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CANADA

BUDGET SPEECH

DELIVERED BY

HONOURABLE DONALD M. FLEMING

MINISTER OF FINANCE

MEMBER FOR EGLINTON

IN THE

HOUSE OF COMMONS

JUNE 17, 1958

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MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS, TUESDAY, JUNE 17, 1958

THE BUDGET

ANNUAL FINANCIAL STATEMENT OF THE
MINISTER OF FINANCE

Hon. Donald M. Fleming (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, I am deeply sensible of the privilege of presenting this Canadian budget for the year 1958. I approach this task tonight in a spirit of deep humility and dedication in recalling, as did some of those who have preceded me in delivering their first budget speech, that this honour has fallen in times past to the lot of some very great Canadians. The task has been filled with challenge.

There is much that is associated with the annual budget which is traditional. I have the healthiest respect for sound tradition, and I have, I hope, in the preparation and presentation of the budget faithfully followed the best traditions of our parliamentary practice. There is one practice associated with the presentation of the budget in the Canadian parliament, however, which I shall not describe as a tradition, from which, if hon. members will bear with my acknowledged limitations, I intend deliberately to depart tonight.

A careful review of all the budget speeches delivered in the Canadian parliament since confederation has disclosed that in no case has any portion of the budget speech ever been delivered in the French tongue. It is surprising to me that in a parliament with two official languages enjoying complete equality every part of the budget speech has always been delivered in English. It is true that on three occasions, December 7, 1867, April 28, 1868, and May 7, 1869 respect was shown for the rights of the French language. These were the days before the *Hansard* report of the debates of the house,

but the scrapbooks on the proceedings in the house in the early days after confederation are available in the Library of Parliament. They indicate that on these three occasions following the budget presentation in English by the Honourable John Rose, Sir Georges Etienne Cartier followed in French with an explanation or abstract of the statements of the minister of finance.

At the outset I should like to acknowledge with deep gratitude my indebtedness to the officials of the Department of Finance and the Department of National Revenue for the service that they have rendered in the preparation of this budget as well as in the performance of their other duties. They have demonstrated an exemplary devotion to public duty, and have worthily maintained the highest traditions of the Canadian public service.

I must mention one in particular. I know it is a matter of regret on the part of all honourable members that Dr. A. Kenneth Eaton, assistant deputy minister and director of the tax division of the Department of Finance is retiring from the public service on July 15th. Doctor Eaton has played a very important role in the preparation of every Canadian budget in the last quarter of a century. He has achieved an international reputation as an expert in public finance and taxation. Many of the sound and enduring features of the Canadian tax system are the result of his expert knowledge and advice. For my own part, I should like to record my appreciation to Doctor Eaton for his willingness to continue beyond the intended date of his retirement to assist me in the completion of this year's budget.

ECONOMIC REVIEW

During the past eighteen months Canada shared with most of the rest of the world some slackening in the pace of economic growth. Business activity declined in the United States, and the rate of expansion

slowed in western Europe. In Canada unemployment emerged as a serious problem and declining business capital investment as a significant developing tendency. Nevertheless, it would be a mistake to forget that there were solid achievements on the economic side and developments which augur well for the future.

Foremost among the factors which we must keep in mind in reviewing the year 1957 is the record population increase of 552,000, an increase which brought our population at year-end to 16.9 million. About half of this growth was the result of natural increase and about half was due to the exceptionally high level of immigration. Some idea of the economic importance of this great increase can be gained from the fact that there are only three Canadian cities with a population in excess of half a million people. It is as though we had added during 1957 another city almost the size of metropolitan Vancouver, or a new province nearly as populous as New Brunswick.

Population growth of itself does not ensure progress, but in a country such as ours it has a special significance. It provides a greater market for our agricultural produce and for the products of our factories and reduces our vulnerability to changes in external demand. It brings us a greater diversity of talent and the means of employing it to better advantage. It reduces the per capita cost of supplying essential services in this great land. There can be no doubt that the population growth of the post-war period has had these effects.

The second factor which I would mention is that during 1957 Canadians added \$7.4 billion in plant, equipment and housing to an already large stock of physical capital while a further \$1.4 billion was added by governments to our social capital. From these important increases, the largest in any year in Canadian history, will flow future increments to income and to well-being and national productivity.

There is another factor to which I should like to call attention—the trend in foreign investment and the balance of payments. The great bulk of the large capital investment I have mentioned was matched by Canadian saving, but there were substantial capital inflows and an increase in our foreign indebtedness. This net capital inflow was the other side of our balance of payments deficit which amounted to \$1.4 billion, practically unchanged from 1956. But while our deficit on current account was little different for 1957 as a whole than for 1956, there was a marked difference in trends. A substantial part of the deficit in both years arose because of the intensity of our investment boom which

led to greatly expanded imports of machinery and equipment from the United States. As the boom lost momentum in the latter part of 1957, these commodity imports declined very rapidly so that a much smaller deficit is indicated for the current year.

It is apparent, therefore, that a number of developments of 1957 can be sources of strength and improvement. We ended the year richer in numbers, in skills and experience, with a larger and more productive stock of capital and consequently somewhat less dependent on foreign markets or sources of supply. These are developments on which we can safely base an abiding faith in our future.

The budget white paper, tabled yesterday, reviews in considerable detail the economic forces in operation through 1957 and early 1958. All I need do this evening is to highlight the main developments as they bear upon the formulation of our budget policies.

The rate of economic growth slowed noticeably during 1957 as the forces which underlay the great surge of 1955 and 1956 spent themselves. For the year as a whole gross national product amounted to \$31.4 billion, and was 4 per cent higher than in 1956. However, most of the increase of 4 per cent was due to higher prices. There was a moderate gain of one per cent in the volume of non-agricultural production, but agricultural output declined as a result of the smaller western grain crop.

Some slowdown in economic activity was to be expected after the excessive pace of 1955 and 1956, a pace which was straining our resources of men and materials despite very large borrowing abroad.

The most important change which emerged during 1957 was the decline in the importance of business capital investment as a dynamic force in our economy, particularly investment in our resource industries. A somewhat larger decline in capital investment occurred in the United States. This declining importance of capital expenditure as a stimulus in our economy should be examined in the light of the developments of the last few years. During a great part of the post-war period perhaps the most notable characteristic of the Canadian economy has been the rapid rate of investment and particularly investment in increased capacity in the resource industries. This strong growth factor has been based not only on world demand for many Canadian raw materials but on the rapid growth at home of population and incomes. Following the recession of 1953-54 there was a new period of expansion characterized by rapidly rising demand for basic industrial materials,

and this expansion was in evidence throughout the western world. As a result, world capacity in metals, fuels and forest products was enlarged much more rapidly than demand, and Canada, an important source of these materials, experienced the full force of this expansion.

Early in 1957 many commodity markets moved into a position of over-supply. The doubts created by these particular developments began to affect the plans for further expansion. In particular, this began to make itself felt in the resource industries, and as a mood of caution began to develop it spread to other industries. By mid-1957 the value of large capital projects being started began to run behind the value of projects being completed.

