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CANADA

BUDGET SPEECH

DELIVERED BY

HONOURABLE WALTER HARRIS

MINISTER OF FINANCE

MEMBER FOR GREY-BRUCE

IN THE

HOUSE OF COMMONS

MARCH 14, 1957

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
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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: Mr. Speaker, hon. members will recall that a year ago I was confident that 1956 would be a year of further economic expansion. We have exceeded our expectations.

DOMESTIC ECONOMIC CONDITIONS

The budget white paper which I tabled yesterday afternoon provides a record of the economic trends and events of the past year. This evening I need only comment briefly upon them.

A year ago I budgeted on the basis of a 5 per cent increase in production, assuming, as usual, normal crops and a stable price level. I was careful, however, to point out that we were becoming subject to inflationary pressures and that both fiscal and monetary measures would be needed to restrain the upward thrust upon prices.

As events turned out, we had considerably better than normal crops, and notwithstanding restraining influences the price level advanced about 4 per cent. The final result appears to be that the gross national product increased by nearly 11 per cent to a record total of \$29½ billion. Excluding the rise in prices, our gross physical output was about 7 per cent higher than in 1955, and the combined increase for 1955 and 1956 has established a new record for our expanding economy.

This 7 per cent increase in real terms is about double the average annual increase which we might normally expect. It repre-

sents not only more employment, higher wages, and improved standards of living, but also a greatly improved and increased stock of capital goods and equipment which can promise still higher production in the future. This rate of increase has, however, put considerable strains on our physical resources in manpower and materials, strains which have been reflected in a persistent upward pressure on prices.

The most striking feature of the past year was the extraordinary increase in capital investment. In 1955 total public and private investment was \$6.3 billion. In 1956 the figure reached \$7.9 billion. In dollar terms the increase amounted to 25 per cent. Inflationary cost pressures were, however, more pronounced in capital investment than elsewhere, and the increase over 1955 in terms of physical volume was about 17 per cent. It remains true, however, that 1956 was the greatest year of capital expansion in our recent history. We used more than 26 per cent of our total collective energies in building more, bigger or better mills and factories, power plants and mines, oil wells and pipe lines, roads, schools, hospitals and houses.

A good deal of this investment program was financed from outside Canada. The net inflow of capital into Canada was \$1.4 billion. As a counterpart of this, a considerable proportion of the capital equipment put in place came in the form of increased imports of capital goods. In 1956 our total imports were up 22 per cent, but our imports of capital goods increased by 40 per cent. By contrast our imports of consumer goods increased by only 10 per cent.

A second important element in the high level of business last year was the further growth in the demand for Canada's export commodities. The increase of 12 per cent in our exports was the result in large part of capital investment undertaken in earlier years

in mining, pulp and paper, oil and power development, and similar resource industries; and this is an indication of what we may expect from our present capital investment program. We also had the benefit of a substantial recovery in our grain exports. The increased export demand for our products was the result of buoyant conditions in the United States and continued improvement of economic conditions in our overseas markets. About half of the increase in total exports went to the United States, but there was a relatively greater increase of 14 per cent in our overseas exports.

Much the largest element in total demand is, of course, the expenditure by consumers on goods and services. This showed an increase of 8 per cent in 1956—a reflection of higher employment and higher incomes. On the average there was an increase of 240,000 persons, or 5 per cent, at work in industry during the year, and wage increases were widespread. The increase in earnings for the average worker in industry was about 5½ per cent—a larger gain than in any recent year. Since average consumer prices in 1956 were only 1½ per cent above 1955, Canadian industrial workers, with average increased earnings of 5½ per cent, undoubtedly achieved a significant improvement in real earnings.

Farmers also shared in this general improvement. Better than average grain crops and greater sales and deliveries have increased western cash income. Elsewhere the decline in prices has been halted and there has been some improvement in the prices of a number of farm products. If nature is kind and markets remain as good in 1957, per capita farm incomes could equal, or surpass, the all time record of 1951.

In round figures the personal incomes of Canadians rose by \$2 billion in 1956. Of this large figure, \$1.4 billion went in increased personal expenditures, \$200 million in higher tax payments to federal, provincial and municipal governments, and \$400 million in increased savings. For the nation as a whole, personal savings were \$860 million in 1955, and \$1,260 million in 1956. That is an increase of almost 50 per cent.

The various levels of government in Canada were also in the market for more goods and services. Total government expenditures for these purposes increased by 9 per cent over 1955. Purchases by the federal government of goods and services rose by 7 per cent, and those of the provincial and municipal governments by 14 per cent.

Hon. members will recall that I expressed some doubts a year ago—doubts which were widely shared—as to whether our economy possessed enough resources to meet all the demands that seemed likely to be made upon

them in 1956. These doubts were particularly related to the capital investment program, as well as the expected increase in export demands and in consumer spending. Our capacity to cope with the situation was certainly strained, but the employment of a larger labour force helped to meet the situation.

Stimulated by the strong demand for manpower there was an increase of 4 per cent in the size of the total labour force. This is an unusually high rate of increase. A normal annual addition would be more like 2 per cent. Increased immigration helped in 1956, but the additional increase in the labour force, beyond the normal increment of younger people entering the market for the first time, came chiefly from retaining older people in employment, and attracting into industry more married women workers and younger people under 18 years of age—at least during the holiday periods—many of whom would not normally be looking for work.

This large increase in the number of people at work helps to explain how it was possible for supply almost to keep pace with demand, and why the gross national product could show an increase in real terms of 7 per cent in one year. In addition, of course, there was improved productivity resulting from new and better plant and equipment, and the increase of 3 per cent in average number of hours worked per week enabled the construction industry to come as close to its targets as it did. While Canadians did do extremely well in meeting the capital investment intentions, we did not wholly succeed. Pressures on manpower and materials pushed up construction and equipment costs by more than 6 per cent, so that in real terms we achieved about 93 per cent of the revised capital intentions for 1956. The balance is, of course, carried into 1957 and will create employment and incomes during the coming season.

A considerable part of the demand for goods and services was met, not from Canadian resources, but from external supplies. In brief, the great increase in commodity imports was directly related to our rapid economic expansion. Indeed, without most of these increased imports our 1956 expansion could not have been achieved. Imports increased by \$1 billion. The big increase was in capital goods—machinery, equipment, structural steel, and so forth—and the additional imports were balanced by the additional inflow of capital from abroad.

To complete my remarks on the balance of payments, we had a commodity trade deficit of \$734 million compared with \$208 million in 1955; and an increase of \$180 million in the net deficit on non-merchandise account—freight, travel, interest and dividends, et

cetera. In sum, the total deficit on international current account for 1956 was almost exactly \$1,400 million. This is an inevitable accompaniment of our extraordinarily rapid rate of expansion. It is a feature of rapid growth which if long continued will raise real problems for all of us in Canada. It could be moderated by further increasing our own domestic rate of saving.

Perhaps I should add a few words on the nature of this capital inflow. Direct foreign investment in Canadian industry increased by more than \$100 million to a total of \$525 million; but by far the greatest increase was in portfolio investment, that is, in new Canadian issues sold abroad and in foreign purchases of existing Canadian securities. In 1955 there was a net outflow of \$35 million in this form; in 1956 there was a net inflow of \$750 million.

In 1956 the provinces and municipalities borrowed through the sale of net new bond issues a total of \$772 million, or 68 per cent more than in 1955. Of this \$772 million, \$280 million was borrowed in the United States, and net sales in Canada were almost exactly the same as in 1955.

This increase in portfolio borrowing and investment was, of course, the result of a more intense level of economic activity in Canada, and a consequent demand for capital funds in excess of Canadian savings which was reflected in relative changes of interest rates at home and abroad. More borrowing abroad and more importing from abroad were both symptoms of the stresses and strains of a booming economy. At the same time, however, this increased reliance on imports relieved some of the pressure on Canadian prices.

Despite this, for the first time in about four years the general level of wholesale and consumer prices moved upwards, by $2\frac{1}{2}$ and 3 per cent respectively, and construction and equipment costs rose by more than 6 per cent. The major factor in the increase in the consumer price index was the recovery of agricultural and food prices, but practically every other item in the index edged up a little and we may not have seen the end of such increases yet. Not all of last year's cost increases in wages, freight rates and materials have had time to work through to the retail level. Consequently, it may well be that the full effects of the heavy spending program of 1956 will only reveal themselves in the prices of finished goods during 1957.

I should add that Canadian prices would have risen by more than they did had it not been for the 4 per cent rise in the external value of our dollar which developed during

1956. This in itself served to keep commodity prices in Canada lower than they would otherwise have been. We can hardly count on a similar further rise in the external value of our currency in 1957, and the trend could be reversed.

The same excess of demand for goods and services was also reflected in a "tight" credit situation. The monetary policy of the Bank of Canada has been one of restraint, and the fiscal policy of the government has worked in the same direction. This is as it should be whenever the volume of spending in the country exceeds the capacity of the economy to produce the goods and services demanded. As I have said before, the aim of the government, and of the Bank of Canada, is to encourage economic growth at the highest rate which can be sustained over a period of years without endangering the stability of prices. The policy of resisting inflationary pressures when they appear is designed not to reduce economic growth but to increase it by stretching out the period in which conditions favourable to growth will continue without the development of unsound conditions and distortions which would interfere with adjustment and growth.

I am sure that most thoughtful people know that a condition of "tight money" and higher interest rates is not the wilful creation of the government or of the banks or of the Bank of Canada. It is true that the Bank of Canada could have further increased the supply of money and credit. Such action would have given greater leeway for inflationary pressures to push up prices and costs to the great disadvantage of export and domestic industries alike, and indeed of all sections of the community.

Money is "tight" in Canada because our great rate of expansion has brought about a great increase in the demand for borrowed funds. The supply of such funds increased very substantially: witness the fact that net sales of new bond and stock issues—excluding Government of Canada's—were 80 per cent higher than in 1955, and that total provincial, municipal and private debt outstanding in the form of bank loans, bonds, and mortgages rose by 15 per cent during 1956. But the demand for borrowed funds increased even more.

The capital market, like the market for anything else where demand was increasing faster than supply, has reflected the relative scarcity of savings, and the price of credit has risen. Higher rates of interest have given encouragement to saving, have moderated a certain amount of spending and have caused some capital programs to be post-

poned. Although some potential borrowers have been disappointed we may be sure that most of the construction projects which have been delayed in 1956 will go forward in the year ahead of us.

Meanwhile, the economy has kept on a fairly even keel, despite the speed of its advance, and prices and living costs have advanced only moderately. To have achieved such expansion with so little disorganization is, I think, a source of satisfaction.

I come now to consider the economic prospects for the coming fiscal year. On the present evidence I think we can expect a continuation of the current high level of economic activity throughout the coming year. There may, as always, be some unevenness between industries and regions, but by and large I expect the momentum of expansion to continue, at a somewhat more moderate pace but strongly enough to ensure further increases in production and employment, and a continuation of rising standards of living.

I find support for this in the information released a few weeks ago by my colleague the Minister of Trade and Commerce with respect to investment intentions for the coming year. It will be recalled that this showed that total capital expenditures in Canada in 1957 are expected to increase by a further 8 per cent. Having regard to the condition of overstrain which characterized our economy in 1956, this indication of a more moderate rate of growth is to be welcomed. But even as it stands it will impose a substantial strain on our resources. An investment program of \$8.5 billion will claim more than 27 per cent of our prospective national output at today's prices. If we are to succeed in an effort of this magnitude we shall either have to save a good deal more or borrow from abroad a good deal more even than we did in 1956. I earnestly hope that Canadians will themselves save more and invest it profitably in their own future. Later I shall be making a proposal which will lead in this direction.

Commodity exports should continue to increase in total through 1957. There will, of course, be some uncertainty as to the level of production in Europe. In the United States, business remains firm and there seems to be confidence in another year of steady growth. Most of our major export industries are therefore looking forward to a further increase in foreign demand. The increases may not be as great as they have been these last two years, but they should still be considerable.

The total demand for goods and services by all three levels of government in Canada,

which constitutes roughly one-sixth of all expenditures, seems likely to increase moderately. Consumer expenditures, which are responsible for nearly 60 per cent of all spending, should continue to grow in 1957 in line with the further expansion of employment and personal incomes. A considerable increase in wage rates is already built in as a result of wage agreements made last year or earlier. Farm incomes should be well maintained unless grain crops in the western provinces are disappointing. There is no guarantee of course that the sale of consumer goods will be easy or as profitable. Costs have been rising and in many lines competition will be strenuous. Corporate profit margins show some signs of narrowing, as both competition and consumer price resistance stiffen.

The probability that almost all types of demand are likely to increase suggests that the forces making for an upward pressure on prices are still present. Clearly, much will depend on the extent to which increased manpower and increased productivity can be brought into play.

I do not believe that we can count on obtaining as large an increase in the labour force this year as was experienced last year. Nevertheless, there will be a substantial addition by reason of the expected increase in immigration, an increase which appears likely to provide us with a greater percentage of workers than is usually the case. Further, while industrial capacity is continually growing, some industries may not have an increased requirement for manpower. All in all, I believe, there is a good possibility that the inflationary pressures which have been present throughout the past year may begin to moderate during the coming year.

For purposes of revenue forecasting I am assuming that the increase in the gross national product will be about 5 per cent, to reach a total of \$31½ billion. About one-third of this increase will be the result of higher prices, since my estimate is based on the present level of prices which is about 2 per cent above the average for 1956.

GOVERNMENT ACCOUNTS 1956-57

I should like now to refer briefly to the government's accounts for the fiscal year which will end on March 31. They are set out in detail in the white paper tabled yesterday and I do not propose to review them again at this time. I should, however, remind hon. members that these are interim figures

and that the final figures will not be available until August.

The results for the year may be stated briefly. In my budget speech last year I budgeted for revenues of \$4,763 million, expenditures of \$4,650 million and a surplus of \$113 million. It appears now that our actual revenues will be about \$5,149 million, our expenditures about \$4,867 million and our surplus about \$282 million. This surplus of \$282 million more than offsets the deficits of \$185 million incurred in the two preceding years.

The increase in revenues of 8 per cent over forecast is a reflection of the high level of economic activity that prevailed throughout the year and which produced a gross national product 7 per cent higher than the \$28 billion I had felt justified in assuming a year ago.

Expenditures are \$217 million or about 5 per cent higher than forecast. Of this increase, one-half represents two charges of \$50 million each, one for a reduction in the unamortized portion of the actuarial deficiency in the superannuation account and the other for an additional provision for the general reserve against our assets which have increased by more than \$600 million in the past two years. Of the remainder, \$15 million is due to higher charges for interest on the public debt and about \$10 million more for larger payments to the provinces under the tax rental agreements. In addition there were other outlays, such as increased grants to universities and expenditures related to the recent tragic events in Hungary, which were not foreseen a year ago. Apart from these items which I have mentioned total expenditures were within 1½ per cent of my original forecast.

As usual in addition to the expenditures for government services that are included in the budgetary accounts, we have made loans and advances and disbursed large sums for a variety of other authorized and essential purposes. During the fiscal year these outlays amount to \$454 million. To meet them we will have substantial sums available from the repayment of loans and advances and from other non-budgetary sources. Details of all these are given in the white paper.

Although the budgetary surplus is about \$282 million, our outstanding unmatured debt at the end of the fiscal year will be about \$523 million less than a year ago. This has been achieved by using the \$282 million available from our budgetary operations, together with the net sum of \$110 million representing

the excess of receipts over disbursements for our various loan, investment, insurance, pension and other non-budgetary accounts, and by drawing down our cash balances by some \$131 million.

During 1956-57 a large volume of government securities was redeemed or refinanced. Net sales of Canada savings bonds series 11 are estimated at \$790 million. In addition to the refunding of treasury bills which mature weekly, new securities amounting to \$1,465 million were issued and we redeemed outstanding securities or acquired them for our sinking fund or securities investment accounts in the amount of \$1,988 million. As a result, as I indicated a moment ago, we were able to reduce the unmatured debt held outside these government accounts by \$523 million during the fiscal year.

There was a sharp rise in interest rates during the year, particularly on short-term securities. The average rate of interest on the government's unmatured debt will be about 3.04 per cent at the end of the fiscal year compared with 2.85 per cent at the beginning of the year.

At this point I should like to report briefly on the operations of the old age security fund during 1956-57. Pensions of \$40 a month are paid from the fund and during the year these payments will amount to \$379 million. Revenues of the fund which are derived from 2 per cent taxes on sales, corporation profits and personal incomes are estimated at about \$373 million. The deficit for the year of about \$6 million has been financed by a temporary loan from the Minister of Finance. In the supplementary estimates parliament is being asked for authority to charge this deficit to expenditures in the current year.

FEDERAL-PROVINCIAL RELATIONS

A word, Mr. Speaker, about federal-provincial relations, the current tax rental agreements that were signed with nine provinces in 1952 expire on March 31 of this year. During the last session of parliament an act was passed authorizing the government to conclude new and more generous financial arrangements with the provinces for a further five year period. While at this date no formal agreements have been signed, we have been advised of the intentions of the provincial governments on this matter. All the provinces with the exception of Ontario and Quebec, have indicated their intentions of entering into rental agreements for a further five years for individual income taxes, corporation

income and corporation taxes, and succession duties. Ontario has decided to continue to levy its own succession duties, and to re-enter the corporation tax field, but will rent the individual income tax field. Quebec will continue to levy its own taxes in all these categories.

Agreement has been reached on all important terms of the proposed rental agreements and it is expected that these will be formally concluded in time for the first monthly payments which are due to be made on April 17. For the eight provinces which are continuing to rent all three tax fields the new scale of payments in 1957-58 are estimated to be \$240 million which is \$40 million, or 20 per cent, above the 1956-57 scale of payments.

In his budget speech three weeks ago the provincial treasurer of Ontario referred briefly to the federal-provincial tax-sharing arrangements. I do not intend to re-argue this matter, but I do want to comment on two statements. The Ontario treasurer referred to the prospective federal surplus adding that "nearly half this large surplus comes from Ontario taxpayers", and later he said that the \$155 million of tax equalization payments to the other provinces "will come to a large extent from Ontario taxpayers".

My comment, Mr. Speaker, is that every dollar of federal revenue comes from Canadian taxpayers, and every dollar paid in stabilization or equalization payments is contributed by Canadian taxpayers.

Canadians living in Ontario pay exactly the same rates of tax as are applicable to all other Canadians, and Canadians living in Ontario derive their incomes in considerable part, directly or indirectly, from consumers and producers in other parts of Canada, just as Canadians elsewhere may derive part of their incomes from business activity that takes place in Ontario.

Three weeks ago the Prime Minister informed the house of the appointment of a royal commission to re-examine our financial relationships with Newfoundland in accordance with the terms of union of 1949. We shall be cooperating fully with the commission in their study of this most important matter.

THE GORDON COMMISSION

Two years ago I announced our intention to appoint a royal commission to conduct an inquiry and to make a report upon Canada's

economic prospects over the next two or three decades. The commission have published a preliminary report which hon. members, I am sure, have read with great interest. In this report the commission have indicated some of their preliminary views and impressions on a considerable variety of topics in brief and summary form.

The general picture they have developed of Canada in approximately 1980 has been most stimulating. Indeed, by the very fact of their public hearings and through the numerous briefs prepared and presented to them by a great variety of responsible organizations, one of the main objectives of appointing the royal commission has already been achieved. I refer to the fact that through these hearings and in the preparation of these briefs large numbers of Canadians have been thinking more imaginatively and more precisely about our longer term prospects and problems. Whether the particular views on particular questions developed in these briefs and reports prove to be completely accurate or valid is in one sense a secondary matter. The important thing is that thousands of Canadians in all walks of life are thinking and will continue to think more constructively about our long term future, as a result of the commission's work.

On the preliminary report itself I do not propose to comment at length, except to say that many of the views it expresses will command general assent, and that on the other hand it does not avoid a number of controversial questions on which differences of opinion are to be expected.

With respect to some of the matters referred to in it, however, may I say the government is already conducting further active studies on the possibilities of stimulating the development of the Atlantic region which has already been proceeding at a gratifying rate in recent years, but which we would all like to see accelerated further. To this matter I shall return in a few minutes. Our colleagues in the other place have already initiated a study of land-use questions, and the government had anticipated the report by announcing in November important additional assistance to our universities and institutions of advanced professional and technical training, through the National Conference of Canadian Universities, through the Canada Council and, in the coming year's estimates, through the Department of Labour.

But on most of the major issues we shall await the final and detailed report before

reaching such definite decisions as may be required. It should be further noted that many of the commission's suggestions are addressed, not to governments, but to private or non-governmental persons and organizations.

In the meantime I want to record our appreciation of the great amount of thought and work given and still being contributed by these five distinguished Canadians and by the staff they have assembled for this task.

One of the matters discussed in the Gordon report is the handicap which the Atlantic provinces have to contend with due to difficulties of transportation, and to post-war increases in railway freight rates. A good deal has been done in recent years in an effort to offset the higher costs of marketing the products of the Atlantic region caused by the long distances between the region and its markets in other parts of Canada, and to improve the means of communication within the region itself. For example, we have paid more in freight subventions so as to facilitate a greater movement of maritime coal to central Canada, and to enable maritime agriculture to obtain cheaper supplies of western feed grains. We have also spent substantial amounts for the improvement of shipping services and to meet the deficits incurred in coastal shipping.

In the view of the government we should now undertake a fresh and comprehensive examination of the entire transportation situation of the Atlantic provinces in order to determine what changes could contribute towards the economic welfare of the region. Among other questions, we should consider how best to supplement or improve some of the present means of transport in order to improve the transportation system generally. In this way it might be possible for the Atlantic region to get more value from the present level of federal expenditures in this field and from any increased funds that might become available.

It is therefore the government's intention to launch an immediate review of the maritime transportation problem in general, and thereafter to put forward proposals as soon as feasible.

In the meantime there is one matter on which it is possible to act immediately. I refer to the special difficulties of the Atlantic provinces caused by the various horizontal increases in railway freight rates over the last

decade. These increases have fallen rather more heavily on the traffic moving from the Atlantic region to central Canada than on rail movements within the central provinces. As a consequence the competitive position of maritime products in the Montreal area and points west has been adversely affected.

A study of the average increase in freight rates since 1947 on this traffic, as compared with the increase in the rest of Canada, shows that an increase in the subvention paid under the maritime Freight Rates Act is justified. That is, an increase in the subvention from its present 20 per cent level to a level of 30 per cent in the case of outbound traffic will restore these rates to the position they occupied in relation to other Canadian rates at the end of world war II.

It is proposed therefore to provide for this increased rate of subvention. The additional annual cost to the treasury will be about \$2 million. Of course, a change of this kind will only go part way towards meeting the transportation problems of the Atlantic provinces. Before making further proposals however we must first of all determine the most essential transportation needs of the region in the light of developments over the last decade or more.

Another matter affecting important areas of the Atlantic region is the relatively high cost of electric power as compared with most other parts of Canada. The government has had a number of proposals put before it, but has not as yet been able to satisfy itself that any of these projects are both technically and economically sound and at the same time beyond the financial capacity of the provincial government concerned. The government is continuing to examine some of these proposals in the context of the needs of the maritime provinces as a whole.

However, it is suggested by experts in the field of electric power that advantages would result for Nova Scotia and New Brunswick from the interconnection of their electrical systems. Such interconnection would reduce the requirements for standby capacity and would permit the most advantageous location of thermal plants and the building of larger and more efficient thermal units.

If the governments of Nova Scotia and New Brunswick agree and in order to help reduce the differential in the cost of power between those provinces and certain other parts of Canada, the federal government would be prepared to provide the main interconnection facilities within and between those provinces, and to build and operate such large thermal plants as may be needed either to replace

existing ones, should efficiency so indicate or to meet the requirements of growth and industrial development.

Under this proposal, the transmission lines would be rented on a non-profit basis and the power would be sold at cost to provincial electric systems. The purpose would be that the plants and other facilities built under this program can be acquired by the provinces at any time on payment of their amortized cost.

As I have said the relatively high cost of electric power in the Atlantic region as a whole will continue to receive careful study.

TAX POLICY

I said earlier that assuming normal crops, no unforeseen adverse events and a normal rate of growth I would expect a gross national product in 1957 of about \$31½ billion in terms of today's price level. Under these conditions, and having regard to other relevant factors, I would expect total revenues in the coming fiscal year of \$5,225 million if no changes in our present tax laws were made. This forecast of an increase in revenues of \$75 million, or only 1½ per cent, requires a brief explanation.

First, in 1956-57 we benefited from a number of non-recurring items of revenue. There was an amount of perhaps \$75 or \$80 million of catching up in corporation tax revenues from the lower corporate incomes in 1954 to the higher corporate incomes of 1955, resulting as I explained a year ago in a certain amount of doubling up of corporate tax payments. In the coming year our corporate tax receipts are likely to be back to a normal flow; and on the basis of present data total corporate profits in 1957 seem likely to be about the same as in 1956. Last year nearly \$30 million more was paid in succession duties than I can expect in the coming year, and we also received a special payment of \$43 million from the Bank of Canada representing reserves which became redundant when the Bank adopted "amortized value" as the basis for valuing its security holdings. In this sense we received in 1956-57 about \$150 million in non-recurring items of revenue.

In addition, under the new federal-provincial tax sharing arrangements, where a province decides to collect its own corporation taxes the federal rate of corporation income tax in that province is abated by 9 percentage points, instead of the previous 7 points. This means that in the province of Quebec we shall be collecting 2 percentage points less

corporation income tax, and in Ontario, which had previously rented this field, we shall be collecting 9 percentage points less. This will reduce our collections under the corporate income tax by more than \$100 million in the fiscal year 1957-58.

If I may have unanimous consent, Mr. Speaker, I shall place in *Hansard* at this point a table showing the details of our expected revenues of \$5,225 million in 1957-58 if our present taxing statutes were unchanged.

TABLE I
Revenues Before Tax Changes

	Preliminary 1956-57	Forecast 1957-58
	(millions)	
Personal Income Tax	\$1,413	\$1,570
Corporation Income Tax	1,285	1,200
Non-resident Tax	77	80
Succession Duties	87	60
Customs Duties	565	590
Sales Tax	725	775
Excise Duties and Taxes	537	558
Other Taxes	17	2
Total Tax Revenue	\$4,706	\$4,835
Non-tax Revenue	443	390
Total Revenue	\$5,149	\$5,225

Five billion, two hundred and twenty-five million dollars is a large absolute amount, but I should like to point out that it is a decreasing fraction of our gross national product. It is 16½ per cent as compared with about 19 per cent five years ago.

Government expenditures also will reflect the rates of growth in our economy, but despite the increasing demands imposed by our expanding economy they will exceed those for the year now ending by only a modest margin. This is due to the policy of deferring all but the most essential public works and other capital projects and to the government's continued efforts to ensure the utmost efficiency and economy in all its operations.

During this session I have tabled main and supplementary estimates in the amount of \$4,844 million. Since then the government of Ontario has announced its decision to levy its own corporation taxes, and that will reduce our payments to Ontario by about \$132 million. On the other hand, I propose for the coming year that a further \$50 million be credited to the reserve against assets, bringing it up to about \$600 million against total assets of about \$8 billion. I am also proposing to appropriate another \$50 million to reduce the unamortized deficit in our

superannuation account to \$89 million. In addition early in the new fiscal year we shall be paying over to the Canada Council if royal assent is given to the bill the amount of \$100 million. These additions and subtractions to the main estimates produce a figure of \$4,912 million.

There will, of course, be the usual further supplementary estimates and I should expect about the normal volume of lapsings. I have concluded that further supplementaries, including the new items I mentioned a few minutes ago, are likely to exceed lapsings by about \$8 or \$10 million, so that all in all, I am budgeting for total expenditures of \$4,920 million.

With expected revenues on the present tax base at \$5,225 million and expenditures at \$4,920 million we would have a surplus in the coming year of \$305 million, or slightly more than in the year now closing.

I have already explained my reasons for believing that the severe inflationary pressures, which we have resisted so far with a high degree of success, are still with us to a considerable extent. There are signs that these pressures are beginning to moderate, but it would not be wise to let down our guards of fiscal and monetary policy at this juncture. Too hasty action would imperil the success we have achieved so far, and an inflationary rise in prices could take away from our people far more in rising costs than they would benefit from even large reductions in tax rates. Much as I might like to do so, I cannot recommend to this house any major reductions in the general level of taxation.

We can, however, do something, and the government has decided to recommend to the house a combination of a moderate increase in certain benefit and other payments, together with some measures of tax relief which will give immediate benefits to every family in Canada and some further reductions in taxes that will accrue to most taxpayers toward the end of the fiscal year.

My colleague the Minister of Agriculture announced two weeks ago an increase in the payments on the movement of feed grains, and earlier this evening I announced increased payments under the Maritime Freight Rates Act. I can now announce improvements in certain social benefit payments.

We propose to increase the scales of payments under the Pension Act and the War Veterans Allowance Act. In brief, the basic monthly scale for total disability under the Pension Act will be increased from \$125 to

\$150, or if married from \$170 to \$200. The widow's pension will be raised from \$100 to \$115. Under the War Veterans Allowance Act the increase in the married rate will be from \$108 to \$120 a month. The increased payments will be as from July 1 and the total cost will be about \$25 million in a full year and \$19 million in this fiscal year.

In the case of family allowances, the present scale of payments is \$5 a month in respect of all children under 6 years of age, \$6 from 6-9 years, \$7 from 10-12 years, and \$8 for those 13 to 16 years old. We propose to raise the monthly payment in respect of the youngest age group, that is, those under 6 years of age, to \$6 a month, and for those in the 10 to 12 age group to \$8 a month. That is, in future, there will be only two age groups, those under 10 for whom we will pay \$6 a month, and those from 10 to 16 years of age in respect of whom the allowance will be \$8 a month.

This will cost \$42 million in a full year. Because of the great amount of detailed clerical work in recalculating most of the payments due to 2½ million families, these increased payments will become effective on September 1, and the cost in this fiscal year will be about \$24½ million.

Effective July 1 we propose to increase all payments under the Old Age Security Act by \$6 a month, that is, from \$40 a month to \$46 a month. This increase will cost \$60 million in a full year and \$45 million in the fiscal year 1957-58.

In respect of old age assistance and pensions to the blind and disabled, we propose to increase the maximum payments which we share with the provinces to the new old age security level, that is, \$46 a month. This new maximum will apply from July 1 on. The cost in a full year will be about \$6 million, and the cost in this fiscal year \$4½ million.

I should add that the changes I have indicated in these scales of benefit will also involve some changes in the permissible incomes where the payments are related to the need of the recipient.

The total cost of these additional payments will be about \$133 million in a full year, and about \$93 million in the fiscal year 1957-58.

The changed payments will be made to or on behalf of something over 4½ million Canadians.

TAX CHANGES INCOME TAXES

Although the general level of income tax must for the time being remain unchanged,

there are two new features for improving the tax system which can be introduced now.

The first of these innovations relates to tax postponement on income set aside for retirement. At present where, under a pension plan, the employer contributes to a retirement fund and withholds part of the employee's remuneration for the same purpose, tax is paid on the pension when received, that is on the cash income when the employee receives it for spending, and not on income flowing into the fund which the employee does not receive in that year. It is now proposed to introduce a general policy of allowing tax postponement on limited amounts of earned income set aside for retirement by any taxpayer whether an employee or not. This privilege will be of general application.

To be eligible for income tax deduction a taxpayer will be required to file with his return a receipt for an amount paid towards the purchase of a particular kind of annuity. The annuity must be payable in equal annual amounts for the full life of the taxpayer and it may provide upon his death for annual payments to his spouse not exceeding those he was receiving. The annuity may provide for a term certain up to fifteen years. It may be arranged to commence at such time as the taxpayer wishes, but its commencement may not be postponed beyond age seventy. However, once the taxpayer starts receiving payments under an eligible annuity he may make no further income tax deductions for retirement income. These annuities will not be assignable and the person issuing them may not redeem the contract for cash or make any loan against them. With "in-payments" free from tax the "out-payments" under a registered retirement annuity will, of course, be fully taxable.

Payments toward the purchase of the type of retirement annuity just described will be deductible from income for tax purposes up to 10 per cent of the taxpayer's earned income, but the dollar amount deducted in any year may not exceed \$2,500. If, however, a taxpayer is currently paying into a registered employer-employee pension plan, the dollar limit on his deductions for a separate annuity contract outside the registered plan together with his contributions already being made under the employee plan may not be more than \$1,500 a year. If, for example, an employee is now contributing 6 per cent of his earnings under a pension plan he may, on his own account, use another 4 per cent of his earned income to purchase a retirement annuity supplementing the pension being

built up in his employment, always subject to the maximum of \$1,500.

It is probable that certain groups such as the professions may wish to arrange to manage the fund being built up by contributions of their members. To permit this to be done authority will be asked for governor in council to allow corporate trustees to accept funds and issue eligible receipts therefor provided that the funds so accepted are subsequently used for the purchase of the approved type of retirement annuity for the contributing taxpayer before he reaches age 70. The funds accepted by a person eligible to manage or administer a retirement fund may not be returned in cash directly to a contributor but may be returned to his estate upon his death. The general rule is that the funds so built up must be used by the person managing the fund for the purchase of a retirement annuity for the contributor.

At the conclusion of this statement I shall be tabling a resolution to amend the Income Tax Act and in it will be set forth in some detail the essentials of the proposed legislation. Premiums in 1957 paid under new contracts for retirement annuities which conform to the conditions just set forth will be eligible for income tax deduction. Such new annuity contracts may be separate or they may be in combination with a new insurance contract. In the latter case the appropriate part of the combined premium for annuity and insurance will be eligible for deduction from income for tax purposes if the premium receipt shows separately the part of the premium paid for the annuity alone. Premiums paid under existing contracts for annuities only where such annuity contracts comply with the terms set forth may be eligible for deduction but only if the taxpayer elects in writing to the person who issued the contract, not to the Income Tax Department, to have his annuity classed as an eligible retirement annuity for tax purposes. I am unable to state now whether it will be possible to work out arrangements whereby a part of the premium of other existing annuity and insurance contracts can be made eligible for income tax deduction upon an election by the policy holder to receive the endowment in the form of an approved retirement annuity. There are some real difficulties in the way of doing this, but the matter will be carefully considered with life insurance companies. Authority will be asked in the legislation to move in this direction by order-in-council if it is found that satisfactory arrangements can be worked out.

It is difficult to estimate what effect this proposal will have on the future yield of our income tax. The cash effects on our revenue in the coming year will be negligible, partly because it will take some time for insurance companies and others to design policies and organize plans, and partly because taxpayers will in many instances derive their benefit from a tax refund at the end of year. In subsequent years, if widespread use is made of the plan it is possible that the annual yield of the income tax may in future be reduced by as much as \$40 million. Whatever the subsequent loss in revenue may be it can, however, be regarded as an indication of the volume of provision being made by Canadians towards freedom from financial worry at a time when their earning power has lessened. To me, this policy makes good sense. Moreover, the broad effect of this new policy will be anti-inflationary since it will be an encouragement to increased immediate saving which will be productively employed. Encouragement such as that now proposed is, I think, amply justified and will, I believe, be well received on all sides.

The second innovation which is being proposed originated in a suggestion put forward by my colleague, the Minister of National Revenue, for eliminating a great deal of relatively unproductive paper work and for relieving taxpayers of considerable inconvenience in the preparation of their annual tax returns. At present claims for deductions on account of contributions to charities, large and small, must be supported by vouchers. The paper work, not only for the government but for taxpayers, doctors and hospitals, involved in claims for medical expenses is both costly and time-consuming. From a survey it has been established that for more than half of income taxpayers the combined claims for charitable contributions, medical expenses, union dues and professional fees of employees amount to less than \$100 a year per taxpayer. In the light of this situation it is proposed to allow to every taxpayer the option of taking what might be called a "standard deduction" of \$100 a year in lieu of claiming actual deductions for the items just mentioned. Of course if the claims for these four items add up to more than \$100 the taxpayer may obtain a deduction in the future just as he has in the past. For the majority of taxpayers, however, the standard deduction will prove more advantageous and will, for all concerned, eliminate handling millions of pieces of paper. It is estimated that this simplification

of income tax procedure will cost the treasury about \$38 million in a full year. For this fiscal year the cost will probably not exceed \$9 million, this being the estimated volume of resulting tax refunds which will be claimed a year from now.

In addition to these two important new features of broad application certain other desirable changes which are being recommended deserve mention. At present the cost of a full-time attendant for a person confined to bed or a wheel-chair is allowed to be included in medical expenses. In future, payments to a nursing home for care of such a person will likewise qualify. Also, an amendment will allow claims for the care of retarded children to rank as medical expenses.

Contributions to assist in providing certain low cost housing projects as homes for elderly people will qualify for the charitable deduction.

In future where either an individual or a corporation makes charitable contributions in any year in excess of the percentage allowable the excess may be carried forward into the succeeding year.

Under an organized arrangement for the exchange of teachers within the commonwealth, Canadian teachers going abroad are required to give up \$250 of their own salaries to supplement the income of those coming to Canada to take their places. These amounts required to be put in this fund by Canadian teachers may in future be deducted by them in computing their taxable income.

The requirement that membership dues in professional societies in order to be deductible for an employee must be paid by him as a condition of his employment will be eliminated.

At present \$750 is the limit on income which may be earned by a dependent without being disqualified from that status. It is proposed that in future this figure be raised to \$950. This should be of more than passing interest to those whose children are working to pay their way through school.

In future any company whose business includes the conversion of ore into prime metals will be eligible to claim expenses incurred in exploring for minerals. This, I think, will be of particular advantage to steel companies in Canada having an interest in the development of their own ore supplies.

Certain other amendments of a technical nature are contained in the income tax resolution. It is estimated that these miscellaneous changes just mentioned will reduce

income tax revenue in a full year by \$2 million.

SUCCESSION DUTIES

I had hoped to be able this spring to introduce a bill to revise our Succession Duty Act. It has been impossible for me to do this. This being so it becomes necessary to amend the existing act; in particular, to bring the existing provision for provincial tax credits into line with the undertaking given to the provinces during the recent conferences. Accordingly, I am giving notice of a resolution for an amendment which will provide for an outright 50 per cent reduction in federal rates in a province which continues to impose succession duties. This will replace the present provision under which the reduction may not exceed the amount of the provincial tax paid. This amendment will be effective for estates of persons dying on or after April 1, 1957, which is the date of expiry of the present federal-provincial fiscal arrangements. A further amendment to the present law, effective the same date, will allow charitable gifts to be deducted from the value of the total estate in determining the initial rate of tax.

CUSTOMS TARIFF

Referring now to the customs tariff, I am proposing, as usual, to make changes of one sort or another in a substantial number of items. Such changes are needed in order to keep our tariff abreast of the times.

In the largest group, some 50 in all, there are no changes of substance; the alterations are formal and designed to give greater clarity or precision to particular tariff items in the light of experience or developments. In the second largest group, comprising 18 items; we propose to make statutory certain rates of duty which are already in effect under orders in council; these orders resulted either from past tariff negotiations or from requests by Canadian manufacturers who wished greater freedom to import materials or components.

In 15 items we are proposing new tariff reductions. All of these are in response to requests from the importers concerned. The total effect of these reductions on revenue will not be significant.

