the consolidated revenue fund of amounts equal to taxes collected under the Excise Tax Act in respect of radio and television sets and equipment				16,737	21,80
				24,996	30,279
Office of the Chief Electoral Officer.....	278	368	465	5,527	29
Citizenship and Immigration—					
Administration and general.....	531	1,114	1,399	1,657	1,651
Immigration branch.....	5,578	8,073	7,063	7,313	8,420
Indian Affairs branch.....	14,564	14,054	15,184	16,511	18,043
	20,673	23,241	23,646	25,481	28,114
Civil Service Commission.....	1,580	1,692	1,910	2,051	2,370
Defence Production—					
Administration and general.....		8,284	9,738	10,074	9,418
Capital assistance to defence industry.....		22,695	79,079	37,825	10,137
		30,979	88,817	47,899	19,555
External Affairs.....	7,654	8,225	9,146	10,249	12,285
Membership in commonwealth and international organizations.....	2,962	2,724	3,477	3,522	4,332
Assistance to other countries and inter- national organizations.....	11,464	26,634	26,628	31,948	27,483
	22,080	37,583	39,251	45,719	44,100
Finance—					
Departmental administration and gen- eral.....	7,354	8,361	9,425	9,402	9,524
Office of the Comptroller of the Treasury.....	11,345	12,554	13,310	13,713	15,045
Interest on public debt.....	425,217	432,423	451,340	476,062	478,188
Additional amount required to place interest on public debt on accrual basis.....		87,510			
Cost of issuing new loans and annual amortization of bond discounts and commissions.....	13,354	10,717	13,072	19,062	23,728
Servicing of public debt.....	449	385	508	604	760
Subsidies to provinces.....	18,735	20,108	20,108	20,108	20,353
Compensation to provinces—					
Tax rental agreements, 1947 Act.....	94,123	96,868	23,795	1	
Tax rental agreements, 1952 Act.....			284,778	309,227	327,445
Transfer of certain public utility tax receipts, under tax rental agree- ments.....	4,565	3,732	4,370	6,831	6,750
Transitional grant to Newfoundland....	6,500	6,500	5,650	4,800	3,950
Government contributions with respect to the superannuation account—general	6,831	12,911	13,802	16,451	37,332
—special	75,000	98,000	25,000	38,000	
Grants to universities.....		6,993	5,115	5,244	5,390
Implementation of guarantees (Ming Sung Industrial Co. Ltd.).....		1,346	1,695	1,563	1,524

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

(thousands of dollars)