These were the developments which have led to an important change in the role of capital expenditure and to the change of emphasis within the capital program.

At the same time, the strongly inflationary conditions and the mood of optimism fostered a very rapid rate of inventory accumulation which placed a further strain on the economy in 1956 but was withdrawn as 1957 progressed. In 1956 capital expenditure rose by 30 per cent and together with increased inventory accumulation accounted for almost one-half the very large increase in total demand. In 1957 there was a much more moderate rise of nine per cent in capital expenditure. More important was the fact that during 1956 capital expenditure was rising at a rapid rate while in 1957 investment outlays as a whole first levelled out and then declined slightly. The slow-down in the rate of capital investment was accentuated by the inventory liquidation which developed toward the end of the year. This reduction in inventories continued into the first quarter of 1958, which has meant that to some extent the demand for goods is being met out of stocks rather than giving rise to new production.

Although business capital investment ended the year on a weaker note than it had begun, the reverse was true of housing. The expansion of housing investment had come to an end in the middle of 1956 when the keen competition for loan funds resulted in a shortage of mortgage money and brought about a decline in home-building. During 1957, however, the competition for loan funds became less active as the year progressed and, more important, in August and again in December government funds in a total amount of \$300 million were made available to augment the loan funds supplied by insurance companies, banks and other private lenders. At the same time new stimulus was given to the demand for housing by reducing down-payments on

homes financed under the National Housing Act and by lowering income eligibility requirements.

These measures were the major factor contributing to the sharp rise in house-building during the second half of the year. This improvement has continued into 1958, and for the first four months of the current year housing starts have been about 80 per cent higher than they were for the same period in 1957.

Consumer expenditure was an important sustaining force in 1957, and at the end of 1957 was running about four per cent higher than a year earlier. Expenditure on durable goods, however, showed practically no increase over the previous year, reflecting in part the slower growth of incomes but also the rapid expansion in 1955 and 1956 which was based upon large increases in consumer credit.

Government expenditures contributed to the maintenance of economic activity. At all three levels of government they rose by almost seven per cent despite some decline in defence expenditures. Transfer payments especially rose rapidly and for the latter half of the year they were an important element in sustaining and increasing personal income and consumer demand. The largest elements in this increase were the greatly increased payments from the unemployment insurance fund, larger payments to the aged, the blind and the disabled, larger veterans allowances and pensions and increased family allowances.

Export trade, which is so important to the livelihood of so many of our people, was well maintained in 1957. There was some weakening in the demand for forest products and base metals, but there were other products which made noteworthy gains. For the year as a whole, exports were 1½ per cent higher than in 1956. Uranium exports were three times as large as in 1956, and petroleum exports rose by one-third. Our exports of iron and steel, nickel, and beef cattle were substantially higher. Wheat sales although lower for the year as a whole began to pick up in the last quarter and since December they have forged ahead on a year-to-year comparison.

I have reviewed the main changes in the strength of the underlying economic forces during 1957. The reduction of the pressures and demands which characterized 1956 led to a mood of greater caution with regard to new capital ventures and was reflected in a declining rate of increase in job opportunities. Despite these conditions, there were more people at work in each month of 1957 than in the comparable month a year earlier. The

increases over the preceding year became smaller as the year progressed and in January, February and March of 1958 employment was slightly lower than a year earlier. However, by April 1958 employment was again higher than a year earlier. For 1957 as a whole the number of people with jobs averaged 135,000 or 2.4 per cent higher than in 1956, an increase which compares quite well with the increases in employment during 1955 and 1956.

It was something of a coincidence that this period of adjustment should have occurred simultaneously with the largest expansion of the labour force that this country has ever known. The labour force increased by 210,000, about double the average annual rate of the preceding five years. About half of this increase was due to the unusual rate of immigration and the remainder to natural increase and a further rise in the proportion of the population seeking employment. The combination of somewhat less favourable employment opportunities with a rapidly expanding labour force resulted in an increase in unemployment. As employment was higher through 1957 than through 1956, so also was unemployment.

For 1957 as a whole the average number of persons without jobs and seeking work was 254,000, an increase of 75,000 over 1956. As a percentage of the labour force, unemployment in 1957 averaged 4.3 per cent, equalling the rate in 1954. Once again the latest figures are encouraging, showing a rapidly narrowing gap in the percentage of unemployed as compared with a year ago.

From October to December there was a pause in the upward movement in aggregate labour income, although for the year as a whole the rise in labour income amounted to 7½ per cent, but early in 1958 the upward trend in aggregate labour income reasserted itself. The average annual earnings per paid worker rose by four per cent during 1957 although there was a decline in the average hours worked per week.

Despite the much lower grain crop in the west, farm cash income supported by substantial liquidation of inventories declined only slightly in 1957. Returns from livestock and from dairy products were substantially higher.

Corporate profits declined by 11 per cent as costs rose and markets became more competitive. Other investment income, which includes rentals and bond interest, rose by 11 per cent.

As we have seen, the expansion in Canadian income during 1957 was less rapid than in 1956. Nevertheless, the total savings out of current income were almost as high as in

1956 and amounted to about \$6 billion. The largest part of the nation's saving arises from funds set aside by business enterprises, either as depreciation allowances or as undistributed profits. In 1957 business saving as a whole was little changed from 1956, accounting for about three-quarters of total saving. Personal saving was down about 5 per cent and accounted for almost one-quarter of total saving.

In 1956, and again in 1957, a substantial part of our investment program was financed from abroad. The deficit on current account in 1957 amounted to \$1.4 billion. This deficit was financed to some extent by direct U.S. investment in Canada but sales of securities, as in the previous year, were the major source of external capital. A good part of the rapid rise in imports which took place in 1956 and early 1957 was the result of heavy imports of machinery, equipment and industrial materials connected with our capital program. The importation of these items helped us to escape some of the pressures connected with the high level of domestic investment. The converse of this situation is that the decline in investment in machinery and equipment has fallen to a very considerable extent on imports which have shrunk markedly in the last few months.

To some extent the pressures generated in 1956 did not have their full effect on prices until 1957. Thus, the consumer price index, which began to rise in mid-1956, continued upward until last October, and experienced another short period of increase in the first four months of this year. Wholesale prices, on the other hand, reached a peak in January 1957, declined 1.4 per cent during the succeeding ten months, and have risen again moderately since November. The rise in consumer prices offset about half the increase in average wage rates so that advance in real income during the year was about two per cent.

In the absence of immediate inflationary pressures I would not expect any general increase in prices during the balance of 1958. But this is not something we can take for granted. It is the duty of all groups and classes in our society to ensure that the prospects for a sound recovery are not dimmed by a spiralling of costs or that efforts to stimulate recovery do not lend strength to a new inflation. Inflation remains a very real danger against which we must remain on guard.

I have dealt with some of the more significant economic trends which have developed over the past several months—with the declining strength of business capital investment and with the consequences from an employment standpoint of the slackening

of demand. The natural economic effects of these tendencies have been softened and reduced by government action on a number of fronts. I have already referred to the large amount of money made available for housing. In addition, in line with the government's intention to proceed with a comprehensive program of national development and at the same time to alleviate current unemployment, a major program of public works is now being implemented. In this connection I indicated to this house last January that our desire for a balanced budget would not take precedence over the necessity to provide jobs for the unemployed.