There are a number of Tariff Board references on which I want to report to the house; first of all potatoes. As hon. members are aware, the government has initiated the appropriate procedures under the General Agreement on Tariffs and Trade looking

toward an upward adjustment in our bound tariff rate on potatoes. Before doing so, we had obtained the views of all concerned through our tariff board, had consulted directly with our potato growers, and had reached the conclusion that this special initiative was justified in their case. The United States, of course, were not in a position to start their procedures until ours were well advanced. Their public hearings concluded only last week and they are not yet in a position to indicate their attitude. Hence I am not in a position to make any further statement on this matter tonight.

As for tariff board reports on other products, I am told that three which I requested some time ago are now well on their way to presentation; I refer to the references on iron and steel, pipes and tubes, and rubber footwear. The important and extensive reference on chemicals has now been made public by the board and the many firms and industries concerned are thus in a position to prepare their submissions. In addition, only last month I made two new but relatively limited references to the board, one covering zinc and manufactures of zinc and the other covering radio and television parts.

There are no extensive new rounds of multilateral tariff reductions in sight. There will, however, be a round of negotiations next autumn, in connection with the accession of Switzerland to membership in the General Agreement on Tariffs and Trade. At the same time there will be an opportunity to seek the international agreement for tariff re-adjustments; the sort of re-adjustments I have in mind are those that we might wish to seek after considering the reports of the tariff board that are presented in the meanwhile.

We have notified the government of Australia that we wish to have some trade discussions with them. We wish to discuss, among other things, the possible impact of the recently signed agreement between Australia and the United Kingdom on the position of Canadian exporters in the Australian market. Further, the government has been receiving many representations about Australian trade. Some of these come from Canadian exporters and relate to Australian import restrictions. Others come from Canadian producers, particularly of dairy products, and relate to special preferential rates of duty. The present treaty arrangements between our two countries are twenty-five years old. It would be our hope to achieve a higher level of trade on a broad and equitable basis.

Since my last budget there has been a new and important development in the field of international tariff arrangements. This month, I understand, six leading countries on the continent of Europe are signing, subject to ratification by their legislatures, an agreement to recast their tariffs and trade policies, within the coming fifteen years or so, in order to form a customs union. A larger group of European countries, including the United Kingdom, is planning over the same period to form a free trade area associated with the customs union within it. Canadian trade will undoubtedly be affected by these developments. It is too early to forecast what the effects may be. The government is, however, following these events with very active interest, both through our diplomatic and trade missions in the countries directly concerned and also at meetings of the contracting parties to the General Agreement on Tariffs and Trade, and of the Organization for European Economic Co-operation. We are also keeping in close touch with other commonwealth countries in these matters.

SALES AND EXCISE TAXES

Mr. Speaker, the reasons given earlier for having to maintain income tax rates at present levels likewise must apply in general to sales and excise taxes. However, as in income tax, some relief in certain directions can be amply justified.

For example, there is still a number of grocery store items which are subject to tax and it seems to me we should now give some help to the housewife on her purchases of some widely used items. Commencing tomorrow morning tea and coffee will be exempt from sales tax.

Other additions of food items to the exempt list will include cocoa, pickles, catsup, sauces, meat extracts, baking powder and baking soda, salad oils, and prepared desserts.

In addition to these food items an exemption will be introduced for school desks and chairs when purchased by educational institutions. Also municipalities will be relieved of sales tax on all purchases of structural steel for bridges and precast concrete shapes for the same purpose when used on public roads and highways. At present road and fire-fighting equipment purchased by municipalities is exempt from sales tax if the items cost \$1000 or more. In future the exemption will apply to such items costing \$500 or more.

Mobile homes or trailers adapted for living purposes will be exempt in respect of 75 per cent of their value in order to place them on a basis of tax equality with houses.

The tax on florist products will be amended to exclude flowering plants, shrubs and bulbs.

Certain other minor amendments will be found in the resolution. It is estimated that the exemptions here proposed will result in a revenue loss for the coming year of about \$19 million, approximately \$10 million of which is accounted for by tea and coffee alone.

Careful study has been given in recent months to the various special excise taxes now being imposed, such as those on candy, chocolate bars and chewing gum. I am recommending that these be removed.

I have also been impressed with the increasing difficulties which hundreds of small soft drinks bottlers appear to be facing from coast to coast. I trust that the house will approve my decision to act now in removing the special tax on soft drinks. The house may recall that when these taxes were re-imposed at the time of the Korean crisis the sole purpose was stated to be for revenue only. Accordingly, I think their repeal now is justified. The 10 per cent excise tax on motorcycles will likewise be withdrawn as from tomorrow.

The removal of these three special taxes on candy, soft drinks and motorcycles takes off the books the last of the remaining special kinds of taxes imposed to help finance defence expenditure following the Korean outbreak. The special tax on fountain pens and desk sets will be dropped, as well as that on silver plated articles used in serving food. The removal of these special excise taxes will mean a revenue loss of about \$20 million.

No changes are being proposed in the rates of tax on liquor, beer and tobacco products, except that the excise duty on raw leaf tobacco will be reduced to the pre-war level of 10 cents a pound.

All these reductions in taxes on commodities will be effective as from midnight tonight. My colleague the Minister of National Revenue 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.

May I say at this time, as I have on former occasions, how much I appreciate

the co-operation and assistance of the minister and his staff in collecting this tremendous sum of money.

In concluding my statement of proposed tax changes I should report progress on consideration of the report of the Sales Tax Committee. Careful study has been given to certain technical changes in the structure of the law and I am confident that some of the deficiencies in the existing legislation can be corrected. But I do not propose to recommend any changes in the direction of basing the tax on the retailers' purchase price.

CONCLUSION

Having completed my outline of our budgetary proposals I can now summarize our over-all budget outlook for the coming year. The total reductions in taxation that I am recommending add up to \$128 million in a full fiscal year's operation, and will provide a cash saving to taxpayers in this fiscal year of \$55 million as shown in the following table which I ask leave to place on *Hansard*, as well as a table showing the details of the total revenue I expect in the coming fiscal year.

TABLE II
Effect of Proposed Tax Reductions

	In 1957-58	In a full Fiscal Year
Personal Income Tax	\$10,000,000	\$80,000,000
Succession Duty	600,000	3,000,000
Sales Tax	23,600,000	24,000,000
Special Excise Taxes and Duties	20,800,000	21,000,000
Total	\$55,000,000	\$128,000,000

TABLE III
Forecast of Revenues for 1957-58 before and after
Tax Change
(in millions of dollars)

	Before	After
Personal Income Tax	\$1,570.0	\$1,560.0
Corporation Income Tax	1,200.0	1,200.0
Non-Resident Tax	80.0	80.0
Succession Duties	60.0	59.4
Customs Duties	590.0	590.0
Sales Tax	775.0	751.4
Excise Duties and Taxes	558.0	537.2
Other Taxes	2.0	2.0
Total Tax Revenues	\$4,835.0	\$4,780.0
Non-tax Revenues	390.0	390.0
Total Revenues	\$5,225.0	\$5,170.0

Since my earlier estimate of total revenues was \$5,225 million, and I expect a reduction from tax changes of \$55 million, my forecast total revenue in the coming year is

\$5,170 million, or less than one half of one per cent higher than for the year now ending.

On the other hand, my budgetary proposals include \$48 million additional benefit payments to be charged directly to the budget in this fiscal year, and \$45 million additional disbursements to be charged to the old age security fund. The sales tax reductions will also involve a reduction of \$5 or \$6 million in the amount to be credited to the old age security fund. Without any tax changes or increases in rates of benefit payments I would have expected the old age security fund to have been about in even balance next year. The increased rates of payment and the reductions in sales tax revenue will now put it into about a \$50 million deficit. Parliament will be asked a year from now to charge this to 1957-58 expenditures, or to deal with it otherwise as subsequent study of the fund experience may suggest.

Altogether, I am budgeting for revenues of \$5,170 million, expenditures of \$5,018 million, and a surplus of \$152 million. I should like now to table the resolutions.

From the viewpoint of a Minister of Finance the past four years have not been lacking in variety. We went through a moderate decline in business in 1954, and then moved rapidly through a period of recovery into a year and a half of the most spectacular period of peaceful expansion that Canada has ever experienced. These years have produced some stresses and strains, but thanks to the energy and good sense of our people and our institutions—with an "assist", shall I say, from government policy—we have surmounted all the difficulties and the strains.

During the past four years, we have not had to impose any increased taxes, and in addition to taking care of the expanding needs of the country and the people, including very heavy defence expenditures, we have reduced tax rates which, applied to our current circumstances, amount to \$475 million a year, and at the same time reduced our net debt by \$165 million.

Apart from the normal increase in government services associated with a growing population we have not only reduced taxes by \$475 million a year and reduced our debt by \$165 million, but have also actively promoted both the expansion of our country and the welfare of its citizens. During these four years we have doubled our expenditures

on the expansion and improvement of airports and air services; we have doubled our expenditures on the opening up of the northern territories; we have made substantial progress on the trans-Canada highway; through the C.N.R. we have inaugurated the first period of substantial railway building in this generation; we have built the Canso causeway; and we are well on our way to completing the St. Lawrence seaway.

By taking a vigorous initiative, which included a short term loan of \$50 million which has been repaid in full with interest of over \$880,000, we have assured the early completion of an all-Canadian gas pipe line.

For farmers we have maintained our price support policies and have greatly expanded our loans for productive purposes. We have assumed the burden of carrying abnormal supplies of grain in storage; we have arranged for loans for those farmers who had difficulty in marketing reasonable proportions of their crops; and improved the scale of assistance to those who have suffered crop failures.

For those who earn their livelihood in the fisheries we have introduced fishermen's improvement loans, an insurance plan for vessels and equipment (including lobster traps), unemployment insurance for those employed in the fisheries, and by improved international cooperation we are promoting the conservation of the resources upon which our fishermen depend.

In the matter of social benefit payments, on three occasions in the past four years we have improved our assistance and services to veterans; we have inaugurated a new and highly successful programme of low down-payment insured-mortgage housing; co-operated with the provinces and shared their costs in meeting their problems of assistance to the unemployed and other needy persons not fully covered by unemployment insurance; and we have improved and extended the unemployment insurance system itself. And now we are happy to be able to improve family allowances, old age security and other benefit payments.

We have doubled our grants to universities and we are more than doubling our grants-in-aid to the provinces for the improvement of technical and vocational training; and we are in process of founding the Canada Council on a secure financial and administrative base.

We have greatly improved both the basis and the financial benefits under our tax-sharing arrangements with the provinces.

To have done all these and many other things in a four year period which was interrupted by economic recession, to have maintained high levels of employment and reasonably stable prices, and at the same time cut taxes and reduced debt,—is, Mr. Speaker, an achievement which speaks for itself.

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 1957 and subsequent taxation years an individual be allowed to deduct, in computing taxable income, the amount of \$100 in lieu of claiming any deduction for medical expenses, donations to charitable organizations, trade union dues and professional membership dues.

2. That the amount of a taxpayer's donations to charitable organizations in a year in excess of the amount deductible under the Act be allowed to be carried forward and included with his charitable donations for the immediately following year.

3. That a taxpayer whose chief source of income is farming or fishing be allowed to appeal his assessment for a year of averaging even if no tax is assessed for that year of averaging.

4. That the rule for the determination of the capital cost of depreciable farm property sold by a farmer, to his child be extended to include cases in which a taxpayer whose chief source of income is fishing sells a fishing vessel or a fishing vessel and other property used in fishing operations carried on by him to his child.

5. That for the 1956 and subsequent taxation years, in computing income from an office or employment a taxpayer be allowed to deduct annual professional membership dues the payment of which was necessary to maintain a professional status recognized by statute, even although he is not required to maintain that professional status by his contract of employment.

6. That for the 1957 and subsequent years the special deduction from income allowed to corporations whose principal business is mining or production of petroleum or natural gas for expenses incurred in searching for minerals in Canada or exploring or drilling for petroleum or natural gas in Canada be

extended to corporations whose principal business is processing mineral ores for the purpose of recovering metals therefrom or a combination of processing mineral ores for the purpose of recovering metals therefrom and processing metals recovered from the ores so processed.

7. That for the 1956 and subsequent taxation years payments made for the full-time care in a nursing home of the taxpayer, his spouse or dependant who was throughout the whole of a 12 months' period ending in the taxation year necessarily confined by reason of illness, injury or affliction to a bed or wheel chair may be included in the medical expenses for which a deduction from income may be made for the purpose of computing taxable income.

8. That for the 1956 and subsequent taxation years payments made for the full-time care in a nursing home of a dependent of the taxpayer certified by a medical practitioner to be a person who, by reason of lack of normal mental development, is and in the foreseeable future will continue to be dependent on others for his personal needs and care may be included in the medical expenses for which a deduction from income may be made for the purpose of computing taxable income.

9. That for the 1957 and subsequent taxation years donations to certain corporations established for the purpose of providing low-cost housing accommodation for the aged may be included in the charitable donations for which a deduction from income may be made for the purpose of computing taxable income.

10. That for the 1956 and subsequent taxation years a teacher be allowed to deduct, in computing income, an amount not exceeding \$250 paid by him in the year to a fund established by the Canadian education association for the benefit of teachers from commonwealth countries present in Canada under a teachers' exchange arrangement.

11. That for the 1957 and subsequent taxation years an individual be allowed to deduct, in computing income, an amount paid by him as a premium under a registered retirement savings plan and, for this purpose, that the Income Tax Act be amended to give effect to the inclusion therein, following section 79A thereof, of a new heading and section as follows:

"Registered Retirement Savings Plan:

79B. (1) In this section,

(a) "annuitant" means an individual referred to in subparagraph (i) or (ii) of paragraph (h) to whom, under a retirement savings plan, any annuity for life is agreed to be paid or is to be provided;

(b) "benefit" means any amount paid or payable under a retirement savings plan, otherwise than as a premium;

(c) "earned income" means earned income as defined in subsection (5) of section 32, plus any amount deductible in computing income under paragraph (i) of subsection (1) of section 11;

(d) "maturity" means the date fixed under a retirement savings plan for the commencement of any annuity the payment of which is provided for by the plan;

(e) "premium" means any periodic or other amount paid or payable under a retirement savings plan,

(i) as consideration for any agreement referred to in subparagraph (i) of paragraph (h) to pay an annuity, or

(ii) as a contribution referred to in subparagraph (ii) of paragraph (h) for the purpose stated in that subparagraph;

(f) "refund of premiums" means any amount paid or payable under a retirement savings plan, on or after the death of the annuitant thereunder in the event of his death before maturity, as or on account of

(i) a return of premiums,

(ii) reasonable interest on premiums, or

(iii) a share or interest in or a bonus out of profits or gains;

(g) "registered retirement savings plan" means a retirement savings plan accepted by the Minister for registration for the purposes of this act as complying with the requirements of this section; and

(h) "retirement savings plan" means

(i) a contract between an individual and a person licensed or otherwise authorized under the laws of Canada or a province to carry on in Canada an annuities business, under which, in consideration of payment by the individual of any periodic or other amount as consideration under the contract, that person agrees to pay to the individual, commencing at maturity, an annuity for life, or

(ii) an arrangement under which payment is made by an individual in trust to a corporation resident in Canada of any periodic or other amount as a contribution under the trust, to be used, invested or otherwise applied by that corporation as trustee for the purpose of providing to the individual, com-

... mencing at maturity, an annuity for life.

(2) The minister shall not accept for registration for the purposes of this act any retirement savings plan unless, in his opinion, it complies with the following conditions:

(a) the plan does not

(i) provide for the payment of any benefit before maturity, except by way of a refund of premiums, or

(ii) provide for the payment of any benefit after maturity, except by way of

(A) an annuity to the annuitant for his life, or

(B) an annuity to the annuitant for the lives, jointly, of the annuitant and his spouse and to the survivor of them for his or her life,

commencing at maturity and with or without a guaranteed term, not exceeding fifteen years, or, in the case of a plan entered into before the 14th day of March, 1957, not exceeding twenty years, commencing at maturity;

(b) the plan does not

(i) provide for the payment of any amount by way of annuity except

(A) equal annual or other periodic amounts throughout the lifetime of the annuitant, and

(B) equal annual or other periodic amounts (not exceeding the corresponding annual or other periodic amounts referred to in clause (A)) throughout the period, if any, after the death of the annuitant, for which payment of the annuity is provided for by the plan,

(ii) provide for the payment of any premium after maturity, or

(iii) provide for maturity after such time as the annuitant attains seventy years of age;

(c) the plan includes a provision stipulating that no annuity payable thereunder is capable either in whole or in part of surrender, commutation or assignment; and

(d) the plan in all other respects complies with regulations of the governor in council made on the recommendation of the Minister of Finance.

(3) The minister may accept for registration for the purposes of this act any retirement savings plan notwithstanding that the plan

(a) provides for any annual or other periodic amount payable by way of annuity

to any person to be reduced by any corresponding annual or other periodic amount that is or may become payable to that person under the *Old Age Security Act*;

(b) provides for the commutation of any annuity payable thereunder if the amount so payable, expressed in terms of a monthly rate, is less than \$5;

(c) in the case of an annuity for a guaranteed term, provides for the annuity to be assignable by will, or, in the event of the death of any person to whom any such annuity is payable, to be assignable by the heirs, executors, administrators or other legal representatives of such person in the distribution of his estate, so as to give effect to any testamentary disposition, or to the rights of any person on an intestacy, or to its appropriation to a legacy or a share or interest in the estate; or

(d) contains such other terms and provisions, not inconsistent with this section, as are authorized or permitted by regulations of the Governor in Council made on the recommendation of the Minister of Finance.

(4) No tax is payable under this part by a trust on the taxable income of the trust for a period during which the trust was governed by a registered retirement savings plan.

(5) There may be deducted in computing the income for a taxation year of a taxpayer who is an annuitant under a registered retirement savings plan the amount of any premium paid by the taxpayer under the plan during the taxation year or within sixty days after the end of the taxation year (to the extent that it was not deductible in computing his income for a previous taxation year), not exceeding, however,

(a) in the case of a taxpayer in respect of whom any amount is deductible under paragraph (g) or (h) of subsection (1) of section 11 in computing the income of any other person for that taxation year (or would be so deductible if that other person were a person taxable under subsection (1) of section 2), an amount that, when added to the amount deductible under subparagraph (i) of paragraph (i) of subsection (1) of section 11 in computing the income of the taxpayer for that taxation year, does not exceed the lesser of \$1,500 or 10% of his earned income for that taxation year; and

(b) in the case of any other taxpayer, the lesser of \$2,500 or 10% of his earned income for that taxation year.

(6) There shall be included in computing the income of a taxpayer for a taxation year

all amounts received by him in the year as a benefit under a registered retirement savings plan, otherwise than by way of a refund of premiums.

(7) Where an amount is received by a person in a taxation year under a registered retirement savings plan by way of a refund of premiums,

(a) the amount so received shall be deemed not to be income of that person for the purposes of this part, and

(b) there shall be added to the tax otherwise payable by that person upon his taxable income under this Part for that taxation year an amount equal to 15% of the amount so received.

(8) Where, at any time after a retirement savings plan has been accepted by the minister for registration for the purposes of this act, the plan is revised or amended or a new plan is substituted therefor, and the plan as revised or amended or the new plan substituted therefor, as the case may be (hereinafter in this subsection referred to as the "amended plan") does not comply with the requirements of this section for its acceptance by the minister for registration for the purposes of this act, the following rules apply:

(a) the amended plan shall be deemed, for the purposes of this act, not to be a registered retirement savings plan;

(b) there shall be included in computing the income of a taxpayer for a taxation year all amounts received by him in the year that, by virtue of subsection (6), would have been so included

(i) if the amended plan had been a registered retirement savings plan at the time he received those amounts, and

(ii) if those amounts had been received by him otherwise than by way of a refund of premiums,

and no deductions shall be made under paragraph (k) of subsection (1) of section 11 in respect of those amounts in computing his income for that year;

(c) there shall be withheld or deducted from any amount paid to a person in a taxation year as a benefit under the amended plan, by the person paying that amount, an amount equal to 25 per cent thereof, and any amount so withheld or deducted shall forthwith be remitted to the Receiver General of Canada on account of the payee's tax for the year under this part;

(d) where an amount is withheld or deducted under this subsection from any amount

paid to a person as a benefit under an amended plan, it shall be deemed, for all purposes of this act, to have been received at that time by the person to whom the benefit was paid; and

(e) where an amount is withheld or deducted under this subsection from any amount paid to a person as a benefit under an amended plan on account of that person's tax for a taxation year under this part, and the amount or the aggregate of the amounts so withheld or deducted exceeds

(i) the amount of that person's tax, if any, for the year under this part before making any deductions under sections 33 to 41,

minus

(ii) the amount that his tax, if any, for the year under this part before making any deductions under sections 33 to 41 would be if no amount were included in computing his income for the year by virtue of paragraph (b),

the amount of the excess shall be deemed, for the purposes of this Act, not to have been paid on account of that person's tax for the year under this part, but as a debt due to Her Majesty.

(9) For the purposes of subsection (8),

(a) a reference to an amount paid as a benefit under an amended plan shall be deemed to include any amount paid under that amended plan, otherwise than as a premium or an amount that would, by virtue of paragraph (e) of subsection (1), be regarded as a premium if that amended plan were a retirement savings plan; and

(b) an arrangement under which a right or obligation under a retirement savings plan is released or extinguished either wholly or in part and either in exchange or substitution for any other right or obligation or otherwise (other than an arrangement the sole object and legal effect of which is to revise or amend the plan) shall be deemed to be a new plan substituted for that retirement savings plan."

DOMINION SUCCESSION DUTY ACT

Resolved that it is expedient to introduce a measure to amend the Dominion Succession Duty Act and to provide:

1. That in determining the aggregate net value of property subject to duty under the Dominion Succession Duty Act upon the death, after the 31st day of March, 1957, of a predecessor, there shall be deducted the

dutiable value of any succession to a charitable organization in Canada operated exclusively as such and not for the benefit, gain or profit of any person, member or shareholder thereof.

2. That where provincial duties have been paid in respect of property subject to duty under the Dominion Succession Duty Act upon the death, after the 31st day of March, 1957, of a predecessor, the successor to that property may deduct from the duty otherwise payable under the Dominion Succession Duty Act in respect of that property, one-half of the duty otherwise so payable in respect thereof.

THE EXCISE ACT

Resolved that it is expedient to introduce a measure to amend the Excise Act and to provide, among other things:

1. That the excise duty on Canadian raw leaf tobacco be reduced from twenty cents per pound to ten cents per pound.

2. That any enactment founded upon this Resolution be deemed to have come into force on the fifteenth day of March, nineteen hundred and fifty-seven.

THE EXCISE TAX ACT

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

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

(a) certain building materials which are in addition to those already exempted, viz:—
chimney caps;
circulating pumps for use in forced hot water heating systems for the heating of buildings;
door and window screens;
precast concrete shapes when purchased by municipalities for bridges in public highway systems;
septic tanks;
structural steel when purchased by municipalities for bridges in public highway systems;

(b) desks and chairs specially designed for use in class rooms when sold to educational institutions;

(c) printing produced by a school or university when for its own use and not for resale;

(d) gasoline powered self-propelled trucks, mounted on rubber tired wheels, for off-high-

way use exclusively at mines or quarries, and complete parts thereof;

(e) seventy-five per cent of the sale price if manufactured in Canada, or seventy-five per cent of the duty paid value if imported, of trailers for use as homes;

(f) potted, flowering or bedding plants, dormant flower bulbs and cut foliage;

(g) geophysical surveying precision instruments and equipment as enumerated in Customs Tariff item 431h;

(h) goods enumerated in Customs Tariff item 695d;

(i) tanks for collecting milk, not including chassis or cabs;

(j) railway ties;

(k) certain foodstuffs which are in addition to those already exempted, viz:—

baking powder;

baking soda;

bases or concentrates for making beverages other than soft drink beverages;

cocoa;

cocoanut;

dessert powders;

edible gelatine;

flavouring extracts;

gravies and meat extracts;

meat tenderizers;

pickles, relishes, catsups, sauces, olives, horseradish, mustard, and similar goods;

pie fillings;

prune juice, grape juice;

salad oils, mayonnaise and salad dressings;

sandwich spreads;

spices, condiments and seasonings;

tea, coffee and substitutes therefor;

vinegar;

2. That equipment specially designed for use directly in road making, road cleaning or fire fighting, but not including automobiles or motor trucks, when sold to or imported by municipalities for their own use and not for resale, be exempted from the sales tax when the price is in excess of five hundred dollars (\$500) per unit, instead of the present exemption for units priced in excess of one thousand dollars (\$1000) per unit.

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

(a) soft drinks and imitations thereof;

(b) carbonic acid gas for aerating non-alcoholic beverages;

(c) candy, chocolate, chewing gum and confectionery;

(d) motor cycles and all other two- or three-wheeled motor driven vehicles

- including motors for attachment to bicycles;
- (e) ash trays and certain smokers' accessories, not to include tobacco pipes, cigar and cigarette holders and cigarette rolling devices;
 - (f) fountain pens; ball-point pens, ink pencils; propelling pencils, desk sets and all other desk accessories;
 - (g) gold-plated or silver-plated ware for the preparation or serving of food or drink;
 - (h) articles of cut glassware, crystal glassware, cut or not, etched glassware, or metal decorated glassware;
 - (i) articles of china, porcelain, earthenware, marble, stoneware, or other pottery ware;
 - (j) Canadian raw leaf tobacco.

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

THE CUSTOMS TARIFF

1. Resolved, that Schedule A to the Customs Tariff be amended by striking out tariff items 9, 99d, 99e, 105c, 118, 118a, 118b, 118c, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 137a, 146, 147, 173(2), 180, 180b, 180c, 264, 296b, 312a, 348f, 354c, 409e(2), 409f, 409g, 409t, 410m, 410n, 414b, 423, 427h, 429(a), 431, 431a, 431d, 436, 440j, 441e, 442d, 453a, 462a, 462b, 462c, 462d, 463, 511b, 519a, 519b, 569b, 597d, 659, 669, 674, 675, 682, 682a, 682b, 682c and 696e, and the enumerations of goods and the rates of duty set opposite each of those items, and by inserting therein the following items, enumerations of goods and rates of duty:

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
9	Poultry and game, n.o.p., <i>not including turkeys prepared by removal of the feathers, heads, and all or part of the viscera, with or without removal of the feet, but not cooked or divided into portions</i>	12½ p.c.	12½ p.c.	20 p.c.	12½ p.c.	12½ p.c.	20 p.c.
9e	<i>Turkeys prepared by removal of the feathers, heads, and all or part of the viscera, with or without removal of the feet, but not cooked or divided into portions</i>	12½ p.c.	12½ p.c.	20 p.c.	12½ p.c.	12½ p.c.	20 p.c.
	<i>but not less than..... per pound</i>		5 cts.			5 cts.	
	<i>nor more than..... per pound</i>		10 cts.			10 cts.	
99d	(1) Dates, unpitted, in bulk..... per pound	Free	½ ct.	½ ct.	Free	½ ct.	½ ct.
	(2) <i>Dates, unpitted, n.o.p.</i> per pound	½ ct.	½ ct.	2½ cts.	½ ct.	½ ct.	2½ cts.
	When in packages weighing two pounds each, or less, the weight of such packages to be included in the weight for duty.						
99e	(1) Dates, pitted when in packages or containers weighing not less than ten pounds each..... per pound	Free	Free	1 ct.	Free	Free	1 ct.
	(2) Dates, n.o.p..... per pound	1 ct.	1½ cts.	2½ cts.	1 ct.	1½ cts.	2½ cts.
	When in packages weighing two pounds each, or less, the weight of such packages to be included in the weight for duty.						
105c	Olives, sulphured or in brine, not bottled.....	10 p.c.	17½ p.c.	30 p.c.	10 p.c.	17½ p.c.	30 p.c.
105j	<i>Zucca melons, peeled or sliced, sulphured or in brine, for use in Canadian manufactures</i>	10 p.c.	10 p.c.	35 p.c.	10 p.c.	10 p.c.	35 p.c.
123	Fish, prepared or preserved, n.o.p.:						
	(a) Kipperd herring in sealed containers.....	17½ p.c.	17½ p.c.	30 p.c.	17½ p.c.	17½ p.c.	30 p.c.
	(b) Salmon.....	17½ p.c.	27½ p.c.	30 p.c.	17½ p.c.	27½ p.c.	30 p.c.
	(c) All other fish, n.o.p.....	17½ p.c.	22½ p.c.	30 p.c.	17½ p.c.	22½ p.c.	30 p.c.

Tariff Item		British Preferential Tariff	Most- Favoured- Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget		
					British Preferential Tariff	Most- Favoured-Nation Tariff	General Tariff
124	Shell fish, fresh, n.o.p.....	12½ p.c.	17½ p.c.	25 p.c.	12½ p.c.	17½ p.c.	25 p.c.
124a	Shell fish, prepared or preserved, n.o.p.....	17½ p.c.	22½ p.c.	30 p.c.	17½ p.c.	22½ p.c.	30 p.c.
124b	Squid.....	Free	Free	Free	Free	Free	Free
125	Oysters, shelled.....	Free	Free	25 p.c.	Free	Free	Various
125a	Oysters, prepared or preserved; oysters in the shell.....	15 p.c.	15 p.c.	25 p.c.	15 p.c.	15 p.c.	25 p.c.
126	Clams in sealed containers.....	17½ p.c.	40 p.c.	40 p.c.	17½ p.c.	40 p.c.	40 p.c.
127	Crustaceans, fresh, n.o.p.; crustaceans, prepared or preserved, n.o.p.....	12½ p.c.	17½ p.c.	25 p.c.	12½ p.c.	17½ p.c.	25 p.c.
128	Lobsters, fresh.....	Free	Free	25 p.c.	Free	Free	25 p.c.
128a	Lobsters, prepared or preserved.....	17½ p.c.	22½ p.c.	30 p.c.	17½ p.c.	22½ p.c.	30 p.c.
129	Crabs in sealed containers.....	17½ p.c.	30 p.c.	40 p.c.	17½ p.c.	30 p.c.	40 p.c.
130	Shrimp.....	10 p.c.	10 p.c.	25 p.c.	10 p.c.	10 p.c.	25 p.c.
131	Turtles; leeches.....	Free	Free	Free	Free	Free	Free
132	Oysters, seed and breeding, imported for the purpose of being planted in Canadian waters; live fish and fish eggs, for propagating purposes.....	Free	Free	Free	Free	Free	Free
137a	Molasses powder, without admixture or with added colouring or anti-caking agent..... .....per one hundred pounds	35 cts.	45 cts.	50 cts.	15 p.c. 35 cts.	20 p.c. 45 cts.	25 p.c. 50 cts.
147	Ale, beer, porter and stout.....per gallon and in addition thereto, under all tariffs, 38 cents.....per gallon	15 cts.	15 cts.	35 cts.	15 cts. 15 cts.	15 cts. 15 cts.	35 cts. 50 cts.

173	(2) Printed books, pamphlets and cards for use in intelligence testing and other articles and materials imported with and specially designed for use with such printed books, pamphlets and cards; <i>cards for use in the teaching of reading or arithmetic</i>	Free	Free	Free	17½ p.c. Free	22½ p.c. Free	35 p.c. Free
180	Photographs, chromos, chromotypes, artotypes, oleographs, paintings, drawings, pictures, engravings or prints or proofs therefrom, and similar works of art, n.o.p.....	12½ p.c.	20 p.c.	22½ p.c.	12½ p.c.	20 p.c.	22½ p.c.
180c	(1) Decalcomania transfers of all kinds, n.o.p.....	12½ p.c.	20 p.c.	22½ p.c.	12½ p.c.	20 p.c.	22½ p.c.
	(2) Decalcomania transfers for use in the manufacture of vitreous enamelled products or of tableware of china, porcelain or semi-porcelain.....	Free	Free	12½ p.c.	Free	Free	12½ p.c.
180f	Blue prints, building plans, maps and charts, n.o.p.....	12½ p.c.	20 p.c.	22½ p.c.	12½ p.c.	20 p.c.	22½ p.c.
187c	Photographic dry plates.....	12½ p.c.	20 p.c.	30 p.c.	12½ p.c.	20 p.c.	30 p.c.
197g	Heat sealable paper for use in the manufacture of tea bags....	Free	7½ p.c.	25 p.c.	Free	7½ p.c.	25 p.c.
264	Essential oils, natural, namely: Bergamot, citronella, clove, geranium, lemon, lemon grass, mandarin, orange, rose, <i>vetiver</i> and ylang-ylang.....	Free	Free	7½ p.c.	Free	Free	7½ p.c.
296b	(1) Magnesite, dead-burned or sintered; <i>magnesite</i> , caustic calcined; plastic magnesia.....	15 p.c.	15 p.c.	30 p.c.	15 p.c.	15 p.c.	30 p.c.
	(2) Magnesium carbonate, basic or otherwise, excepting crude rock, n.o.p.	20 p.c.	20 p.c.	30 p.c.	20 p.c.	20 p.c.	30 p.c.
312a	Asbestos in any form other than crude, and all manufactures thereof, when made from crude asbestos of <i>British Commonwealth</i> origin, n.o.p.....	Free	12½ p.c.	25 p.c.	Free	12½ p.c.	25 p.c.
348f	Copper covered steel wire not less than 0.1875 inch in diameter and copper covered steel rod, for use in the manufacture of trolley, telegraph and telephone wires, electric wires and electric cables.....	Free	10 p.c.	35 p.c.	Free	10 p.c.	35 p.c.
350a	<i>Electric resistance strip, ribbon, wire and wire cold rolled after drawing, containing from nineteen per cent to twenty-six per cent chromium, three per cent to seven per cent aluminum, one-half per cent to four per cent cobalt, and remainder iron</i>	Free	Free	35 p.c.	Free	Free	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
355b <i>Metal alloy strip or tubing, containing not less than thirty per cent by weight of nickel and twelve per cent by weight of chromium, for use in Canadian manufacturers.....</i>	Free	Free	20 p.c.	Free	Free	20 p.c.
405b Furniture springs.....	20 p.c.	25 p.c.	30 p.c.	20 p.c.	25 p.c.	30 p.c.
409e (2) Combination bagging or boxing and weighing machines, and grading, grating, washing and wiping machines for fresh fruit or fresh vegetables; <i>high-pilers not including fork lift trucks, box dumpers, box or bag fillers, all for use in packing and storing fresh fruit or fresh vegetables</i> ; machines for making or lidding boxes for fruit or vegetables; machines for topping vegetables; machines for bunching or tying cut flowers, vegetables or nursery stock; egg-graders and egg-cleaners; silage caps; parts of the foregoing.....	Free	Free	Free	Free Free	7½ p.c. Free	35 p.c. Free
409f. <i>Animal clippers:</i> Automatic stock watering devices; Barn hay forks, carriage, pulleys and track; Barn litter carriers and track; <i>Egg cooling cabinets:</i> Elevators (other than storage elevators); Grain crushers; Grain or hay dryers; Grain or hay grinders; Grain loaders; <i>Gravity discharge farm wagon boxes:</i> Hitches and couplings; Hydraulic hoists for unloading vehicles; Land levellers; Machines and tools for use on tractors, including blades, loaders, rippers, rakes and related operating and controlling gear; Milk coolers; Sodium metabisulphite; Sprinkler irrigation systems;						

	Steel stanchions for confining livestock either in pens or individually, and complete equipment for milking parlors; All the foregoing for use on the farm for farm purposes only; Brooders; Ensilage cutters; Fodder or feed cutters; 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	10 p.c. Free	22½ p.c. Free	35 p.c. Free
409g	Incubators for hatching eggs; poultry sex testers; parts of the foregoing.....	Free	Free	Free	Free	Free	Free
409t	Axles, belts and belting, bolts, chains, <i>hinges</i> , nuts, pulleys, <i>rivets</i> , <i>screws</i> , washers; all the foregoing when for use with the goods entitled to entry under tariff items 409, 409a, 409b, 409c, 409d, 409e, 409f, 409g, 409h, 409i, 409j, 409k, 409l, 409m, 409n, 409o and 409q.....	Free	Free	Free	Various Free	Various Free	Various Free
410m	Diamond drills and core drills, not including motive power; electrically operated rotary coal drills; coal cutting machines; all the foregoing for use in mining operations: (1) Of a class or kind made in Canada; parts thereof. (2) Of a class or kind not made in Canada; parts thereof.....	Free Free	10 p.c. Free	10 p.c. Free	Free Free	10 p.c. Free	10 p.c. Free
410n	<i>Tubes or shells to be inserted in the coal face for breaking down coal by the release of carbon dioxide or compressed air, and parts thereof.....</i>	Free	Free	Free	10 p.c.	22½ p.c.	35 p.c.
414b	Dictating, transcribing and cylinder shaving machines, and cylinders, <i>discs</i> , <i>dictating belts</i> and unfinished wax blanks for use therewith; parts of the foregoing.....	10 p.c.	12½ p.c.	25 p.c.	15 p.c. 10 p.c.	20 p.c. 12½ p.c.	30 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
414f	Cash registers.....	20 p.c.	22½ p.c.	30 p.c.	20 p.c.	22½ p.c.	30 p.c.
414g	Complete parts of cash registers, when imported by manufacturers of cash registers for use in the manu- facture of such registers in their own factories.....	12½ p.c.	12½ p.c.	25 p.c.	12½ p.c.	12½ p.c.	25 p.c.
415f	Carpet sweepers.....	20 p.c.	25 p.c.	30 p.c.	20 p.c.	25 p.c.	30 p.c.
415g	Domestic clothes drying machines, and parts thereof.....	10 p.c.	22½ p.c.	35 p.c.	10 p.c.	22½ p.c.	35 p.c.
415h	Domestic combination clothes washing and drying machines, and parts thereof.....	10 p.c.	22½ p.c.	35 p.c.	10 p.c.	22½ p.c.	35 p.c.
	NOTE: Since January 10th, 1957, by virtue of an adminis- trative ruling—				Free	7½ p.c.	35 p.c.
423	Dental chairs; dental units; electric dental engines; dental cuspidors; parts of the foregoing.....	Free	Free	35 p.c.	10 p.c. Free	22½ p.c. Free	35 p.c. 35 p.c.
429	Cutlery of iron or steel, plated or not: (a) Knife blades or blanks, and table forks of German silver or of iron or steel, in the rough, not handled, ground nor otherwise manufactured; spoon blanks of German silver or of iron or steel, not further manu- factured than stamped to shape; blanks, of iron or steel, for scissors and shears, in the rough, not ground nor otherwise manufactured.....	Free	7½ p.c.	10 p.c.	Free	7½ p.c.	10 p.c.
431	Shovels and spades, of iron or steel, n.o.p., and axes....	10 p.c.	15 p.c.	20 p.c.	10 p.c.	15 p.c.	20 p.c.
431a	Web saws and parts thereof.....	7½ p.c.	20 p.c.	35 p.c.	7½ p.c.	20 p.c.	35 p.c.