	1950-51	1951-52	1952-53	1953-54	Estimated 1954-55
	\$	\$	\$	\$	\$
Finance—Concluded					
Premium discount and exchange.....					1,015
Wartime Prices and Trade Board Administration.....	1,599	155			
Commodity prices stabilization corporation limited.....		50		308	64
Grant <i>re</i> Red River Valley flood.....	12,500				
Relief <i>re</i> hurricane <i>Hazel</i>					1,000
Provision for reserve for possible losses on ultimate realization of active assets.....	75,000	75,000	75,000	50,000	
	752,572	873,613	946,968	971,376	932,118
Fisheries.....	8,964	8,733	10,777	9,255	11,218
Governor General and Lieutenant Gov- ernors.....	244	275	397	399	403
Insurance.....	344	377	414	431	477
Justice.....	4,609	5,103	5,606	5,822	6,039
Office of the Commissioner of Peniten- tiaries.....	7,798	8,936	9,303	9,195	10,879
	12,407	14,039	14,909	15,017	16,918
Labour	9,030	9,503	10,088	9,524	9,272
Government annuities—amount re- quired to maintain reserve.....	660	940	744	99	500
Unemployment Insurance Act, 1940— Administration and general.....	26,805	23,919	25,051	26,116	28,499
Government contribution.....	26,133	29,940	31,139	31,822	31,679
	62,628	64,802	67,022	67,661	69,950
Legislation—					
House of Commons.....	3,332	4,302	4,528	4,053	4,823
Library of Parliament.....	137	153	231	282	291
Senate.....	976	1,227	1,103	995	1,299
General.....	266	263	295	270	290
	4,711	5,945	6,157	5,600	6,703
Mines and Technical Surveys.....	10,442	10,779	12,027	13,047	15,859
Dominion Coal Board.....	3,561	5,132	6,484	10,339	11,299
Emergency gold mining assistance....	7,114	11,841	11,147	15,151	15,300
	21,117	27,752	29,658	38,537	42,458
National Defence—					
General.....	901	277	295	320	360
Defence forces, army, navy and air services.....	545,738	1,217,579	1,557,060	1,424,245	1,326,440
Mutual aid to NATO countries.....	195,417	126,416	235,053	289,708	257,448
Defence research and development....	23,415	35,394	42,980	40,807	44,362
Pensions—					
Payments under defence services pension act.....	5,011	5,096	5,110	5,100	5,156
Government contribution to permanent services pension account.....	11,975	30,712	30,009	35,214	36,732
Contribution towards military costs of NATO.....			11,302	10,521	6,842
	782,457	1,415,474	1,882,418	1,805,915	1,677,340
National Film Board.....	2,308	2,662	2,920	2,998	3,431
National Health and Welfare.....	17,344	21,098	22,935	28,034	30,368
General health grants.....	18,875	24,322	27,333	29,184	31,725
Family allowances.....	309,465	320,458	334,198	350,114	366,501
Old age pensions including pensions to blind persons.....	103,169	80,206			
Old age assistance, blind and disabled persons allowances.....		2,999	22,099	23,202	24,490
Deficit—Old age security fund.....	49,669				
	448,853	498,752	406,565	430,534	453,084
National Research Council and Atomic Energy Control Board.....	18,014	25,080	28,343	28,100	30,742
National Revenue including taxation division.....	46,056	45,763	47,313	49,938	55,196
Northern Affairs and National Resources Post Office.....	20,764	17,423	19,500	19,242	20,362
Privy Council including Prime Minister's Office.....	91,781	97,973	105,553	113,582	124,540
Public Archives and National Library..	4,362	4,097	3,767	3,733	3,855
	206	251	307	347	423

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

(thousands of dollars)

	1950-51	1951-52	1952-53	1953-54	Estimated 1954-55
	\$	\$	\$	\$	\$
Public Printing and Stationery.....	706	1,103	1,607	2,037	2,055
Public Works.....	74,483	79,086	83,941	101,515	118,000
Trans-Canada highway contributions.....	7,205	12,792	13,953	13,379	20,000
	81,688	91,878	97,894	114,894	138,000
Royal Canadian Mounted Police.....	19,801	27,341	31,141	33,845	36,030
Secretary of State.....	2,065	2,399	2,201	3,278	2,643
Trade and Commerce.....	23,443	21,817	16,503	16,526	17,732
Deficits incurred by the Canadian Wheat Board covering operations for government account.....	2,536				
Deficit—Trans Canada Air Lines.....	1,325				
	27,304	21,817	16,503	16,526	17,732
Transport—					
Administration and general.....	2,534	3,195	3,171	4,216	4,698
Canals service.....	8,284	7,975	9,905	8,400	8,006
Marine service.....	17,187	17,465	21,679	20,259	21,912
Railway service.....	1,981	2,306	10,562	20,352	26,566
Maritime freight rates act.....	8,475	10,030	10,130	10,481	10,696
Air services.....	33,553	36,298	39,171	41,367	45,504
Canadian Maritime Commission.....	5,899	4,461	3,984	4,202	4,303
Deficits—					
Canadian National Railway.....	3,261	15,032			28,758
Canadian National (West Indies) Steamships Limited.....	1,029	467	4	650	628
Prince Edward Island car ferry and terminals.....	1,267	1,365	1,520	1,603	1,514
North Sydney-Port aux Basques ferry and terminals.....			1,846	2,236	2,242
National Harbours Board.....	188	55	57		
Non-Active assets—					
National Harbours Board.....	1,465	1,252	1,877	4,247	3,931
	85,128	99,901	103,906	118,013	158,758
Veterans Affairs—					
Administration and general.....	2,385	2,513	3,627	2,256	2,283
Pensions.....	95,577	103,703	127,053	127,580	128,930
Treatment and after care of returned soldiers and allowances to dependents	71,646	76,097	78,541	79,470	82,702
Hospital accommodation, additions, alterations and improvements.....	3,008	3,758	3,990	4,151	3,985
Post discharge rehabilitation benefits.	13,502	6,594	3,790	2,518	2,575
War service gratuities and re-establish- ment credits.....	16,868	9,826	10,737	8,916	6,167
Soldier settlement and veterans land acts.....	6,296	5,935	5,645	5,353	6,698
Provision for reserve for conditional benefits under veterans land act.....	7,110	7,600	8,042	8,471	8,890
	216,392	216,026	241,425	238,715	242,230
TOTAL EXPENDITURE.....	2,901,242	3,732,875	4,337,276	4,350,522	4,255,387