Additional financial assistance being given to the provinces will enable them to proceed with needed capital improvements in the provincial and municipal fields. Social security benefits have been substantially increased during the past year. Benefits under the Unemployment Insurance Act have been expanded. The Unemployment Assistance Act was amended so that the federal government now participates equally with each province in the cost of assistance to those not drawing unemployment insurance.

Taxes were lowered. The exemption for children receiving family allowances was raised from \$150 to \$250 and for other children from \$400 to \$500. There was as well a reduction in the rate of personal income tax. The special excise tax on automobiles was lowered by one-quarter and small businesses were benefited by an extension of the corporate income bracket subject to the 20 per cent tax rate from \$20,000 to \$25,000. The total reduction in taxes amounted to \$178 million in a full year.

Monetary policy also changed in the latter part of 1957. The money supply was expanded rapidly after mid-August, and partly for this reason and partly because of a reduction of demand in certain credit fields, monetary conditions in Canada generally became easier and interest rates declined substantially. Banks have now for some time been in a position to meet all credit-worthy demands for commercial and personal loans. Market rates of interest in almost all categories of borrowing have declined substantially.

The value of the Canadian dollar in terms of the United States dollar rose to a high of \$1.06 in August 1957 and then declined steadily to a low of \$1.01 in January 1958. Recently the Canadian dollar has been somewhat stronger and the premium in terms of United States funds has recently been around 3½ per cent. It is often said that a decline in the exchange value of the Canadian dollar would contribute to the profitability of our export industries and, at the same time, improve the position of those producers who are

most exposed to import competition. It is true that some benefits of this sort would accrue to some industries, but at the same time we would lose certain advantages which a strong exchange rate gives us. The weakening of our exchange rate would turn the terms of trade against us and to this extent we would pay more for our imports and receive less for our exports. Prices of imported raw materials, machinery, equipment and tropical foods would tend to rise in Canada. In other words, a change in the external value of the Canadian dollar brings gains to some Canadians and losses for others. The exchange rate is determined by the interplay of forces operating in the exchange market through their effect on the supply of and demand for United States and Canadian dollars. While our exchange fund is used to limit the effect of short-run fluctuations in these forces, we do not attempt to reverse persistent market trends. Indeed, it is doubtful if the exchange fund could be successfully employed for this purpose over any extended period of time.

I can conclude this analysis of our economic situation by saying that there are hopeful signs that we have reached the end of the recent decline. Moreover, the problem has moved more clearly into the domestic field. Although the influence of external demand was important as one of the origins of the current adjustment, the direct effect of the decline in certain basic exports has been less significant than the indirect effects on business capital investment. Now that capacity in a number of industries has overtaken or exceeded current demand it seems obvious that relatively less of our energies will for a time be directed to creating new capital facilities in the business sector. As a result we shall be able to devote more of our energies to filling some of the gaps which have developed over the last few years in housing, in municipal services and in other requirements for social capital in Canada, and in laying the basic foundations for the new period of business expansion which will not be long delayed. The policies of this government are assisting the growth in housing and social capital. The expanded role of social capital is illustrated in the 1958 Outlook for Private and Public Investment published by my colleague the Minister of Trade and Commerce. Present investment intentions of business for capital outlays in 1958 are about 11 per cent below the 1957 level. Planned outlays for housing, government departments and institutional services on the other hand are 14 per cent higher.

With these factors in mind and with due regard for the resourcefulness of the Canadian people and the determination of

this government I have no hesitation in budgeting on the basis of a resumption of the rise in incomes and production. Assuming normal crops, stable prices and no untoward external events, I am basing my revenue forecasts on a gross national product of \$32 billion, which is about 2 per cent above the level achieved in 1957.

GOVERNMENT ACCOUNTS 1957-58

I propose now to review briefly the government's accounts for the fiscal year that ended on March 31. Comprehensive statements of these accounts are contained in the white paper which I tabled yesterday and hon. members will find further details in it. These figures are preliminary and subject to revision.

In my financial statement last December I accepted my predecessor's forecast of revenues for 1957-58 of \$5,170 million, which after taking into account the tax reductions I announced then would have resulted in net revenues of \$5,144 million. As I was budgeting for expenditures of \$5,064 million, a prospective surplus of \$80 million was indicated. Although the fiscal year ended some weeks ago the books for the year have not yet been closed and some entries have still to be made. On the basis of the figures in the white paper which I tabled yesterday revenues were \$5,047 million, expenditures were \$5,086 million and there was a deficit for the year of \$39 million.

The decrease in revenues of \$97 million below forecast is less than two per cent and reflects the earlier decline in the general level in economic activity which only began to show its effect on revenue collections in the January figures which became available early in February. Expenditures, at \$5,086 million, were \$21 million or less than one-half of one per cent higher than I had forecast last December.

Each year in addition to the expenditures for government services that are included in the budgetary accounts, the government disburses substantial sums for loans, advances and a variety of other essential purposes. During 1957-58 these disbursements amounted to \$571 million, and included \$108 million to Central Mortgage and Housing Corporation, \$95 million to the St. Lawrence seaway authority, and \$71 million to the Northern Ontario Pipe Line Crown Corporation. To meet these outlays substantial sums amounting in all to \$447 million were available from the repayment of loans, net annuity, insurance and pension account receipts and from other non-budgetary sources. Details of these will be found in the white paper.

It has been possible to finance this budgetary deficit of \$39 million and the net amount of \$124 million required to cover the excess of disbursements over receipts in our non-budgetary operations, without any net increase in the government's outstanding unmatured debt, by reducing our cash balances by \$163 million.

Our public debt operations during 1957-58 included the redemption and refinancing of a very large volume of government securities. Net sales of Canada savings bond series 12 amounted to \$1,177 million and other new securities amounting to \$1,350 million were issued, in addition to the refunding of treasury bills which matured weekly. During the fiscal year outstanding securities amounting to the very large sum of \$2,650 million, including \$1,050 million of previous Canada savings bond issues, were redeemed. After taking into account the net sales of securities amounting to \$123 million from our securities investment and sinking fund accounts the unmatured debt held outside these government accounts was almost exactly the same at the end of the fiscal year as it was at the beginning.

During the first five months of the fiscal year interest rates generally as in the previous period continued to rise, reaching a peak in August. Thereafter the rates began to fall and this downward trend continued to the end of the fiscal year. The average interest rate paid on the government's unmatured debt was 2.98 per cent at the end of the fiscal year compared with 3.05 per cent at the beginning of the year. Treasury bill rates reflected a similar but more pronounced trend. The yield on the first issue in the fiscal year was 3.69 per cent. In August the yield rose to a high of 4.08 per cent, falling thereafter to a low of 2.27 per cent on the last issue of the fiscal year, and the most recent issue was at 1.76 per cent.