431d Engineers', Surveyors' and draftsmen's precision instruments and apparatus, namely:
 Alidades;
 Altazimuth surveying instruments;
 Aneroid barometers, engineering, military and surveying;
 Boards, military sketching;
 Clinometers;
 Compasses;
 Cross staff heads;
 Curves, adjustable, irregular, railroad and ship;
 Curvimeters;
 Dipping needles;
 Drafting instruments of all kinds, including fitted cases containing the same;
 Drafting machines;
Geodimeters;
 Heliographs;
 Integrators;
 Levels, tripod and hand or pocket types;
 Liners, section;
 Meters, portable for hydraulic engineering;
 Pantographs;
 Parallel *rules*;
 Parallel ruling attachments;
 Pedometers and paceometers;
 Plane tables, military and topographic;
 Planimeters;
 Poles, ranging;
 Prisms, angle;
 Protractors;
 Rods, levelling;
 Scales, flat and triangular;
 Sextants, box;
 Slide rules;
 Splines;
 Straight edges, steel or wooden;
 Tacheometers;
 Tallying machines, pocket;
 Tee squares, steel or wooden;
 Telemeters;
 Theodolites;
 Transits, tripod and hand or pocket types;
 Triangles of all types;
 Tripods for use with any of the foregoing instruments;

Parts of all the foregoing, finished or not.....	Free	9 p.c.	10 p.c.	2½ p.c. Free	15 p.c. 9 p.c.	80 p.c. 10 p.c.
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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
436	Locomotives and railway passenger, baggage and freight cars, being the property or under the control of railway companies in the United States, running upon any line or road crossing the frontier, so long as Canadian locomotives and cars are admitted free under similar circumstances into the United States, under regulations prescribed by the Minister.....	.....	Free	Free	.....	Various Free	Various Free
	<p>If such locomotives and railway rolling stock are used temporarily in the transportation of goods from a place in Canada to another place in Canada they are not entitled to free entry but are subject to duty on the rental value or charge made by the United States owner for their use in Canada, or equivalent thereof as determined by regulations prescribed by the Minister.</p> <p><i>Notwithstanding the foregoing, duty shall not be assessed against a railway company operating in Canada in respect of any particular class of foreign freight car in any calendar year when the total use of foreign cars of that class by such company on railway lines in Canada is less than the total use of Canadian cars of that class owned by such company on railway lines outside of Canada; should such use of foreign cars exceed such use of Canadian cars, duty shall not be assessed on a greater number of cars than is represented by the excess.</i></p>						
440j	Trawls, trawling spoons, fly hooks, hooks, sinkers, swivels, bait, sportsmen's fishing reels, <i>fishing rods</i> , and fishing tackle, n.o.p.....	Free	25 p.c.	30 p.c.	Free Free	30 p.c. 25 p.c.	35 p.c. 30 p.c.
441e	Guns and rifles of a class or kind not made in Canada; <i>complete parts thereof</i>	Free	7½ p.c.	30 p.c.	Various Free	Various 7½ p.c.	Various 30 p.c.

442d	Materials, including all parts, wholly or in chief part of metal, of a class or kind not made in Canada, when imported for use in the manufacture of goods entitled to entry under tariff items 410a (iii), 410g, 410l, 410m, 410o, 410p, 410q, 410s, 410t, 410v, 410w, 410x, 410z, 411, 411a, 411b, 427b, 427c, 427f, 428c, 428e, 440k and 447a, under such regulations as the Minister may prescribe..	Free	Free	10 p.c.	Free	Free	10 p.c.
453a	Metal parts, n.o.p., in any degree of manufacture but not coated, plated nor covered in any manner; hinges of any material finished or not; <i>metal shells, not further finished than shaped; all the foregoing</i> for use in the manufacture of spectacle cases or jewellery boxes.....	Free	12½ p.c.	35 p.c.	Free	12½ p.c.	35 p.c.
462a	<i>Cameras, n.o.p., of a class or kind made in Canada; complete parts thereof</i>	7½ p.c.	20 p.c.	30 p.c.	7½ p.c.	20 p.c.	30 p.c.
462b	<i>Cameras, n.o.p., of a class or kind not made in Canada; complete parts thereof</i>	5 p.c.	15 p.c.	30 p.c.	5 p.c.	15 p.c.	30 p.c.
462c	Cameras and parts thereof for making negatives or positives three and one-quarter inches by four and one-quarter inches or larger, including carrying cases therefor.....	Free	Free	10 p.c.	Free	Free	10 p.c.
462d	Cinematograph and motion picture cameras for use by professional motion picture producers having studios in Canada equipped for motion picture production; production; parts of the foregoing.....	Free	9 p.c.	15 p.c.	Free	9 p.c.	15 p.c.
462e	Lenses, shutters, and parts thereof, for use in the manufacture of cameras.....	Free	Free	30 p.c.	Free	Free	30 p.c.
462f	Parts, unfinished, for use in the manufacture of cameras.	Free	5 p.c.	7½ p.c.	Free	5 p.c.	7½ p.c.
462g	Accessories for cameras, namely: Backgrounds; Colour filters and holders; Diffusion discs and holders; Exposure meters; Flash guns; Flash tubes for high-speed flash apparatus; Lantern slide attachments; Lens hoods; Polarizing screens and holders; Range finders; Stands; Tripods and tripod tops; Vignettes; Parts of all the foregoing.....	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
462h Photographic equipment, namely: Densitometers; Ferro-type plates; Film or paper processors for photo-finishing; Film or print driers; Mounting presses; Negative or sheet-film hangers; Print straighteners; Print washers; Printers, contact; Printers, projection, commonly known as enlargers, for negatives or positives four inches by five inches and larger; Printers, power driven, for photo-finishing; Tanks or trays for negative and positive processing; Temperature controls or heaters for photographic solutions; Timing devices; Parts of all the foregoing.....	Free	Free	10 p.c.	Free	Free	10 p.c.
463 Still picture projectors, and slides and film strips therefor, n.o.p.....	Free	15 p.c.	25 p.c.	Free	15 p.c.	25 p.c.
463a Motion picture projectors, arc lamps for motion picture work, motion picture or theatrical spot lights, light effect machines, motion picture screens, portable motion picture projectors with or without sound equipment; electric rectifiers or generators designed for use with motion picture projectors; complete parts of all the foregoing, not including electric light bulbs, tubes, or exciter lamps.....	Free	15 p.c.	35 p.c.	Free	15 p.c.	35 p.c.
506e Curtain stretchers.....	15 p.c.	15 p.c.	30 p.c.	15 p.c.	15 p.c.	30 p.c.
513 Window cornices and cornice poles of all kinds.....	20 p.c.	25 p.c.	30 p.c.	20 p.c.	25 p.c.	30 p.c.
517 Wire screens, wire doors and wire windows.....	20 p.c.	25 p.c.	30 p.c.	20 p.c.	25 p.c.	30 p.c.

567b	(3) Woven fabrics, containing figured designs not exceeding twelve inches in width, laces, embroideries, emblems and medallions, for use in the manufacture of church vestments.....	10 p.c.	10 p.c.	20 p.c.	10 p.c.	10 p.c.	20 p.c.
569b	Hat sweats, cap peaks, stiffening bands for the inside of hats and caps, hatters' tips and sides when cut to shape, and materials for use in the manufacture of such articles; all the foregoing for use in the manufacture of hats and caps.....	Free	Free	Free	Free	Free	Free
580	Hair, spring and other mattresses.....	20 p.c.	25 p.c.	30 p.c.	20 p.c.	25 p.c.	30 p.c.
595	Tape or wire, coated or not, for use in the recording and reproduction of sound:						
	(1) Of iron or steel.....	10 p.c.	10 p.c.	35 p.c.	10 p.c.	10 p.c.	35 p.c.
	(2) N.o.p.....	5 p.c.	10 p.c.	35 p.c.	5 p.c.	10 p.c.	35 p.c.
596	Agraffes; Bass damper parts; Bolts—bracket, plate, bottom; Brackets—brass, piano action, regulating rail; Bridle leather and bridle straps; Buckskin; Casters—brass, for grand pianos; Cloth—bushing, hammer rail, wipp, knuckle; Damper sockets and damper screws; Damper rods and damper rod nuts; Felt—piano, piano action; Hinges—brass top, desk end, butt; continuous, sectional; Hammer heads uncovered and hammer head moulding; Key bottoms and key covering materials; Piano and organ sharps; Pins—tuning, hitch, bridge, key, centre, brass; Plates—brass flange; Pressure bars; Punchings—paper, felt; Rail hooks; Rods—brass pedal for grand pianos; Screws—brass or steel capstan, regulating, brass flange; Sounding boards—spruce; Spoons; Springs—damper, jack, rail, repetition lever, bottom door, trap; Wires—back check, bridle, damper, dowel, lifter, hammer; All the foregoing for use in the manufacture or repair of pianos, organs, piano actions or piano keys; Ivory and ivory nuts, piano key ivories and veneers of ivory unmanufactured.....	Free	Free	Free	Free	Free	Free

Tariff Item		British Preferential Tariff	Most- Favoured- Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget		
					British Preferential Tariff	Most- Favoured-Nation Tariff	General Tariff
597d	Musical instruments, namely: autoharps, clavichords, harpsichords, recorders, xylophones.....	Free	Free	30 p.c.	15 p.c. 5 p.c.	17½ p.c. 7½ p.c.	30 p.c. 30 p.c.
669	Emery, corundum and garnet, in bulk, crushed or ground	Free	Free	Free	Free	Free	Free
682	Fish hooks, for deep-sea or lake fishing, not smaller in size than number 2.0; Fishing nets and nettings of all kinds; Metal swivels, of a class or kind not made in Canada; Net and line floats of any material except wood; Specially designed needles of a class or kind not made in Canada, for use in repairing fish nets; Threads, twines, marlines, fishing lines, rope and cordage, not exceeding one and one-half inches in circumference; All the foregoing for use in commercial fishing, under such regulations as the Minister may prescribe; Carapace measures of any material.....	Free	Free	Free	Free	Free	Free
682a	Materials for use in the manufacture or repair of the goods specified in tariff item 682.....	Free	Free	Free	Free Various	Free Various	Free Various
695d	Engravings, etchings, lithographic prints, maps and charts, printed prior to January 1, 1900; artists' proof etchings unbound, printed by hand from plates or blocks etched or engraved with hand tools.....	Free	Free	Free	12½ p.c. Free	20 p.c. Free	22½ p.c. Free
696e	Articles and materials designed for the training of mentally retarded children, when for the use and by order of any school, academy, college, seminary of learning, or any association, society or institution that trains mentally retarded children.....	Free	Free	Free	17½ p.c. Free	20 p.c. Free	25 p.c. Free

2. Resolved, that Schedule A to the French version of the Customs Tariff be amended by striking out tariff item 422a and the enumeration of goods and the rates of duty set opposite that item, and by inserting therein the following item, enumeration of goods and rates of duty:

422a	Machines pour le pavage en béton, automobiles, se chargeant par le bout, ayant une capacité de 21 pieds cubes ou plus de béton humide; machines à finir les chaussées en béton et asphalte; machines à profiler les chemins; régaleuses de fond; <i>racleurs</i> et excavateurs combinés; bétonnières du type mobile; chariots à bascule ou remorques, non automobiles, d'une capacité de 10 verges (<i>yards</i>) cubes ou plus; machines et matériel pour le remblayage, montés sur roues automotrices ou chenilles, à élinides tournantes ou semi-tournantes et du type racloir; sonnettes ou extracteurs de pilots mus à la vapeur ou à l'air; pointes de tubes perforateurs, tamis et crépines pour puits; plaques tournantes pour camions; le tout d'une classe ou d'une espèce non fabriquée au Canada, et leurs pièces achevées.....	En franchise	10 p.c.	12½ p.c.	En franchise	10 p.c.	12½ p.c.
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3. Resolved, that Schedule B to the Customs Tariff be amended by striking out items 1029, 1050, 1052, 1053 and 1071, and the enumerations of goods and the rates of drawback of duty set opposite each of those items, and by inserting therein the following items, enumerations of goods and rates of drawback of duty:

Item No.	Goods	When Subject to Drawback	Portion of Duty (not including Special Duty or Dumping Duty) Payable as Drawback
1050	<i>Raw sugar, imported other than under the General Tariff.</i>	<i>When used by a recognized sugar refinery in the production of refined sugar used in the manufacture of wine.....</i>	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 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.	<i>When used in the plants of manufacturers of automobiles and motor vehicles or of automobiles or motor vehicle parts for the manufacture of automobiles and motor vehicles or of automobile or motor vehicle parts.....</i>	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.	<i>When used in the manufacture of aircraft, aircraft engines, airborne aircraft equipment, or of parts of the foregoing....</i>	99 p.c.
1056	<i>Materials, including all parts, wholly or in chief part of metal, of a class or kind not made in Canada.</i>	<i>When used in the manufacture of goods entitled to entry under tariff items 410a(iii), 410g, 410l, 410m, 410o, 410p, 410q, 410s, 410t, 410v, 410w, 410x, 410z, 411, 411a, 411b, 427b, 427c, 427f, 428c, 428e, 440k and 447a.....</i>	99 p.c.
1071	Materials of a class or kind not made in Canada.	<i>When used in the manufacture or repair of aircraft, aircraft engines, airborne aircraft equipment, or of parts of the foregoing.....</i>	99 p.c.

4. Resolved, that Schedule C to the Customs Tariff be amended by striking out items 1205 and 1207 and the enumerations of goods set opposite each of those items, and by inserting therein the following item and enumeration of goods:

1220 Offensive weapons, as defined in the Criminal Code:

This item does not affect in any manner:

- (a) arms, implements or munitions of war, army, naval and air stores, and any articles deemed capable of being converted therein to or made useful in the production thereof, imported under permit issued by the Minister of National Revenue pursuant to regulations made by the Governor in Council under section 279 of the Customs Act;*
 - (b) firearms imported by a person who holds a permit in Form 42, Form 43 or Form 44, issued with respect thereto, under section 94 of the Criminal Code;*
 - (c) shotguns and rifles of the standard or auto-loading type and military type rifles, imported for sporting use only;*
 - (d) antique articles eligible for entry under tariff item 693(i) or tariff item 693(iii), and bona fide collectors' items, as determined by the Minister;*
 - (e) arms, military stores and munitions of war eligible for entry under tariff item 708 or tariff item 708b; or*
 - (f) arms, military stores, munitions of war or offensive weapons exempted from the provisions of this item by a regulation of the Governor in Council in any particular case or class of cases.*
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5. Resolved, that any enactment founded upon the foregoing resolutions shall be deemed to have come into force on the 15th day of March, 1957, and to have applied to all goods mentioned in the said resolutions imported or taken out of warehouse for consumption on or after that day, and to have applied to goods previously imported for which no entry for consumption was made before that day.

BUDGET PAPERS

presented by

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

for the information of Parliament

in connection with the Budget of 1957-58

FOREWORD

The purpose of these Papers is twofold:

1. to present a general economic review of 1956, 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, the Bank of Canada 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, 1957.

PART I

ECONOMIC REVIEW OF 1956

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The tables in this Budget Paper are based upon estimates provided by the Dominion Bureau of Statistics, the Bank of Canada and other Government Agencies. Some of the figures appear for the first time; others have been published elsewhere. All 1956 estimates are preliminary and subject to revision.

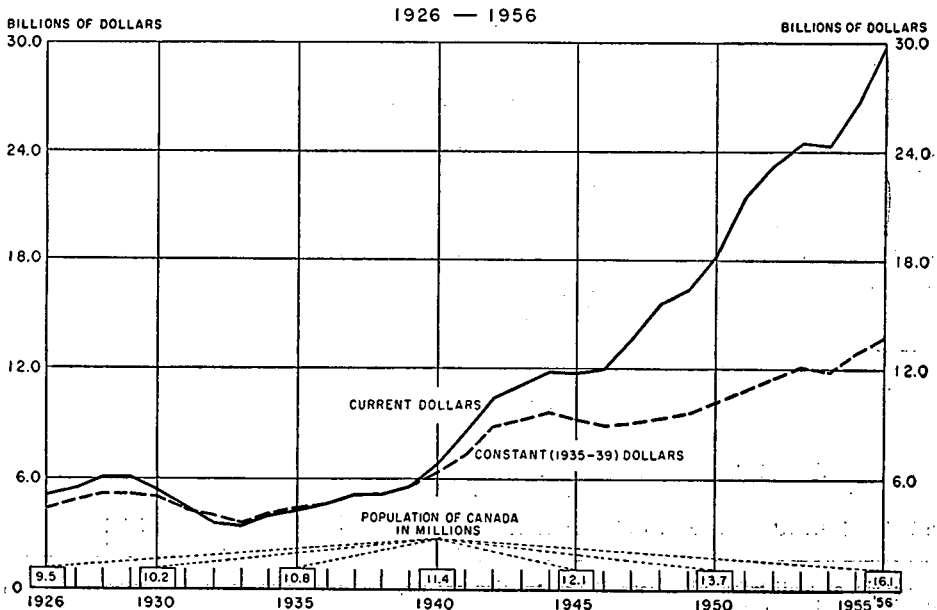
THE NATIONAL ACCOUNTS

NATIONAL INCOME AND PRODUCT

During 1956 there was a continuation of the rapid increase in demand which had characterized most of 1955. The enlargement of demand was widely distributed and affected the export industries as well as those producing for the home market. The most striking increase was in business capital investment, and the point of greatest pressure was the construction industry where demand tended throughout the year to press against capacity. Although the pressure of demand was eased by the greatly increased flow of imports and restrained by tightness in the money market, price increases were more pronounced than in 1955.

Under the stimulus of increasing demand, there was a further large increase in the nation's total production. Gross national product for the year is estimated at \$29.9 billion, an increase of 11 per cent over 1955. Since prices were on the average 3 to 4 per cent higher than in 1955, the gain in real output amounted to about 7 per cent. This large increase in real output marked an advance from a level of output and employment which was already high and differs from the situation in 1955 when the volume gain of 9 per cent represented to a considerable degree a recovery from the moderate recession of the previous year. The expansion in the nation's output was facilitated by the large rise in the labour force which grew at a faster rate than the total population of working age. There was an increase of 5 per cent in industrial employment and this not only absorbed the annual growth in the labour force and accommodated the transfer of workers from agriculture but in addition brought about a reduction of over one-fifth in the number of persons without jobs.

In physical terms, agricultural production rose by 8 per cent. This gain reflected primarily the increase in yield from the western grain crop which for the second year in succession was above average. Non-agricultural output rose by

GROSS NATIONAL EXPENDITURE
IN CURRENT AND CONSTANT 1935-39 DOLLARS

a little more than 7 per cent during 1956. As in the previous year, the growth in the goods producing industries was somewhat larger than in the services industries. Output in the goods producing industries as a whole grew by 8 per cent while the output of services increased by close to 7 per cent. The most striking expansion occurred in construction, transportation and mining. Construction expanded by 15 per cent due to the large increase in non-residential building. The largest increase in the primary goods industries was in mining where output rose by 13 per cent. This was related to previous heavy developmental expenditures and indicates the continued buoyancy of export markets. The rise of 6 per cent in manufacturing output as a whole resulted from a high rate of activity in the capital goods sector, except for farm machinery, and a more moderate growth in the non-durable goods industries. In the services, the trade, transportation, storage and communication industries showed relatively large increases whereas financial, government and other services advanced at a somewhat slower rate.

Associated with the general increase in production there was a further and significant improvement in the earnings of Canadians and this improvement was widely distributed. Wages and salaries rose by \$1,474 million or almost 12 per cent in 1956 compared with an increase of 7 per cent in the preceding year. In terms of real purchasing power this was the largest gain of the post-war period. Slightly more than half of the increase came about because of the exceptionally large increase in the number of paid workers and the remainder because of a substantial rise in the rates of pay. The average number of hours worked per week did not change appreciably.

In 1956 investment income increased by \$443 million or 10 per cent and reached a total of \$4,782 million. This increase, while substantial, was less than the rise of 19 per cent which occurred in 1955. Corporate profits is the largest and most variable component of investment income. In 1955 corporate profits turned sharply upward as a result of the rapid acceleration in business activity and the more intensive use of existing facilities. In 1956 further increases in output depended to a greater extent upon the expansion of productive capacity and the continued economic growth was accompanied by widespread increases in wage and material costs. These factors were instrumental in a slower advance

TABLE I
NATIONAL INCOME AND GROSS NATIONAL PRODUCT

	1953	1954	1955	Prelim. 1956
	(Millions of Dollars)			
1. Wages, salaries and supplementary labour income..	11,715	11,994	12,810	14,284
2. Military pay and allowances.....	309	367	394	424
3. Investment income.....	3,782	3,661	4,339	4,782
4. Net income of unincorporated business—				
(a) farm operators from farm production ¹	1,652	1,147	1,404	1,608
(b) non-farm unincorporated business.....	1,675	1,625	1,793	1,951
5. National Income (1+2+3+4).....	19,133	18,794	20,740	23,049
6. Indirect taxes less subsidies.....	2,907	2,947	3,238	3,601
7. Depreciation allowances and similar business costs	2,418	2,673	2,878	3,151
8. Residual error of estimate.....	15	-78	60	65
9. Gross National Product at Market Prices (5+6+7+8).....	24,473	24,336	26,916	29,866
10. Index of G.N.P. in Constant Dollars.....	100	98	107	114

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

in corporate profits during 1956, particularly at points where competition was effective in checking increases in the price of finished goods. The rise in interest payments and rental income taken together was also somewhat less rapid than in the previous year.

Net farm income, which had declined by over 30 per cent in 1954, rose for the second year in succession and in 1956 reached a total of \$1,608 million, almost 15 per cent above 1955. Despite this substantial improvement, aggregate farm income in 1956 was slightly less than it had been in 1953. However, in the same three-year period the number of persons engaged in agriculture declined by 10 per cent so that per capita farm income in 1956 was about 8 per cent above the 1953 level. In 1956, as in 1955, the major part of the recovery in farm incomes resulted from higher production, particularly the better than average western grain crops. Agricultural prices, which had been declining in previous years, rose during 1956 and this change in direction also had some effect on the improvement in farm incomes.

Net income of non-farm unincorporated business rose by 9 per cent in 1956 and amounted to \$1,951 million. Gains were widely distributed with most of the increase accounted for in the major groups: construction, retail trade and services.

NATIONAL EXPENDITURE

The large expansion of economic activity in 1956 was supported by a high and rising level of demand for goods and services at home and abroad. In 1955 increases in capital expenditure and in exports were the major expansionary forces. The increase in housing expenditure was particularly rapid and accounted

TABLE 2
GROSS NATIONAL EXPENDITURE

	1953	1954	1955	Prelim. 1956
	(Millions of Dollars)			
1. Personal expenditure on consumer goods and services.....	15,112	15,881	17,139	18,556
2. Government expenditure on goods and services....	4,388	4,413	4,728	5,209
3. Gross domestic investment—				
(a) housing, plant and equipment—total ¹	4,840	4,666	5,275	6,617
new residential construction.....	1,061	1,166	1,481	1,556
new non-residential construction.....	1,706	1,659	1,847	2,549
new machinery and equipment.....	2,073	1,841	1,947	2,512
(b) change in inventories—total.....	591	-275	510	939
grain in commercial channels ²	146	-15	-20	28
farm grain and livestock ²	50	-115	211	169
all other inventories ³	395	-145	319	742
4. Exports of goods and services ⁴	5,400	5,147	5,753	6,310
5. Imports of goods and services ⁴	-5,843	-5,574	-6,430	-7,699
6. Residual error of estimate.....	-15	78	-59	-66
7. Gross National Expenditure at Market Prices (1+2+3+4+5+6).....	24,473	24,336	26,916	29,866
8. Index of G.N.E. in Constant Dollars.....	100	98	107	114

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 Minor adjustments have been made to the figures of current receipts and payments shown in Table 10 and in "The Canadian Balance of International Payments, 1953 to 1956", Dominion Bureau of Statistics, to achieve consistency with the other component series.

for about half of the total increase in capital outlays. In 1956, however, housing expenditure showed only a modest increase while business capital outlays for construction as well as for machinery and equipment rose to very high levels and exerted a dynamic influence on economic development during the year. At the same time, rising incomes at home and prosperous economic conditions abroad brought about a further large increase in the demand for consumer goods and for exports. As a result, pressure on supplies developed in certain commodity markets, notably steel and cement, together with some seasonal shortages in skilled trades, particularly in the construction industry. Prices moved upwards in all major sectors, particularly in the investment field. However, expanding domestic capacity, the notably higher level of imports and some restraint on the expansion of credit combined to moderate the pressure on prices. The great increase in imports over the previous year was an important factor in supplementing the total supply of goods and services available in Canada. The rise in imports in physical terms was equivalent to the addition of 4 per cent to domestic production, an increase more than half as large as the growth in total Canadian production during 1956.

Consumer purchases absorb by far the greatest part of total national production. In 1956 personal outlays on consumer goods and services accounted for about 62 per cent of gross national expenditure. Throughout the post-war period consumption has risen each year and this upward trend has persisted despite temporary fluctuations in other sectors of the economy.

In 1956 as well as in 1955 consumer expenditures rose by about 8 per cent. The increase of \$1,417 million in consumer expenditure for the year 1956 absorbed about one-third of the expansion in the overall supply of goods and services including imports. Whereas in the previous year there had been a very slight decline in the overall price level for consumer goods and services, in 1956 the larger expenditures were in part a reflection of rising prices. However, average prices for the year as a whole were only moderately higher, particularly in the consumer goods sector. It is estimated that the increase in real consumption during 1956 was quite large, amounting to 7 per cent or only slightly less than in the previous year. Per capita real consumption expanded by 4 per cent in 1956 compared with 5 per cent in 1955.

Government expenditures on goods and services rose during 1956 by 10 per cent and reached a total of \$5,209 million. The increase of \$481 million compares with an advance of \$315 million or 7 per cent in the previous year. Prices rose at a faster rate in 1956 and the increase in volume terms was only moderately higher than in 1955. About two-thirds of the expansion in government outlays during 1956 was attributable to provinces and municipalities. Federal expenditures on goods and services, which had risen by 2 per cent in 1955, increased by 7 per cent in 1956 and reached a level of \$2,631 million. The major part of the federal increase was in non-defence outlays. Higher defence expenditures accounted for 26 per cent of the total expansion in federal outlays. Federal Government defence expenditures, which had declined by \$180 million in 1954, rose by \$29 million in 1955 and by \$44 million in 1956 but remained about 6 per cent below the peak reached in 1953.

In 1955 the rise of 13 per cent in capital expenditures played an important role in the vigorous economic recovery during that year. The upturn in capital expenditures was still more pronounced in 1956. The increase amounted to \$1,342 million or 25 per cent above the level reached in 1955. The rise in capital investment in 1956 absorbed about 32 per cent of the increase in the overall supply of goods and services including imports compared with 18 per cent in 1955. In contrast to 1955, when about half of the growth in capital investment came about as a result of the increase in new housing, the increase in 1956 was confined almost entirely to business capital expenditures.

Since 1952 the home building industry has expanded greatly due to favourable conditions both on the demand and on the supply side. The dollar value of residential construction rose by 35 per cent in 1953, 10 per cent in 1954 and 27 per cent in 1955. For 1955 the volume of home building was more than 75 per cent above the 1952 level and almost 50 per cent above the level of 1950. In 1956 residential construction increased only modestly above the high level reached in the previous year. The value of residential construction expanded by about 5 per cent but the increase in physical terms was insignificant since prices rose by almost 4 per cent. The number of housing units completed continued to rise and reached a level of 135,500 or 7,600 more than in 1955. The number of housing starts declined by 11,300 units to 127,000 but remained at a higher level than in any previous year except 1955. The downward trend in housing starts during the course of the year was due in part to a shortage of mortgage funds caused by the competition for funds exerted by investment projects in other fields; and in some areas the shortage of serviced land was probably a contributing factor. In recent years net family formation has amounted to 80-85,000.

New non-residential construction advanced by 38 per cent during 1956 and reached a level of \$2,549 million. Over one-half of the total increase in gross domestic investment exclusive of inventories is accounted for by the rise of \$702 million in industrial and commercial construction. Investment in new machinery and equipment followed a similar trend and expanded sharply to a level \$439 million above the previous peak in 1953. Total outlays for machinery and equipment in 1956 amounted to \$2,512 million or 29 per cent above the figure for 1955. Higher prices accounted for about one-fifth of the rise of \$1,267 million in the value of total business capital investment. The great increase in business capital investment exerted considerable pressure on productive facilities at home and led to a large expansion in purchases abroad, particularly for steel and engineering products.

Inventories rose by \$939 million in 1956 compared with the increase of \$510 million in 1955. The larger inventory accumulation of 1956 was almost entirely the result of the growth in business inventories since additions to farm inventories were about the same as in 1955. During the past two years the addition to farm inventories has amounted to \$388 million and this has been largely the result of above average wheat crops. Business inventory accumulation amounted to \$742 million in 1956, \$423 million more than in 1955. The greater part of the addition to inventories took place during the first half of 1956. Price changes were as important as volume changes. In physical terms, business inventories increased by about 6 per cent in 1956 and the increase in inventory accumulation accounted for about 15 per cent of the rise in gross national expenditure. Despite the steady accumulation in stocks, business inventories as a proportion of sales did not rise above the level of 1955.

Together with the large expansion in domestic demand during 1956, there was a further increase in the value of goods and services sold abroad. Exports of goods and services advanced by \$557 million or 10 per cent during the year. Imports of goods and services increased even more sharply and reached a peak of \$7,699 million or 20 per cent above the year 1955. As a result, the current account deficit for 1956 rose to \$1,389 million or more than double the level of the preceding year.

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. 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.

All components of personal income expanded in 1956 and the total rose by \$2,005 million or 10 per cent compared with an increase of \$1,492 million or 8 per cent in 1955. The greater increase in personal income in 1956 was entirely due to the growth of the labour income component. Labour income, exclusive of employer and employee contributions to social insurance and government pension funds, rose by \$1,433 million in 1956 compared with an increase of \$789 million in 1955 and accounted for 72 per cent of the increase in total personal income compared with 53 per cent in 1955. Net income received by farmers showed a further gain of 15 per cent. The gain in incomes of non-farm unincorporated businesses was slightly less than in 1955. The rise of 7 per cent in investment income reflected higher dividend payments and rents, as well as some increase in interest rates. Government transfer payments, which had risen considerably in 1954, when personal income as a whole remained fairly stable, continued to move upwards in the succeeding two years but at an increasingly slower pace. Payments increased by \$97 million in 1955 and by \$34 million in 1956. The greater part of the increase in 1956 resulted from larger provincial and municipal disbursements.

In 1956 Canadians spent about 85 cents of each dollar of income on consumer goods and services, while 7 cents was added to personal saving and about 8 cents was paid out in direct taxes. Total personal direct tax collections rose by \$229 million or 15 per cent and reached a level of \$1,720 million. With no change in

TABLE 3
SOURCES OF PERSONAL INCOME

	1953	1954	1955	Prelim. 1956
(Millions of Dollars)				
1. Wages, salaries and supplementary labour income... Deduct: Employer and employee contributions to social insurance and government pension funds.	11,715 -390	11,994 -396	12,810 -423	14,284 -464
2. Military pay and allowances.....	309	367	394	424
3. Net income received by farm operators from farm production ¹	1,657	1,151	1,382	1,588
4. Net income of non-farm unincorporated business...	1,675	1,625	1,793	1,951
5. Interest, dividends and net rental income of persons ²	1,649	1,783	1,957	2,097
6. Transfer payments to persons (excluding interest)— (a) from government.....	1,464	1,634	1,731	1,765
(b) charitable contributions made by corpora- tions.....	28	25	31	35
(c) net bad debt losses of corporations.....	25	26	26	26
7. Personal Income (1+2+3+4+5+6).....	18,132	18,209	19,701	21,706

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

²Includes all government debt interest paid to persons.

rates of taxation, personal income tax collections showed the effect of the sharp rise in personal income and increased by \$198 million. Receipts from succession duties and other miscellaneous taxes rose by \$31 million.

Personal disposable income or income after payment of direct taxes increased by 10 per cent in 1956 compared with the rise of 9 per cent in 1955. The gain in

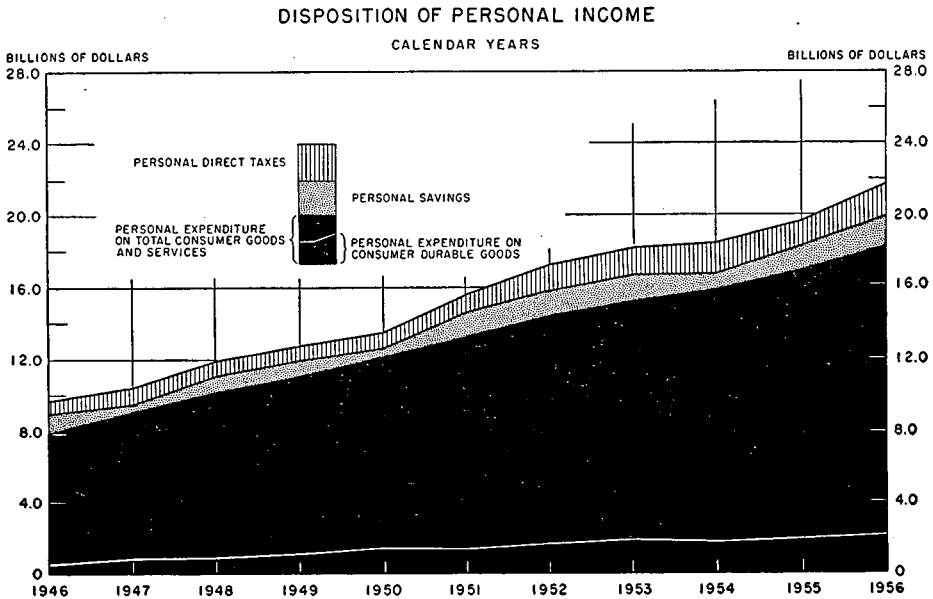


TABLE 4
DISPOSITION OF PERSONAL INCOME

	1953	1954	1955	Prelim. 1956
(Millions of Dollars)				
1. Personal direct taxes—				
(a) income taxes.....	1,287	1,296	1,297	1,495
(b) succession duties.....	73	78	127	146
(c) miscellaneous taxes.....	72	63	67	79
Total direct taxes.....	1,432	1,437	1,491	1,720
2. Personal expenditure on consumer goods and services—				
Goods—				
(a) non-durable.....	8,581	8,997	9,673	10,513
(b) durable.....	1,790	1,694	1,919	2,061
Services.....	4,741	5,190	5,547	5,982
Total consumer expenditure.....	15,112	15,881	17,139	18,556
3. Personal saving—				
(a) personal saving excluding farm inventories.....	1,538	1,006	860	1,261
(b) change in farm inventories.....	50	-115	211	169
Total personal saving.....	1,588	891	1,071	1,430
4. Personal Income (1+2+3).....	18,132	18,209	19,701	21,706

1956 amounted to \$1,776 million and Canadians had, therefore, considerably more money available for spending and saving. A relatively large proportion of this additional income was saved. The increase in personal saving exclusive of the change in farm inventories amounted to \$401 million or almost one-quarter of the increase in non-farm personal income. There was a further increase in farm inventories, mainly because of the large wheat crop, but saving in this form was lower than in 1955. Exclusive of the change in farm inventories, personal saving from current income constituted 6.3 per cent of disposable income in 1956 compared with 4.7 per cent in 1955.

The only significant change in the overall pattern of consumer expenditures in 1956 was the lesser rate of expansion in expenditures on durable goods. Outlays on durable goods rose by 7 per cent in 1956 to a level of \$2,061 million. Since prices were slightly higher the volume of durable goods purchases increased by 6 per cent compared with a rise of 19 per cent in 1955. An important factor in the further growth during 1956 was the record sale of motor cars. Major gains also occurred in the sale of house furnishings and home appliances. Expenditures on non-durable goods expanded by 9 per cent in value during 1956. However, when the price factor is taken into account, the increase in real terms was close to 8 per cent or about the same as in 1955. There were substantial increases in outlays on food and clothing. Consumer spending on services rose by 8 per cent, of which about one-third was due to higher prices.

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.

Total saving from current income declined in 1954, but rose again in 1955 to a level about 2 per cent above 1953. In 1956 there was a further increase of \$1,052 million or 21 per cent. About 37 per cent of the additional saving of \$1,052 million in 1956 was provided by corporations. The personal and the government sectors contributed one-third and one-quarter, respectively, to the total increase in saving.

TABLE 5
SOURCES OF SAVING

	1953	1954	1955	Prelim. 1956
	(Millions of Dollars)			
Personal saving.....	1,588	891	1,071	1,430
Gross business saving—total.....	3,147	3,267	3,783	4,174
(a) Undistributed corporation profits.....	754	624	910	1,030
(b) Depreciation allowances.....	2,418	2,673	2,878	3,151
(c) Net bad debt losses of corporations.....	-25	-26	-26	-26
(d) Undistributed Wheat Board trading profits and inventory valuation adjust- ment on grain held by Wheat Board.....	-5	-4	22	20
(e) Inventory valuation adjustment ¹	5	—	-1	-1
Adjusted government surplus (+) or deficit (-) ²	223	-38	135	432
Residual error of estimate ³	15	-78	60	65
Total.....	4,973	4,042	5,049	6,101

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

² See Table 9.

³ See Tables 1 and 2.

TABLE 6
DISPOSITION OF SAVING

	1953	1954	1955	Prelim. 1956
	(Millions of Dollars)			
Gross domestic investment—				
Housing, plant and equipment.....	4,840	4,666	5,275	6,617
Change in inventories.....	591	-275	510	939
Net increase in foreign assets (including foreign exchange) adjusted ¹	-443	-427	-677	-1,389
Residual error of estimate ²	-15	78	-59	-66
Total.....	4,973	4,042	5,049	6,101

¹ Minor adjustments have been made to the figures appearing in Table 10.

² See Tables 1 and 2.

Government saving is represented by the surplus of revenues over expenditures for all three levels of government combined. In the calendar year 1956 the surplus of revenues over expenditures as calculated for National Accounts purposes amounted to \$432 million. This includes an adjustment of \$103 million in the federal accounts to place corporate tax revenue on an accrual basis. Excluding the effect of this adjustment, which has no fiscal significance, government saving actually amounted to \$329 million in 1956 compared with a deficit of \$61 million in 1955. The surplus in 1956 was composed of saving at the federal level amounting to \$486 million and an excess of expenditures over revenues amounting to \$157 million for all provincial and municipal governments combined.

The largest contribution to the nation's total annual saving came from the business sector and saving from this source in 1956 accounted for 68 per cent of the total. Gross business saving rose by 10 per cent to a level of \$4,174 million. Depreciation allowances, the largest component of business saving, rose by 10 per cent in 1956 compared with 8 per cent in 1955 and this increase accounted for 70 per cent of the rise in business saving. This is an indication of the large additions to physical plant and equipment during 1956. Saving in the form of undistributed profits rose by 13 per cent but this increase was much less pronounced than the 46 per cent increase of 1955. Undistributed profits are affected by the change in total profits, by the amount paid in direct taxes, and by amounts paid out in dividends. In 1955 undistributed profits rose very

TABLE 7
CORPORATION PROFITS, TAXES AND DIVIDENDS

	1953	1954	1955	Prelim. 1956
	(Millions of Dollars)			
Corporation profits before taxes ¹	2,570	2,350	2,872	3,240
Deduct corporation taxes ²	-1,216	-1,114	-1,262	-1,410
Corporation profits after taxes.....	1,354	1,236	1,610	1,830
Deduct dividends paid out ³	-600	-612	-700	-800
Undistributed corporation profits ⁴	754	624	910	1,030

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 9).