ANNUAL CHANGES IN ACTIVE LOANS AND INVESTMENTS FOR THE LAST
FIVE FISCAL YEARS

(thousands of dollars)

	FISCAL YEAR ENDED MARCH 31				
	1951	1952	1953	1954	Estimated 1955
	\$	\$	\$	\$	\$
WORKING CAPITAL ADVANCES TO CROWN CORPORATIONS					
Canadian Arsenals, Ltd.....	2,500				
Canadian Commercial Corporation.....		6,500			
Canadian Patents and Development Ltd		Cr. 296			
Commodity Prices Stabilization Cor- poration.....	Cr. 1,500	Cr. 50		Cr. 1,215	
Crown Assets Disposal Corporation.....		Cr. 45			Cr. 212
	1,000	6,109		Cr. 1,215	Cr. 212
LOANS TO, AND INVESTMENTS IN, CROWN AGENCIES					
Atomic Energy of Canada, Limited.....			8,802	7,197	16,437
Central Mortgage and Housing Corpora- tion—					
Loans.....	79,389	73,624	72,561	98,815	49,500
Canadian Broadcasting Corporation.....	650	850	2,000	4,750	3,000
Canadian Farm Loan Board.....	1,900	1,300	1,600	3,700	4,150
Canadian National Railways.....	19,888	139,998	141,822	Cr. 18,092	Cr. 93,210
Canadian National (West Indies) Steam- ships Limited.....	300	Cr. 150			3,600
National Harbours Board.....	1,004	227	Cr. 127	Cr. 631	1,064
Polymer Corporation Limited.....	Cr. 1,886	Cr. 3,000	Cr. 1,000	Cr. 3,000	Cr. 4,000
St. Lawrence Seaway Authority.....					1,300
Other Crown Agencies.....	1,046	2,608	6,812	Cr. 2,845	Cr. 100
	102,291	215,457	232,470	89,894	Cr. 18,259
OTHER LOANS AND INVESTMENTS					
Provincial and Municipal Governments..	Cr. 3,180	Cr. 4,129	Cr. 3,782	Cr. 3,669	Cr. 3,792
United Kingdom and other Govern- ments—					
United Kingdom—Loan under the War Appropriation (U.K. Financing) Act, 1942.....	Cr. 40,567	Cr. 31,092	Cr. 24,282	Cr. 53,616	Cr. 30,000
United Kingdom Financial Agreement Act, 1946.....	20,000	Cr. 14,010	Cr. 14,290	Cr. 14,576	Cr. 14,868
Export Credits Insurance Act.....	Cr. 22,935	Cr. 20,657	Cr. 20,599	Cr. 19,439	Cr. 23,613
Other.....	144	5,461	Cr. 1,602	Cr. 4,915	Cr. 3,145
Canada's subscription to capital of—					
International Monetary Fund.....					Cr. 29,107
International Bank for Reconstruction and Development.....		170			
Miscellaneous—					
Loans to veterans under the Soldier Settlement and Veterans' Land Acts	7,515	1,521	Cr. 1,259	Cr. 650	582
Balances receivable under agreements of sale of Crown assets.....	Cr. 1,043	Cr. 936	900	8,503	Cr. 3,110
Other miscellaneous loans.....	Cr. 54	2,957	Cr. 256	159	720
	Cr. 40,120	Cr. 60,715	Cr. 65,170	Cr. 88,203	Cr. 106,333
Sinking fund and other investments held for retirement of unmatured debt.....	5,499	3,201	1,722	74,226	85,400
Net total of changes in loans and invest- ments.....	68,670	164,052	169,022	74,702	Cr. 39,404