I should like also to report briefly on the operations of the old age security fund during 1957-58. Pensions of \$55 a month are paid from the fund, the monthly allowances having been raised from \$40 to \$46 as from July 1, 1957, and from \$46 to \$55 as from November 1, 1957. Payments from the fund during the year amounted to \$474 million. Revenues of the fund are derived from the proceeds of the two per cent taxes on sales, corporation profits and personal incomes and in 1957-58 these amounted to \$372 million. The deficit for the year of \$102 million was financed by a temporary loan from the Minister of Finance, and parliament will be

asked for authority to charge this deficit, together with \$1½ million representing the remainder of the 1956-57 deficit, to expenditures in 1957-58.

INTERNATIONAL TRADE AND ECONOMIC RELATIONS

I should like next to review some of the main developments in our international trade and economic relations. The importance which the present government attaches to a healthy and balanced expansion of our foreign commerce requires no special emphasis or repetition. The important initiatives we have taken in this field and the constructive results already achieved are well known. We shall continue to pursue this task with energy and determination.

Our broad objectives have been clearly stated by the Prime Minister on appropriate occasions. In brief, they may be described as follows:

1. To achieve expansion, diversification, better balance, and greater stability in our trade with all countries;
2. To extend and strengthen Canada's trade and economic relationships with the commonwealth;
3. To support and promote a regime of law, order and morality in the field of international trade; to respect the spirit and intent of international commitments; and to stand ready to defend our rights and interests if they are challenged or ignored;
4. To recognize the legitimate needs of Canadian producers; and to safeguard them against unfair trading practices;
5. To promote the balanced growth of all sectors of Canadian industry and agriculture.

To implement this program fully will require sustained co-operative effort by the Canadian government, Canadian business and the Canadian people. We have already witnessed a successful demonstration of such co-operation in the trade mission to the United Kingdom which was led by my colleague the Minister of Trade and Commerce (Mr. Churchill), last autumn and in the return visit of a distinguished group of British businessmen this spring.

I have already referred to Canada's balance of payments position and the main changes in our external trade and investment accounts. I should like now to comment upon the recent trends in our commodity trade.

The value of Canada's merchandise exports in 1957 increased by \$73 million to the record level of \$4,936 million. On the other hand, imports declined by \$82 million to \$5,623 million. Our deficit on commodity trade was thus reduced from \$842 million to \$687 million, or by almost one-fifth.

This trend towards a smaller deficit on trade account has continued into 1958. For the first four months of this year exports have held steady at about the same level as a year ago, while imports have substantially declined, and the deficit in this four-month period has been cut from \$406 million to \$174 million, a drop of more than 50 per cent.

The changes which occurred in the geographic pattern of Canada's external trade during the period under review are no less significant. The United States continues to be by far Canada's largest trading partner, accounting in 1957 for about 60 per cent of our total exports, roughly the same proportion as in 1956, and for about 70 per cent of our imports, which was significantly less than the 73 per cent in the previous years. This change resulted from a small increase in our exports and an appreciable decline in our imports. Although our trade deficit with the United States was reduced by about 20 per cent it still exceeded \$1 billion. This trend towards reduction in our deficit in trade with the United States has been accelerated in 1958, with imports falling off much more sharply than exports.

Both import and export trade with the United Kingdom on the other hand moved in the opposite direction. In 1957 the United Kingdom took some 15 per cent of our total exports as compared with 17 per cent in 1956; on the import side the United Kingdom supplied 9.3 per cent of our import requirements, somewhat better than the 8.5 per cent achieved in 1956. As a consequence, the United Kingdom deficit with Canada on trade account declined from \$333 million to \$220 million or by roughly one-third. This trend, too, has continued into 1958. Canada's trade with the rest of the commonwealth moved in a similar direction, resulting in a minor deficit in 1957 as compared with a small surplus in 1956. Finally, our trade with Europe increased modestly in both directions, leaving a surplus in Canada's favour of \$244 million, approximately the same as in 1956.

To summarize, let me say that in 1957 the value of our exports exceeded all previous records; imports declined significantly; our trade deficit with the United States was reduced; and our trade with the United Kingdom, the commonwealth and the rest of the world moved in the direction of more balanced relationships. Broadly the same trends continued into the first part of 1958, and while exports are on balance being maintained, imports, particularly from the United States, have been falling sharply. Indications to date are that the over-all deficit on trading account will be sharply reduced in the current year, accounted for very largely by a very much smaller deficit in our commodity trade with the United States.

The most striking feature of Canada's external trade in recent years has been its heavy concentration on the United States and the large imbalance of our trade with that country. About two-thirds of our total external trade has been with the United States. During the past five years the average total deficit on current account with the United States has been in excess of \$1 billion per annum. These huge deficits, accompanied by heavy increases in our long-term indebtedness to the United States, carry serious implications for the future health and economic independence of our country.

I appreciate that the very large deficits that we have been incurring in recent years can be attributed in no small measure to the rapid development which has been taking place in the Canadian economy, particularly in the resource industries. Canada's rapid economic growth of recent years could not have been sustained by Canadian resources alone, and the large capital inflows and the accompanying large trading deficits, reflect the extent to which we have had to draw on foreign resources to accomplish our spectacular economic progress. I am confident that with more stable rates of growth and the increased production which will flow from our recent large investment we shall have the capacity, to an increasing extent, to meet our investment needs more nearly out of our own resources. At the same time I should remind hon. members that Canada has incurred substantial trade deficits with the United States even in years when our over-all external accounts have been in balance. The chronic nature of our massive trade imbalance with the United States requires, in our judgment, energetic corrective measures.

If the world in which we live were characterized by free convertibility of currencies and the absence of restrictions and discriminations on trade and payments, we would on economic grounds have less to fear from a situation of large imbalances with individual countries. But actual trading conditions in the world today are far removed from the ideal, and countries which have trading deficits with us are under constant pressure to endeavour to reduce them. We are frequently reminded in trade discussions that we must buy more from them if they are to maintain their volume of purchases from us. The implications of this for the stability of our exports, and our bargaining position in seeking wider outlets for our exports to these countries do not require elaboration.

Furthermore the heavy concentration of our trade on the United States means that the Canadian economy is vulnerable to changes in the United States economic and political climate and to shifts in its trading policies.

Because of the vital place that external trade occupies in the Canadian economy, and the large proportion of this trade which is concentrated on the United States, changes in the terms of access to the United States market, even where they may be of minor importance in the United States scheme of things, often have a critical significance for our country, a fact which unhappily is not always appreciated in that country.

While access to the United States market has been improved in the last decade, and its tariffs have been significantly reduced, entry into that market remains difficult and uncertain for many classes of goods produced in Canada. In many cases, especially on fully manufactured goods, tariff rates are almost prohibitive. Quite apart from the tariff, their customs laws and administration often impose serious additional barriers. Perhaps most troublesome of all are the uncertainties arising from the many escape clauses in United States legislation and administrative practices. Hon. members do not need to be reminded of the recent restrictions imposed against Canadian oil and the continuing threat to our exports of lead, zinc and copper—notwithstanding firm trade agreement obligations.