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

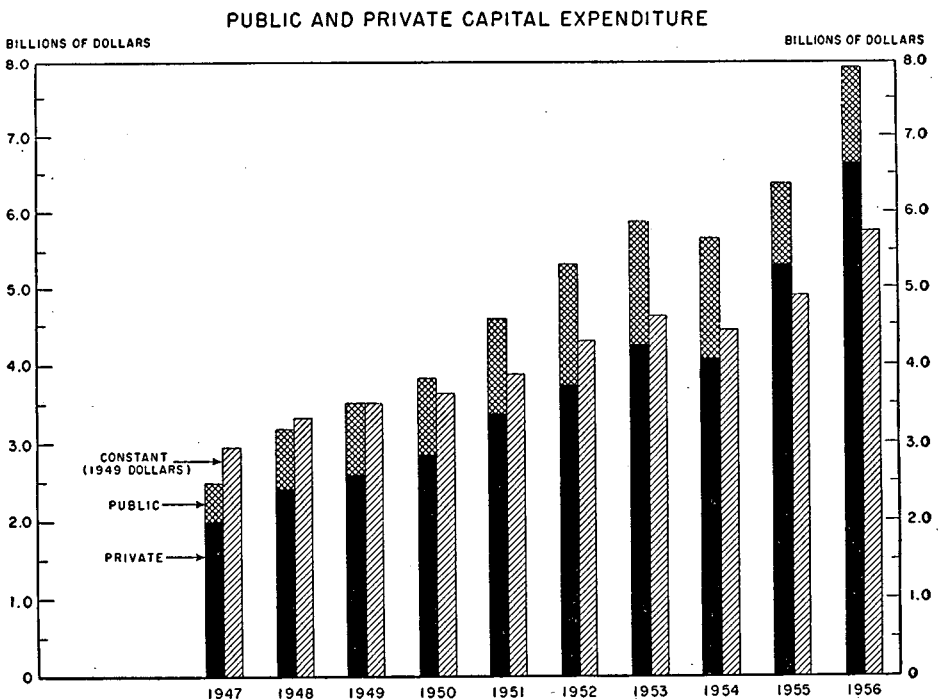
⁴ See Table 5.

rapidly, mainly due to the recovery in total profits from the decline in 1954. In 1956 undistributed profits reflected the more moderate rise in total profits as well as an increase in tax liability and in dividends paid out. Corporation profits are estimated to have risen in 1956 by \$368 million or by \$220 million after taxes. Dividends were raised by \$100 million and there was consequently an increase in undistributed profits amounting to \$120 million or 13 per cent. The rise in undistributed profits contributed about 31 per cent of the total increase in business savings during 1956 compared with 55 per cent in 1955.

In 1956 gross domestic investment inclusive of inventory changes amounted to \$7,556 million. About four-fifths of this total was financed from savings generated within the domestic economy. The remainder resulted in an increase in net foreign liabilities as indicated by the deficit of \$1,389 million in the balance of international payments on current account. The excess of Canada's total payments abroad over total receipts more than doubled between 1955 and 1956. This excess was balanced as in previous years by capital inflows and there was no significant change in Canada's reserves of foreign exchange. In contrast to 1955, when security transactions taken by themselves resulted in some net outflow of capital, Canadian borrowing abroad and other security transactions resulted in 1956 in heavy capital inflows. In fact, capital inflows from security transactions exceeded the value of direct investment which in itself showed a substantial rise over 1955. These transactions are treated more fully in the section on the International Balance of Payments.

INVESTMENT AND CAPITAL EXPENDITURE

Table 8 gives the industrial distribution of business capital expenditures and brings them together with public capital outlays included in government expenditures on goods and services in Table 2. At the same time a reconciliation



is provided between gross domestic investment in housing, plant and equipment as it appears in Table 2 and total capital outlays shown in Table 8.

In 1956 public and private capital expenditures increased by \$1,550 million and reached a total of \$7,900 million. The expansion of 24 per cent in capital outlays was the largest since the early post-war years. In terms of volume the increase for 1956 amounted to 17 per cent, about double the expansion of 8 to 9 per cent which occurred in 1955. Because of the limitation of resources, actual outlays fell somewhat short of investment plans which were progressively revised upward during the year.

TABLE 8
PUBLIC AND PRIVATE CAPITAL EXPENDITURE

	1953	1954	1955	Prelim. 1956
	(Millions of Dollars)			
Agriculture and fishing.....	546	388	426	495
Forestry.....	34	46	63	74
Mining, quarrying and oil wells.....	257	278	336	536
Manufacturing.....	969	822	947	1,349
Electric power, gas and water works.....	548	483	480	706
Transportation, storage and communications.....	661	641	619	924
Construction industry.....	91	97	174	191
Trade, finance and commercial services.....	526	582	561	607
Institutions.....	301	337	408	402
Housing.....	1,084	1,178	1,499	1,575
Government departments.....	824	768	837	1,041
Total Capital Expenditure¹.....	5,841	5,620	6,350	7,900
Total Capital Expenditure as a percentage of Gross National Expenditure.....	23.9	23.1	23.6	26.5
Index of total Capital Expenditure in Constant Dollars.....	100	96	105	124

¹For reconciliation with Gross Domestic Investment in housing, plant and equipment in Table 2, see below.

	1953	1954	1955	Prelim. 1956
PUBLIC AND PRIVATE CAPITAL EXPENDITURE—Table 8.....	5,841	5,620	6,350	7,900
DEDUCT:				
Provincial hospitals and schools, and municipal schools.....	151	169	214	218
Government housing excl. C.M.H.C. rental housing.....	23	12	18	19
Direct government department outlays.....	824	768	837	1,041
Other.....	3	5	6	5
GROSS DOMESTIC INVESTMENT IN HOUSING, PLANT AND EQUIPMENT—Table 2.....	4,840	4,666	5,275	6,617

All major industrial groups spent more money on investment undertakings in 1956. The most striking advances were achieved in mining, manufacturing and utilities. These sectors accounted for 44 per cent of total capital outlays but contributed 73 per cent of the increase in investment which took place in 1956. Agriculture, trade and the government sector showed more moderate increases although capital expenditures were substantially above the level in the previous year. Investment undertaken in the construction industry, in forestry and in housing was larger in total than in 1955 but there was a notable slowing down in the rate of increase.

Investment in manufacturing rose by \$402 million or 42 per cent during 1956. In general, industries concerned with raw material processing led the advance. The biggest increase occurred in the paper products group with capital

outlays up by \$124 million. The rise of \$69 million in capital outlays in the non-metallic minerals group was substantial and represented an advance of 145 per cent over the level of the previous year. Investment in plant and equipment for manufacturing iron and steel products rose by \$63 million or 67 per cent. There was a comparable increase in capital investment in the chemical industry. The remaining groups accounted for about 20 per cent of the total increase in manufacturing investment.

More than one-half of the increase of \$531 million in investment expenditures by utilities was the result of higher outlays for electric power generation and for railway improvements. Capital expenditures in 1956 also reflected the progress which was made during the year in building gas and oil pipe lines as well as major engineering works associated with the St. Lawrence Seaway. There was a further expansion of expenditures in most other fields including telephone facilities and municipal waterworks. Decreases were concentrated in capital outlays for broadcasting and in new investment by motor carriers.

Investment outlays by the trade, finance and commercial services group which had declined modestly in 1955, expanded in 1956 by about 8 per cent. Within this total, the individual components followed different trends. Increases in investment were widespread for the financial sector with expenditures up by 23 per cent. In the commercial services group there was a relatively large increase in investment undertaken by hotels but this was partially offset by declines in capital outlays for theatres and laundries. In the trade sector, capital outlays were lower than in 1955 in all groups except the automotive and wholesale trades and new investment fell by \$11 million or 3 per cent.

Capital outlays for hospitals declined in 1956 by \$20 million or 14 per cent. Capital outlays on schools remained practically constant. Despite increased investment in churches and universities there was a slight drop in total new investment in institutions. Governments increased their capital outlays by \$204 million or 24 per cent.

REVENUE AND EXPENDITURE OF ALL GOVERNMENTS

In Table 9 "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. In addition, corporate taxes have been adjusted to an accrual basis in the federal accounts. 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 9.

The surplus or deficit as calculated for national accounts purposes is affected by the adjustment of federal revenue to place corporation taxes on an accrual

basis. In 1955 the adjustment was very large and increased revenues by \$196 million. In 1956 the adjustment was more moderate though substantial in size and increased revenues by \$103 million. Excluding the effect of this adjustment which has no significance from a cash standpoint, the surplus for all levels of government combined was substantial and amounted to \$329 million in 1956 in contrast to the deficit of \$61 million in the preceding year. The surplus was confined to the federal accounts alone and the deficit of all provincial and municipal governments combined amounted to \$157 million. This change from deficit to surplus in the government accounts tended to act as an offset to the rise in demand for goods and services in other fields and contributed to the forces of restraint during the year.

Expenditures by provincial and municipal governments rose by \$364 million or 13 per cent while revenues increased by \$254 million or 9 per cent and the deficit more than tripled and reached a level of \$157 million. In the federal accounts, excluding the adjustment for the accrual of corporation taxes mentioned above, receipts increased by \$764 million or 16 per cent and expenditures rose by \$264 million or 6 per cent. As a result, the 1955 deficit of \$14 million gave way to a surplus of \$486 million in 1956.

The economic effects of fiscal operations are not solely determined by revenues and expenditures. The expansionary or restrictive impact of governmental operations depends also on changes in loans and investments. The net effect of this factor was negligible in calendar year 1956 since receipts and payments in respect of loans and investments were almost in balance. The relationship between the surplus and changes in outstanding debt and cash balances is discussed in the section on Monetary and Credit Developments.

Expenditure on goods and services by all levels of government combined rose by \$481 million or 10 per cent in 1956 and this increase accounted for 77 per cent of the growth in total governmental expenditures. The federal share was slightly more than one-half of the total outlay on goods and services and amounted to \$2,631 million. Defence expenditure rose by \$44 million in 1956 but remained

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

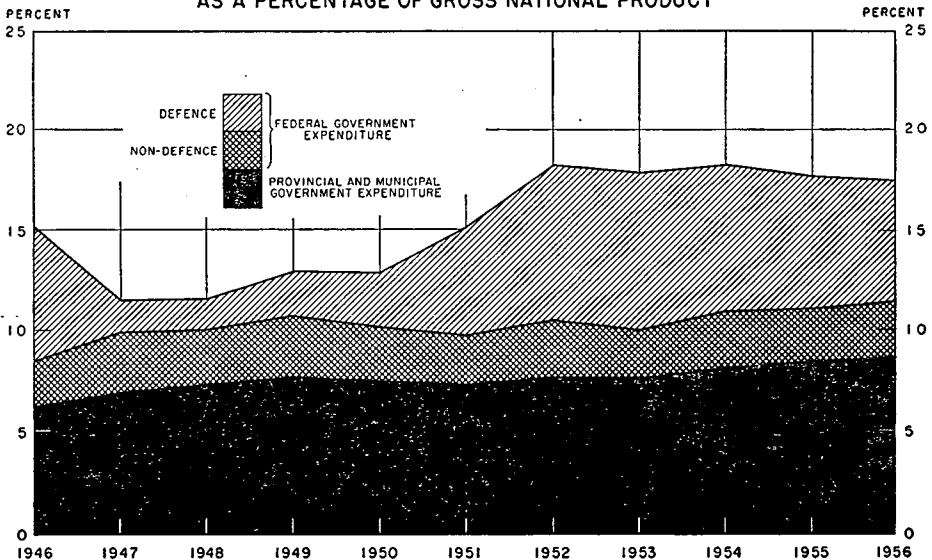


TABLE 9

GOVERNMENT TRANSACTIONS RELATED TO THE NATIONAL ACCOUNTS

	1953	1954	1955	Prelim. 1956
	(Millions of Dollars)			
GOVERNMENT REVENUE—				
Direct Taxes—Persons.....	1,432	1,437	1,401	1,720
Income—				
Federal.....	1,287	1,277	1,269	1,461
Provincial and Municipal.....		19	28	34
Succession Duties—				
Federal.....	40	41	55	88
Provincial.....	33	37	72	58
Miscellaneous—				
Federal.....	2	1	1	1
Provincial and Municipal.....	70	62	66	78
Direct Taxes—Corporations.....	1,216	1,114	1,262	1,410
Income—				
Federal.....	1,140	1,050	1,200	1,333
Provincial.....	76	64	62	77
Other Direct Taxes—				
Withholding taxes—Federal.....	54	58	67	68
Indirect Taxes.....	3,017	3,033	3,317	3,722
Federal.....	1,697	1,612	1,744	1,972
Provincial and Municipal.....	1,320	1,421	1,573	1,750
Investment Income.....	565	595	641	711
Federal.....	216	217	248	295
Provincial and Municipal.....	349	378	393	416
Employer and Employee Contributions to Social Insurance and Government Pension Funds.....	390	396	423	464
Federal.....	250	261	284	321
Provincial and Municipal.....	140	135	139	143
Transfers from Other Governments—				
Provincial and Municipal.....	412	430	450	481
Total Revenue.....	7,086	7,063	7,651	8,576
Federal.....	4,686	4,517	4,868	5,539
Provincial and Municipal.....	2,400	2,546	2,783	3,037
Deficit (or surplus)—	-223	+38	-135	-432
Federal ¹	-143	+57	-182	-589
Provincial and Municipal.....	-80	-19	+47	+157
Total Revenue plus Deficit (or minus Surplus)...	6,863	7,101	7,516	8,144
Federal.....	4,543	4,574	4,686	4,950
Provincial and Municipal.....	2,320	2,527	2,830	3,194

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

TABLE 9—Concluded

GOVERNMENT TRANSACTIONS RELATED TO THE NATIONAL ACCOUNTS

	1953	1954	1955	Prelim. 1956
	(Millions of Dollars)			
GOVERNMENT EXPENDITURE—				
Goods and Services.....	4,388	4,413	4,728	5,209
Federal—				
Defence.....	1,907	1,727	1,756	1,800
Non-defence.....	631	688	705	831
Provincial and Municipal.....	1,850	1,998	2,267	2,578
Transfer Payments.....	1,953	2,172	2,259	2,333
Federal.....	1,487	1,645	1,700	1,720
Provincial and Municipal.....	466	527	559	613
Subsidies.....	110	86	79	121
Federal.....	106	84	75	118
Provincial and Municipal.....	4	2	4	3
Transfers to Other Governments—				
Federal.....	412	430	450	481
Total Expenditure.....	6,863	7,101	7,516	8,144
Federal.....	4,543	4,574	4,686	4,950
Provincial and Municipal.....	2,320	2,527	2,830	3,194

	1953	1954	1955	Prelim. 1956
Reconciliation with Public Accounts Surplus:	(Millions of Dollars)			
Federal Government calendar year surplus for national accounts purposes.....	+143	-57	+182	+589
Adjustments:				
Difference between calendar and fiscal year.....	+24	+195	-11	-305
Difference between corporation tax accruals and government receipts.....	+97	+7	-196	-103
Revenue items omitted.....	+92	+79	+21	+37
Reserves, write-offs and similar items omitted from expenditure.....	-139	-145	-110	-134
Shipment of military equipment to NATO countries less replacement.....	-55	-5	+2	+22
Extra-budgetary funds for pensions and social insurance (net).....	-28	+45	+39	-60
Adjustment to place debt interest on a "due date" basis.....	-14	+23	+7	+8
Other adjustments.....	-96	-96	-86	-87
Federal surplus for fiscal year as per public accounts	+24	+46	-152	-33
	(1952-53)	(1953-54)	(1954-55)	(1955-56)

6 per cent below the peak level reached in 1953. Non-defence outlays, which contribute somewhat less than one-third to total federal expenditures on goods and services, rose more rapidly in 1956 than in recent years. The federal government's share in the overall use of goods and services during 1956 did not change appreciably from 1955 and accounted for about 9 per cent of gross national expenditure.

Provincial and municipal expenditures on goods and services rose by almost 14 per cent in 1956 as well as in 1955. The increase of \$311 million in 1956 took place as a result of higher wages and salaries as well as greater investment in urban facilities and highways.

In 1956 transfer payments by all governments amounted to \$2,333 million and accounted for 29 per cent of all government expenditures. Transfer payments continued to rise during 1956 but the increase of 3 per cent compares with an expansion of 4 per cent in 1955. The greater part of the increase in 1956 occurred at the provincial and municipal level. Federal transfer payments rose by \$20 million or 1 per cent but the modest overall expansion hides diverging trends in the individual components. The rise in employment and the large western grain crop brought about a decline in unemployment insurance payments and in the payment of claims under the Prairie Farm Assistance Act. On the other hand, the number of persons eligible to receive old age pensions and family allowances increased as in previous years and this resulted in a further growth in federal disbursements. Transfer payments of provincial and municipal governments increased by \$54 million or 10 per cent in 1956. The principal element in this increase was the growth in grants paid to private non-commercial institutions such as hospitals, schools and universities.

Federal subsidies increased by more than one-half to a level of \$118 million. The main factor in the increase was the assumption by the government of the annual carrying charges on the Wheat Board's stocks of wheat in excess of 178 million bushels at August 1, the commencement of the crop year.

As indicated in the section on gross national expenditure, the yield of direct personal taxes rose by \$229 million and reached a level of \$1,720 million. Although there was no increase in tax rates, federal receipts from the personal income tax rose by 15 per cent or \$192 million. The increase of 15 per cent in federal receipts from the personal income tax was considerably higher than the rise of 10 per cent in aggregate personal income. This was because individual incomes were higher on the average and a greater proportion of total income was therefore taxable, some of it at higher rates. There was also a rise in yield from the Quebec income tax. Federal collections from succession duties increased by \$33 million in 1956 whereas provincial receipts fell by \$14 million. Receipts from the federal tax on corporation incomes rose by \$226 million or 22½ per cent during 1956. This is in contrast to the relative stability in receipts from this source in 1955. The trend in corporate tax revenues reflects to an important degree the delayed effects on revenue receipts of the recovery in corporate profits since 1954 and this lag came about because corporations are permitted to pay tax on the basis of the previous year's income.

Indirect taxes for all three levels of government rose in 1956 by \$405 million or 12 per cent and this increase constituted 44 per cent of the advance in total revenues. Federal receipts from indirect taxes amounted to \$1,972 million, a rise of \$228 million or 13 per cent compared to an increase of 8 per cent in 1955. The very large increase in imports during 1956 led to a marked rise of about 21 per cent in customs duties and this increase accounted for about 41 per cent of the total increase in federal indirect taxes. The increase of \$103 million or 10 per cent in sales and excise taxes reflected, in the main, the substantial growth in consumer expenditures. Provincial and municipal revenue from indirect

taxes rose by \$177 million or 11 per cent. There were increases of \$38 million in receipts from retail sales taxes and of \$28 million from gasoline taxes. Receipts from natural resources increased by \$17 million. Municipal revenues from the real property tax rose by \$59 million during 1956.

BALANCE OF INTERNATIONAL PAYMENTS

During 1956 Canada's international accounts reflected quite strongly the very high level of economic activity prevailing in the domestic economy as well as continued firmness in international markets, particularly that of the United States. Merchandise exports increased by more than 11 per cent over 1955 but this impressive growth was overshadowed by a 23 per cent rise in imports. These increases in merchandise trade include the effect of an increase of about 3 per cent in the prices of both exports and imports so that the terms of trade, or the ratio of export prices to import prices, in 1956 remained unchanged from the

TABLE 10

BALANCE OF INTERNATIONAL PAYMENTS

ESTIMATED CURRENT ACCOUNT BETWEEN CANADA AND ALL COUNTRIES
(Millions of Canadian Dollars)

	1953	1954	1955	Prelim. 1956
CURRENT CREDITS—				
Merchandise exports (adjusted) ¹	4,152	3,929	4,332	4,834
Gold available for export.....	144	155	155	150
Travel expenditures.....	302	305	328	335
Interest and dividends.....	165	147	160	141
Freight and shipping.....	318	313	385	439
Inheritances and immigrants' funds.....	91	89	86	98
Other current receipts.....	319	298	393	411
Total Credits.....	5,491	5,236	5,839	6,408
CURRENT DEBITS—				
Merchandise imports (adjusted).....	4,210	3,916	4,540	5,568
Travel expenditures.....	365	389	449	497
Interest and dividends.....	404	423	477	530
Freight and shipping.....	374	356	408	489
Inheritances and emigrants' funds.....	91	94	101	107
Other current payments.....	490	490	556	615
Total Debits.....	5,934	5,668	6,531	7,806
NET BALANCE ON CURRENT ACCOUNT.....	-443	-432	-692	-1,398

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)

	1953	1954	1955	Prelim. 1956
Between Canada and—				
United States.....	-904	-807	-1,041	-1,659
United Kingdom.....	+133	+229	+341	+251
Rest of the Sterling Area.....	+83	+44	+60	+39
Other OEEC Countries.....	+173	+93	+30	+16
Other Countries.....	+72	+9	-82	-45
All Countries.....	-443	-432	-692	-1,398

previous year. Since the increase in the value of imports was much larger than the increase in exports, the deficit on commodity trade for 1956 rose to \$734 million, more than three times the deficit of \$208 million incurred in 1955. The increase in the trade deficit was accompanied by an increase in the deficit on non-merchandise transactions. Thus, the current account deficit for 1956 is estimated at \$1,398 million compared with the deficit of \$692 million for the previous year.

The total value of merchandise exports in 1956 was \$4,834 million compared with \$4,332 million in 1955, an increase of \$502 million. The most notable development in the export picture during 1956 was the strong recovery of wheat exports after successive declines in the preceding two years. The value of wheat sales during the year under review was more than 50 per cent higher than in 1955. Also of significance was a threefold increase in the value of petroleum exports and a greater than 40 per cent rise in the value of iron-ore shipments. Newsprint, copper, and aircraft and parts were other export items showing substantial value increases. Most other export commodities showed small increases and in the few cases where declines occurred they were small, with the exception of softwood lumber which showed a sizeable decline from the unusually high level of 1955.

Merchandise imports increased from \$4,540 million in 1955 to \$5,568 million in 1956, an increase of \$1,028 million. While the sharp increase in imports was quite general, it was most pronounced in investment goods such as machinery and construction materials and this was a reflection of the dominant role of the capital investment programme in the current expansion.

The deficit on non-merchandise transactions widened by \$180 million in 1956, growing from \$484 million in 1955 to \$664 million. All non-merchandise items, with the exceptions of gold available for export, and inheritances and migrants' transfers, showed larger deficits than in the comparable period of 1955. The largest debit increase occurred in the interest and dividend account.

The largest share of the increase in trade, in absolute terms, went to the United States which absorbed more than one-half of the increase in exports and supplied nearly three-quarters of the increase in imports. A notable feature of Canadian trade in 1956 was a marked increase in trade with the countries of continental Europe with exports and imports increasing by about 40 per cent and 50 per cent, respectively. While this increase reflects growing sales opportunities because of the sustained progress of import liberalization followed by many European countries, a large part of the gain was accounted for by very large wheat shipments, particularly to the U.S.S.R. and some central European countries. Exports to the United Kingdom and other Commonwealth

TABLE 11
CANADA'S OFFICIAL HOLDINGS OF GOLD AND U.S. DOLLARS
AS AT DECEMBER 31
(Millions of U.S. Dollars)

	1953	1954	1955	1956
Exchange Fund Account and Bank of Canada—				
Gold.....	986.1	1,072.7	1,133.9	1,103.3
U.S. Dollars.....	802.0	833.4	692.0	798.0
Other Government of Canada Accounts.....	30.4	36.5	74.9	34.9
Total Gold and U.S. Dollars.....	1,818.5	1,942.6	1,900.8	1,936.2

TABLE 12
SUMMARY OF CAPITAL MOVEMENTS
(Millions of Canadian Dollars)

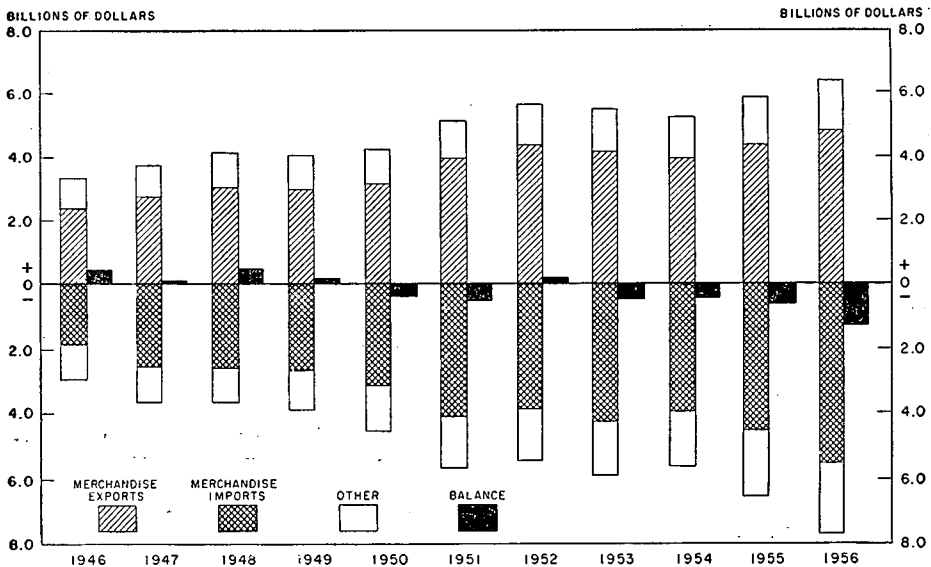
	1953	1954	1955	Prelim. 1956
Direct investment in Canada.....	+426	+392	+410	+525
Direct investment abroad.....	-63	-81	-67	-100
Canadian securities—				
Trade in outstanding stocks.....	+21	+129	+148	+196
Trade in outstanding bonds.....	-52	-66	-165	+12
New issues.....	+335	+331	+166	+681
Retirements.....	-146	-203	-184	-140
Foreign securities.....		-24	-15	+14
Official Loan Repayments.....	+87	+72	+69	+69
Canadian dollar holdings of foreigners.....	-18	+34	+89	-24
Official holdings of gold and foreign exchange (increase, —).....	+38	-124	+44	-33
Other capital movements.....	-185	-28	+197	+198
Net capital movement financing current account balances...	+443	+432	+692	+1,398

countries increased only moderately while imports from the United Kingdom showed a substantial rise. Total trade with all other countries as a group also experienced an upward movement with significant increases in imports from Mexico and Japan and a sizeable growth in exports to the latter country.

As a result of these developments, and comparing 1956 with 1955, the trade deficit with the United States increased sharply; the surplus with the United Kingdom and, to a much lesser extent, with other Commonwealth countries declined; and the trade surplus with all other countries showed a small increase.

The net inflow of capital into Canada in 1956 was almost double the inflow in 1955 and since it was more than sufficient to finance the deficit on current account there was a small increase in official holdings of gold and foreign exchange. The large increase in capital inflows was almost entirely due to long-term investment since short-term capital inflows were about the same as in 1955. While long-term direct investment showed a substantial increase compared with past periods, it was on portfolio account that the most striking change took place. During 1955, there had been a net outflow of funds from Canada through security

BALANCE OF INTERNATIONAL PAYMENTS



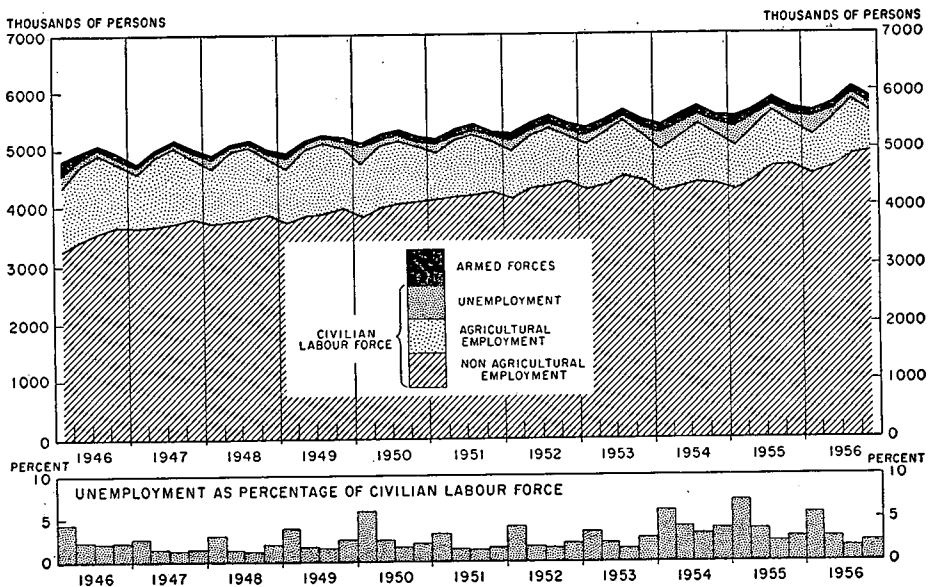
transactions because a relatively narrow differential between interest rates in Canada and the United States contributed to the sale of Canadian bonds by foreign investors, a lower level of new issues floated abroad, and the retirement of securities held outside Canada. Since the last half of 1955, however, interest rates in Canada have risen more sharply than in the United States, so that the differential has widened. This development reversed the outflow and has not only encouraged a very high level of foreign investment in outstanding Canadian securities but, coupled with the heavy demand for capital funds in Canada, has greatly increased the amount of Canadian borrowing abroad. It is estimated that the value of new issues floated abroad in 1956 rose by \$515 million to a total of \$681 million, thus accounting for nearly one-half of the total capital inflow. Official reserves of gold and United States dollars, expressed in U.S. funds, increased during 1956 and at December 31, 1956, were \$1,936 million compared with \$1,901 million at December 31, 1955.

Against this background of exceptionally high long-term capital inflows the exchange value of the Canadian dollar has shown increasing strength. At December 31, 1955, the United States dollar was \$.9991 in terms of the Canadian dollar and at December 31, 1956, the exchange rate was \$.9597.

EMPLOYMENT AND EARNINGS

The large increase in production during 1956 was accompanied by a notable rise in employment. Employment was higher for each month of 1956 than it had been for the corresponding period of 1955. For the year as a whole the number of persons with jobs averaged 198,000 or 3.7 per cent more than in 1955. This was the largest gain in civilian employment since 1946 which was a year of demobilization and reconversion. There was also an unusually large increase in the labour force during 1956, partly as a result of the greater number of immigrants and partly because the abundance of employment opportunities drew larger numbers of housewives, older persons and persons of school age into the labour force. However, the exceptional rise in employment outpaced the growth in the labour force by a significant margin and there was, therefore, a large decline in unemployment.

THE LABOUR FORCE



With the exception of 1954, the growth in employment in recent years has been concentrated in non-agricultural occupations. There has been a pronounced shift from rural to urban occupations and the average annual decrease in agricultural employment has amounted to between 3 and 4 per cent during the post-war period. In 1956 the same trend prevailed. Agricultural employment declined by some 5 per cent and an estimated 45,000 persons left the industry.

The number of persons employed in non-agricultural occupations in 1956 rose by 243,000, an increase of 5 per cent over the previous year. The seasonally adjusted index of non-agricultural employment increased rapidly for the first seven months of 1956 and reached a peak in July, about 7 per cent above the level at the start of the year. For the remainder of the year, the index remained relatively constant. All major industrial sectors contributed to this increase with the most pronounced expansion occurring in construction where employment rose by 20 per cent for the period January to December, 1956. Employment in mining and in durable goods manufacturing also rose significantly. In industries producing non-durable goods employment remained relatively stable during the first half of 1956 but showed increased strength in succeeding months.

The average number of persons without jobs and seeking work in 1956 was 179,000 or 51,000 less than in the preceding year. A twelve-month comparison indicates that unemployment in 1956 was lower each month than during the corresponding period in 1955. On a seasonally adjusted basis unemployment followed a declining trend for the first seven months of 1956 with some increase in unemployment towards the end of the year as the growth in employment levelled off. The number of persons without jobs and seeking work averaged 3.1 per cent of the labour force in 1956 compared with 4.1 per cent in 1955. The highest unemployment was reached in February, 1956, when there were 308,000 jobless persons. This compares with 401,000 unemployed persons during the peak period in March, 1955. The lowest level of unemployment during 1956

TABLE 13
THE CIVILIAN LABOUR FORCE
ANNUAL AVERAGES
(Thousands of Persons)

	1953	1954	1955	1956
Civilian Labour Force.....	5,383	5,426	5,558	5,705
Male.....	4,197	4,207	4,299	4,372
Female.....	1,186	1,219	1,259	1,333
Non-Agricultural.....	4,521	4,547	4,734	4,927
Agricultural.....	862	879	824	778
Persons without jobs seeking work.....	137	232	230	179
Persons with jobs.....	5,246	5,194	5,328	5,526
In Non-Agricultural Industries.....	4,388	4,321	4,510	4,753
Paid Workers.....	3,853	3,802	3,996	4,237
Employers, own account workers and unpaid family workers.....	535	519	514	516
In Agriculture.....	858	873	818	773
Paid Workers.....	113	120	106	101
Employers, own account workers and unpaid family workers.....	745	753	712	672

occurred in September with 97,000 jobless persons looking for work or 34,000 fewer than during the seasonal low in the preceding year.

More jobs at higher pay brought about the large increase in labour income during 1956. The pronounced advance in average weekly earnings was almost entirely the result of a rise in rates of pay since the number of hours worked per week did not change materially. In manufacturing, average hourly earnings during 1956 rose by 5 per cent compared with an increase of 3 per cent in the preceding year. Average annual earnings per paid worker amounted to \$3,293, an increase of \$170 or $5\frac{1}{2}$ per cent over 1955. Although part of this gain was offset by the advance of $1\frac{1}{2}$ per cent in consumer prices, the improvement in real income of 4 per cent was double the advance in the preceding year.

Labour income rose continuously in 1956. On a seasonally adjusted basis, the movement throughout the year followed quite closely the pattern of 1955. The most striking increase in labour income took place in the second quarter, when it is estimated a rise of over 5 per cent occurred. For the second half of the year, the expansion in labour income became progressively less pronounced. All major industrial occupations participated in the advance in total earnings. As in the previous year, construction led all other industries, with an increase of 19 per cent in 1956 compared to 13 per cent in 1955. The expansion of labour income in the primary industries during 1956 was substantial and amounted to 13 per cent in contrast to the more moderate rise of $5\frac{1}{2}$ per cent in 1955. Total salaries and wages paid in all other major industrial groups, including manufacturing, finance and services, utilities, transportation, storage and trade, rose by about 11 per cent compared to an increase of 6 to 7 per cent in 1955.

MONETARY AND CREDIT DEVELOPMENTS

In 1956 the financial requirements of the investment boom and the intensification of general economic activity led to a strong and continuous growth in the demand for credit. To some extent the greatly expanded demand for funds was met by the growth in savings out of current income. At the same time, more active use was made of the total money supply as shown by the rise in the ratio of the value of cheques cashed to the total deposit liabilities. There was also a moderate increase in the supply of money as measured by the total of currency and bank deposits in the hands of the general public. However, with demand for goods and services pressing on the limits of physical capacity and with pressure at many points breaking through existing price levels, the operations of the Bank of Canada were directed throughout the year towards restraining the rate of growth in the supply of money and credit. The Bank of Canada's purchases of Government of Canada securities during the year were on a moderate scale and the increase in the cash reserves of the chartered banks was limited to \$27 million or 3 per cent. Hence, in total the demand for borrowed funds was rising more rapidly than the supply and interest rates rose. At year end they were at the high point for the post-war period.

Although all interest rates moved up during the year, the rise in short-term rates was more pronounced than in long-term rates. For example, the Government of Canada fifteen-year theoretical rate rose from 3.41 per cent in December, 1955, to 3.97 per cent in December, 1956, whereas the three to five-year theoretical rate rose in the same period from 3.43 per cent to 4.51 per cent, and three-month treasury bills rose from 2.60 per cent to 3.59 per cent. In the early part of the year the yield on long-term bonds was higher than on short-term bonds but at the end of the year the reverse was true.

A factor of importance in the general decline in bond prices was the large-scale selling of Government of Canada bonds by the chartered banks to finance loan expansion and to improve their liquidity; and by life insurance companies to provide funds for increased investment in mortgages and in provincial, municipal and corporate securities. During 1956 there was, however, a reduction of \$780 million in the total amount of Government of Canada direct and guaranteed securities outstanding. This large retirement had the effect of moderating the upward pressure on interest rates in the securities market.

The rise in interest yields on Government of Canada bonds is indicative of the movement in interest rates generally. Yields on provincial, municipal and corporate securities were also sharply higher. The chartered banks' rate on prime commercial loans moved up from $4\frac{1}{2}$ per cent at the beginning of the year to 5 per cent in April and to $5\frac{1}{2}$ per cent in August and to $5\frac{3}{4}$ per cent in October. Throughout the year the spread between interest rates in Canada and the United States widened and this attracted Canadian borrowers to the United States market and encouraged the purchase of Canadian securities by United States investors, notwithstanding the decline in the exchange value of the U.S. dollar. Net new security issues by provinces, municipalities and corporations in 1956 amounted to \$2.2 billion as compared with \$1.2 billion in 1955. As indicated in the section on the Balance of International Payments about half of this large increase in new issues is accounted for by increased borrowing in the United States.

The Bank of Canada discount rate was raised from 2.75 per cent at the beginning of the year to 3 per cent on April 4, to 3.25 per cent on August 9 and to 3.50 per cent on October 17. On November 1 the Bank of Canada adopted a new policy by which the discount rate for the week following was established each Thursday on the basis of .25 per cent above the average tender rate for 91 day treasury bills.

TABLE 14
YIELDS ON GOVERNMENT SECURITIES
CANADA AND THE UNITED STATES

	Long-Term Bonds ¹			3-5 year Bonds ²			3 Month Treasury Bills ³			Bank Rate ⁴	
	Canada U.S. Spread			Canada U.S. Spread			Canada U.S. Spread			Canada	U.S.
1954—											
June.....	3.11	2.52	.59	2.62	1.78	.84	1.60	.63	.97	2.00	1.50
September.....	3.01	2.51	.50	2.32	1.79	.53	1.21	1.02	.19	2.00	1.50
December.....	3.05	2.57	.48	2.36	1.94	.42	1.08	1.25	— .17	2.00	1.50
1955—											
March.....	2.96	2.67	.29	2.21	2.33	— .12	1.20	1.29	— .09	1.50	1.50
June.....	2.94	2.75	.19	2.24	2.38	— .14	1.34	1.51	— .17	1.50	1.75
September.....	3.14	2.88	.26	2.71	2.76	— .05	1.78	2.10	— .32	2.25	2.25
December.....	3.41	2.88	.53	3.43	2.83	.60	2.60	2.59	.01	2.75	2.50
1956—											
March.....	3.31	2.88	.43	3.23	2.81	.42	2.62	2.37	.25	2.75	2.50
June.....	3.42	2.86	.56	3.52	2.85	.67	2.67	2.58	.09	3.25	2.75
September.....	3.78	3.21	.57	3.94	3.48	.46	3.05	2.77	.28	3.25	3.00
December.....	3.97	3.35	.62	4.51	3.68	.83	3.59	3.27	.32	3.84	3.00

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.

⁴ At mid-month.

Because of the relatively small increase in their cash reserves, the chartered banks could not expand their total Canadian assets and deposit liabilities by any large amount in 1956. However, under the pressure of a great increase in demand for credit the banks did add to their loans substantially in the first half of the year, accommodating the increase by selling Government of Canada bonds on a large scale.

General loans, which had risen sharply since the beginning of the second quarter of 1955 and had increased by 30 per cent in the twelve months ending May 31, 1956, stopped rising in June and apart from seasonal fluctuations there was little change in the total during the second half of the year. Of the increase in general loans in 1956 the largest part occurred in loans to industrial concerns and to instalment and other finance companies.

The chartered banks' holdings of corporate securities increased by \$28 million in 1956. Provincial and municipal security holdings declined by \$93 million while holdings of insured mortgages increased by \$212 million.