**UNMATURED FUNDED DEBT AND TREASURY BILLS AS AT MARCH 31, 1955 AND THE
ANNUAL INTEREST PAYABLE THEREON**

Date of maturity	Rate per cent	Where payable	Amount of loan	Annual interest charge
			\$ cts.	\$ cts.
1955, May 2.....	1½	Canada	200,000,000 00	2,750,000 00
May 2.....	1½	Canada	500,000,000 00	5,625,000 00
July 1.....	2½	Canada	200,000,000 00	4,500,000 00
July 1.....	2½	Canada	400,000,000 00	9,000,000 00
December 15.....	2½	Canada	550,000,000 00	12,375,000 00
1956, July 1.....	2½	Canada	400,000,000 00	9,000,000 00
November 1.....	2½	Canada	*70,000,000 00	1,925,000 00
1957, October 1.....	2	Canada	700,000,000 00	14,000,000 00
November 1.....	2½	Canada	*37,300,000 00	1,025,750 00
1958, May 1.....	3	Canada	300,000,000 00	9,000,000 00
November 1.....	2½	Canada	*34,500,000 00	948,750 00
1959, January 1.....	3	Canada	1,197,324,750 00	35,919,742 50
November 1.....	2½	Canada	*50,700,000 00	1,394,250 00
1960, June 1.....	3	Canada	1,165,300,350 00	34,959,010 50
November 1.....	2½	Canada	*46,500,000 00	1,278,750 00
1961, January 15.....	3½	New York	(1) 47,040,000 00	1,528,800 00
1962, February 1.....	3	Canada	1,315,639,200 00	39,469,176 00
August 1.....	3½	Canada	*150,000,000 00	5,250,000 00
1963, July 1.....	3½	London	(2) 1,950,100 06	63,378 25
July 1.....	3	London	(2) 49,121,189 12	1,473,635 67
August 1.....	3	New York	(1) 147,000,000 00	4,410,000 00
August 1.....	3½	Canada	*168,600,000 00	6,322,500 00
October 1.....	3	Canada	1,295,819,350 00	38,874,580 50
1965, November 1.....	3½	Canada	*706,000,000 00	26,475,000 00
1966, June 1.....	3½	Canada	54,703,000 00	1,777,847 50
September 1.....	3	Canada	1,691,796,700 00	50,753,901 00
November 1.....	3½	Canada	*766,500,000 00	24,911,250 00
1968, June 15.....	2½	Canada	350,000,000 00	9,625,000 00
1974, September 1.....	2½	New York	(1) 98,000,000 00	2,695,000 00
1975, September 15.....	2½	New York	(1) 49,000,000 00	1,347,500 00
1976, June 1.....	3½	Canada	300,000,000 00	9,750,000 00
1978, January 15.....	3½	Canada	100,000,000 00	3,750,000 00
1979, October 1.....	3½	Canada	400,000,000 00	13,000,000 00
Perpetuals.....	3	Canada	55,000,000 00	1,650,000 00
Various, three months treasury bills.....	(*) 1.130	Canada	445,000,000 00	5,028,500 00
Various, nine months treasury bills.....	(*) 1.342	Canada	445,000,000 00	5,971,900 00
			14,487,794,639 18	397,829,221 92
Payable in Canada.....			14,095,683,350 00	386,310,908 00
Payable in London.....			51,071,289 18	1,537,013 92
Payable in New York.....			341,040,000 00	9,981,300 00
			14,487,794,639 18	397,829,221 92

* Estimated.

(1) Conversion rate estimated at \$0.98 Can. to the U.S. dollar

(2) Conversion rate estimated at \$2.76 to the pound sterling.

(*) Rate of discount on bills sold March 25, 1955.