In addition, United States agricultural policies continue to be severely damaging to Canadian interests. Apart from direct restrictions imposed on Canadian agricultural products, we suffer severe harm from United States surplus disposal activities. Massive United States disposals of wheat and other grains on give-away or subsidized terms have done serious damage to Canadian exports in some of our best commercial markets. Despite frequent and energetic Canadian complaints these harmful practices have continued. We find it difficult to understand why the United States should treat its best customer and friendly neighbour in this way. We have made it clear to the United States authorities that measures which add to our difficulties in selling in the United States market or in third countries cannot but impair our ability and willingness to import from them.

This brief examination of the nature of our trading problems with the United States points up the need for vigorous action of a constructive nature. We intend to press for wider access on reasonable terms to the United States market; and we will continue to oppose with all the means at our disposal any threat to impose greater obstacles against Canadian exports to that market. We will encourage the United Kingdom, the commonwealth and other overseas countries to seek out wider opportunities to supply Canadian import requirements in the expectation that

much can be achieved on the basis of normal market forces. At the same time we will continue to foster the growth and diversification of efficient Canadian industries so that a constantly larger supply of our requirements may be met economically from domestic production.

At this point I should like to say a few words about the important trade developments which have been taking place in Europe. Hon. members know that six European countries—France, Germany, Italy, The Netherlands, Belgium and Luxembourg—have agreed to form a customs union. The treaty establishing the European economic community signed in Rome in 1957 and subsequently ratified by the parliaments of the six countries, provides that over the next fifteen years tariffs and other barriers to trade within the community will be progressively eliminated. At the same time the six will establish a common tariff on trade with the outside world.

Related to this development is the initiative of the United Kingdom for the establishment of a European free trade area. Under this proposal tariffs between western European countries and the United Kingdom would be gradually but progressively eliminated, while individual countries, participating in the free trade area, would keep their own tariffs on trade with the outside world. This proposed free trade area is complementary to and not a substitute for the common market of the six.

The Canadian government is following with sympathy and interest these European efforts to integrate their economies and to develop a broader and more competitive system of production. The countries of the six together would make up an economic unit comparable in population to that of the United States. The looser free trade area group would be very much larger. On the basis of these enlarged internal markets European countries can be expected to achieve stronger and more efficient economies. We attach high importance to the economic and political strength of western Europe as a safeguard of world peace and prosperity. Europe, however, has extensive trade and economic links with the rest of the world. In our view it is vital that efforts to solve European regional problems should not weaken these wider connections. We have been disturbed about certain recent tendencies lest they convert Europe into an inward-looking regional trading bloc fenced off from the rest of the world by high tariffs, trade restrictions and other barriers. Such a development we fear would defeat the essential constructive purposes of the common market and free trade area projects.

The trading arrangements being worked out in Europe are of fundamental importance to Canada. More than a quarter of our total exports are absorbed by the United Kingdom and the countries of Western Europe. For commodities such as wheat, coarse grains, aluminum, certain chemicals and others, the United Kingdom and European markets are of paramount importance to Canada. While a strong, prosperous, outward-looking Europe would result in an expansion of trade with Canada, a regional restrictionist system of trade in Europe would have very serious implications for our export trade.

The Canadian government has therefore maintained a close watch on these developments and seizes every occasion to impress upon our European friends the desirability of ensuring that their new trade arrangements take fully into account Canada's essential export interests. With respect to the common market countries we have directed our efforts at keeping the common tariff at a moderate level, at minimizing the use of import restrictions, and assuring that the special arrangements for trade in agricultural products take into account our traditional exports to them.

With regard to the proposed European free trade area we have received firm assurances from the United Kingdom that our interests in that market will be fully safeguarded. We have given urgent attention, among other things, to the retention of our position in the United Kingdom for agricultural exports, and to the rules concerning the origin of goods entitled to tariff-free treatment. This problem of origin, though highly technical, is of particular importance to the tariff treatment which will be accorded to the products of Canada's mines, mills and forests in the markets of the United Kingdom and Europe.

We have also welcomed recent assurance from the government of the Federal Republic of Germany that it will support outward-looking policies for the common market and for the European free trade area.

Hon. members will, of course, wish me to report on the preparations for the all-important commonwealth trade and economic conference to be held in Montreal next September. The development of close trade and economic links with commonwealth countries holds a central place in the government's external economic policy.

It will be recalled that last September the finance ministers of the commonwealth met on Canadian soil for the first time at Mont Tremblant, in the province of Quebec. On behalf of the Canadian government I proposed that a commonwealth trade and economic conference be held in 1958 and indicated that Canada would be honoured to

be host at such a conference. The unanimous and enthusiastic support which our proposal has received from all commonwealth governments has been a good augury for the success of the conference which will meet in Montreal, again in the province of Quebec, in September.

May I say immediately that the 1958 commonwealth trade and economic conference cannot closely follow the lines of the 1932 conference. The world in which we live is very different from the world of 1932. The commonwealth itself has been greatly changed since that time. In these twenty-six momentous years the commonwealth has expanded in membership, has matured in its political relationships, and has become much broader in embracing more diverse interests. The commonwealth trade agreements which were entered into in 1932 made an invaluable contribution to solving many of the difficulties confronting all of us at that time. The issues facing us today, however, are very different from those of 1932. They require equally energetic and imaginative solutions, but along rather different lines.

We are not proposing a new system of commonwealth preferences. But we propose to maintain the existing system of preferences, and we are convinced that the wide variety of skills and resources of the old and the new members of the commonwealth, applied with energy and imagination to our common problems, can greatly contribute to the growth and prosperity of all. Our objectives can be summed up simply. They are these.

In the first place we aim to expand the opportunities for mutually profitable trade between Canada and the other countries of the commonwealth. We hope that progress can be made in removing restrictions and discriminations which are imposed against us.

Second, we would like to explore with our commonwealth partners ways and means of making more rapid progress towards currency convertibility and a freer system of world trade and payments. We appreciate that this poses a complex of difficult problems. We would like to see steps taken to increase world liquidity in the means of international payments. We shall support constructive steps to promote appropriate trade and financial policies on the part of the principal creditor nations, and the development of sound relationships with the new trade groupings now being set up in Europe. All of this cannot be accomplished by the commonwealth acting alone. But we should concert our commonwealth efforts and in this way encourage other countries to move along parallel lines.

Third, it is desirable to promote measures which will assist in the economic develop-

ment of commonwealth countries, particularly the newer members which are less industrially advanced, and to improve their standards of living. Finally, we wish to extend and deepen our commonwealth institutions so that they can contribute more effectively to our joint economic and political strength and in all these ways, by our example and by our achievements, defeat the threatening inroads of communism.

As hon. members know, a conference of this magnitude and importance requires the most careful and intensive preparations. These preparations are now well in hand, and I am confident that the Montreal conference will bring lasting benefits to Canada, to our partners in the commonwealth, and to the world at large.

EMERGENCY GOLD MINING ASSISTANCE ACT

I should like to outline the government's program of assistance to the gold mining industry.

The serious problems of adjustment confronting this industry, going back as far as the war years, have adversely affected the northern mining communities which are dependent on it. In recent years these difficulties have become more acute as a result of rising production costs and a higher exchange rate for the Canadian dollar. Since 1952 more than one-quarter of the hard rock gold mines then in operation have closed down. Many more would have suffered this fate but for the Emergency Gold Mining Assistance Act.