The public's holdings of currency, bank deposits and Government of Canada securities rose by \$92 million in 1956 compared with \$1,100 million in the previous year. Holdings of currency and bank deposits increased by \$311 million while holdings of Government of Canada securities fell by \$219 million. This increase in the public's liquid assets developed solely from the operations of the banking system since the Federal Government had a substantial excess of receipts over outlays which amounted to \$485 million. The federal excess of receipts over outlays takes into account both budgetary and non-budgetary activities as

TABLE 15.
CHARTERED BANKS: MAJOR CANADIAN ASSETS AND DEPOSIT LIABILITIES
(Average of Wednesday figures)

	Dec. 1953	Dec. 1954	Dec. 1955	June 1956	Dec. 1956
(Million of Dollars)					
CHARTERED BANK ASSETS					
Bank of Canada deposits and notes.....	903	813	879	886	904
Day-to-day loans.....		81	57	78	70
Treasury bills.....	234	350	375	760	747
Sub-total.....	1,137	1,244	1,311	1,724	1,721
Government bonds.....	2,497	2,946	2,721	1,932	1,706
Insured mortgages.....		63	281	385	493
Provincial and municipal securities.....	431	429	546	495	453
Corporate securities.....	339	347	482	504	510
Special categories of loans ¹	858	890	909	794	963
General loans.....	3,263	3,277	3,988	4,538	4,512
Sub-total.....	4,891	5,006	6,206	6,716	6,931
Total of above Canadian assets.....	8,525	9,196	10,238	10,372	10,358
CHARTERED BANK DEPOSITS					
Personal savings deposits.....	4,744	5,170	5,603	5,867	5,960
Government of Canada deposits.....	525	347	541	488	341
All other (less total float).....	3,064	3,395	3,746	3,653	3,669
Total Canadian deposits (less total float).....	8,333	8,912	9,890	10,008	9,970

¹ Loans to provincial governments and municipalities, specially secured loans to grain dealers, investment dealers and stockbrokers and loans to finance the purchase of Canada Savings Bonds.

well as changes in loans and investments. However, as mentioned above, there was a large retirement of Government of Canada securities and this helped to moderate the upward pressure on interest rates in the securities market.

TABLE 16
CHARTERED BANK LOANS IN CANADA¹

	As at Dec. 31 1956	Increase during			Per cent Increase in 1956
		1956	1955	1954	
(Millions of Dollars)					
GENERAL					
Personal					
(i) Fully secured by marketable bonds and stocks.....	324	-15	86	-16	-4
(ii) Other.....	473	8	113	44	2
Instalment finance companies.....	443	98	129	-40	28
Other financial institutions ²	120	24	7	7	25
Merchandisers.....	647	12	72	-21	2
Farmers.....	357	-9	27	5	-3
Construction contractors.....	313	35	91	24	13
Public utilities, transportation and communication companies.....	152	11	74	7	8
Industrial concerns.....	1,227	251	77	-47	26
Other.....	375	37	67	39	11
Total general loans.....	4,431	452	743	+2	11%
SPECIAL CATEGORIES					
Provincial and municipal governments.....	272	65	43	7	31
Investment dealers and brokers ¹	152	-27	36	-11	-15
Grain dealers.....	373	12	-44	14	3
For purchase of Canada Savings Bonds.....	169	6	16	-18	4
Total special categories.....	966	56	51	-12	6%
Total loans in Canada.....	5,397	508	794	-10	10%

¹ Excluding day-to-day loans.

² Includes small-loan companies.

TABLE 17
GENERAL PUBLIC¹ HOLDINGS OF CURRENCY, BANK DEPOSITS, AND
GOVERNMENT OF CANADA SECURITIES AS AT DECEMBER 31

(Millions of Dollars)

	1953	1954	1955	1956
Currency—notes and coin.....	1,429	1,458	1,550	1,605
Bank deposits—				
Deposits other than personal savings deposits....	3,160	3,492	3,730	3,612
Personal savings deposits.....	4,756	5,218	5,633	6,007
Total currency and bank deposits.....	9,345	10,168	10,913	11,224
Government Securities—				
Market securities—estimated par value.....	7,497	6,516	6,528	6,201
Non-market securities.....	1,632	2,090	2,433	2,541
Total government securities.....	9,129	8,606	8,961	8,742
Total liquid assets.....	18,474	18,774	19,874	19,966

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

In 1956 the total amount of Government of Canada direct and guaranteed securities outstanding was reduced by \$780 million and there was an increase of \$27 million in the amount of these bonds held in government accounts. This was brought about by the use of the \$485 million excess of receipts over outlays and a reduction of \$322 million in the Federal Government's cash balances.

About three-quarters of the reduction in Government of Canada debt was reflected in reduced holdings by the chartered banks. However, there was also a substantial liquidation of Government of Canada market securities by the general public which includes insurance companies and other corporations and this amounted to \$327 million. This was partially offset by an increase of \$108 million in the public's holdings of Canada Savings Bonds, which are non-market issues.

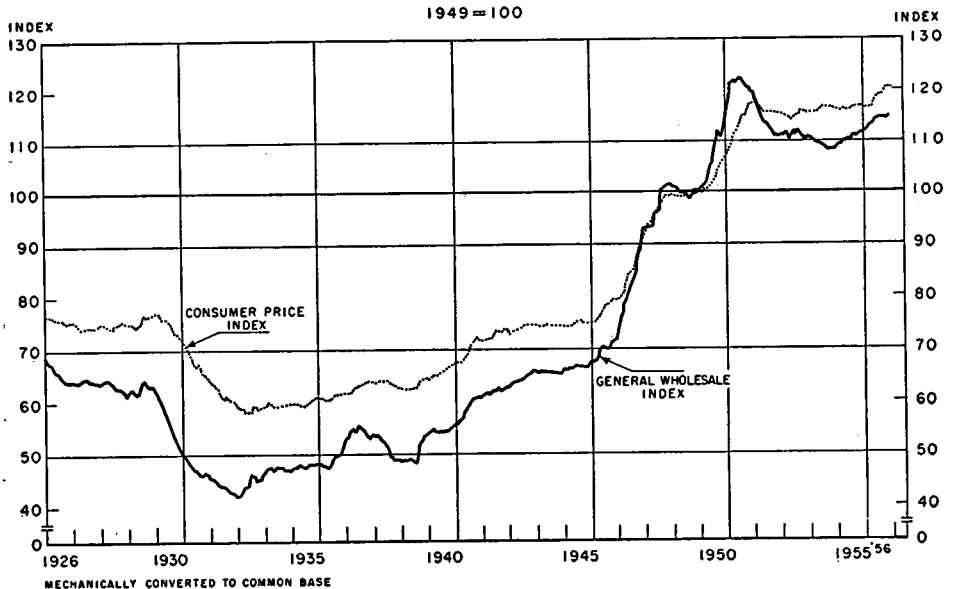
Consumer credit continued to increase during 1956 but the increase was somewhat less than in 1955. In 1955 the increase was \$340 million or 18 per cent and in 1956, \$320 million or 14 per cent.

PRICE TRENDS

Throughout 1956 prices, as measured by both the consumer price index and the general index of wholesale prices, moved upward. The consumer price index rose by 3 per cent in the course of the year and this increase contrasts with the comparative stability characterizing retail prices since 1952. The increase in wholesale prices in 1956 amounted to 2.7 per cent which is comparable to the increase which occurred in 1955.

Starting in January at 116.8, the consumer price index showed no appreciable change until June but thereafter rose steadily to reach 120.4 in December. The largest increase was in food prices which rose by more than 5 per cent during the year. All other components of the index, except clothing, continued to rise although at a smaller rate than food prices.

CANADIAN WHOLESALE AND CONSUMER PRICE INDEXES



In the United States the trend in retail prices was parallel to that of Canadian prices. The United States consumer price index showed an increase of nearly 3 per cent and like the Canadian index was at record levels in the last six months of the year. As in Canada, food prices in the United States were higher during 1956 than in 1955.

The Canadian index of wholesale prices rose steadily in the first half of the year from 222.0 in January to 226.5 in June. It then levelled off until towards the end of the year when new increases carried it up to 228.1 in December and 229.4 in January 1957. While all group components of the index were higher in 1956 than in 1955, the trend of prices was in some cases quite different than in the previous year. For example, prices of non-ferrous metals and wood products which had risen substantially in 1955 declined from January to December by 6 and $2\frac{1}{2}$ per cent, respectively. On the other hand, farm products prices, which had declined in 1955, strengthened in 1956. The greatest increase occurred in iron products which advanced 8 per cent during the year. Other components of the index increased at a rate comparable with the movement in the index as a whole.

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	114.9	112.6
1955.....	116.4	112.1	114.5	110.9
1956.....	118.1	113.4	116.2	111.7
1956—January.....	116.8	111.5	114.6	109.2
February.....	116.4	109.9	114.6	108.8
March.....	116.4	109.1	114.7	109.0
April.....	116.6	109.7	114.9	109.6
May.....	116.6	109.3	115.4	111.0
June.....	117.8	112.5	116.2	113.2
July.....	118.5	114.4	117.0	114.8
August.....	119.1	115.9	116.8	113.1
September.....	119.0	115.5	117.1	113.1
October.....	119.8	117.4	117.7	113.1
November.....	120.3	117.9	117.8	112.9
December.....	120.4	117.5	118.0	112.9
1957—January.....	120.3	117.1	118.2	112.8

TABLE 19
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	221.6
1954.....	217.0	224.2	213.6
1955.....	218.9	224.5	209.7
1956.....	225.5	231.3	207.8
1956—January.....	222.0	227.3	196.7
February.....	222.2	227.4	195.9
March.....	223.3	228.3	197.5
April.....	224.5	229.4	200.4
May.....	225.3	230.3	207.7
June.....	226.5	231.3	217.2
July.....	226.6	231.6	226.6
August.....	227.0	233.3	214.4
September.....	227.4	234.3	209.8
October.....	227.1	232.2	208.0
November.....	226.6	234.6	209.4
December.....	228.1	235.3	210.3
1957—January.....	229.4	236.5	211.6

Note: 1956 indexes are preliminary. The Canadian Farm Products index is fully revised only up to July 1955 and does not reflect final payments on all grains for subsequent months.

PART II REVIEW OF GOVERNMENT ACCOUNTS 1956-57

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PART II
REVIEW OF GOVERNMENT ACCOUNTS

1956-57

1. INTRODUCTION

The figures presented in this Part for the fiscal year ending March 31, 1957, are preliminary and subject to revision. The fiscal year of the Government ends on March 31 but the books must remain open for several weeks after that date 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 1956-57. Final results for each year's operations are not available before some time in August. The figures used in this White Paper are based on ten months actual and two months estimated. The final figures when they become available next August will vary to some extent from those given in the following pages.

2. HIGHLIGHTS OF GOVERNMENTAL FINANCIAL OPERATIONS
DURING 1956-57

Budgetary transactions

Budgetary revenues of the government for the fiscal year ending March 31, 1957, are now estimated at \$5,149 million. This is \$386 million or about 8 per cent more than last year's budget forecast of \$4,763 million and approximately \$749 million more than the total of \$4,400 million collected in 1955-56.

Budgetary expenditures for 1956-57 are estimated at \$4,867 million. This is \$217 million or about 5 per cent more than the budget forecast of \$4,650 million and about \$434 million more than the total spent in 1955-56.

On the basis of these figures the surplus for the fiscal year will be about \$282 million compared with a budget forecast of a surplus of \$113 million and a deficit of \$33 million for 1955-56.

The most significant feature of the government's budgetary operations on the revenue side has been the continued buoyancy of the revenues. The general level of activity and production in the economy has been considerably above that which was the basis for the budgetary forecast of \$4,763 million last March. Receipts from all sources except other non-tax revenue are higher than those of the previous year and when the books for the year are closed it is expected that all revenue categories except corporation income tax will have equalled or exceeded the budget forecast.

The most noteworthy feature on the expenditure side of the budget has been the continued importance of defence in the government's expenditure programme. Defence expenditures are expected to amount to \$1,794 million in 1956-57, an increase of \$25 million or $1\frac{1}{2}$ per cent over the preceding year representing 37 per cent of the government's total budgetary outlay. In 1955-56 defence expenditures amounted to \$1,769 million and constituted 40 per cent of the total.

Non-budgetary transactions

Although the budgetary surplus is \$282 million the cash balances at the end of the fiscal year will be about \$131 million less than a year ago. This is the net result of receipts of \$564 million from annuity, insurance and pension accounts, repayments of loans and investments and other non-budgetary sources less \$454 million paid out in loans, advances, investments and other non-budgetary disbursements, together with a reduction of \$523 million in outstanding debt.

The following table summarizes the budgetary and non-budgetary transactions for the fiscal year and indicates how they affect the government's cash and debt position. For purposes of comparison the corresponding figures for 1955-56 are also given. In the section on "The Cash Position" a more detailed explanation of these transactions is presented.

TABLE I
(In millions of dollars)

SUMMARY OF BUDGETARY AND NON-BUDGETARY TRANSACTIONS AND CHANGES IN CASH POSITION	Fiscal year ended March 31	
	1957 (Estimated)	1956
Budgetary transactions—		
Revenues.....	5,149	4,400
Expenditures.....	—4,867	—4,433
Surplus or deficit (—).....	282	—33
Non-budgetary transactions—		
Receipts and credits (excluding unmatured debt transactions)—		
Repayments of loans, investments and working capital advances	117	134
Net government annuities account receipts.....	60	66
Net insurance and pension account receipts.....	202	143
Other non-budgetary receipts.....	185	111
	564	454
Disbursements and charges (excluding unmatured debt transactions)—		
Loans, investments and working capital advances.....	—309	—260
Other non-budgetary disbursements.....	—145	—36
	—454	—296
Net amount available from non-budgetary transactions.....	110	158
Overall cash available for debt reduction or increase in cash balances.....	392	125
Net increase or decrease (—) in unmatured debt outstanding in the hands of the public.....	—523	215
Net increase or decrease (—) in cash balances on deposit to the credit of the Receiver General.....	—131	340

Old age security fund

Pension payments from the old age security fund are estimated at \$379 million in 1956-57 and tax receipts credited to the fund at \$373 million, resulting in a deficit of \$6 million for the year covered by a temporary loan by the Minister of Finance to the fund. During 1955-56 pension payments amounted to \$366 million and tax receipts credited to the fund to \$316 million, resulting in an excess of pension payments over tax receipts of \$50 million. Under the authority of a vote of parliament, \$50 million representing the deficit of the fund sustained during 1955-56, together with \$6 million representing the 1956-57 deficit which were financed provisionally by temporary loans, are charged as budgetary expenditures in 1956-57.

Debt transactions

During 1956-57 it is estimated that the government will have issued securities amounting to \$1,465 million (excluding treasury bills issued to refund maturing bills) and redeemed maturing issues to a total of \$2,501 million, resulting in a decrease of \$1,036 million in unmatured debt. However, as other liabilities are expected to increase by \$211 million the government's gross public debt will have decreased by \$825 million to \$18,299 million at March 31, 1957. During the same period the net assets are expected to decrease by \$543 million to \$7,301 million. As a result the government's net debt at March 31, 1957, is expected to be \$10,998 million, the decrease of \$282 million being equivalent to the budgetary surplus for the fiscal year.

Cash position

Cash balances on deposit to the credit of the Receiver General are expected to decrease by \$131 million during the fiscal year reflecting the decrease of \$523 million in outstanding unmatured debt (after taking into account sinking fund purchases and transactions in the securities investment account) and the net amount of \$392 million available from budgetary and non-budgetary transactions (\$110 million available from non-budgetary transactions plus the amount of \$282 million representing the estimated budgetary surplus for the fiscal year).

3. BUDGETARY ACCOUNTS

Total revenues, estimated at \$5,149 million for 1956-57, are \$749 million more than the total for the previous fiscal year. Total expenditures are estimated at \$4,867 million, an increase of \$434 million over 1955-56. The surplus for the fiscal year is estimated at \$282 million compared with a deficit of \$33 million for the year ended March 31, 1956.

A summarized statement of the estimated revenues and expenditures and surplus for the fiscal year ending March 31, 1957, with the actual figures for the fiscal years ended March 31, 1950 to 1956 inclusive, is given in the following table.

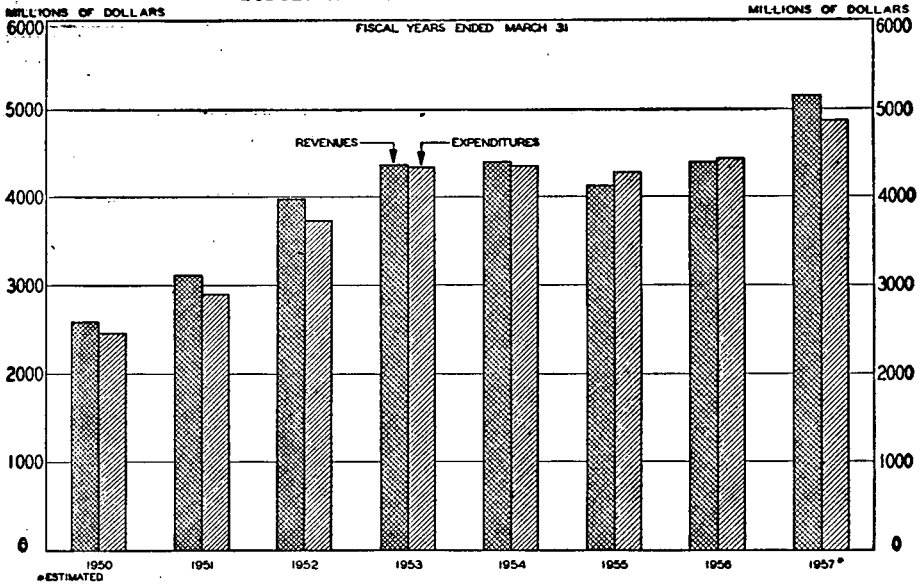
TABLE II
BUDGETARY REVENUES, EXPENDITURES AND SURPLUS OR DEFICIT
(In millions of dollars)

Fiscal Year Ended March 31	Budgetary Revenues	Budgetary Expenditures	Surplus or Deficit (—)
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.....	4,123.5	4,275.3	-151.8
1956.....	4,400.0	4,433.1	-33.1
1957 (Estimated).....	5,149.1	4,866.6	282.5

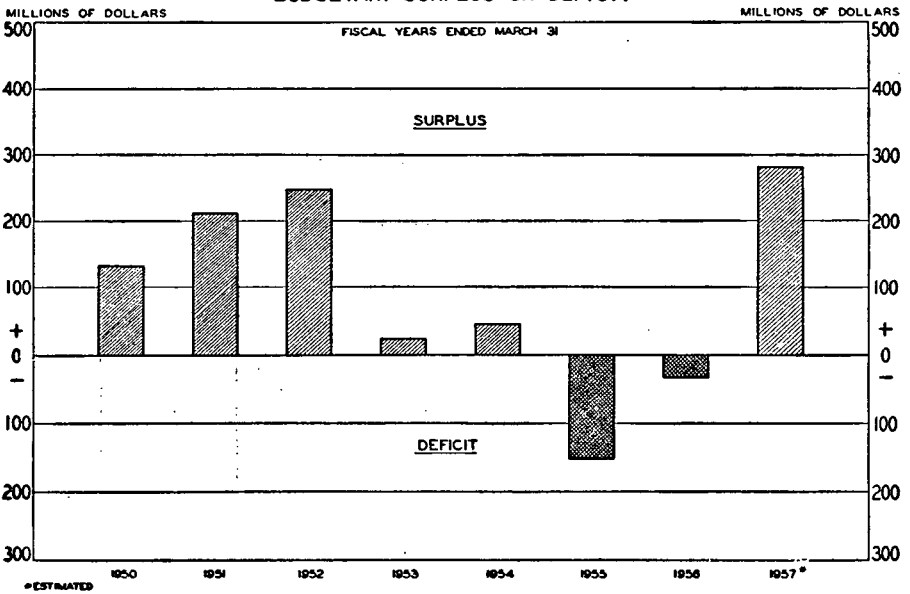
A. REVENUES

Budgetary revenues are expected to amount to \$5,149 million in the fiscal year 1956-57. This is \$749 million or 17 per cent higher than in the previous year. It is estimated that, of the total revenues for the year, \$4,706 million or 91 per cent, will have been derived from taxes and \$443 million or 9 per cent from non-tax revenues.

BUDGETARY REVENUES AND EXPENDITURES



BUDGETARY SURPLUS OR DEFICIT



A statement of estimated revenues for 1956-57 classified by major categories and the corresponding figures for the actual receipts in 1955-56 is given in the following table.

TABLE III
BUDGETARY REVENUES BY MAJOR CLASSIFICATIONS
(In millions of dollars)

Source	Fiscal Year Ended March 31				Increase or Decrease (—)	
	1957 (Estimated)		1956		Amount	Per cent
	Amount	Per cent	Amount	Per cent		
Tax revenues—						
Income tax—						
Personal*	1,413.0	27.4	1,185.6	26.9	227.4	19.2
Corporation*	1,285.0	25.0	1,027.7	23.4	257.3	25.0
On dividends, interest, etc., going abroad	77.0	1.5	66.2	1.5	10.8	16.3
Excise taxes—						
Sales*	725.0	14.1	641.5	14.6	83.5	13.0
Other	267.0	5.2	260.7	5.9	6.3	2.4
Customs import duties	565.0	11.0	481.2	10.9	83.8	17.4
Excise duties	270.0	5.2	249.4	5.7	20.6	8.3
Succession duties	87.0	1.7	66.6	1.5	20.4	30.6
Other taxes	17.0	0.3	16.8	0.4	0.2	1.2
	4,706.0	91.4	3,995.7	90.8	710.3	17.8
Non-tax revenues—						
Return on investments	202.0	3.9	149.3	3.4	52.7	35.3
Post office	147.3	2.9	137.4	3.1	9.9	6.7
Other non-tax revenue	93.8	1.8	117.6	2.7	—23.8	—20.2
	443.1	8.6	404.3	9.2	38.8	9.6
Total revenues	5,149.1	100.0	4,400.0	100.0	749.1	17.0

	1956-57	1955-56
*Excluding tax credited to the old age security fund—		
2% personal income tax	125.0	102.5
2% corporation income tax	67.0	53.3
2% sales tax	181.0	160.4
	373.0	316.2

(1) TAX REVENUES

Tax on personal incomes

The personal income tax (excluding the old age security tax) is expected to yield a total of \$1,413 million in 1956-57 making it once again the largest source of government revenue. This yield is \$227 million, or 19 per cent more than in the previous year despite the fact that rates for part of 1955-56 were about 10 per cent higher than during the year under review. This large increase in revenue is due to the rise in the total of personal incomes that took place in 1956.

In addition the 2 per cent tax on personal incomes levied under the Old Age Security Act is expected to yield \$125 million during 1956-57 compared with \$103 million in 1955-56. The maximum tax is \$60 per person. This revenue is credited to the old age security fund.

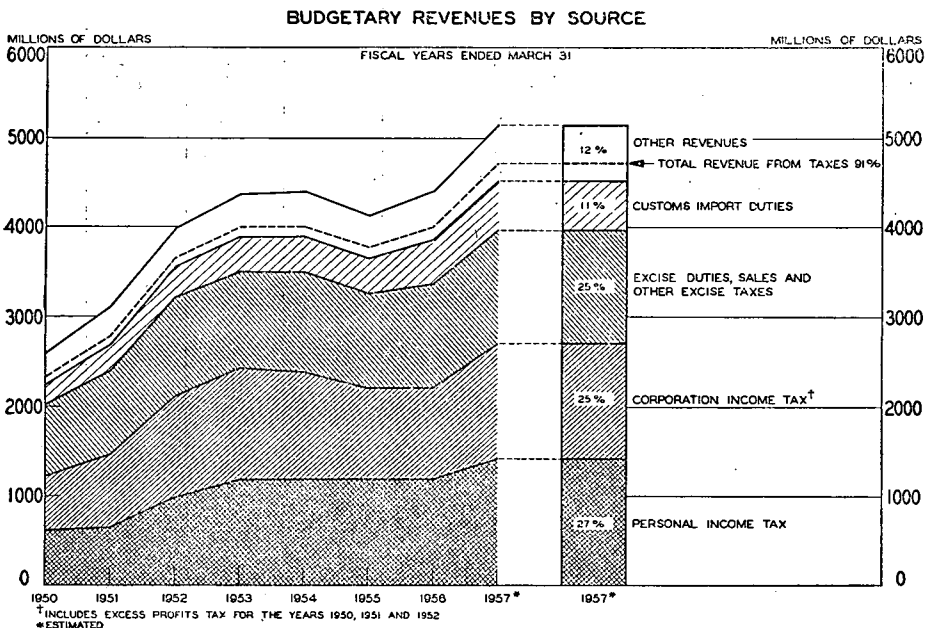
Corporation income tax

Corporation income tax will be the second largest revenue producer in 1956-57. The yield (excluding the old age security tax) is estimated at \$1,285 million, an increase of \$257 million over the previous year. This increase of 25 per cent is entirely due to the increase in corporate profits in 1955 and 1956.

In addition the 2 per cent tax levied on income of corporations under the Old Age Security Act is expected to yield \$67 million during 1956-57 compared with \$53 million collected from this source in 1955-56. These collections are credited to the old age security fund.

Taxes on interest, dividends, rents and royalties going abroad

Revenue under this heading is 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 \$77 million estimated for 1956-57 is \$11 million greater than in the previous year reflecting larger dividend payments from higher corporate profits in 1956 and the earnings on increased investments by non-residents in Canada.



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 \$992 million, an increase of \$90 million or 9 per cent over 1955-56.

The sales tax, which from a revenue standpoint is the most important tax levied by the Excise Tax Act, is expected to yield a net revenue of \$725 million in the year (excluding the 2 per cent old age security sales tax). This is \$83 million or 13 per cent more than in the previous year reflecting the increased production and somewhat higher prices which prevailed in 1956.

Excise taxes other than the general sales tax are expected to yield approximately \$267 million or \$6 million more than in 1955-56. This increase is almost entirely due to the growth in revenue from the tax on tobacco products which yielded \$135 million during the year compared with \$127 million in 1955-56.

The excise tax on passenger automobiles is estimated to yield \$77 million. This is almost the same as in 1955-56. The revenues from the taxes on soft drinks, matches and lighters, wines and sundry commodities are also expected to show little change from the previous year.

Candy and chewing gum, jewellery and toilet preparations are expected to produce slightly higher revenues than in 1955-56. On the other hand, collections from the 15 per cent excise tax on television and radio sets will drop nearly \$4 million below the previous year reflecting a sharp reduction in sales of television sets.

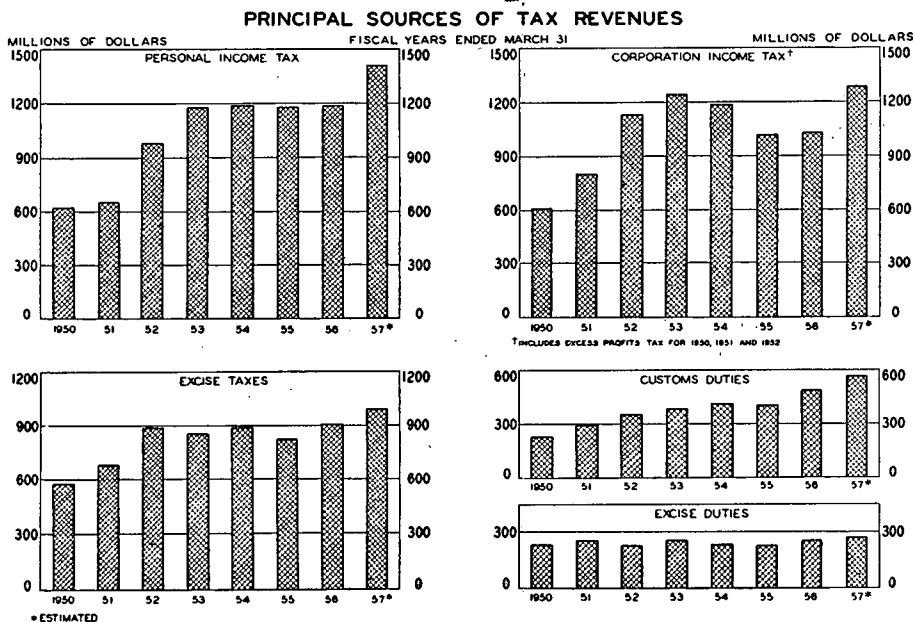
The 2 per cent tax on sales levied under the Old Age Security Act and credited to the old age security fund is expected to yield \$181 million in 1956-57 compared with \$160 million in the previous year.

Customs import duties

Revenue from customs import duties is expected to be \$565 million, an increase of \$84 million or 17 per cent over 1955-56. This increase in revenue reflects the increase in the volume and value of imports during the year.

Excise duties

Excise duties are levied only on alcoholic beverages and tobacco products. (Additional taxes on tobacco products are levied under the Excise Tax Act referred to above.) The revenue from excise duties for the year is estimated at \$270 million, an increase of \$21 million or 8 per cent over the previous year. The collections from the taxes on alcoholic beverages, before deducting refunds, are expected to be \$151 million, an increase of \$9 million over the previous year. The gross receipts from the taxes on tobacco products are estimated at \$122 million, an increase of \$12 million.



Succession duties

Revenue from succession duties is expected to be \$87 million in 1956-57, an increase of \$20 million over the previous year. Most of this increase is attributed to collections from two unusually large estates.

Other taxes

The principal source of revenue under this heading is the tax on the premium income of insurance companies which is expected to produce \$16 million. Small amounts of revenue are also received from special taxes 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 1956-57 are estimated at \$443 million, \$39 million greater than the 1955-56 total of \$404 million. The following table presents a comparative summary of these revenues for the two fiscal years by principal classification.

TABLE IV
(In millions of dollars)

NON-TAX REVENUES	Fiscal Year Ended March 31		Increase or Decrease (—)	
	1957 (Estimated)	1956	Amount	Per cent
Return on investments.....	202.0	149.3	52.7	35.3
Post office.....	147.3	137.4	9.9	7.2
Privileges, licences and permits.....	17.9	17.0	0.9	5.3
Proceeds from sales.....	27.4	25.9	1.5	5.8
Refunds of previous years' expenditures.....	19.4	46.7	-27.3	-58.5
Services and service fees.....	21.1	18.9	2.2	11.6
Other.....	8.0	9.1	-1.1	-12.1
	443.1	404.3	38.8	9.6

Return on investments

Return on investments is expected to yield \$202 million in 1956-57 or \$53 million more than the yield of \$149 million in 1955-56.

Payments from Crown corporations are estimated at \$149 million or \$64 million more than similar payments of \$85 million received in 1955-56. A large part of this increase is due to receipts from the Bank of Canada and reflects an increase of \$9 million in the Bank's profits transferred to the Receiver General for 1956 over those for 1955 and a further \$42 million paid over, consisting of inner investment reserves set aside out of past years' profits, which were no longer required when the Bank adopted amortized values as the basis for valuing its holdings of securities. In addition, it is expected that \$27 million will be received by the Receiver General from the Canadian National Railways of which \$25 million represents the 1956 surplus. The 1955 surplus of the company was \$11 million.

Receipts from other loans and investments are estimated at \$53 million, or \$11 million less than similar receipts in 1955-56. Increases of \$7 million in exchange fund profits, \$2 million in the earnings of the securities investment account and \$6 million in interest on interest-bearing deposits with the chartered banks are more than offset by the non-receipt of interest on the 1946 loan to the United Kingdom which last year amounted to \$22½ million.

A comparative summary of the estimated receipts for 1956-57 and the amounts received in the previous year is given in the following table.

TABLE V
(In millions of dollars)

RETURN ON INVESTMENTS	Fiscal Year Ended March 31		Increase or Decrease (—)
	1957 (Estimated)	1956	
Loans to, and investments in, Crown corporations—			
Bank of Canada—			
Profits.....	47.3	38.3	9.0
Inner investment reserves.....	42.6		42.6
Canadian Arsenals.....	2.0	1.4	0.6
Canadian National Railways.....	27.0	11.9	15.1
Central Mortgage and Housing Corporation.....	15.2	18.5	—3.3
National Harbours Board.....	3.9	4.0	—0.1
Polymer Corporation Limited.....	6.0	5.0	1.0
Miscellaneous.....	4.9	5.9	—1.0
	148.9	85.0	63.9
Other loans and investments—			
United Kingdom.....		22.5	—22.5
Other national governments.....	10.1	11.0	—0.9
Provincial governments.....	1.0	1.0	
Soldiers and general land settlement loans and Veterans Land Act advances.....	4.9	4.9	
Exchange fund account.....	17.5	10.8	6.7
Securities investment account.....	7.6	5.4	2.2
Sinking fund and other investments held for retirement of unmatured debt.....	5.6	6.3	—0.7
Interest-bearing balances with chartered banks.....	6.1		6.1
Miscellaneous.....	0.3	2.4	—2.1
	53.1	64.3	—11.2
	202.0	149.3	52.7

Post Office

Net post office receipts credited to budgetary revenues in 1956-57 are estimated at \$147 million or \$10 million more than in 1955-56. Gross receipts are expected to total \$169 million but authorized disbursements from revenues 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., are estimated at \$22 million. Last year, gross receipts amounted to \$158 million and authorized disbursements totalled \$21 million.

As costs of operating the post office during 1956-57 (excluding the \$22 million charged to revenues) are estimated at \$141 million, net revenue will exceed net costs by \$6 million. However, in making this comparison, it is to be noted that the total shown for post office revenue 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.

Privileges, licences and permits

It is estimated that revenues of \$18 million will be received during the fiscal year on account of privileges, licences and permits compared with \$17 million received last year. Included in the total for the current fiscal year is approximately \$7 million for collections by the Department of Transport, mainly on account of aircraft landing fees, rentals of hangar accommodation, and other miscellaneous rental charges.

Proceeds from sales

Receipts from proceeds from sales are estimated at \$27 million for 1956-57 or about \$2 million more than the total received in 1955-56. This amount includes \$8 million from Crown Assets Disposal Corporation representing amounts realized from the disposal of surplus Crown assets (after deducting certain agency fees and transfers), \$10 million under agreements of sale, and \$5 million from Central Mortgage and Housing Corporation representing the proceeds from the sale of wartime housing properties, including depreciation provisions set aside by the Corporation in previous years on properties that have now been sold.

Refunds of previous years' expenditures

Refunds in the current fiscal year of expenditures made in prior years are expected to total \$19 million compared with \$47 million received last year. A large part of these refunds arise from previous years' expenditures by the Department of National Defence on contracts with the United States Government for the supply of aircraft, engines and equipment. The arrangement is that when Canada places contracts with the Government of the United States, payments of the estimated costs are made to the United States Treasury. If these estimated costs are revised, or if there are reductions in the contracts, the United States Government makes refunds of the overpayments. This year, refunds arising from this source are expected to total some \$13 million whereas last year the total was \$39 million.

Services and service fees

It is estimated that \$21 million will be received during 1956-57 by various government departments for services and service fees, about \$2 million more than the total received during 1955-56. This total includes \$6 million received by the Department of Trade and Commerce, mainly for services in connection with the inspection, weighing, storage and elevation of grain and for electricity, gas, and weights and measures inspection services; \$6 million received by the Royal Canadian Mounted Police, mainly for police services to provinces and municipalities; and \$3 million received by the Department of Transport, chiefly for wharfage and other canal and marine service fees, steamship inspection, air-ground radio at airports, and government telegraph and telephone services.

Other non-tax revenues

Other non-tax revenues are expected to total \$8 million in 1956-57, \$1 million less than in 1955-56. This total includes \$4 million for bullion and coinage receipts arising out of the operations of the Royal Canadian Mint.

(3) COMPARISON OF ACTUAL REVENUE WITH BUDGET FORECAST

Total budgetary revenues for 1956-57, excluding revenues from the old age security taxes, as now estimated are expected to be \$386 million, or nearly 8 per cent, more than the forecast made in the Budget Speech of March 20, 1956. It is expected that when final figures are available revenue from all sources except the tax on corporation incomes and miscellaneous taxes will have exceeded the forecast made a year ago. This excess of receipts over the amount forecast reflects the fact that the general level of economic activity throughout the fiscal year has been considerably above the level which formed the basis for the budget forecast. This is illustrated by the fact that the gross national product for 1956 is now believed to have been \$29.9 billion but the forecasts made in the Budget Speech a year ago assumed that this figure would be only \$28 billion.

The following table shows the extent to which actual revenues for 1956-57, as now estimated, differ from the budget forecast.

TABLE VI
COMPARISON OF BUDGET FORECAST WITH ACTUAL REVENUES FOR
FISCAL YEAR ENDED MARCH 31, 1957

(In millions of dollars)

SOURCE OF REVENUES	Budget Forecast of Revenues	Actual Revenues (Estimated)	Increase or Decrease (-) compared with Budget Forecast	
			Amount	Per cent
Personal income tax.....	1,265	1,413	148	12
Non-resident income taxes.....	70	77	7	10
Corporation income tax.....	1,315	1,285	-30	-2
Succession duties.....	65	87	22	34
Customs import duties.....	485	565	80	16
Excise duties.....	258	270	12	5
Sales tax (net).....	663	725	62	9
Other excise taxes.....	265	267	2	1
Miscellaneous taxes.....	17	17		
Total tax revenues.....	4,403	4,706	303	7
Non-tax revenues.....	360	443	83	23
Total budgetary revenues.....	4,763	5,149	386	8

The estimated revenue from the personal income tax is \$148 million more than the budget forecast. This is because the level of personal incomes for the year reached a level well above what was anticipated a year ago.

The revenue from the tax on corporation profits is expected to be \$30 million less than forecast. The revenue from this source during 1956-57 was largely influenced by the level of profits in 1955. Actual profits for 1955 are now known to have been over \$100 million below the estimate on which the budget forecast was based.

The revenue from succession duties has varied widely from the forecast in the past two years because of two exceptionally large estates and the difficulty of foreseeing exactly when the duties on these estates would be paid.

The extent to which the revenues from the taxes on commodities have exceeded the forecasts is a reflection of the extent to which levels of income and economic activity have exceeded expectations.

The non-tax revenue will be larger than the budget forecast due in part to a change in the method by which the Bank of Canada values its investments resulting in a very large additional amount being transferred to the government accounts as revenue.

B. EXPENDITURES

Budgetary expenditures for 1956-57 are estimated at \$4,867 million, an increase of \$434 million over the 1955-56 total of \$4,433 million.

A comparative summary of estimated expenditures by departments and principal purposes for the fiscal year 1956-57 and actual expenditures for the preceding year is given in the following table.

TABLE VII

STATEMENT OF BUDGETARY EXPENDITURES BY DEPARTMENTS AND MAJOR CLASSIFICATIONS

(In millions of dollars)

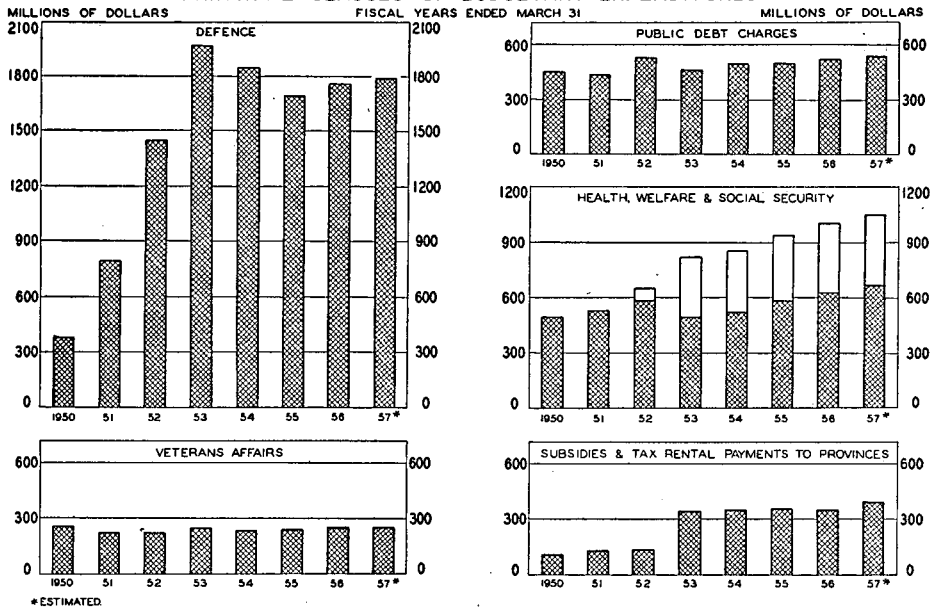
	Fiscal Year Ended March 31				Increase or Decrease (—)	
	1957 (Estimated)		1956		Amount	Per cent
	Amount	Per cent	Amount	Per cent		
National Defence.....	1,768.1	36.4	1,750.1	39.5	18.0	1.0
Defence Production.....	21.0	0.4	16.1	0.3	4.9	30.4
Civil defence.....	4.5	0.1	2.4	0.1	2.1	87.5
	1,793.6	36.9	1,768.6	39.9	25.0	1.4
Public debt charges—						
Interest on public debt.....	522.2	10.7	492.6	11.1	29.6	6.0
Other debt charges.....	13.9	0.3	21.7	0.5	—7.8	—35.9
	536.1	11.0	514.3	11.6	21.8	4.2
Provincial subsidies and tax rental payments (including transitional grant to Newfoundland).....	395.6	8.1	350.9	7.9	44.7	12.7
Family allowances.....	397.7	8.2	382.5	8.6	15.2	4.0
Unemployment Insurance Act—Admin- istration and government's contribu- tion.....	67.1	1.4	60.5	1.4	6.6	10.9
Government contributions with respect to the superannuation account.....	72.4	1.5	31.5	0.7	40.9	129.8
Reduction in actuarial deficiency in the superannuation account.....	50.0	1.0			50.0	
Provision for reserve for losses on realization of assets.....	50.0	1.0			50.0	
Agriculture.....	85.0	1.7	88.2	2.0	—3.2	—3.6
Atomic Energy.....	22.4	0.5	19.0	0.4	3.4	17.9
Canadian Broadcasting Corporation....	39.3	0.8	31.2	0.7	8.1	26.0
Citizenship and Immigration.....	47.9	1.0	32.3	0.7	15.6	48.3
External Affairs.....	60.8	1.2	44.9	1.0	15.9	35.4
Finance.....	49.5	1.0	34.5	0.8	15.0	43.4
Mines and Technical Surveys.....	35.7	0.7	38.2	0.9	—2.5	—6.5
National Health and Welfare.....	160.5	3.3	153.0	3.4	7.5	4.9
National Research Council.....	18.5	0.4	16.1	0.4	2.4	14.9
National Revenue.....	62.3	1.3	56.1	1.3	6.2	11.1
Northern Affairs and National Re- sources.....	37.2	0.8	24.6	0.6	12.6	51.2
Post Office.....	141.5	2.9	127.4	2.9	14.1	11.1
Public Works.....	162.4	3.3	142.1	3.2	20.3	14.2
Royal Canadian Mounted Police.....	43.6	0.9	36.6	0.8	7.0	19.1
Trade and Commerce.....	55.7	1.1	36.5	0.8	19.2	52.6
Transport.....	158.3	3.3	132.0	3.0	26.3	19.9
Veterans Affairs.....	252.1	5.2	248.5	5.6	3.6	1.4
Other departments.....	71.4	1.5	63.6	1.4	7.8	12.3
Grand total.....	4,866.6	100.0	4,433.1	100.0	433.5	8.9

Defence expenditures

Defence expenditures consisting of expenditures of the Departments of National Defence and Defence Production and outlay for the civil defence programme are again the largest category of government expenditure. The total of \$1,794 million for the fiscal year is approximately 37 per cent of the aggregate budgetary expenditures of the government. This is an increase of \$25 million or about 1 per cent over the 1955-56 total of \$1,769 million when defence expenditures were 40 per cent of aggregate budgetary expenditures.

Expenditures of the Department of National Defence are estimated at \$1,768 million and those of the Department of Defence Production at \$21 million, while outlays in connection with the civil defence programme are expected to total \$4 million. In 1955-56 expenditures were \$1,750 million, \$16 million and \$2 million, respectively.

PRINCIPAL CLASSES OF BUDGETARY EXPENDITURES



NOTE: The light areas in the columns in the chart for Health, Welfare and Social Security represent pension payments out of the old age security fund.

A comparative summary of defence expenditures for 1956-57 and 1955-56 is shown in the attached table.

TABLE VIII
(In millions of dollars)

DEFENCE EXPENDITURES	Fiscal Year Ended March 31		Increase or Decrease (-)
	1957 (Estimated)	1956	
Department of National Defence—			
Army services.....	394.2	406.9	-12.7
Naval services.....	330.4	339.2	- 8.8
Air services.....	773.8	705.1	68.7
	1,498.4	1,451.2	47.2
Defence research and development.....	70.3	64.3	6.0
Mutual aid to NATO countries including contributions to military costs of NATO.....	133.1	175.0	-41.9
Government's contribution to the permanent services pension account.....	46.4	40.1	6.3
Administration and general.....	19.9	19.5	0.4
	1,768.1	1,750.1	18.0
Department of Defence Production—			
Capital assistance.....	10.3	6.5	3.8
Administration and general.....	10.7	9.6	1.1
	21.0	16.1	4.9
Civil defence programme.....	4.5	2.4	2.1
	1,793.6	1,768.6	25.0

Estimated expenditures for army, naval and air services amount in the aggregate to \$1,498 million, \$47 million more than the total for 1955-56. Outlay for army services is \$13 million less than in the previous year, and that for naval

services is \$9 million less, while that for air services is \$69 million more. Expenditures for defence research and development are expected to amount to \$70 million, an increase of \$6 million over the 1955-56 programme.

Estimated expenditures of \$133 million under the mutual aid programme and contributions to the military costs of NATO are \$42 million less than the total of \$175 million in the previous fiscal year. Under the provisions of section 3 of the Defence Appropriation Act, defence equipment and supplies may be transferred from Canadian stocks to other parties to the North Atlantic Treaty. The estimated expenditures of \$133 million for 1956-57 include \$58 million for transfer of equipment and supplies, and \$61 million in outlays for costs incurred in acquiring and supplying military equipment for, and in the training in Canada of aircrews from, countries which are parties to the North Atlantic Treaty. The contribution of \$14 million on account of Canada's share of the NATO military budgets and infrastructure costs which is also included in this total is \$3 million higher than in 1955-56. The percentage share of these costs borne by each nation is established in the North Atlantic Council and is subject to ratification by the respective member governments.

The government's contribution to the permanent services pension account during 1956-57 of an amount equal to 1-2/3 times the contributions by permanent services personnel is estimated to be \$46 million consisting of \$41 million relating to current contributions and \$5 million to contributions for arrears. This is \$6 million more than the 1955-56 contribution of \$40 million of which \$36 million related to current contributions and \$4 million to contributions for arrears.

The estimated expenditures of \$21 million for 1956-57 for the Department of Defence Production reflect an increase of \$5 million, mainly in respect of the programme under which capital assistance is given to private contractors, Crown plants operated on a management fee basis, and Crown corporations undertaking contracts essential to the defence programme. For 1956-57 this capital assistance is estimated at \$10 million compared with \$6 million in 1955-56.

Civil defence expenditures, estimated at \$4 million, reflect an increase of \$2 million over the 1955-56 expenditures.

In addition to these budgetary expenditures for defence, there are certain other cash outlays which must be considered in assessing the full effect of the defence programme on the economy of Canada.

The Department of Defence Production makes cash disbursements for the procurement of materials for use in the manufacture of defence equipment, which are not recorded as budgetary expenditures. For purposes of accounting and control, these amounts are charged to the defence production revolving fund and are treated as assets on the books of the government until they are billed to the Department of National Defence or sold to defence contractors for use in the manufacture of defence equipment. It is estimated that, as a result of the transactions during 1956-57, the fund will be reduced by \$2 million leaving an estimated balance in the account of \$56 million at March 31, 1957.

As indicated above, defence equipment and supplies may, under the provisions of Section 3 of the Defence Appropriation Act, be transferred from Canadian stocks as mutual aid to other parties to the North Atlantic Treaty. For several years the estimated replacement values of equipment and supplies acquired by the Department of National Defence prior to March 31, 1950, and later transferred to NATO countries, were credited to the National Defence equipment account. These credits may be used subsequently to purchase equipment or supplies for the army, naval or air services, thereby involving cash outlays which are not reflected as budgetary expenditures. It was decided in 1956 to make no further credits to this equipment account and accordingly Vote

235 of Appropriation Act No. 6, 1956, provides that where any equipment or supplies are transferred as mutual aid, the estimated present value thereof is to be credited to this vote instead of being paid into the special equipment account, and when so credited may be expended for the purposes of the Canadian forces. Disbursements from the equipment account during the fiscal year are expected to total \$49 million. The balance available at March 31, 1957, for disbursements in subsequent years is estimated at \$233 million compared with \$282 million at March 31, 1956.

Under section 11 of the National Defence Act there is provision for the sale of materiel, not immediately required for the use of the Canadian defence forces or the Defence Research Board, to such countries and upon such terms as the Governor in Council may determine. The proceeds of such sales are credited to a special account to be used for the procurement of materiel. Net credits to the account during 1956-57 are estimated at \$2 million leaving a balance of \$2 million at March 31, 1957.

The following table summarizes the cash disbursements for defence for the past two fiscal years.

TABLE IX
(In millions of dollars)

CASH OUTLAYS FOR DEFENCE	Fiscal Year Ended March 31		Increase or Decrease (—)
	1957 (Estimated)	1956	
Budgetary expenditures—			
Department of National Defence.....	1,768.1	1,750.1	18.0
Department of Defence Production.....	21.0	16.1	4.9
Civil defence programme.....	4.5	2.4	2.1
	1,793.6	1,768.6	25.0
Less: value of military equipment and supplies transferred from existing Canadian stocks to NATO countries (included in budgetary expenditures).....		—59.3	59.3
	1,793.6	1,709.3	84.3
Disbursements from—			
National defence equipment account (1).....	49.0	51.3	—2.3
Replacement of materiel account—sec. 11 National De- fence Act (net).....	—1.5	—0.1	—1.4
Defence production revolving fund (net).....	—1.9	—14.3	12.4
	45.6	36.9	8.7
Net cash outlay for defence.....	1,839.2	1,746.2	93.0

(1) Gross disbursements less refunds of expenditures charged to account in previous years.

Public debt charges

Public debt charges for 1956-57 which consist of interest on the public debt, the annual charges for amortizing bond discounts and commissions, the cost of issuing new loans and other charges incurred in servicing the public debt are estimated at \$536 million or 11 per cent of all budgetary expenditure, compared with a total of \$514 million or 12 per cent for 1955-56. They are again the second largest item of budgetary expenditure.

Interest on public debt is estimated at \$522 million or \$30 million more than the expenditure of \$492 million in 1955-56. Interest on unmatured debt is expected to amount to \$432 million compared with \$412 million in 1955-56. This increase is due to the substantial rise in interest rates during the year and occurred despite the fact that unmatured debt has been reduced by \$1,036

million during 1956-57. Estimated increases of \$3 million each in respect of the superannuation account, the permanent services pension account and the government annuities account bring the estimated interest on annuity, insurance and pension accounts to \$87 million for 1956-57 compared with \$78 million for 1955-56. Interest of \$3 million on deposit and trust accounts is expected to be unchanged from the 1955-56 amount.

Other public debt charges, which include the cost of issuing new loans, the annual amortization of bond discounts and commissions, fees for the services of fiscal agents and registrars, commission for the payment of coupon and fully registered interest, and other costs of servicing the public debt are estimated to be \$14 million compared with \$22 million in 1955-56. The decrease of \$8 million is due to a reduction in the annual amortization of bond discounts and commissions. In 1955-56 a new procedure was established whereby, in the case of general loans such costs are amortized during the period from the date of issue to the earliest call date, if one is specified, otherwise to the date of maturity of the loan; in the case of Canada savings bonds, which are redeemable at any time, on demand of the holder, the new procedure provides for amortization over a period of five years from date of issue. Consequently the 1955-56 expenditure included a non-recurring charge of \$8 million to bring the amortization of then outstanding loans into line with the new procedure.

The table which follows presents a comparative summary of public debt charges for 1956-57 and 1955-56.

TABLE X
(In millions of dollars)

INTEREST AND OTHER PUBLIC DEBT CHARGES	Fiscal Year Ended March 31		Increase or Decrease (—)
	1957 (Estimated)	1956	
Interest on public debt—			
Unmatured debt and treasury bills—			
Payable in Canada.....	422.3	400.5	21.8
Payable in London.....	1.5	1.5	.....
Payable in New York.....	8.6	9.8	-1.2
	432.4	411.8	20.6
Deposit and trust accounts.....	3.0	3.1	-0.1
Annuity, insurance and pension accounts.....	86.8	77.7	9.1
	89.8	80.8	9.0
Total interest on public debt.....	522.2	492.6	29.6
Annual amortization of bond discounts and commissions.....	12.3	19.9	-7.6
Servicing of public debt.....	0.5	0.6	-0.1
Cost of issuing new loans.....	1.1	1.2	-0.1
Total public debt charges.....	536.1	514.3	21.8

When considering the magnitude of these public debt charges and the burden they place upon the public treasury, it must be borne in mind that a substantial portion of the debt is attributable to, or is invested in, productive or earning assets. Therefore in calculating the *net* burden of the government's annual interest charges, the income derived from loans, investments and other productive assets must be taken into account. For 1956-57 this income is estimated at \$202 million as shown in the preceding section on non-tax revenue. This amount deducted from the gross total of \$522 million for interest shown in the previous table leaves a net annual interest charge of \$320 million compared with a net of \$344 million in 1955-56.

Subsidies and tax rental payments to provinces

Payments to the provinces during 1956-57 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 are estimated at \$396 million compared with \$351 million in 1955-56. Included in this amount is an estimated final adjustment due at the conclusion of the agreements amounting to \$4 million.

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

TABLE XI
(In millions of dollars)

SUBSIDIES AND TAX RENTAL PAYMENTS TO PROVINCES	Fiscal Year Ended March 31		Increase or Decrease (—)
	1957 (Estimated)	1956	
Rentals under tax rental agreements, c. 49, Statutes of 1952..	365.0	319.6	45.4
Statutory subsidies.....	20.4	20.3	0.1
Transitional grant to Newfoundland.....	2.2	3.1	-0.9
Transfer of certain public utility tax receipts—Sec. 6, c. 49, Statutes of 1952.....	8.0	7.9	0.1
	395.6	350.9	44.7

Payments under the tax rental agreements in 1956-57 are \$45 million more than in the previous year, reflecting an increase in gross national product per capita in 1955.

Statutory subsidies at \$20 million in 1956-57 are unchanged from the previous year.

A summary of estimated payments, by provinces, during 1956-57 is given in the following table.

TABLE XII
(In millions of dollars)

SUBSIDIES AND TAX RENTAL PAYMENTS TO PROVINCES	Fiscal Year Ending March 31, 1957 (Estimated)			
	Statutory Subsidies	Payments under Tax Rental Agreements	Transitional Grant	Total
Newfoundland.....	1.6	14.3	2.2	18.1
Nova Scotia.....	2.1	22.2		24.3
Prince Edward Island.....	0.7	4.2		4.9
New Brunswick.....	1.7	18.7		20.4
Quebec.....	3.3			3.3
Ontario.....	3.6	156.8		160.4
Manitoba.....	1.8	28.9		30.7
Saskatchewan.....	2.2	29.0		31.2
Alberta.....	2.2	35.7		37.9
British Columbia.....	1.2	51.3		52.5
Estimated final adjustment under 1952 Tax Rental Agreements Act (net).....		3.9		3.9
	20.4	365.0	2.2	387.6
Transfer of certain public utility tax receipts.....				8.0
				395.6

The amount of public utility tax receipts at \$8 million transferred to the provinces in 1956-57 is expected to be unchanged from the previous year. Section 6 of the Tax Rental Agreements Act, 1952, authorizes 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 is the distribution to, or the generation for distribution to, the public of electrical energy, gas or steam.

Family Allowances

Family allowances are payable in respect of all children under sixteen resident in Canada, with minor exceptions. The monthly allowance is \$5 if the child is under 6 years of age; \$6 in the age group 6-9; \$7 in the age group 10-12; and \$8 in the age group 13-15. Children of immigrants are not eligible for family allowances during their first year of residence in Canada but receive family assistance of \$5 per month from the Department of Citizenship and Immigration during that period if under sixteen years of age.

Family allowance payments are estimated at \$398 million in 1956-57 representing 8 per cent of total expenditures for the fiscal year. The increase of \$15 million over the corresponding 1955-56 outlay reflects the increase in the number of children in the eligible age groups.

The following table presents a comparative summary of payments by provinces.

TABLE XIII
(In millions of dollars)

FAMILY ALLOWANCE PAYMENTS BY PROVINCES	Fiscal Year Ended March 31		Increase
	1957 (Estimated)	1956	
Newfoundland.....	12.8	12.4	0.4
Nova Scotia.....	18.0	17.6	0.4
Prince Edward Island.....	2.6	2.6	.....
New Brunswick.....	15.8	15.4	0.4
Quebec.....	124.4	120.4	4.0
Ontario.....	122.5	116.6	5.9
Manitoba.....	20.0	19.4	0.6
Saskatchewan.....	21.7	21.4	0.3
Alberta.....	28.1	26.8	1.3
British Columbia.....	31.0	29.1	1.9
Northwest and Yukon Territories.....	0.8	0.8	.....
	397.7	382.5	15.2

Unemployment Insurance Act administration and government's contribution

Expenditures in 1956-57 relating to the Unemployment Insurance Act (excluding the government's payment as an employer) are estimated at \$67 million compared with \$61 million spent in 1955-56.

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

The government's contribution to the fund for 1956-57 is estimated at \$38 million and administration costs are expected to total \$29 million; the corresponding figures for 1955-56 were \$34 million and \$27 million.

Government contributions with respect to the superannuation account

The government's contribution to the superannuation account will be \$72 million in 1956-57 compared with \$31 million in 1955-56. This increase of \$41 million is due to the additional liability created by the general salary increases to civil servants effective April 1, 1956. The government's regular contribution of an amount equal to the current and prior service payments of individuals is estimated at \$31 million.

In addition to the above contributions, \$50 million will be charged to budgetary expenditures as a reduction in the unamortized portion of the actuarial deficiency in the superannuation account reducing the balance in the account to \$139 million as at March 31, 1957.

Provision for reserve for losses on realization of assets

The sum of \$50 million has been credited in 1956-57 to the general reserve for losses on realization of assets with a corresponding charge to budgetary expenditure. This will bring the balance in the reserve at March 31, 1957 to \$546 million, which is approximately 7 per cent of the total recorded assets.

Agriculture

Expenditures of the Department of Agriculture are estimated at \$85 million for 1956-57 a decrease of \$3 million from the \$88 million spent in 1955-56.

As no deficit is expected in the prairie farm emergency fund in 1956-57 no charge will be made to budgetary expenditures comparable to the \$8 million charged in 1955-56. This decrease of \$8 million together with decreases of \$1 million in administration and general costs and \$1 million in the operating losses of the agricultural prices support board will be partially offset by increases of \$1 million in freight assistance on western feed grains, \$2 million in outlays for rehabilitation and reclamation projects, \$2 million in the costs of experimental farms services and \$2 million in the costs of science services.

A comparative summary of estimated expenditures for 1956-57 and actual expenditures for 1955-56 is presented in the following table.

TABLE XIV
(In millions of dollars)

AGRICULTURE	Fiscal Year Ended March 31		Increase or Decrease (—)
	1957 (Estimated)	1956	
Experimental farms service.....	12.2	10.6	1.6
Freight assistance on western feed grains.....	17.3	16.0	1.3
Marketing service.....	6.6	6.8	-0.2
Operating losses of the agricultural prices support board.....	4.5	5.8	-1.3
Prairie farm emergency fund—deficit.....		8.4	-8.4
Premium on hog carcasses including administrative costs...	5.6	5.9	-0.3
Production service.....	11.5	10.3	1.2
Rehabilitation and reclamation projects.....	13.8	11.7	2.1
Science service.....	10.9	9.4	1.5
Administration and general.....	2.6	3.3	-0.7
	85.0	88.2	-3.2

Atomic energy

Expenditures of the Atomic Energy Control Board and payments to Atomic Energy of Canada Limited are estimated at \$22 million for 1956-57 compared with \$19 million in 1955-56, an increase of \$3 million.

Administration expenses of the Atomic Energy Control Board and grants for research and investigations with respect to atomic energy are estimated at \$0.3 million, the same as the 1955-56 expenditure.

Payments to Atomic Energy of Canada Limited, for its research programme, are estimated at \$22 million compared with \$19 million in 1956-57. Of the total \$13 million is for current operations and maintenance and \$9 million for the construction and acquisition of buildings, land, works and equipment.

In addition advances to Atomic Energy of Canada Limited to be covered by obligations or shares of the company are estimated at \$9 million, for the construction or acquisition of buildings and equipment at Chalk River and Deep River and for the commercial products division at Ottawa. This brings the total of loans to the company to \$53 million.

Canadian Broadcasting Corporation

Payments by the Government of Canada to the Canadian Broadcasting Corporation are estimated at \$39 million for 1956-57 compared with \$31 million in 1955-56. This increase of \$8 million is due to a grant of \$12 million toward the anticipated deficit in television service, for which there was no corresponding charge in 1955-56, and a decrease of \$4 million in the payment to the corporation of an amount equivalent to the collection of the 15 per cent special tax imposed on radio and television sets and tubes.

The following table presents a comparative summary of expenditures for 1956-57 and 1955-56.

TABLE XV
(In millions of dollars)

PAYMENTS TO CANADIAN BROADCASTING CORPORATION	Fiscal Year Ended March 31		Increase or Decrease (-)
	1957 (Estimated)	1956	
Sound broadcasting service.....	6.3	6.3	.....
International shortwave broadcasting service.....	2.0	1.8	0.2
Payments to the corporation of amounts equal to tax collected under the Excise Tax Act in respect of radio and television sets and tubes.....	19.0	23.1	-4.1
Grant toward the anticipated deficit arising from the operation of the television service.....	12.0	.....	12.0
	39.3	31.2	8.1

It is expected that no additional loans will be made to the corporation in 1956-57, total loans remaining at \$27 million at March 31, 1957. Interest at various rates is paid semi-annually and is included in non-tax revenues under the heading "return on investments".

Citizenship and Immigration

Expenditures of the Department of Citizenship and Immigration are estimated at \$48 million for 1956-57 compared with \$32 million in 1955-56, an increase of \$16 million. Of this increase, \$10 million is due to the cost of bringing Hungarian refugees from Austria to Canada (of which \$5 million represents advances to the provinces and to the intergovernmental committee on European migration) and \$1 million to the provision of additional facilities for the movement of the refugees to Canada. Family assistance accounts for \$2 million of the increase. This assistance, under which children of immigrants under sixteen in their first year in Canada are eligible for a monthly allowance of \$5, became effective April 1, 1956. The remaining increase of \$3 million is in Indian Affairs, mainly for increased costs in the outlay for Indian education.

The following table presents a comparative summary of expenditures for 1956-57 and 1955-56.

TABLE XVI
(In millions of dollars)

CITIZENSHIP AND IMMIGRATION	Fiscal Year Ended March 31		Increase or Decrease (—)
	1957 (Estimated)	1956	
Indian affairs.....	24.2	21.5	2.7
Citizenship and citizenship registration.....	1.3	1.0	0.3
Immigration.....	21.3	8.0	13.3
National gallery purchase account.....	0.1	1.0	—0.9
Administration and general.....	1.0	0.8	0.2
	47.9	32.3	15.6

External Affairs

Expenditures of the Department of External Affairs are estimated at \$61 million an increase of \$16 million over the 1955-56 expenditures of \$45 million.

The principal items causing this increase are the \$8 million increase in the grant to the Colombo Plan fund, a \$3 million increase in Canada's assessment for membership in international or commonwealth organizations (due mainly to a change in the effective date of payments), a \$2 million increase in contributions to international organizations (due mainly to an estimated expenditure of \$1 million in connection with Hungarian refugees) and a \$1 million increase in assistance to other countries (due to a gift of wheat to Pakistan).

The following table presents a comparative summary of estimated expenditures for 1956-57 with actual expenditures for 1955-56.

TABLE XVII
(In millions of dollars)

EXTERNAL AFFAIRS	Fiscal Year Ended March 31		Increase or Decrease (—)
	1957 (Estimated)	1956	
Assistance to other countries.....	1.5	0.1	1.4
Canada's assessment for membership in international or commonwealth organizations.....	5.7	3.1	2.6
Contributions to international organizations.....	4.9	2.5	2.4
Grant to Colombo plan fund.....	34.4	26.4	8.0
Representation abroad.....	8.7	8.2	0.5
Administration and general.....	5.6	4.6	1.0
	60.8	44.9	15.9

Finance

The major items of expenditure have been dealt with in previous paragraphs under the headings "public debt charges", "subsidies and tax-rental payments to provinces", "government contributions with respect to the superannuation account", and "provision for reserve for losses on realization of assets".

Other expenditures are estimated at \$50 million an increase of \$15 million over the 1955-56 total of \$35 million. Increases of \$11 million in grants to universities and \$3 million in grants to municipalities in lieu of taxes are mainly responsible for the increase.

The following table presents a comparison of 1956-57 estimated expenditures with the actual expenditures for 1955-56.

TABLE XVIII
(In millions of dollars)

FINANCE	Fiscal Year Ended March 31		Increase or Decrease (—)
	1957 (Estimated)	1956	
Office of the Comptroller of the Treasury—administration expenses.....	16.1	14.9	1.2
Grants to universities.....	16.0	5.5	10.5
Grants to municipalities in lieu of taxes on federal property.....	9.6	7.0	2.6
Government contribution as an employer to the unemployment insurance fund.....	0.8	0.9	—0.1
Administration and general.....	7.0	6.2	0.8
	49.5	34.5	15.0

Mines and Technical Surveys

Expenditures of the Department of Mines and Technical Surveys are estimated at \$36 million for 1956-57, a decrease of \$2 million from the expenditures of \$38 million in 1955-56. Decreases of \$2 million in connection with the movement of coal under the Dominion Coal Board and \$1 million in the costs of surveys and mapping services are partially offset by an increase of \$1 million in other categories.

The following table presents a comparative summary of expenditures for 1956-57 and 1955-56.

TABLE XIX
(In millions of dollars)

MINES AND TECHNICAL SURVEYS	Fiscal Year Ended March 31		Increase or Decrease (—)
	1957 (Estimated)	1956	
Emergency gold mining assistance.....	9.0	9.3	—0.3
Dominion Coal Board.....	9.5	11.3	—1.8
Surveys and mapping including aerial photography.....	9.7	10.7	—1.0
Mines branch.....	3.3	3.0	0.3
Geological Survey of Canada.....	2.5	2.4	0.1
Administration and general.....	1.7	1.5	0.2
	35.7	38.2	—2.5

National Health and Welfare

Family allowance payments, estimated at \$398 million for 1956-57, constitute the main item of expenditure for the Department of National Health and Welfare and have been dealt with under a separate heading in preceding paragraphs. Civil defence expenditures, estimated at \$4 million, are dealt with under the heading "defence expenditures".

Other expenditures of the department in 1956-57 are estimated at \$161 million, an increase of \$8 million compared with expenditures of \$153 million in 1955-56.

The following table presents a comparative summary of expenditures for 1956-57 and 1955-56.

TABLE XX
(In millions of dollars)

NATIONAL HEALTH AND WELFARE	Fiscal Year Ended March 31		Increase or Decrease (—)
	1957 (Estimated)	1956	
Blind persons allowances.....	3.0	2.9	0.1
Disabled persons allowances.....	7.0	5.7	1.3
General health grants.....	36.4	33.5	2.9
Indian and Eskimo health services.....	17.6	16.7	0.9
Old age assistance.....	20.8	20.9	-0.1
Other health services.....	7.6	6.0	1.6
Reduction in the amount owing by the old age security fund.....	56.0	63.3	-7.3
Unemployment Assistance Act.....	9.3	.....	9.3
Administration and general.....	2.8	4.0	-1.2
	160.5	153.0	7.5

In Vote 656 of Appropriation Act No. 6, 1956 Parliament granted authority to charge the 1955-56 deficit of \$50 million in the old age security fund to budgetary expenditures in 1956-57. The deficit of \$6 million for 1956-57 will be charged to the current year.

Expenditures for Indian and Eskimo health services are estimated at \$18 million for 1956-57 compared with \$17 million for 1955-56. Expenditures for other health services are expected to be \$8 million in 1956-57 compared with \$6 million in 1955-56.

General health grants to the provinces for assistance in hospital construction, general health services and the control of diseases are estimated at \$36 million for 1956-57 compared with expenditures of \$34 million in 1955-56.

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 65 to 69. (Under the Old Age Security Act, all persons 70 years and over who satisfy the residence requirements of the Act may receive a pension of \$40 per month from the federal government out of the old age security fund.) Similarly, the federal government reimburses the provinces under the Blind Persons Act for allowances to blind persons in need over the age of 18 by paying 75 per cent of the total payments, and under the Disabled Persons Act by paying 50 per cent of not more than \$40 per month for allowances to disabled persons in need over the age of 18 years.

The Unemployment Assistance Act was assented to on July 11, 1956. Under this Act the federal government contributes up to 50 per cent of the cost of

unemployment assistance paid by the provinces, subject to certain deductions as set out in the Act. To date six provinces have signed agreements with the federal government. Expenditures under this Act are estimated at \$9 million for 1956-57. This covers the period from July 1, 1955 (the effective date stipulated in the Act) to March 31, 1957.

The following table presents an estimated distribution of these payments to provinces for health grants, old age assistance, disabled persons and blind persons allowances and for unemployment assistance for 1956-57.

TABLE XXI
(In millions of dollars)

GENERAL HEALTH GRANTS AND FEDERAL SHARE OF OLD AGE ASSISTANCE, DISABLED PERSONS ALLOWANCES, BLIND PERSONS ALLOWANCES AND UNEMPLOYMENT ASSISTANCE	Fiscal Year Ending March 31, 1957 (Estimated)				
	General health grants	Old age assistance	Disabled persons allowances	Blind persons allowances	Unemployment assistance
Newfoundland.....	1.0	1.0	0.1	0.1	2.9
Nova Scotia.....	1.9	1.1	0.3	0.3	.....
Prince Edward Island.....	0.3	0.1	0.1	(¹)	0.1
New Brunswick.....	1.8	1.3	0.3	0.3	0.1
Quebec.....	9.8	7.3	3.5	1.0	.....
Ontario.....	10.9	4.8	1.8	0.6	.....
Manitoba.....	2.5	1.1	0.2	0.2	1.4
Saskatchewan.....	2.2	1.2	0.2	0.1	0.9
Alberta.....	2.7	1.2	0.3	0.2	.....
British Columbia.....	3.2	1.7	0.2	0.2	3.9
Northwest and Yukon Territories.....	0.1	(¹)	(¹)	(¹)	.....
	36.4	20.8	7.0	3.0	9.3

(¹) Less than \$50,000.

National Research Council

Expenditures of the National Research Council are estimated at \$18 million for 1956-57, \$2 million higher than the expenditures for 1955-56. Salaries and other expenses amounting to \$16 million are \$2 million more than the corresponding amount in 1955-56, and the costs of construction or acquisition of buildings, works, land and new equipment totalling \$2 million are approximately the same as the corresponding outlay in 1955-56.

National Revenue

Expenditures of the Department of National Revenue are estimated at \$62 million for 1956-57 compared with \$56 million in 1955-56. The following table presents a comparative summary of expenditures for the two years.

TABLE XXII
(In millions of dollars)

NATIONAL REVENUE	Fiscal Year Ended March 31		Increase or Decrease (—)
	1957 (Estimated)	1956	
Customs and excise division.....	33.6	30.0	3.6
Taxation division.....	28.6	26.0	2.6
Income tax appeal board.....	0.1	0.1	.....
	62.3	56.1	6.2

Northern Affairs and National Resources

Expenditures of the Department of Northern Affairs and National Resources in 1956-57 are estimated at \$37 million, compared with expenditures of \$25 million in 1955-56, an increase of \$12 million.

Of this increase, \$6 million is attributable to expenditures by the national parks branch for construction or acquisition of buildings, works, land and new equipment; \$5 million is due to an increase in expenditures for the northern administration and lands branch of which \$4 million is for the construction or acquisition of buildings, works, land and new equipment, and \$1 million for operation and maintenance; and \$1 million in expenditures of the forestry branch.

The following table presents a comparative summary of estimated expenditures for 1956-57 with actual expenditures for 1955-56.

TABLE XXIII
(In millions of dollars)

NORTHERN AFFAIRS AND NATIONAL RESOURCES	Fiscal Year Ended March 31		Increase or Decrease (-)
	1957 (Estimated)	1956	
National parks branch.....	16.8	10.3	6.5
Engineering and water resources branch.....	2.1	2.1	.....
Northern administration and lands branch.....	11.6	6.6	5.0
Forestry branch.....	4.5	3.6	0.9
Canadian government travel bureau.....	1.5	1.5	.....
Administration and general.....	0.7	0.5	0.2
	37.2	24.6	12.6

Post Office

Gross expenditures of the Post Office Department for 1956-57 are estimated at \$163 million, an increase of \$15 million over the 1955-56 expenditures of \$148 million.

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 \$163 million, are estimated at \$22 million for 1956-57, compared with \$21 million in 1955-56.

Disbursements charged to budgetary expenditures are estimated at \$141 million, an increase of \$14 million over expenditures in 1955-56. The main factor accounting for the difference is the increase in salaries which was effective April 1, 1956.

The following table presents a comparative summary of expenditures for 1956-57 and 1955-56.

TABLE XXIV
(In millions of dollars)

POST OFFICE	Fiscal Year Ended March 31		Increase or Decrease (—)
	1957 (Estimated)	1956	
Charged to budgetary expenditure—			
Operations—salaries and other expenses of staff post offices, district offices and railway mail services and supplies and equipment and other items for revenue post offices.....	87.4	77.2	10.2
Transportation—movement of mail by land, air and water.....	49.9	46.5	3.4
Financial services.....	2.6	2.3	0.3
Administration and general.....	1.6	1.4	0.2
	141.5	127.4	14.1
Charged to revenue—			
Operations—salaries of postmasters and staffs at revenue and semi-staff offices, commissions paid at sub-offices and other disbursements.....	21.8	20.9	0.9
	163.3	148.3	15.0

Public Works

Expenditures of the Department of Public Works for 1956-57 are estimated at \$162 million, compared with expenditures of \$142 million for 1955-56, an increase of \$20 million. Costs of the development engineering branch increased by \$13 million of which \$12 million is attributable to the trans-Canada highway; costs of the harbours and rivers engineering branch increased by \$5 million due to the acquisition, construction and improvements of harbour and river works; and costs of the property and building management branch increased by \$3 million, of which \$1 million was for the operation and maintenance of buildings in Ottawa and \$2 million for the operation and maintenance of buildings in other centres.

The following table presents a comparative summary of estimated expenditures for 1956-57 with actual expenditures for 1955-56.

TABLE XXV
(In millions of dollars)

PUBLIC WORKS	Fiscal Year Ended March 31		Increase or Decrease (—)
	1957 (Estimated)	1956	
Property and building management branch—			
Maintenance and operation—			
Ottawa.....	14.4	13.1	1.3
Other centres.....	24.2	22.7	1.5
Administration and general.....	0.2	0.1	0.1
	38.8	35.9	2.9
Building construction branch—			
Acquisition, construction and improvements of public buildings—			
Ottawa.....	7.8	7.6	0.2
Other centres in Canada.....	36.8	37.9	—1.1
Outside Canada.....	0.2	2.6	—2.4
Administration and general.....	5.5	3.4	2.1
	50.3	51.5	—1.2
Harbours and rivers engineering branch—			
Acquisition, construction and improvements of harbour and river works.....	22.2	16.6	5.6
Harbours and rivers—generally.....	3.5	3.2	0.3
Dredging.....	3.5	4.8	—1.3
Administration and general.....	3.8	3.6	0.2
	33.0	28.2	4.8
Development engineering branch—			
Trans-Canada highway division—			
Contributions to the provinces under the terms of the Trans-Canada Highway Act.....	22.0	16.1	5.9
Trans-Canada highway through national parks.....	10.5	4.5	6.0
Administration and general.....	2.2	1.3	0.9
	34.7	21.9	12.8
Housing.....	1.9	1.4	0.5
Administration and general.....	3.7	3.2	0.5
	162.4	142.1	20.3

Royal Canadian Mounted Police

Expenditures for the Royal Canadian Mounted Police are estimated at \$44 million for 1956–57, an increase of \$7 million over the total spent in 1955–56. Increases of \$4 million in land and air services, \$1 million each in marine services, the governments contribution to the Royal Canadian Mounted Police pension account due to the salary increase effective April 1, 1956 and headquarters administration and general, account for this difference. These amounts represent gross expenditures; payments received from the provinces and municipalities for police services estimated at \$6 million are credited to revenue.

The following table presents a comparative summary of expenditures for 1956–57 and 1955–56.

TABLE XXVI
(In millions of dollars)

ROYAL CANADIAN MOUNTED POLICE	Fiscal Year Ended March 31		Increase or Decrease (—)
	1957 (Estimated)	1956	
Land and air services.....	29.2	24.9	4.3
Marine services.....	2.6	1.8	0.8
Government contribution to the Royal Canadian Mounted Police pension account.....	1.7	0.9	0.8
Pensions and other benefits.....	2.3	2.1	0.2
Headquarters administration and general.....	7.8	6.9	0.9
	43.6	36.6	7.0

Trade and Commerce

Expenditures for the Department of Trade and Commerce are estimated at \$56 million for 1956-57 compared with \$37 million for 1955-56. The increase of \$19 million is due to increases of \$13 million in respect of grain storage costs (the 1955-56 expenditure did not include payment covering a full crop year), \$1 million in respect of the Canada Grain Act, \$4 million in the costs of the Dominion Bureau of Statistics due mainly to the 1956 census and \$1 million for administration and general.

The following table presents a comparative summary of expenditures for 1956-57 and 1955-56.

TABLE XXVII
(In millions of dollars)

TRADE AND COMMERCE	Fiscal Year Ended March 31		Increase or Decrease (—)
	1957 (Estimated)	1956	
Assistance re storage costs of grain.....	31.8	18.9	12.9
Canada Grain Act.....	5.9	5.1	0.8
Dominion Bureau of Statistics.....	9.9	6.0	3.9
Standards branch.....	1.9	1.7	0.2
Trade commissioners service.....	2.9	2.6	0.3
Administration and general.....	3.3	2.2	1.1
	55.7	36.5	19.2

Transport

Expenditures of the Department of Transport for 1956-57 are estimated at \$158 million, an increase of \$26 million over the total of \$132 million in 1955-56.