The world price for gold is fixed at \$35 per ounce in United States currency. With the appreciation of the Canadian dollar in recent years the return to Canadian mines has been proportionately reduced. An increase in the price of gold would, of course, provide the best solution to the problem. Notwithstanding our best efforts, however, there is no evidence that the United States intends to raise the price of gold under present conditions. Much has been done by the gold mines themselves to improve their position. Substantial capital outlays on exploration and for the installation of new equipment have led to more efficient operation. Notwithstanding these commendable efforts most mines have experienced a substantial fall in their net incomes.

My colleague the Minister of Mines and Technical Surveys (Mr. Comtois), has already announced that the Emergency Gold Mining Assistance Act will be extended to apply to the calendar years 1959 and 1960. I wish now to announce that the bill to be introduced by him to extend the act will increase the scale of assistance by 25 per cent of the amount payable under the present act. This increased assistance will be applicable not only to the

years 1959 and 1960 but to the full calendar year 1958 as well. The recommended increase in aid will amount to about \$2½ million for 1958, and raise the total to about \$12 million. It is my hope that this measure will contribute to maintaining the level of gold production in Canada and in this way promote the well-being of our northern gold mining communities.

GOVERNMENT ACCOUNTS, 1958-59

I turn now to the budgetary outlook for the current year. Early in this session I tabled the main estimates for 1958-59 totalling \$5,179 million, and two weeks ago I tabled the first supplementary estimates for the year in the amount of \$58 million. The house therefore has before it expenditure proposals totalling \$5,237 million. In addition there will be further statutory expenditures as well as the usual final supplementary estimates.

On the basis of the presently expressed intentions of the provincial governments I expect we shall be paying out close to \$70 million in this fiscal year under the provisions of the Hospital Insurance and Diagnostic Services Act. We shall also be required to meet the increased deficit in the old age security fund which will be about \$190 million in this fiscal year. The C.N.R. deficit for 1958 will be considerably larger than that reported for 1957. We must also expect some payments under the Agricultural Stabilization Act, though I hope that market conditions will be such that these will not be large.

On the other hand we propose to eliminate the balance remaining in the national defence equipment account. This account was set up in 1950 when NATO was being organized, and to it was credited the value of all equipment given by Canada to our NATO allies. At its peak there was about \$310 million in this account. The former government drew on this account from time to time by charging to it, and not to budgetary expenditures, the cost of replacing such equipment. On the basis of past practice there would be about \$165 million in this account at the end of this year. We believe that in the interests of good accounting practice and the maintenance of proper parliamentary control of expenditures this account should be liquidated during the current year.

After studying all the available data most carefully and taking account of possible lapsings and our continued search for economies, I have come to the conclusion that our budgetary expenditures for the fiscal year ending March 31st, 1959 will be approximately \$5,300 million. This figure is \$215 million higher than our expenditures last year.

Admittedly this is a substantial increase but it includes all the new expenditures on health and welfare introduced by this government such as the increases in old age pensions and veterans' benefits and the initial cost of hospital insurance.

It also includes large expenditures for national development which will improve our productive capacity and efficiency and in due course add to our collective wealth and income.

Furthermore, all these expenditures to which I am referring, by providing employment and sustaining private incomes, will help to maintain the level of the national income during this temporary period when export demand for certain of our staple products has been softening and during the pause which this has caused in some sectors of capital investment.

I emphasize that with respect to all government expenditure we shall continue to search for economies and to eradicate inefficiency, waste and extravagance wherever we find them. I appeal to all members of parliament, regardless of party, to assist us in tracking down waste and extravagance wherever they may be. I can assure all hon. members, and indeed every citizen of Canada, that every good suggestion leading to economy and efficiency will be sincerely welcomed and carefully considered.

I am asking that the public accounts committee should make a special study of the new printing bureau to ascertain why the cost of that building has been so grossly in excess of the estimates originally given to parliament.

On the revenue side, forecasting in times like these presents an even more difficult problem. I have already said that assuming normal crops and no change in the general price level I expect a gross national product of \$32 billion, a 2 per cent increase over 1957.

After reviewing very carefully all the evidence and trends I have concluded that our present tax structure will yield revenues of \$4,660 million in the current year. This is \$387 million less than our revenues in 1957-58. Of this reduction more than half is the result of tax reductions made last year, and less than half is due to a decline in our tax base, and almost all of this reduction is the result of a falling off in corporation profits.

For the convenience of hon. members may I insert in *Hansard* at this point a table summarizing what we may expect in revenues from the tax structure as it now stands?

TABLE I
Forecast of Revenues before Tax Changes
(in million)

	Preliminary 1957-58	Forecast 1958-59
Personal Income Tax	\$1,499	\$1,370
Corporate Income Tax	1,235	1,020
Non-resident Tax	64	70
Succession Duties	72	65
Sales Tax	703	705
Other Excise Taxes and Duties	549	550
Customs Duties	498	450
Other Taxes	2	2
Total Taxes	4,622	4,232
Non-Tax Revenue	425	428
	<u>\$5,047</u>	<u>\$4,660</u>

Having forecast budgetary revenues at \$4,660 million and budgetary expenditures at \$5,300 million, I would expect, in the absence of any change in the tax laws, a budgetary deficit of \$640 million.

But before I proceed to discuss the appropriate tax policy in our current and prospective circumstances, I must bring to the attention of the House our large cash requirements over and above or outside the budgetary figures.

Each year the government makes large loans to or investments in a considerable variety of public undertakings. These are not budgetary expenditures because in all, or almost all cases, such undertakings pay interest and eventually repay the principal of these loans.

Similarly, each year we collect large amounts of cash which are not revenue, the principal items being moneys paid to the government for the purchase of annuities, insurance or superannuation benefits, and moneys received in repayment of loans made in earlier years.

During the current year 1958-59 we will require about \$400 million for housing loans, about \$250 million for the C.N.R.'s capital investment and refunding programs, nearly \$250 million of cash advances to the St. Lawrence seaway, the northern Ontario pipe line and to other crown companies and agencies; and other non-budgetary cash requirements, including the liquidation of the defence equipment account, will be about another \$240 million.

Against this we shall have available in this fiscal year some \$50 million in our securities investment account, about \$65 million from the repayment of loans made in earlier years, and we can expect to receive net about \$240 million of cash into our various annuity and superannuation accounts.

The net requirement of cash for these non-budgetary transactions, excluding the exchange fund account, is thus about \$775 million, and this we shall need to borrow. We shall also need to borrow the funds to cover our budgetary deficit of \$640 million, and our net new cash requirements in this fiscal year will therefore be of the order of \$1,400 million.

In addition to this, some \$1,950 million of our marketable funded debt will be maturing during this fiscal year, and these maturing securities will require to be paid off by an equivalent amount of new borrowing. In other words, during this fiscal year we shall need to sell bonds or other securities in a total amount of close to \$3,400 million. This is a major financial operation and will require the closest co-operation between the Department of Finance, the Bank of Canada, the chartered banks and all investment institutions and dealers.