Expenditures for air services, estimated at \$71 million, are \$14 million higher than those for the previous year. This increase is attributable mainly to \$3 million in the outlays of the telecommunications division chiefly for the construction and acquisition of new lines and \$9 million in the outlay of the civil aviation division for the construction and acquisition of buildings, works, lands and new equipment including construction work on municipal airports.

Expenditures for marine services are estimated at \$26 million for 1956-57, an increase of \$5 million over the outlay of \$21 million in 1955-56. This increase is mainly due to higher expenditures for the construction and acquisition of steamers.

Expenditures for railway and steamship services for 1956-57 are estimated at \$21 million, an increase of \$2 million over the previous year due principally to increased payments under the Maritime Freight Rates Act.

Estimated expenditures for the Board of Transport Commissioners at \$13 million are the same as in the previous year.

Payments to cover the net operating deficits of certain Crown corporations are estimated at \$7 million for 1956-57, an increase of \$3 million over expenditures of \$4 million in 1955-56. The increase is due almost entirely to the operation of the North Sydney—Port-aux-Basques ferry and terminals, the deficit of which was \$3 million greater than in the previous year. "Non-active" advances to the National Harbours Board are estimated to be \$4 million in 1956-57 compared with \$3 million for 1955-56.

The following table presents a comparative summary of expenditures for 1956-57 and 1955-56.

TABLE XXVIII
(In millions of dollars)

TRANSPORT	Fiscal Year Ended March 31		Increase or Decrease (—)
	1957 (Estimated)	1956	
Air services—			
Telecommunications division.....	17.7	14.3	3.4
Meteorological division.....	9.2	8.4	0.8
Civil aviation division.....	42.1	33.1	9.0
Administration.....	2.0	1.5	0.5
	71.0	57.3	13.7
Canal services.....	8.2	8.3	—0.1
Marine services.....	26.4	20.6	5.8
Railway and steamship services—			
Maritime Freight Rates Act—			
Difference between tariff and normal tolls.....	12.5	11.0	1.5
Straits of Canso causeway.....	1.1	2.9	—1.8
Construction and acquisition of auto ferries.....	3.2	3.1	0.1
Other.....	4.0	2.3	1.7
	20.8	19.3	1.5
Board of Transport|Commissioners—			
Maintenance of trackage.....	7.0	7.0	.....
Railway grade crossing fund.....	5.0	5.0	.....
Administration and general.....	1.0	1.0	.....
	13.0	13.0	.....
Canadian Maritime Commission.....	4.8	4.3	0.5
Crown Corporations—			
Net income deficits.....	7.5	4.1	3.4
Non-active advances.....	4.1	3.0	1.1
	11.6	7.1	4.5
Administration and general.....	2.5	2.1	0.4
	158.3	132.0	26.3

Veterans Affairs

Expenditures of the Department of Veterans Affairs are estimated at \$252 million in 1956-57 compared with expenditures of \$248 million in 1955-56. The estimated net increase of \$4 million is due mainly to increases of \$4 million in treatment services, \$2 million in war veterans allowances and other benefits and \$1 million for departmental, district and pensions administration and miscellaneous payments, offset in part by decreases of \$2 million in provision for the reserve for conditional benefits under the Veterans Land Act and \$1 million in war service gratuities and re-establishment credits.

Expenditures relating to the administration of the Soldiers Settlement and Veterans Land Acts are expected to amount to \$5 million while the provision for the reserve for conditional benefits under the Veterans Land Act is estimated at \$7 million. These conditional benefits are made to veterans who enter into agreements with the director for purchases of land and chattels provided they fulfil the terms of the agreements for ten years. The estimated amount charged to expenditures under this heading covers one-tenth of the conditional benefits included in sales to veterans.

The following table presents a comparative summary of expenditures for 1956-57 and 1955-56.

TABLE XXIX

(In millions of dollars)

VETERANS AFFAIRS	Fiscal Year Ended March 31		Increase or Decrease (—)
	1957 (Estimated)	1956	
Pensions for disability or death.....	130.4	130.7	—0.3
Treatment services.....	47.0	42.7	4.3
War veterans allowances and other benefits.....	44.5	42.3	2.2
Post-discharge rehabilitation benefits.....	1.2	1.8	—0.6
War service gratuities and re-establishment credits.....	2.5	3.6	—1.1
Soldier Settlement and Veterans Land Acts—			
Administration and general.....	5.5	5.4	0.1
Provision for reserve for conditional benefits, Veterans Land Act.....	6.8	8.8	—2.0
Departmental, district and pensions administration and miscellaneous payments.....	14.2	13.2	1.0
	252.1	248.5	3.6

All other departments

Expenditures of the departments not dealt with in preceding sections are estimated at \$72 million for 1956-57 compared with expenditures of \$64 million in 1955-56, an increase of \$8 million.

The following table presents a comparative summary of expenditures for 1956-57 and 1955-56.

TABLE XXX

(In millions of dollars)

ALL OTHER DEPARTMENTS	Fiscal Year Ended March 31		Increase or Decrease (—)
	1957 (Estimated)	1956	
Auditor General.....	0.7	0.7	.....
Chief Electoral Officer.....	0.2	0.4	—0.2
Civil Service Commission.....	2.7	2.4	0.3
Fisheries.....	14.0	12.4	1.6
Governor General and Lieutenant-Governors.....	0.4	0.4	.....
Insurance.....	0.6	0.5	0.1
Justice.....	7.1	6.6	0.5
Office of the Commissioner of Penitentiaries.....	12.3	10.7	1.6
Labour.....	10.1	9.0	1.1
Legislation.....	7.1	6.8	0.3
National Film Board.....	5.0	4.1	0.9
Privy Council.....	3.9	3.9	.....
Public Archives and National Library.....	0.6	0.5	0.1
Public Printing and Stationery.....	3.3	2.2	1.1
Secretary of State.....	3.4	3.0	0.4
	71.4	63.6	7.8

4. SUMMARY OF ASSETS AND LIABILITIES OF CANADA AT MARCH 31, 1957

The estimated balances of the asset and liability accounts as at March 31, 1957, the comparable balances at March 31, 1956 and the changes in each category during 1956-57 are shown in the following table.

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

	Balance at March 31		Increase or Decrease (—)
	1957 (Estimated)	1956	
LIABILITIES			
Current and demand liabilities.....	945.1	969.5	—24.4
Deposit and trust accounts.....	172.3	166.3	6.0
Annuity, insurance and pension accounts.....	2,446.2	2,185.6	260.6
Undisbursed balances of appropriations to special accounts..	309.5	343.6	—34.1
Suspense accounts.....	54.1	51.6	2.5
Unmatured debt.....	14,371.9	15,407.6	—1,035.7
	18,299.1	19,124.2	—825.1
ASSETS			
Current assets.....	976.2	1,591.0	—614.8
Advances to exchange fund account.....	2,000.0	1,950.0	50.0
Sinking fund and other investments held for retirement of unmatured debt.....	211.4	210.8	0.6
Loans to, and investments in, Crown corporations.....	2,238.7	2,007.5	231.2
Loans to national governments.....	1,479.0	1,549.8	—70.8
Other loans and investments.....	645.5	647.2	—1.7
Deferred charges.....	63.3	56.9	6.4
Unamortized portion of actuarial deficiency in the super- annuation account.....	139.0	189.0	—50.0
Suspense accounts.....	5.0	50.0	—45.0
Capital assets.....	*	*	.....
Inactive loans and investments.....	89.5	88.0	1.5
Total assets.....	7,847.6	8,340.2	—492.6
Less: Reserve for losses on realization of assets.....	—546.4	—496.4	—50.0
Net assets.....	7,301.2	7,843.8	—542.6
Net debt (excess of liabilities over net assets).....	10,997.9	11,280.4	—282.5

*Shown at nominal value of \$1.

Liabilities

The gross liabilities of the government as at March 31, 1957, are estimated at \$18,299 million, a decrease of \$825 million from the total of \$19,124 million at the close of the previous year.

Unmatured debt outstanding, including bonds and treasury bills, is estimated at \$14,372 million at March 31, 1957, or approximately 79 per cent of all liabilities. Of the total outstanding unamatured debt, \$14,020 million, or 98 per cent, is payable in Canada and \$352 million, or 2 per cent in foreign currencies—\$300 million in United States dollars and \$52 million in pounds sterling. A complete statement in tabular form of the government's unamatured debt as at

March 31, 1957, 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, 1957, in respect of annuity, insurance and pension accounts, is estimated at \$2,446 million. Current and demand liabilities, including outstanding cheques, accounts payable (consisting of cheques to be issued in April, 1957, in payment of accounts relating to the fiscal year 1956-57) and notes and other obligations payable on demand, are expected to total \$945 million.

The other liability items are: deposit and trust accounts (consisting of moneys deposited with or held by the Receiver General for various purposes), \$172 million; undisbursed balances of appropriations to special accounts (consisting of undisbursed balances of appropriations to special accounts for which moneys have been appropriated by Parliament and from which disbursements may be made for authorized purposes in periods subsequent to that in which the appropriation was made), \$310 million; suspense accounts (consisting of balances where some uncertainty as to disposition exists and balances whose ultimate accounting treatment is known but which are held until certain conditions are fulfilled), \$54 million.

Assets

Offsetting the liabilities, and to some extent explaining their existence—as a large part of the total debt has been incurred on account of them—are the government's 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 suspense accounts.

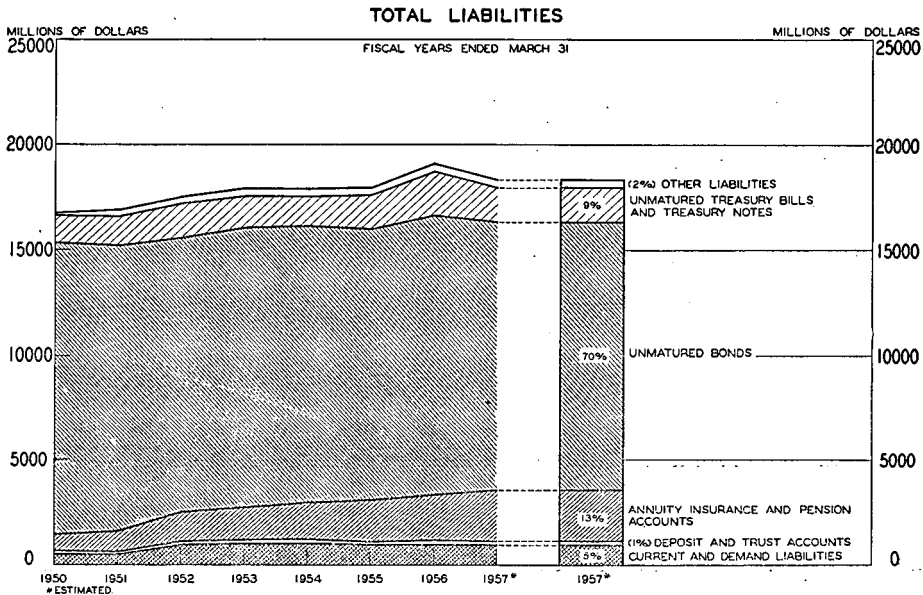
The total assets at March 31, 1957, are estimated at \$7,847 million, a decrease of \$493 million from the total at March 31, 1956. The asset categories are: current assets (including cash, departmental working capital advances and revolving funds and securities held in the securities investment account), \$976 million; advances to the exchange fund account to finance the purchase of gold and foreign exchange, \$2,000 million; sinking fund and other investments held for the retirement of unmatured debt, \$211 million; loans to, and investments in, Crown corporations, \$2,239 million; loans to national governments, \$1,479 million; other loans and investments (consisting of Canada's subscription to the capital of the international monetary fund and the international bank for reconstruction and development, advances and loans to international organizations, loans to provinces and municipalities, veterans and miscellaneous loans, and balances receivable), \$646 million; deferred charges (consisting of loan flotation costs in the process of being amortized), \$63 million; the unamortized portion of the actuarial deficiency in the superannuation account, \$139 million; suspense accounts, \$5 million; capital assets (assets of the government such as land, buildings, works and equipment, etc., which are charged to budgetary expenditures at the time of acquisition or construction, are shown on the state-

ment of assets and liabilities at a nominal value of \$1); and inactive loans and investments (including loans and advances which are not currently revenue-producing or realizable), \$90 million.

A reserve of \$546 million for losses on realization of assets is shown on the statement of assets and liabilities as a deduction from the total assets, bringing the net assets total to \$7,301 million.

A. CHANGES IN PRINCIPAL LIABILITY CLASSIFICATIONS DURING 1956-57

The gross liabilities of the government are expected to show a decrease of \$825 million from the total at the close of 1955-56. Decreases of \$1,036 million in unmatured debt, \$34 million in undisbursed balances of appropriations to special accounts and \$24 million in current and demand liabilities are only partly offset by increases of \$261 million in annuity, insurance and pension accounts, \$6 million in deposit and trust accounts and \$2 million in suspense accounts.



Current and demand liabilities

It is estimated that current and demand liabilities will have decreased by \$24 million during the fiscal year. Decreases of \$12 million in non-interest bearing notes payable to the international monetary fund and the international bank for reconstruction and development, \$10 million in interest accrued, \$6 million in matured debt outstanding, \$1 million in the post office account and \$1 million in outstanding treasury cheques and in other current liabilities are partially offset by increases of \$4 million in accounts payable and \$2 million in interest due and outstanding. The estimated changes in the various accounts are shown in the following table.

TABLE XXXII

(In millions of dollars)

CURRENT AND DEMAND LIABILITIES	Balance at March 31		Increase or Decrease(—)
	1957 (Estimated)	1956	
Outstanding treasury cheques.....	292.7	293.2	—0.5
Accounts payable.....	206.9	203.0	3.9
Non-interest bearing notes payable to the international monetary fund and the international bank for recon- struction and development.....	211.8	223.8	—12.0
Matured debt outstanding.....	25.7	31.9	—6.2
Interest due and outstanding.....	60.2	58.2	2.0
Interest accrued.....	119.8	129.8	—10.0
Post Office (net liability for money orders, etc.).....	27.1	28.1	—1.0
Other current liabilities.....	0.9	1.5	—0.6
	945.1	969.5	—24.4

Deposit and trust accounts

Deposit and trust accounts are expected to increase by \$6 million during the year. The major changes in this category are increases of \$4 million in the prairie farm emergency fund, \$2 million in contractors holdbacks, \$2 million in Indian trust funds and \$1 million in national harbours board special accounts and a decrease of \$3 million in the province of Newfoundland financial surplus. The expected increase in the prairie farm emergency fund is due to the amount collected during the year as levies exceeding award payments by \$4 million.

Annuity, insurance and pension accounts

It is estimated that the annuity, insurance and pension accounts will have increased by \$261 million during the fiscal year. The changes in the various accounts for the fiscal year are shown in the following table.

TABLE XXXIII

(In millions of dollars)

ANNUITY, INSURANCE AND PENSION ACCOUNTS	Balance at March 31		Increase or Decrease (—)
	1957 (Estimated)	1956	
Unemployment insurance fund.....	886.8	865.6	21.2
Less: Investment in bonds and accrued interest.....	—875.1	—852.6	—22.5
	11.7	13.0	—1.3
Government annuities.....	990.0	930.2	59.8
Superannuation account.....	921.6	804.2	117.4
Permanent services pension account.....	427.1	346.4	80.7
Other.....	95.8	91.8	4.0
	2,446.2	2,185.6	260.6

The unemployment insurance fund is expected to increase by \$21 million during the fiscal year bringing the balance at March 31, 1957 to \$887 million. Of this amount it is estimated that \$875 million will be invested in bonds and

accrued interest and \$12 million will be held by the Receiver General in the consolidated revenue fund. The increase of \$21 million in the fund represents the amount by which contributions by employers, employees and the government, income from investments and other miscellaneous revenue credited to the fund exceed benefit payments totalling \$214 million during 1956-57.

The increase of \$117 million in the superannuation account is attributable mainly to the government's contribution of \$31 million equal to the estimated current and prior service payments of individuals in 1955-56, the government's contribution of \$41 million in respect of the civil service salary increase and \$35 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 \$60 million reflecting the amount by which premium receipts, interest credited to the account by the government and the amount required to maintain the reserve exceed payments to annuitants and beneficiaries.

It is expected that the permanent services pension account will show an increase of \$81 million, reflecting the government's contribution of \$46 million which is made at the rate of one and two-thirds times the current contributions and contributions for arrears, interest on the account which is estimated at \$15 million and contributions by permanent services personnel for current service and arrears less payments from the account.

Other annuity, insurance and pension accounts will show an increase of \$4 million for the fiscal year.

Old age security fund

Under the Old Age Security Act pensions of \$40 per month are paid from the old age security fund to all eligible persons seventy years of age and over without a means test. Payments from the fund during the fiscal year are estimated at \$379 million while credits to the fund from the proceeds of the 2 per cent tax on personal incomes (maximum tax \$60), the 2 per cent tax on corporation profits and the 2 per cent sales tax are expected to total \$373 million. Temporary loans amounting to \$6 million will be required to cover the deficit resulting from these transactions during 1956-57. Under the authority of Vote 656 of Appropriation Act, No. 6, 1956, the 1955-56 deficit of \$50 million will be charged to expenditure in 1956-57. The current deficit of \$6 million will also be charged to expenditure in 1956-57.

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

TABLE XXXIV
(In millions of dollars)

OLD AGE SECURITY FUND	Fiscal Year Ended March 31	
	1957 (Estimated)	1956
Pension payments.....	379.0	366.2
Tax receipts—		
2 per cent sales tax.....	181.0	160.4
2 per cent individual income tax.....	125.0	102.5
2 per cent corporation income tax.....	67.0	53.3
	373.0	316.2
Excess of pension payments over tax receipts covered by temporary loan from Minister of Finance.....	6.0	50.0
Carried forward from previous year.....	50.0	63.3
Charged to parliamentary appropriation.....	-56.0	-63.3
Temporary loan outstanding at end of fiscal year.....		50.0

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 XXXV
(In millions of dollars)

OLD AGE SECURITY PAYMENTS BY PROVINCES	Fiscal Year Ended March 31		Increase or Decrease (—)
	1957 (Estimated)	1956	
Newfoundland.....	7.8	7.6	0.2
Nova Scotia.....	18.6	18.4	0.2
Prince Edward Island.....	3.4	3.3	0.1
New Brunswick.....	13.5	13.2	0.3
Quebec.....	79.5	77.1	2.4
Ontario.....	139.0	134.6	4.4
Manitoba.....	22.8	22.0	0.8
Saskatchewan.....	23.3	22.3	1.0
Alberta.....	24.0	22.7	1.3
British Columbia.....	46.8	44.7	2.1
Northwest and Yukon Territories.....	0.3	0.3	.....
	379.0	366.2	12.8

Undisbursed balances of appropriations to special accounts

This category is set up to record the undisbursed balances of appropriations to special accounts for which moneys have been appropriated by parliament and from which disbursements may be made for authorized purposes in periods subsequent to that in which the appropriation was made. It is estimated that there will be a net decrease of \$34 million during the year in these accounts, due mainly to a decrease of \$49 million in the national defence equipment account and increases of \$13 million in the Colombo plan fund and \$2 million in the railway grade crossing fund.

The railway grade crossing fund is expected to show an increase of approximately \$2 million for the year, representing the amount credited to this account and charged to expenditure less disbursements from the account.

The estimated increase of \$13 million in the Colombo plan fund represents the amount by which the \$34 million credited to the fund out of moneys voted by parliament for assistance to countries in south and south-east Asia exceeded disbursements from the fund of \$21 million.

The transactions in the national defence equipment account reflect a decrease in the undisbursed balance in the account which was established under section 3 of the Defence Appropriation Act, 1950, and continued by 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 during the fiscal year are estimated at \$49 million. It is not expected that there will be any equipment transfers during the fiscal year; therefore, no credits will be made to the account.

Suspense accounts

Suspense accounts are expected to show a net increase of \$2 million. The major changes in the accounts of this category are increases of \$8 million in balances receivable under agreements of sale of Crown assets, and \$2 million in the replacement of materiel account and decreases of \$3 million in Crown Assets Disposal Corporation account, \$2 million in international monetary fund—revaluation of Canadian dollar balance account, \$1 million in military relief and currency credits and \$1 million in payroll deductions.

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. It is estimated that during 1956-57 credits to the account will exceed disbursements by \$2 million.

The increase in balances receivable under agreements of sale of Crown assets reflects certain new agreements of sale, including \$9 million with Orenda Engines Limited and \$3 million with Avro Aircraft Limited.

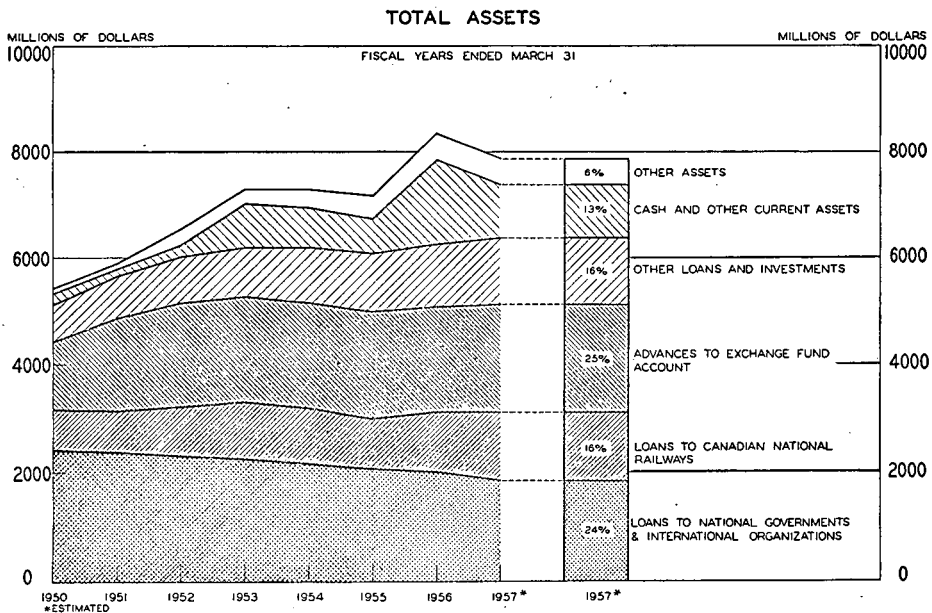
The decrease in Crown Assets Disposal Corporation account represents a reduction in the government's equity in the agency account of the corporation.

Unmatured Debt

The outstanding unmatured debt at the close of 1956-57 is estimated at \$14,372 million, a decrease of \$1,036 million from the previous fiscal year and is reflected entirely in debt payable in Canada.

B. CHANGES IN PRINCIPAL ASSET CLASSIFICATIONS DURING 1956-57

It is estimated that assets will have decreased by \$493 million during the fiscal year ending March 31, 1957. Decreases of \$615 million in current assets, \$71 million in loans to national governments, \$45 million in suspense accounts, \$50 million in the unamortized portion of the actuarial deficiency in the super-annuation account and \$2 million in other loans and investments are offset in part by increases of \$231 million in loans to, and investments in, Crown corporations, \$50 million in advances to the exchange fund account, \$6 million in deferred charges, \$2 million in inactive loans and investments and \$1 million in sinking fund and other investments held for retirement of unmatured debt. It is expected that \$50 million will be added to the reserve for losses on the realization of assets causing a decrease of \$543 million in the net assets.



Current assets

The changes during the fiscal year in the various accounts in this category are shown in the following table.

TABLE XXXVI
(In millions of dollars)

CURRENT ASSETS	Balance at March 31		Increase or Decrease(—)
	1957 (Estimated)	1956	
Cash in current and special deposits.....	440.2	570.8	—130.6
Cash in hands of collectors and in transit.....	193.6	151.9	41.7
Departmental working capital advances and revolving funds—			
Agricultural prices support account.....	23.4	33.1	—9.7
Defence production revolving fund.....	56.5	58.4	—1.9
Miscellaneous departmental imprest and advance accounts.....	20.0	21.5	—1.5
Other.....	24.7	22.1	2.6
Securities investment account.....	207.8	721.5	—513.7
Other current assets—moneys received after March 31 but applicable to the current year.....	10.0	11.7	—1.7
	976.2	1,591.0	—614.8

The estimated decrease of \$615 million in current assets is due to decreases of \$514 million in the securities investment account (which records the government's temporary holdings of its own securities including those held for the government employees purchase plan), \$131 million in cash in current and special deposits, \$11 million in departmental working capital advances and revolving funds and \$2 million in moneys received after March 31 but applicable to the current year, offset in part by an increase of \$42 million in cash in hands of collectors and in transit.

Of the net decrease of \$11 million in departmental working capital advances and revolving funds, \$10 million is due to a net decrease in the agricultural prices support account, \$2 million in the defence production revolving fund and \$2 million in miscellaneous departmental imprest and advance accounts offset by an increase of \$3 million in other accounts.

The estimated decrease of \$10 million in the agricultural prices support account reflects the credit to the account of \$5 million, representing the loss on operations for 1956-57 to be included in the year's expenditures, and the net credit of \$5 million to the account, representing the excess of sales over purchases during the year by the agricultural prices support board.

The decrease of \$2 million in the defence production revolving fund reflects the amount by which credits to the account from the sale of essential materials and defence supplies exceed the cost of acquiring, storing, maintaining and transporting such materials.

Miscellaneous departmental imprest and advance accounts record accountable advances to departments held on deposit in various banks in the name of the department concerned, certain travelling and imprest advances to public officers and advance payments to contractors. During the fiscal year these advances are carried as charges to the relevant appropriations; if they are not repaid or accounted for at the year-end, they are cleared from the appropriation and debited to this account and at the beginning of the new fiscal year are cleared from the account and charged to the appropriation concerned until such time as an accounting is made.

Advances to the exchange fund account

Advances to the exchange fund are estimated at \$107 million and repayments at \$57 million, resulting in a net advance of \$50 million during the year.

Sinking fund and other investments held for retirement of unmatured debt

It is expected that there will be an increase of \$1 million in this account during the fiscal year 1956-57, due mainly to an increase in the holdings of bonds of various Government of Canada issues payable in United States dollars.

Loans to, and investments in, Crown corporations

It is estimated that loans to, and investments in, Crown corporations will increase by \$231 million during the year. The most important changes are net increases of \$154 million in loans and advances to the Canadian National Railways, \$55 million in advances to The St. Lawrence Seaway Authority, \$9 million in advances to Atomic Energy of Canada Limited, \$9 million in advances to Canadian Farm Loan Board, \$7 million in advances to National Harbours Board, \$2 million in loans to Northern Ontario Pipe Line Crown Corporation and a net decrease of \$7 million in loans to Central Mortgage and Housing Corporation.

The changes in this category are shown in the following table.

TABLE XXXVII
(In millions of dollars)

LOANS TO, AND INVESTMENTS IN, CROWN CORPORATIONS	Balance at March 31		Increase or Decrease (—)
	1957 (Estimated)	1956	
Atomic Energy of Canada Limited.....	53.2	43.7	9.5
Bank of Canada.....	5.9	5.9	.....
Canadian Arsenal Limited.....	7.5	7.5	.....
Canadian Broadcasting Corporation.....	27.4	27.4	.....
Canadian Commercial Corporation.....	5.0	6.0	—1.0
Canadian Farm Loan Board.....	50.6	41.7	8.9
Canadian National Railways.....	1,259.2	1,104.7	154.5
Canadian National (West Indies) Steamships Limited.....	3.4	3.6	—0.2
Canadian Overseas Telecommunication Corporation.....	13.2	8.0	5.2
Central Mortgage and Housing Corporation.....	557.8	564.6	—6.8
Crown Assets Disposal Corporation.....	6.5	9.0	—2.5
Eldorado Mining and Refining Limited.....	8.2	8.2	.....
Export Credits Insurance Corporation.....	10.0	10.0	.....
National Harbours Board.....	114.3	107.1	7.2
Northern Ontario Pipe Line Crown Corporation.....	1.8	.....	1.8
Northern Canada Power Commission.....	7.5	7.4	0.1
Polymer Corporation Limited.....	30.0	30.0	.....
The St. Lawrence Seaway Authority.....	76.0	21.5	54.5
Other Crown Corporations.....	1.2	1.2	.....
	2,238.7	2,007.5	231.2

Advances to Atomic Energy of Canada Limited are estimated at \$9 million for the fiscal year, resulting in an increase of \$9 million and bringing advances to \$53 million at March 31, 1957. The advances are to be covered by obligations or shares of the company in the same amount. The total for the year is for the construction or acquisition of buildings and equipment at Chalk River and Deep River and for the commercial products division at Ottawa.

It is not expected that any loans will be made during the year to the Canadian Broadcasting Corporation in respect of capital costs of television installations and the development of the service. The total loans to the corporation outstanding at March 31, 1957, are expected to remain at \$27 million.

It is estimated that in the fiscal year ending March 31, 1957, the government will have made net advances to the Canadian National Railway Company of \$130 million for capital purposes and retirement of unmatured debt in the hands of the public.

In addition, to assist the company to finance additional expenditures, the government will have purchased an estimated amount of \$24 million of the four per cent preferred stock of the Canadian National Railway Company. 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 revenues of the company.

Loans to Central Mortgage and Housing Corporation during the fiscal year are expected to amount to \$2 million, all for federal-provincial housing projects. Repayments are estimated at \$9 million, of which \$5 million is in respect of direct loans by the corporation and joint loans with lending institutions, \$3 million on account of advances for house construction and \$1 million in respect of loans for federal-provincial projects. The net decrease for the fiscal year in loans to the corporation is expected to be \$7 million.

The net increase in advances to The St. Lawrence Seaway Authority during the year is estimated at \$55 million bringing total loans at the close of the fiscal year to \$76 million.

Loans to the Northern Ontario Pipe Line Crown Corporation during 1956-57 are estimated at \$2 million; loans of \$52 million during the year were largely offset by a repayment of \$50 million in February.

Other increases in loans and advances to Crown corporations include \$9 million to the Canadian Farm Loan Board, \$5 million to the Canadian Overseas Telecommunication Corporation and \$7 million to National Harbours Board. It is also expected that there will be a decrease in loans and advances of \$1 million to the Canadian Commercial Corporation. A reduction of \$3 million in the government's equity in the agency account of Crown Assets Disposal Corporation is also expected.

Loans to national governments

It is estimated that loans to national governments will total \$1,479 million at the end of the fiscal year, a decrease of \$71 million from the total at the close of the previous year. The estimated changes in these loans are shown in the following table.

TABLE XXXVIII
(In millions of dollars)

LOANS TO NATIONAL GOVERNMENTS	Balance at March 31		Increase or Decrease (—)
	1957 (Estimated)	1956	
Loans to United Kingdom—			
The War Appropriation (United Kingdom Financing) Act, 1942.....	52.5	82.5	—30.0
The United Kingdom Financial Agreement Act, 1946...	1,096.6	1,112.1	—15.5
	1,149.1	1,194.6	—45.5
Loans under the Export Credits Insurance Act, Part II—			
Belgium.....	46.1	48.4	—2.3
Czechoslovakia.....	2.0	6.0	—4.0
France.....	175.7	184.1	—8.4
Netherlands.....	91.8	96.4	—4.6
Norway.....	7.9	10.5	—2.6
	323.5	345.4	—21.9
Miscellaneous loans and advances—			
France—military relief credits settlement.....	1.0	2.0	—1.0
interim credit—consolidated interest.....	1.7	1.8	—0.1
Netherlands—military relief and currency credit settle- ment.....	2.9	3.5	—0.6
Union of Soviet Socialist Republics.....		1.8	—1.8
Miscellaneous.....	0.8	0.7	0.1
	6.4	9.8	—3.4
	1,479.0	1,549.8	—70.8

During the year the Government of the United Kingdom will have 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, 1957 is estimated at \$53 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 has repaid \$15 million on account of the \$1,185 million loan made under the \$1,250 million credit authorized by the United Kingdom Financial Agreement Act, 1946, reducing the unpaid balance to \$1,097 million at the close of the fiscal year. Interest of \$22 million due on this loan December 31, 1956 has been deferred.

Repayments of advances under Part II of the Export Credits Insurance Act to certain foreign countries to assist them in purchasing goods and services in Canada are estimated at \$22 million for the year, as shown in the preceding table.

Other loans and investments

Other loans and investments are estimated to decrease by \$2 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(—)
	1957 (Estimated)	1956	
Subscriptions to capital of, working capital advances and loans to, international organizations—			
Canada's subscription to capital of—			
International monetary fund.....	293.5	299.7	—6.2
International bank for reconstruction and development.....	70.9	70.9	.....
International Finance Corporation.....	3.5	.....	3.5
Working capital advances and loans to international organizations.....	2.7	1.7	1.0
	370.6	372.3	—1.7
Loans to provincial governments—			
Alberta.....	9.6	10.0	—0.4
British Columbia.....	18.6	19.4	—0.8
Manitoba.....	15.6	16.2	—0.6
Nova Scotia.....	0.1	0.1	.....
Prince Edward Island.....	0.1	0.1	.....
Saskatchewan.....	25.6	27.3	—1.7
	69.6	73.1	—3.5
Veterans Land Act advances.....	157.6	161.0	—3.4
Miscellaneous—			
Acquisition of land to control properties in the vicinity of main terminal airports.....	1.9	2.9	—1.0
Balances receivable under agreements of sale of Crown assets.....	26.6	18.6	8.0
Construction of dock and rail facilities for Steep Rock Iron Mines Limited.....	2.4	2.5	—0.1
Dominion Coal Company Limited.....	4.5	4.3	0.2
Municipal Improvements Assistance Act, 1938.....	2.6	2.9	—0.3
New Westminster Harbour Commission.....	2.4	2.4	.....
Other.....	7.3	7.2	0.1
	47.7	40.8	6.9
	645.5	647.2	—1.7

The decrease of \$6 million during the year in Canada's subscription to the capital of the international monetary fund is due to the adjustment of the government's Canadian dollar equity in the fund.

Loans to provincial governments are expected to be reduced by the amount of \$3 million reflecting repayments by the governments concerned.

Advances under the Veterans Land Act are expected to decrease by \$11 million during the year. However, as there will be a decrease of approximately \$8 million in the reserve for conditional benefits under the Veterans Land Act, there is a net decrease of \$3 million.

Miscellaneous loans and investments are expected to increase by \$7 million during the year due mainly to an increase of \$8 million in balances receivable under agreements of sale of Crown assets and a decrease of \$1 million in the holdings of land acquired to control properties in the vicinity of main terminal airports.

Deferred charges

Unamortized loan flotation costs are expected to increase by \$6 million during the year to \$63 million at March 31, 1957. Payments of \$18 million for commissions and discounts on new loans are only partly offset by the annual amortization charges of \$12 million applicable to 1956-57 included in the year's budgetary expenditures.

Unamortized portion of actuarial deficiency in the superannuation account

There will be a decrease of \$50 million during the year in the unamortized portion of the actuarial deficiency in the superannuation account which amount is included in the year's budgetary expenditures.

Suspense accounts

The decrease of \$45 million in this category is due to the 1955-56 deficit of \$50 million in the old age security fund which was included as a charge to budgetary expenditures for 1956-57 under the authority of Vote No. 656 of Appropriation Act No. 6, 1956, offset in part by an increase of \$5 million due to the adjustment of the government's Canadian dollar equity in the international monetary fund.

Capital assets

This asset category records on the government's statement of assets and liabilities, at a nominal value of \$1, the capital assets that are charged to net debt at the time of acquisition or construction.

Inactive loans and advances

This category records those loans and advances which are not currently revenue-producing or realizable. The balance at March 31, 1957, is estimated at \$90 million and includes the loan of \$49 million to China under the Export Credits Insurance Act, loans of \$24 million to Roumania and \$7 million to Greece, made in 1919-20 and 1920-21 and \$9 million due to the implementation of guarantee—(Ming Sung Industrial Company Limited).

Reserves for losses on realization of assets

The sum of \$50 million will be added to the reserve for losses on realization of assets during the year, bringing the balance at March 31, 1957, to \$546 million.

C. DECREASE IN NET DEBT

The estimated surplus for the fiscal year of \$282 million will result in a corresponding decrease in the net debt of Canada from \$11,280 million at March 31, 1956 to \$10,998 million at March 31, 1957.

5. THE CASH POSITION

Cash balances of the government on deposit to the credit of the Receiver General are expected to decline during the fiscal year by \$131 million from a total of \$571 million at March 31, 1956 to \$440 million at March 31, 1957. This decrease is the net result of a reduction of \$523 million in the government's outstanding unmatured debt (after taking into account transactions in the securities investment and sinking fund accounts) less the budgetary surplus of \$282 million and the excess of non-budgetary receipts over disbursements of \$110 million.

Although most of the government's financial transactions are reflected in the budgetary accounts, the government also receives and disburses substantial amounts of cash which are not recorded as budgetary revenues and expenditures. These other "non-budgetary" receipts and disbursements relate to transactions which result in increases or decreases in the government's assets and liabilities and they do not appear in what might be called the government's income account for the fiscal year nor do they enter into the calculation of the annual budgetary surplus or deficit. However, in considering the full scope of the government's financial operations and in measuring their effect on the government's cash position and their impact upon the economy, non-budgetary as well as budgetary transactions must be taken into account.

These increases or decreases in the government's assets and liabilities have been described in detail in the section entitled "Statement of Assets and Liabilities of Canada". On the assets side the non-budgetary transactions 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, international organizations, veterans and other borrowers. On the liabilities side they relate mainly to receipts and payments in connection with the many deposit and trust accounts, and annuity, insurance and pension funds held or administered by the government.

The following statement summarizes the estimated non-budgetary transactions for 1956-57 and indicates how they, together with the budgetary transactions, are expected to affect the government's unmatured debt and cash position. For purposes of comparison, the corresponding figures for 1955-56 are also shown.