We have already made a good beginning. Since April 1 we have sold issues totalling \$950 million, of which \$350 million was new cash. We still have before us the need to refund \$1,350 million of maturing bonds and to raise more than \$1,000 million of new cash.

We shall be making every effort to promote a good sale of Canada savings bonds next autumn, but whatever net new cash we obtain from that source will still leave us with a very large financing task.

Government policy regarding the management of the public debt cannot follow any rigid formula; it must be adapted to economic conditions and to market requirements. While I do not propose to place an undue burden on the longer term bond market, it is most desirable to keep our maturing debt reasonably spread out over the years. To refinance maturing issues chiefly in the short term market would only build up greater difficulties for ourselves two or three years hence. It will be our aim to offer acceptable volumes of longer term bonds whenever suitable opportunities occur, and to spread the remainder sensibly between short and mid-term maturities.

While the prospective increase in our debt will be quite substantial during the next year or two, the net burden of the public debt will remain well below what we carried quite easily only a few years ago. To illustrate this point may I insert here a table showing our gross national product, our net debt and their percentage relationships over selected years from 1926 to the present.

TABLE II
Public Debt and Gross National Product
(in billions)

Calendar Year	Net debt as of March 31 of the following year	Net debt as a percentage of G.N.P.
1926	\$ 5.2	44
1938	5.3	60
1945	11.8	113
1946	11.8	110
1947	13.2	94
1948	15.1	78
1949	16.3	71
1950	18.0	63
1951	21.2	53
1952	24.0	47
1953	25.0	44
1954	24.9	45
1955	27.1	42
1956	30.2	36
1957	31.4	35
1958 (est.)	32.0	37

A perusal of this table will show that while our net debt at the end of this year will be somewhat higher than it was at any time during the past ten years, its burden when measured as a percentage of our gross national product will be significantly lower than it was as recently as three years ago.

TAX POLICY

I come now to discuss what our appropriate fiscal policy should be in these circumstances. There has been wide public discussion of these matters in recent months. Most of this discussion has centered around the relative merits of tax reductions, public investment programs and income maintenance policies. It has seemed to me, if I may say so, that too many of the protagonists of these various policies tend to take up rather doctrinaire and exclusive positions.

The advocates of tax reductions argue that by leaving more money in the hands of individuals, consumer spending will be stimulated and more savings will be available for productive capital investment. But I believe experience has shown that while this may happen to some extent, unless other stimulating measures are taken much of the tax saving to many taxpayers tends to lie idle. It is neither wholly spent nor put into productive investment.

A program of public investment has the obvious advantage of providing employment for idle or under-employed manpower and equipment. But it cannot be a complete answer. In a country as large and as economically diverse as Canada it takes time for some programs to exert their maximum benefit upon the under-employed resources of the secondary industries and of many districts.

The third approach to the problem—the extension of income maintenance policies—has the essential value of relieving hardship and somewhat equalizing the burdens of recession,

but apart from maintaining a reasonable level of consumer spending, such measures make a limited positive contribution to the resumption of healthy economic expansion.

My own view is that just as there is no single remedy for the problems of inflation, so there is no one way to meet the problems of recession. We need to use all the effective means available to us. The essence of sound policy lies in using the right balance or the best “mix” of the various means, and to apply them in a timely fashion.

This I believe we have done. Last December we introduced tax reductions which are saving the taxpayers of Canada \$178 million in 1958. We have introduced new programs of public investment in housing, in resource development and in improvements to transportation that add up to many hundreds of millions of dollars, and the provinces and municipalities under the much easier money conditions are proceeding with further hundreds of millions of dollars' worth of social capital investment. By increasing old age pensions, improving veterans' benefits, extending unemployment insurance benefits and developing programs of farm income maintenance we have put additional hundreds of millions of spending power into the hands of those who would otherwise have been most harshly affected by the forces of recession.

I believe, moreover, we have done all these desirable things at about the right time. We took action on housing last August and again in December. We took action on farm incomes, on old age pensions, on veterans' benefits and on unemployment insurance in November, December and January. We have taken more action on housing, on unemployment insurance and on hospital insurance in the month that this new house has been in session, and we have further constructive measures on the sessional program.

As a result of such timely action the recession has taken a much more moderate course in Canada than in other comparable countries. On a seasonally adjusted basis our retail sales are running ahead of last year; in the United States they are down about 6 per cent. Industrial production in Canada has declined about 5 per cent from its peak; in the United States the drop is 12 or 13 per cent. Total labour income in Canada has hardly declined at all; in the United States it is down about 3 per cent. I do not take any satisfaction in these somewhat greater declines in the United States, for nothing could benefit Canada more quickly than an early resumption of business expansion in the United States. But we are entitled to take some satisfaction, and perhaps some credit, for the relatively stronger economic position in Canada.

These actions and policies of tax reduction, public investment and income maintenance now find their financial expression in the budgetary figures I have placed before the house this evening.

With a budgetary deficit of \$640 million, and a total cash requirement of about \$1,400 million, it is not in my judgment necessary for economic reasons to propose any further major tax reductions. The stimulating effect of the policies that we have already and promptly put into effect should, in the absence of any further adverse external events, sustain economic activity and provide the economic climate for an early resumption of economic expansion. Moreover, the main factor in bringing about the slackening in our rate of expansion has been the decline in the export demand for some of our basic resources, and at this stage further general tax reductions would not improve the external markets for our forest products or our base metals.

To go still further into deficit financing at this time could create conditions in which overt inflation of a degree very difficult to control might re-emerge. Indeed even now we have the somewhat paradoxical situation of simultaneous symptoms of both recession and inflation. If we go too far in the measures we take to combat what is, after all, a fairly mild recession, we might find that we had planted an inflationary time bomb which might later go off with a dangerously explosive effect. Admittedly, it is not an easy matter to judge just the right degree or balance in these matters; but in the present circumstances, it seems to me that we have, for the time being at least, a fairly sensible balance of fiscal policy, investment policy and income maintenance policies.

While I am not recommending to the house any major tax changes, I shall now put before you, Mr. Speaker, a fairly large number of particular tax proposals. None of these taken separately will have a material effect on the balance of ways and means, but each of them will be significant to the particular groups or persons affected; and collectively they will constitute a considerable measure of improvement in the equity and the efficiency of our tax system.

INCOME TAX CHANGES

First of all in the field of income tax I am bringing forward numerous amendments which I am sure the house will recognize as long overdue.

Commencing tomorrow the cost of drugs purchased under prescription may be included in the deduction for medical expenses. Expenses for eyeglasses will also qualify. Likewise the use of an ambulance will count as a

medical expense. Other items such as laboratory and diagnostic charges may also be included in future. These provisions are, I think, eminently sensible. They will go a long way to correct the unfairness which in the past has been the source of so much complaint about this section of the income tax law.

The period within which refunds of tax may be claimed will in future be four years instead of two, and interest allowed on over-payments of tax will be increased from 2 per cent to 3 per cent.