TABLE XL

(In millions of dollars)

CHANGES IN CASH POSITION	Fiscal year ended March 31	
	1957 (Estimated)	1956
NON-BUDGETARY RECEIPTS AND CREDITS (excluding unmatured debt transactions)		
Repayment of loans, investments and working capital advances—		
Advances to agricultural prices support account.....	9.7	-1.4
Equity in agency account of Crown Assets Disposal Corporation...	2.5	-9.0
Subscription to International Monetary Fund.....	6.2	-6.3
Loans to Central Mortgage and Housing Corporation.....	6.8	10.4
1942 loan to United Kingdom.....	30.0	30.0
1946 loan to United Kingdom.....	15.5	15.2
Loans to other national governments.....	25.3	25.8
Loans to provincial governments.....	3.5	3.6
Advances under Veterans Land Act.....	10.9	-5.3
Other loans, investments and working capital advances.....	6.1	19.2
	116.5	82.2
Net government annuities account receipts—		
Premium receipts less payments to beneficiaries.....	23.8	31.6
Government contribution to maintain reserve.....	0.2	.....
Interest paid by government.....	35.8	34.1
	59.8	65.7
Net insurance and pension account receipts—		
Employee contributions less payments to beneficiaries.....	30.5	26.8
Government contributions.....	120.6	72.5
Interest paid by government.....	51.0	43.6
	202.1	142.9
Temporary loans to old age security fund.....	50.0	13.3
Net increase in Colombo plan fund.....	12.5	1.1
Net increase in prairie farm emergency fund.....	3.5	-4.8
Decrease in unamortized portion of superannuation account liability.....	50.0	.....
Increase in reserve for possible losses on assets.....	50.0	.....
Net receipts in sundry other accounts.....	19.2	20.8
	563.6	321.2
NON-BUDGETARY DISBURSEMENTS AND CHARGES (excluding unmatured debt transactions)		
Loans, investments and working capital advances—		
Loans to Atomic Energy of Canada Limited.....	9.5	11.7
Loans to Canadian Farm Loan Board.....	8.9	4.7
Loans to, and investments in, Canadian National Railways.....	154.5	170.7
Loans to Canadian Overseas Telecommunication Corporation.....	5.2	3.9
Advances to exchange fund.....	50.0	-30.0
Investment in International Finance Corporation.....	3.5	.....
Loans to National Harbours Board.....	7.2	-0.1
Loan to Northern Ontario Pipe Line Crown Corporation.....	1.8	.....
Loans to The St. Lawrence Seaway Authority.....	54.5	20.2
Other loans, investments and working capital advances.....	13.6	26.9
	308.7	208.0
Net decrease in special defence accounts.....	47.5	-8.1
Net decrease in current and demand liabilities.....	24.4	-25.5
Net increase in unamortized loan flotation costs.....	6.4	-10.6
Net decrease in reserve for conditional benefits, Veterans Land Act	7.5	-5.9
Net disbursements from sundry other accounts.....	59.6	5.7
	454.1	163.6
Net amount available from non-budgetary transactions.....	109.5	157.6
Add BUDGETARY SURPLUS or deduct BUDGETARY DEFICIT.....	282.5	-33.1
Overall cash available for debt reduction or increase in cash balances.....	392.0	124.5
Net increase or decrease (-) in unmatured debt outstanding in the hands of the public—		
Securities investment account.....	513.7	-675.9
Sinking fund.....	-0.6	-19.9
Unmatured debt.....	-1,035.7	911.1
	-522.6	215.3
Net increase or decrease (-) in cash balances on deposit to the credit of the Receiver General.....	-130.6	339.8

As the table shows, non-budgetary receipts and credits, for 1956-57 (excluding unmatured debt transactions) are estimated at \$564 million while non-budgetary disbursements and charges (also excluding unmatured debt transactions) are expected to total \$454 million, resulting in a net amount of \$110 million available from non-budgetary transactions. As the budgetary surplus is estimated at \$282 million, \$392 million will be available for debt reduction or increase in cash balances. For 1955-56, the net amount available from non-budgetary transactions was \$158 million which after deducting the budgetary deficit of \$33 million left \$125 million available for debt reduction or increase in cash balances.

Non-budgetary receipts and credits in 1956-57 are estimated at \$564 million. Repayments of loans, investments and working capital advances are expected to total \$117 million and include \$45 million from the Government of the United Kingdom and \$25 million from other national governments. Net government annuities account receipts are estimated at \$60 million and net insurance and pension account receipts at \$202 million. The net repayment of \$50 million in temporary loans to the old age security fund reflects the charge to budgetary expenditures during 1956-57 of the temporary loans made to the fund during 1955-56. Temporary loans to the old age security fund in 1956-57 estimated at \$6 million are also charged to budgetary expenditures in 1956-57. Net receipts and credits in various other accounts are estimated at \$135 million and include increases of \$13 million in the Colombo plan fund, an addition of \$50 million to the reserve for possible losses on assets and a reduction of \$50 million in the unamortized portion of the actuarial deficiency in the superannuation account.

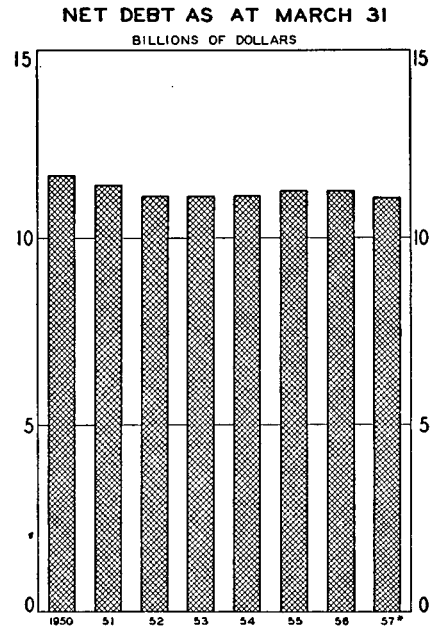
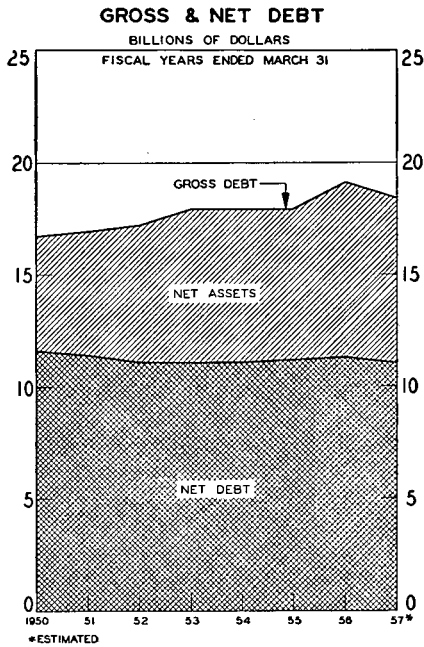
Non-budgetary disbursements and charges are expected to amount to \$454 million. Loans, investments and working capital advances are estimated at \$309 million and include \$9 million to Atomic Energy of Canada Limited to finance the construction of the new reactor and other buildings and works at Chalk River, Deep River and other locations, \$155 million to Canadian National Railways for additions and betterments, the acquisition of rolling stock and equipment and the retirement of maturing debt, \$50 million to the exchange fund for the acquisition of gold and foreign exchange, \$2 million to Northern Ontario Pipe Line Crown Corporation (loans of \$52 million during the year were largely offset by a repayment of \$50 million in February), and \$55 million to The St. Lawrence Seaway Authority for the dredging and construction of the seaway. Other non-budgetary disbursements and charges are expected to total \$145 million and include net payments of \$48 million from the special defence accounts and a net decrease of \$24 million in current and demand liabilities.

In summary, unmatured debt after taking into account transactions in the securities investment and sinking fund accounts is expected to be reduced by \$523 million during the fiscal year. As \$392 million is expected to be available from budgetary and non-budgetary transactions, cash balances on deposit with banks will be drawn down by an estimated \$131 million.

6. THE PUBLIC DEBT

Gross and net debt

It is estimated that the unmatured debt of Canada will have decreased by \$1,036 million and other liabilities will have increased by \$211 million during the fiscal year. On this basis, it is expected that the gross public debt of Canada will have been reduced by \$825 million from \$19,124 million at March 31, 1956 to \$18,299 million at March 31, 1957. Since the government's assets as shown on the statement of assets and liabilities are expected to decrease by \$543 million during the same period, the net debt is expected to decrease by \$282 million.



The following table shows the relationship between the gross public debt, the unmatured debt and the net debt at the end of each fiscal year, 1948-49 to 1956-57 inclusive.

TABLE XLI

STATEMENT OF PUBLIC DEBT, UNMATURED DEBT, RECORDED ASSETS AND NET DEBT OF CANADA

(In millions of dollars)

As at March 31	Gross Public Debt			Less Recorded Assets	Net Debt	Increase or Decrease (-) in Net Debt during Fiscal Year
	Unmatured Debt	Other Liabilities	Total			
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.....	14,496.5	3,455.0	17,951.5	6,688.4	11,263.1	147.2
1956.....	15,407.6	3,716.6	19,124.2	7,843.8	11,280.4	17.3
1957 (Estimated).....	14,371.9	3,927.2	18,299.1	7,301.2	10,997.9	-282.5

Unmatured debt

It is estimated that the unmatured debt of Canada will total \$14,372 million at March 31, 1957, a decrease of \$1,036 million from the unmatured debt on March 31, 1956. However, during the same period the government's holdings of securities in the sinking fund and securities investment accounts are expected to decrease by \$513 million, resulting in a net decrease of \$523 million in the amount of outstanding unmatured debt.

Summary of security issues and redemptions during the fiscal year

It is estimated that during the fiscal year 1956-57 the government will have issued securities payable in Canadian dollars in the principal amount of \$1,465 million (excluding the refunding of treasury bills which mature periodically) and redeemed maturing or called issues and converted others in the amount of \$2,501 million, all payable in Canadian dollars.

Redemptions were financed as follows:

(In millions of dollars)

By proceeds of new issues:

Canada savings bonds, series 11 (net).....	790	
Increase in treasury bills.....	25	
		815

By refunding or conversion into new issues.....	650	
		1,465

The net decrease in unmatured debt as a result of these transactions is estimated at \$1,036 million. No change is anticipated during the year in the unmatured debt payable in U.S. dollars and sterling. As at March 31, 1956, the amount payable in New York was \$300 million and the amount payable in London was \$52 million.

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

TABLE XLII

REDEMPTION OF DEBT DURING FISCAL YEAR ENDING MARCH 31, 1957

MATURITY	Interest Rate	Where Payable	Amount
	%		\$
May 1, 1956.....	2½	Canada	500,000,000
July 1, 1956.....	2½	Canada	400,000,000
December 15, 1956.....	2½	Canada	550,000,000
January 1, 1959 ⁽¹⁾	3	Canada	250,000,000
June 1, 1966 ⁽²⁾	3½	Canada	54,703,000
Canada savings bonds series 1-10 (net).....	2½-3½	Canada	746,000,000
			2,500,703,000

(¹) Converted.

(²) Called March 31, 1956 for payment June 1, 1956.

Net sales of Canada savings bonds series 11, during the fiscal year are estimated at \$790 million and the net redemption of Canada savings bonds series 1-10, (of which series 1 matured on November 1, 1956) is estimated at \$746 million. The net increase during the year for all series is estimated at \$44 million and the amount outstanding as at March 31, 1957 is estimated at \$2,424 million compared with \$2,380 million at the close of the previous fiscal year.

The amount of treasury bills outstanding at the end of the fiscal year is estimated at \$1,625 million or \$25 million more than at March 31, 1956.

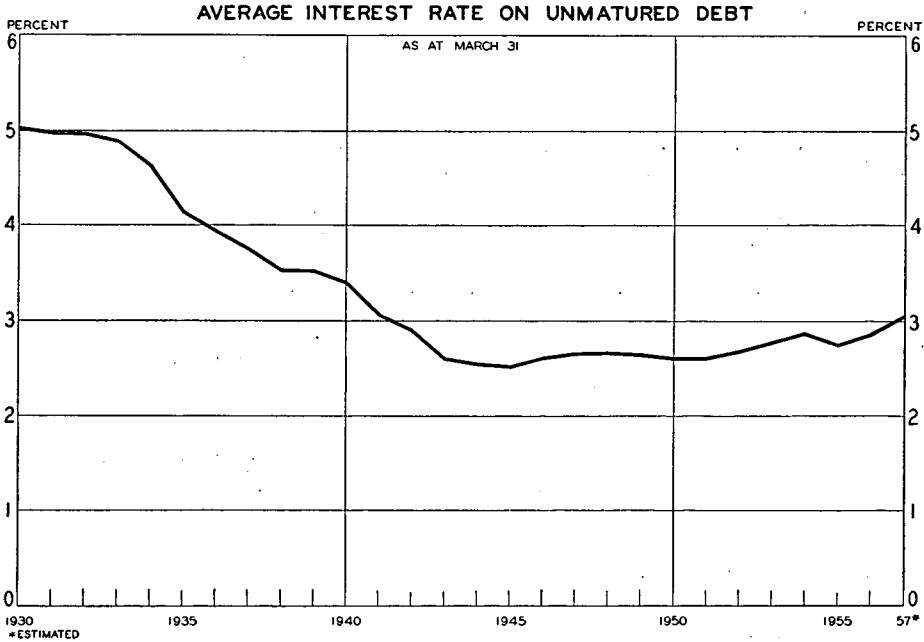
TABLE XLIII

NEW SECURITIES ISSUED DURING YEAR ENDING MARCH 31, 1957

	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 general public—</i>								
Bonds.....	Sept. 15, 1956	March 15, 1968	3½	96.25	3.93	250,000,000	250,000,000	.....
Bonds.....	Dec. 15, 1956	June 15, 1957	2½	99.00	4.30	150,000,000	150,000,000	.....
Bonds.....	Dec. 15, 1956	Dec. 15, 1957	2½	97.75	4.58	250,000,000	250,000,000	.....
Canada savings bonds series 11 (net)....	Nov. 1, 1956	May 1, 1969	3½ to 4	99.25	3.84	790,000,000	.....	790,000,000
Increase in treasury bills.....	Various	Various	Various	Various	Various	25,000,000	.....	25,000,000
						1,465,000,000	650,000,000	815,000,000

Interest rates

Interest rates generally rose sharply during the year reflecting a tight money situation. The average interest rate on the government's unmatured debt at March 31, 1957 is estimated at 3.04 per cent compared with 2.85 per cent at the end of the previous fiscal year and 2.60 per cent at March 31, 1951.



Treasury bill yields reflected the general rise in interest rates. The yield on the issue of three-month treasury bills sold on March 8, 1957, was 3.72 per cent compared with 2.64 per cent for the last issue sold in 1955-56.

The following table shows the high and low yields together with the yield on the last issue for the fiscal year 1946-47 to 1956-57 inclusive on three-month bills.

TABLE XLIV
TREASURY BILL YIELDS

FISCAL YEAR	Three-month bills		
	High	Low	Last issue
	per cent	per cent	per cent
1946-47.....	.40	.37	.40
1947-48.....	.41	.41	.41
1948-49.....	.45	.41	.45
1949-50.....	.51	.49	.51
1950-51.....	.75	.51	.75
1951-52.....	.94	.75	.94
1952-53.....	1.52	.96	1.52
1953-54.....	1.97	1.51	1.59
1954-55.....	1.62	.78	1.13
1955-56.....	2.64	1.08	2.64
1956-57 ⁽¹⁾	3.81	2.40	⁽²⁾ 3.72

⁽¹⁾ For the period from April 1, 1956 to March 8, 1957.

⁽²⁾ Sold March 8, 1957.

Indirect debt or contingent liabilities

In addition to the direct debt set out in the statement of assets and liabilities the government has assumed certain indirect or contingent obligations. These consist of securities of the Canadian National Railways, guaranteed as to principal and interest, or as to interest only, and a number of miscellaneous guarantees, the chief of which are the guarantee of insured loans made by chartered banks and other approved lending institutions under the National Housing Act, 1954, deposits maintained by the chartered banks in the Bank of Canada, bank advances to the Canadian Wheat Board, advances under the Export Credits Insurance Act and bank loans under the Farm Improvement Loans Act.

There is a large increase during the year in the government's liability under its guarantee of insured loans under the National Housing Act, 1954. This liability is estimated at \$1,083 million at December 31, 1956 compared with about \$122 million at December 31, 1954 and \$529 million at December 31, 1955.

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.

TABLE XLV

BONDS AND DEBENTURE STOCKS GUARANTEED BY THE GOVERNMENT AS AT MARCH 31, 1957

Date of Maturity	Issue	Interest Rate	Estimated Amount Outstanding
		%	\$
July 1, 1957.....	Canadian National.....	4½	64,136,000
July 20, 1958.....	Canadian Northern.....	3½	5,500,208
Jan. 15, 1959.....	Canadian National.....	3	35,000,000
May 4, 1960.....	Canadian Northern Alberta.....	3½	316,856
May 19, 1961.....	Canadian Northern Ontario.....	3½	2,069,805
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.....	2¾	250,000,000
Jan. 3, 1966.....	Canadian National.....	3	35,000,000
Jan. 2, 1967.....	Canadian National.....	2¾	50,000,000
Sept. 15, 1969.....	Canadian National.....	2½	70,000,000
Jan. 16, 1971.....	Canadian National.....	2½	40,000,000
Feb. 1, 1974.....	Canadian National.....	3½	200,000,000
June 15, 1975.....	Canadian National.....	2¾	6,000,000
Perpetual.....	Grand Trunk Debenture Stock.....	5	56,790
Perpetual.....	Grand Trunk Debenture Stock.....	4	11,068
			792,554,931

TABLE XLVI

OTHER OUTSTANDING GUARANTEES AND CONTINGENT LIABILITIES	Estimated Amount Outstanding
	\$
Province of Manitoba Treasury Bill (March 31, 1957) .	250,000
Deposits maintained by the chartered banks in the Bank of Canada (February 20, 1957).....	466,793,364
Loans maintained by approved lending institutions under National Housing Acts prior to 1954 Act..	Indeterminate
Loans made by lenders under Part IV of the National Housing Act, 1954, for home extensions and improvements (December 31, 1956).....	2,815,000
Insured loans made by approved lenders under the National Housing Act, 1954 (December 31, 1956).	1,083,000,000
Guarantees under the Export Credits Insurance Act Part I (December 31, 1956).....	42,547,636
Guarantees under the Export Credits Insurance Act Part II (March 31, 1957).....	5,100,000
Loans made by chartered banks under the Farm Improvement Loans Act (December 31, 1956)...	35,445,416
Loans made by chartered banks under The Veterans' Business and Professional Loans Act (December 31, 1956).....	1,098,506
Loans made by chartered banks under the Prairie Grain Producers' Loans Act (December 31, 1956)	493,672
Loans made by chartered banks under the Fisheries Improvement Loans Act (December 31, 1956).....	42,239
Loans made by chartered banks under the Prairie Grain Producers' Interim Financing Act, 1951 (December 31, 1956).....	454
Loans made by chartered banks to Canadian Wheat Board (February 15, 1957).....	24,871,675

7. SUPPLEMENTARY DETAILED TABLES

REVENUES

EXPENDITURES

LOANS AND ADVANCES AND INVESTMENTS

UNMATURED DEBT

STATEMENT OF REVENUES FOR THE LAST FIVE FISCAL YEARS

(in millions of dollars)

	1952-53	1953-54	1954-55	1955-56	Estimated 1956-57
	\$	\$	\$	\$	\$
TAX REVENUES—					
Income tax—					
Personal ⁽¹⁾	1,180.0	1,187.7	1,183.4	1,185.6	1,413.0
Corporation ⁽¹⁾	1,240.1	1,191.2	1,020.6	1,027.7	1,285.0
On dividends, interest, etc. going abroad.....	53.7	53.8	61.3	66.2	77.0
Excise taxes—					
Sales taxes ⁽¹⁾ (?).....	566.2	587.3	572.2	641.5	725.0
Other excise taxes—					
Automobiles.....	78.2	94.7	73.2	76.2	77.0
Beverages (soft drinks).....	12.5	11.7	8.2	8.7	8.8
Candy and chewing gum.....	12.4	12.8	9.9	9.2	10.1
Cigarettes, cigars and tobacco.....	102.6	113.2	114.5	126.9	134.6
Electrical appliances.....	4.3	5.1	0.4		
Furs.....	5.7	3.7	0.1		
Jewellery, watches, ornaments, etc.	7.5	7.2	4.8	5.0	6.2
Matches and lighters.....	1.4	1.4	0.9	0.9	0.9
Stamps on cheques, money orders, etc.....	10.6				
Stoves, washing machines and refrigerators.....	1.5				
Television sets, radios, tubes and phonographs.....	10.7	16.8	21.5	22.8	19.0
Tires and tubes.....	11.7	11.4	8.6	0.8	
Toilet preparations.....	7.2	7.1	5.2	5.6	6.0
Trunks, bags, luggage, etc.....	3.6	3.5	0.4		
Wines.....	2.2	2.2	2.4	2.5	2.7
Sundry commodities.....	6.0	6.4	2.3	2.1	2.2
Licences, interest and miscellaneous	0.5	0.4	0.4	0.4	0.4
Less refunds.....	-2.9	-1.6	-0.8	-0.4	-0.9
.....	275.7	296.0	252.0	260.7	267.0
Customs duties.....	389.4	407.3	397.2	481.2	565.0
Excise duties—					
Spirits, malt and beer.....	127.7	133.0	130.1	141.9	151.0
Cigarettes, cigars and tobacco.....	116.9	97.0	100.8	110.4	122.0
Less refunds.....	-3.3	-3.3	-4.4	-2.9	-3.0
.....	241.3	226.7	226.5	249.4	270.0
Succession duties.....	38.1	39.1	44.8	66.6	87.0
Tax on insurance premiums.....	12.4	13.8	14.5	15.5	16.0
Miscellaneous tax revenue.....	0.7	0.7	1.0	1.3	1.0
.....	3,997.6	4,003.6	3,773.5	3,995.7	4,706.0
NON-TAX REVENUES—					
Post office—net postal revenue.....	111.9	111.0	131.3	137.4	147.3
Return on investments.....	125.5	152.1	134.0	149.3	202.0
Other.....	125.8	129.6	84.7	117.6	93.8
.....	363.2	392.7	350.0	404.3	443.1
TOTAL REVENUE.....	4,360.8	4,396.3	4,123.5	4,400.0	5,149.1

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

	1952-53	1953-54	1954-55	1955-56	Estimated 1956-57
2% personal income tax.....	45.3	90.7	100.9	102.5	125.0
2% corporation income tax.....	36.8	55.6	46.0	53.3	67.0
2% sales tax.....	141.6	146.8	143.1	160.4	181.0

⁽²⁾ Net after deduction of refunds and drawbacks as well as transfers to the old age security fund.

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

(in millions of dollars)

	1952-53	1953-54	1954-55	1955-56	Estimated 1956-57
	\$	\$	\$	\$	\$
Agriculture—					
Administration and general.....	0.8	0.9	1.0	1.0	1.3
Science service.....	8.1	9.0	9.3	9.4	10.9
Experimental farms service.....	8.3	8.6	9.6	10.6	12.2
Production service.....	9.3	9.5	10.0	10.3	11.5
Marketing service.....	4.8	4.2	9.3	6.8	6.6
Rehabilitation and reclamation projects.....	13.9	14.7	12.6	11.7	13.8
Freight assistance on western feed grains.....	20.7	17.0	19.0	16.0	17.3
Premium on hog carcasses suitable for export to United Kingdom.....	6.4	4.7	5.1	5.9	5.6
Net operating loss—agricultural prices support account.....	32.5	37.7	3.1	5.8	4.5
Deficit—prairie farm emergency fund.....				8.4	
Other expenditure.....	1.9	2.1	2.8	2.3	1.3
	106.7	108.4	81.8	88.2	85.0
Atomic Energy.....	12.9	12.7	15.0	19.0	22.4
Auditor General's Office.....	0.6	0.6	0.7	0.7	0.7
Canadian Broadcasting Corporation.....	8.2	8.3	8.4	8.1	8.3
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.....		16.7	20.8	23.1	19.0
Grant towards the anticipated deficit arising from the operation of the television service.....					12.0
	8.2	25.0	29.2	31.2	39.3
Office of the Chief Electoral Officer.....	0.5	5.5	0.3	0.4	0.2
Citizenship and Immigration—					
Administration and general.....	1.4	1.7	1.7	2.8	2.4
Immigration branch.....	7.1	7.3	8.3	8.0	21.3
Indian Affairs branch.....	15.2	16.5	18.0	21.5	24.2
	23.7	25.5	28.0	32.3	47.9
Civil Service Commission.....	1.9	2.1	2.3	2.4	2.7
Defence Production—					
Administration and general.....	9.7	10.1	9.2	9.6	10.7
Capital assistance to defence industry.....	79.1	37.8	9.7	6.5	10.3
	88.8	47.9	18.9	16.1	21.0
External Affairs.....	9.2	10.3	11.9	13.2	15.2
Membership in commonwealth and international organizations.....	3.5	3.5	4.4	4.4	7.3
Assistance to other countries and international organizations.....	26.6	31.9	27.5	27.3	37.3
Assistance to Hungarian refugees.....					1.0
	39.3	45.7	43.8	44.9	60.8
Finance—					
Departmental administration and general.....	9.4	9.4	9.3	13.7	17.4
Office of the Comptroller of the Treasury.....	13.3	13.7	14.9	14.9	16.1
Interest on public debt.....	451.3	476.1	477.9	492.6	522.2
Cost of issuing new loans and annual amortization of bond discounts and commissions.....	13.1	19.1	23.6	21.1	13.4
Servicing of public debt.....	0.5	0.6	0.8	0.6	0.5
Subsidies to provinces.....	20.1	20.1	20.4	20.3	20.4
Compensation to provinces—					
Tax rental agreements, 1947 Act.....	23.8				
Tax rental agreements, 1952 Act.....	284.8	309.2	327.4	319.6	365.0
Transfer of certain public utility tax receipts, under tax rental agreements.....	4.4	6.8	7.3	7.9	8.0
Transitional grant to Newfoundland...	5.6	4.8	3.9	3.1	2.2

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

(in millions of dollars)

	1952-53	1953-54	1954-55	1955-56	Estimated 1956-57
	\$	\$	\$	\$	\$
<i>Finance—concluded</i>					
Government contributions with respect to the superannuation account—					
General.....	13.8	16.4	37.4	31.5	31.6
Special.....		38.0			40.8
Reduction in actuarial deficiency in the superannuation account.....	25.0				50.0
Grants to universities.....	5.1	5.2	5.4	5.5	16.0
Implementation of guarantees (Ming Sung Industrial Co. Ltd.).....	1.7	1.6	1.5		
Premium, discount and exchange.....			3.8		
Commodity Prices Stabilization Corporation Limited.....		0.3	0.1		
Relief re Hurricane Hazel.....			0.3	0.4	
Provision for reserve for losses on realization of assets.....	75.0	50.0			50.0
	<i>946.9</i>	<i>971.8</i>	<i>934.0</i>	<i>931.2</i>	<i>1,153.6</i>
Fisheries.....	10.8	9.3	11.2	12.4	14.0
Governor General and Lieutenant-Governors.....	0.4	0.4	0.4	0.4	0.4
Insurance.....	0.4	0.4	0.5	0.5	0.6
Justice.....	5.6	5.8	5.9	6.6	7.1
Office of the Commissioner of Penitentiaries.....	9.3	9.2	10.5	10.7	12.3
	<i>14.9</i>	<i>15.0</i>	<i>16.4</i>	<i>17.3</i>	<i>19.4</i>
Labour.....	10.1	9.6	9.4	9.0	9.9
Government annuities—amount required to maintain reserve.....	0.7	0.1	0.4		0.2
Unemployment Insurance Act, 1940—					
Administration and general.....	25.1	26.1	28.3	26.6	29.3
Government contribution.....	31.1	31.8	31.7	33.9	37.8
	<i>67.0</i>	<i>67.6</i>	<i>69.8</i>	<i>69.5</i>	<i>77.2</i>
<i>Legislation—</i>					
House of Commons.....	4.7	4.2	5.0	5.1	5.3
Library of Parliament.....	0.3	0.3	0.3	0.3	0.3
Senate.....	1.2	1.1	1.4	1.4	1.5
	<i>6.2</i>	<i>5.6</i>	<i>6.7</i>	<i>6.8</i>	<i>7.1</i>
Mines and Technical Surveys.....	12.0	13.0	16.4	17.6	17.2
Dominion Coal Board.....	6.5	10.3	11.8	11.3	9.5
Emergency gold mining assistance.....	11.2	15.2	15.5	9.3	9.0
	<i>29.7</i>	<i>38.5</i>	<i>43.7</i>	<i>38.2</i>	<i>35.7</i>
<i>National Defence—</i>					
General.....	0.3	0.3	0.3	0.5	0.5
Defence forces, Army, Navy and Air services.....	1,557.7	1,424.3	1,313.8	1,404.9	1,512.2
Mutual aid to NATO countries.....	246.3	300.2	260.0	175.0	133.1
Defence research and development.....	43.0	40.8	50.0	64.3	70.3
Pensions—payments under defence services pension act.....	5.1	5.1	5.2	5.3	5.6
Government contribution to permanent services pension account.....	30.0	35.2	36.7	40.1	46.4
	<i>1,882.4</i>	<i>1,805.9</i>	<i>1,666.0</i>	<i>1,750.1</i>	<i>1,768.1</i>
National Film Board.....	2.9	3.0	3.4	4.1	5.0
National Health and Welfare.....	23.0	28.0	28.6	29.1	32.5
General health grants.....	27.3	29.2	31.6	33.5	36.4
Family allowances.....	334.2	350.1	366.5	382.5	397.7
Old age assistance, blind and disabled persons allowances.....	22.1	23.2	24.2	29.5	30.8
Unemployment assistance.....					9.3
Deficit—old age security fund.....			45.8	63.3	56.0
	<i>408.6</i>	<i>430.5</i>	<i>498.7</i>	<i>537.9</i>	<i>562.7</i>
National Research Council.....	15.4	15.4	15.7	16.1	18.5
National Revenue.....	47.3	49.9	55.0	56.1	62.3

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

(in millions of dollars)

	1952-53	1953-54	1954-55	1955-56	Estimated 1956-57
	\$	\$	\$	\$	\$
Northern Affairs and National Resources	19.5	19.3	20.2	24.6	37.2
Post Office.....	105.6	113.6	123.6	127.4	141.5
Privy Council including Prime Minister's Office.....	3.8	3.7	3.8	3.9	3.9
Public Archives and National Library...	0.3	0.4	0.4	0.5	0.6
Public Printing and Stationery.....	1.6	2.0	2.1	2.2	3.3
Public Works.....	83.9	101.5	112.7	126.0	140.4
Trans-Canada highway contributions..	14.0	13.4	18.1	16.1	22.0
	97.9	114.9	130.8	142.1	162.4
Royal Canadian Mounted Police.....	31.1	33.9	35.5	36.6	43.6
Secretary of State.....	2.2	3.3	2.7	3.0	3.4
Trade and Commerce.....	16.5	16.5	17.5	17.6	23.9
Assistance re storage costs on grain....				18.9	31.8
	16.5	16.5	17.5	36.5	55.7
Transport—					
Administration and general.....	3.2	4.2	7.0	8.1	8.4
Canal services.....	9.9	8.4	7.8	8.3	8.2
Marine services.....	21.7	20.3	21.3	20.6	26.4
Railway and steamship services.....	10.5	20.4	26.7	15.3	15.4
Maritime freight rates act.....	10.1	10.5	10.5	11.0	12.5
Air services.....	39.2	41.4	44.7	57.3	71.0
Canadian Maritime Commission.....	4.0	4.2	4.2	4.3	4.8
Deficits—					
Canadian National Railways.....			28.8		
Canadian National (West Indies) Steamships Limited.....		0.6	0.6	0.1	
Prince Edward Island car ferry and terminals.....	1.5	1.6	1.5	1.6	1.8
North Sydney—Port-aux-Basques ferry and terminals.....	1.8	2.2	2.2	2.4	5.4
Yarmouth—Bar Harbour ferry.....					0.3
National Harbours Board.....	0.1				
Non-active assets—					
National Harbours Board.....	1.9	4.2	3.9	3.0	4.1
	103.9	118.0	159.2	132.0	158.3
Veterans Affairs—					
Administration and general.....	3.6	2.3	2.3	2.2	2.4
Pensions.....	127.1	127.6	128.8	130.7	130.4
Treatment and after-care of returned soldiers and allowances to depend- ents.....	78.5	79.5	82.2	92.5	98.4
Hospital accommodation, additions, alterations and improvements.....	4.0	4.1	3.9	3.5	4.9
Post-discharge rehabilitation benefits.	3.8	2.5	2.6	1.8	1.2
War service gratuities and re-estab- lishment credits.....	10.7	8.9	6.0	3.6	2.5
Soldier settlement and veterans land acts.....	5.7	5.3	5.4	5.4	5.5
Provision for reserve for conditional benefits under veterans land act.....	8.0	8.5	8.9	8.8	6.8
	241.4	238.7	240.1	248.5	252.1
TOTAL EXPENDITURE.....	4,337.3	4,350.5	4,275.4	4,433.1	4,866.6

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

(in millions of dollars)

	1952-53	1953-54	1954-55	1955-56	Estimated 1956-57
	\$	\$	\$	\$	\$
LOANS TO, AND INVESTMENTS IN, CROWN CORPORATIONS					
Atomic Energy of Canada Limited.....	8.8	7.2	16.0	11.7	9.5
Canadian Broadcasting Corporation.....	2.0	4.7	3.0	8.4	.....
Canadian Commercial Corporation.....	.....	.....	.....	Cr. 4.0	Cr. 1.0
Canadian Farm Loan Board.....	1.6	3.7	4.4	4.7	8.9
Canadian National Railways.....	141.8	Cr. 18.1	Cr. 93.4	170.7	154.5
Canadian National (West Indies) Steamships Limited.....	.....	.....	3.6	Cr. 0.2	Cr. 0.2
Canadian Overseas Telecommunication Corporation.....	1.6	0.4	0.3	4.0	5.2
Central Mortgage and Housing Corporation.....	72.6	98.8	43.7	Cr. 10.4	Cr. 6.8
Commodity Prices Stabilization Corporation.....	.....	Cr. 1.2	.....	.....	.....
Crown Assets Disposal Corporation.....	.....	.....	.....	9.0	Cr. 2.5
National Harbours Board.....	Cr. 0.1	Cr. 0.6	1.0	Cr. 0.1	7.2
Northern Ontario Pipe Line Crown Corporation.....	.....	.....	.....	.....	1.8
Polymer Corporation Limited.....	Cr. 1.0	Cr. 3.0	Cr. 4.0	.....	.....
The St. Lawrence Seaway Authority.....	.....	.....	1.3	20.2	54.5
Other Crown corporations.....	5.2	Cr. 3.2	.....	.....	0.1
	232.5	88.7	Cr. 24.1	214.0	231.2
LOANS TO NATIONAL GOVERNMENTS					
United Kingdom—					
The War Appropriation (U.K. Financing) Act, 1942.....	Cr. 24.3	Cr. 53.6	Cr. 30.0	Cr. 30.0	Cr. 30.0
The United Kingdom Financial Agreement Act, 1946.....	Cr. 14.3	Cr. 14.6	Cr. 14.8	Cr. 15.2	Cr. 15.5
Export Credits Insurance Act.....	Cr. 20.6	Cr. 19.4	Cr. 23.6	Cr. 22.4	Cr. 21.9
Other.....	Cr. 1.6	Cr. 4.9	Cr. 2.9	Cr. 3.4	Cr. 3.4
	Cr. 60.8	Cr. 92.5	Cr. 71.3	Cr. 71.0	Cr. 70.8
OTHER LOANS AND INVESTMENTS					
Subscriptions to capital of, working capital advances and loans to, international organizations—					
Canada's subscription to capital of—	.....	.....	.....	.....	.....
International monetary fund.....	.....	.....	Cr. 29.1	6.3	Cr. 6.2
International Finance Corporation.....	.....	.....	.....	.....	3.5
Working capital advances and loans to international organizations.....	.....	.....	1.7	.....	1.0
Loans to provincial governments.....	Cr. 3.5	Cr. 3.4	Cr. 3.4	Cr. 3.6	Cr. 3.5
Miscellaneous—					
Balances receivable under agreements of sale of Crown assets.....	Cr. 0.9	8.5	Cr. 8.0	11.8	8.0
Veterans land act advances.....	Cr. 0.5	Cr. 0.1	0.9	Cr. 0.6	Cr. 3.4
Other.....	Cr. 1.3	Cr. 0.7	3.6	2.2	Cr. 1.1
	Cr. 4.4	4.3	Cr. 34.3	16.1	Cr. 1.7
Sinking fund and other investments held for retirement of unmatured debt.....	1.7	74.2	89.0	20.0	0.6
Net total of changes in loans and investments.....	169.0	74.7	Cr. 40.7	179.1	159.3

**UNMATURED DEBT AND TREASURY BILLS AS AT MARCH 31, 1957 AND THE ANNUAL
INTEREST PAYABLE THEREON**

Date of maturity	Description	Rate per cent	Where payable	Amount of loan	Annual interest charges
				\$	\$
1957, June 15...	Loan of 1956.....	2½	Canada	150,000,000	3,375,000
Oct. 1....	Loan of 1954.....	2	Canada	700,000,000	14,000,000
Nov. 1....	Canada savings bonds 1947	2½	Canada	* 26,450,000	727,375
Dec. 15...	Loan of 1956.....	2½	Canada	250,000,000	5,625,000
1958, May 1....	Loan of 1953.....	3	Canada	300,000,000	9,000,000
May 1....	Loan of 1955.....	2	Canada	700,000,000	14,000,000
Nov. 1....	Canada savings bonds 1948.	2½	Canada	* 24,350,000	669,625
1959, Jan. 1....	Fifth victory loan 1943....	3	Canada	947,324,750	28,419,743
Nov. 1....	Canada savings bonds 1949.	2½	Canada	* 35,250,000	969,375
1960, June 1....	Sixth victory loan 1944....	3	Canada	* 1,165,300,350	34,959,011
Nov. 1....	Canada savings bonds 1950.	2½	Canada	* 32,150,000	884,125
1962, Feb. 1....	Seventh victory loan 1944....	3	Canada	1,315,639,200	39,469,176
Aug. 1....	Canada savings bonds 1951.	3½	Canada	* 118,100,000	4,133,000
1963, July 1....	Loan of 1933/34.....	3	London	(1) 49,833,091	1,494,993
July 1....	Loan of 1938.....	3½	London	(1) 1,978,362	64,297
Aug. 1....	Canada savings bonds 1952.	3½	Canada	* 134,700,000	5,051,000
Aug. 1....	Loan of 1948.....	3	New York	(2) 150,000,000	4,500,000
Oct. 1....	Eighth victory loan 1945....	3	Canada	1,295,819,350	38,874,581
1965, Nov. 1....	Canada savings bonds 1953.	3½	Canada	* 566,900,000	21,259,000
1966, Sept. 1....	Ninth victory loan 1945....	3	Canada	* 1,691,796,700	50,753,901
Nov. 1....	Canada savings bonds 1954.	3½	Canada	* 341,600,000	11,102,000
1967, Nov. 1....	Canada savings bonds 1955.	3½	Canada	* 354,700,000	11,577,750
1968, June 15...	Refunding loan of 1950....	2½	Canada	350,000,000	9,625,000
1969, May 1....	Canada savings bonds 1956.	3½	Canada	* 790,000,000	25,675,000
1974, Sept. 1....	Loan of 1949.....	2½	New York	(2) 100,000,000	2,750,000
1975, Sept. 15...	Loan of 1950.....	2½	New York	(2) 50,000,000	1,375,000
1976, June 1....	Loan of 1954.....	3½	Canada	300,000,000	9,750,000
1978, Jan. 15...	Loan of 1953.....	3½	Canada	100,000,000	3,750,000
1979, Oct. 1....	Loan of 1954.....	3½	Canada	400,000,000	13,000,000
1998, Mar. 15...	Loan of 1956.....	3½	Canada	250,000,000	9,375,000
Perpetuals.....	Loan of 1936.....	3	Canada	55,000,000	1,650,000
Various.....	Three month treasury bills. (3) 3.72		Canada	* 1,625,000,000	59,442,500
				14,371,891,803	437,301,452
	Payable in Canada.....			14,020,080,350	427,117,162
	Payable in London.....			51,811,453	1,559,290
	Payable in New York.....			300,000,000	8,625,000
				14,371,891,803	437,301,452

*Estimated.

(1) Conversion rate \$2.80 to the pound sterling.

(2) Conversion rate \$1.00 Can. to the U.S. dollar.

(3) Rate of discount on bills sold March 8, 1957.