A proposed amendment will allow a deduction for amounts paid for support of a dependant upon order of a court, for example, by a family court, even though there is no divorce or written separation agreement. The payer, however, may not claim the recipients as dependants. The person receiving such payments must include them in income and may then claim a deduction for any dependant in respect of whom the payment order was made. This provision will resolve many awkward tax situations which arise under the present law.

At present when a wife's income just passes the \$1,000 mark the husband's exemption in respect of his wife drops abruptly by \$250. In future the decrease in his exemption in such circumstances will not be more than the amount by which the wife's income exceeds \$1,000. The wife, however, will still be required to file a separate return when her income exceeds \$1,000.

Oil and gas producers will be allowed a deduction for bonus payments in respect of exploration reservations under the same conditions which apply in respect of lease bonuses. Likewise, wells drilled for water disposal or for a source of water for injection into an oil or gas well may be treated in the same manner as ordinary production wells.

An important amendment to the Income Tax Act will widen the scope for charitable contributions by corporations. In recent years our governments, both federal and provincial, have greatly increased their spending on welfare and on higher education; but I believe all hon. members would agree that it would be a sorry day for Canada if governments assumed all these costs and responsibilities in their entirety. A high level of private participation is most desirable.

At the present time the law allows corporations to make tax-free gifts up to 5 per cent of their profits. I am proposing that for 1958

and subsequent years this limit be raised to 10 per cent. I realize that a great many, indeed far too many, corporations do not come close to taking advantage of the present 5 per cent limit; but I am glad to say that many corporations do take their responsibilities in these matters seriously.

Particularly I am hoping that this change in the law will swell the flow of funds from industry to the support of higher education in Canada. During the next five or six years our universities will need to invest more than \$300 million in expansion. This is the capital cost, first of making room for the very greatly increased numbers of students who will be graduating from our high schools and going on to university; and second of providing the increasingly expensive equipment which is indispensable to fundamental research. Our Canadian universities and research institutions have already achieved high standards, but we must accelerate our pace still more if we are to maintain and improve our competitive position in the world of today and tomorrow.

I am informed by the national conference of Canadian universities that they believe they can depend on government and foundations to provide something better than two-thirds of this \$300 million of capital requirements, including \$50 million being provided through the Canada Council, but that they must look to private sources, and particularly to corporations, for nearly \$100 million of capital gifts during the next five or six years. I think it is desirable that they should look to private sources for this measure of support and more. Even if governments were willing and able to provide all the funds required, it would not be desirable for them to do so, because universities need much more than money; they need the enlightened support of the community; they need the interest and enthusiasm that attach to active participation in growth.

I should like it to become more generally recognized that the privilege of carrying on business in our free enterprise country carries with it the strongest moral obligation to maintain a substantial measure of private support of both our welfare institutions and our institutions of higher learning and research.

Two important amendments to the gift tax will be proposed to parliament. The first of these will allow a married person to make one tax-free gift up to \$10,000 to his spouse

where the gift consists of transfer of ownership of a home jointly occupied by the married couple, or of a farm from parent to child. This special exemption will be in addition to the other exemptions now allowed under the gift tax. This provision will take care of the large majority of the difficult tax cases which arise through transfers between husband and wife and parents and children of property rights in the home in which they are living, or the farm they are operating. It will also give recognition in the taxing statute to the very common practice adopted generally to give added security to the legal position of the wife in the home she occupies.

The second change in the gift tax will allow a refund of any gift tax paid by a person within three years of death to the extent that it exceeds the tax payable on that gift included in his estate upon death. This will supplement the present provision which allows gift tax paid to be credited against succession duty but only up to the amount of such duty. For example, in future if it is found that no duty at all is payable on death, the full amount of gift tax paid on gifts in the three years before death will be refunded.

The bill to be introduced will contain a wide variety of corrective amendments, most of which will be beneficial to taxpayers. Some are designed to remove anomalies in the law, others are merely for greater clarity. It is important that income tax law should receive constant attention to ensure the greatest degree of equity in its operation. In this statute eternal vigilance is the price of fairness. I am confident that this year's amending bill will be a most important step in this direction.

The revenue implications of the proposed changes are somewhat difficult to assess. However, I estimate that the annual relief to taxpayers as a result of these amendments will amount to about \$11 million in a full year, the greater part of which will be accounted for by the increased scope of deductions for medical expenses and for corporate donations.

Before leaving income tax I should mention a forthcoming change in the regulations under the act which will withdraw for the 1959 and future taxation years the right of taxpayers to claim a so-called depletion allowance in respect of dividends from non-resident companies. The difficulties in the way of fairly determining the basis for such allowances have been found to be insuperable.

ESTATE TAX

Last January I introduced a bill setting forth the pattern for an estate tax which might replace the present Succession Duty Act. At that time I invited careful scrutiny of this draft bill and made the request that criticisms of any of its provisions be sent to me for study. The response has been gratifying. Within the past few months I have received many excellent briefs not only from important national organizations but from individuals as well. I express my thanks for the painstaking efforts that have been expended in the preparation of these representations. These briefs have been extremely useful to me, and I can assure all concerned that we have given the most careful study to the wide range of recommendations contained in them.

I am tabling a resolution along the same lines as that of last January. It will afford the house an opportunity for debate on the general principles underlying the proposal. If the resolution is adopted by the house the new bill will be introduced forthwith. It will contain a number of revisions of the measure introduced last January. It is my intention upon second reading of the bill to move that it be referred at once to the banking and commerce committee for detailed study and report.

In view of this proposed procedure it would I think, be inappropriate for me to do more at this stage than comment briefly on the budgetary implications of the proposed legislation.

The proposed new estate tax is definitely a tax-reduction measure. On an annual basis the yield from this revenue field will be less by about \$7 million. Furthermore, the relief is deliberately mainly concentrated in low value estates. The house will agree that this is a commendable feature. In every tax bracket, however, according to the size of estates the revenue yield will ordinarily be less under the new bill although in the upper brackets it will be only slightly less.

Specific mention of exemptions may be desirable. Where a husband dies leaving a widow there will be a fully deductible exemption of \$60,000 with an additional deduction of \$10,000 for each dependent child. Thus, if a widow is left with three dependent children no tax at all will be payable unless the estates exceeds \$90,000. If the value of the estate exceeds this figure tax will apply only to the excess over \$90,000. This will be

a true exemption. Moreover, in no case under any circumstances will an estate of less than \$50,000 be taxable at all.

SALES AND EXCISE TAXES

While unable in the light of our need for revenues to recommend any general reduction in the sales and excise taxes I am, however, proposing a substantial list of new specific exemptions.

Perhaps of greatest interest are the added exemptions for purchases by municipalities. Commencing tomorrow morning the following additional items purchased by municipalities will be exempt from federal sales tax:

- (a) All goods, including culverts, for use as part of sewage and drainage systems;
- (b) fire truck chassis for permanent attachment thereon of fire-fighting equipment;
- (c) fire hose, couplings and nozzles; and
- (d) diesel fuel for use in generating electricity.

The revenue loss from these exemption—which, of course, is the measure of the tax relief to municipalities—will be about \$5 million annually.

Most goods used exclusively or almost exclusively by farmers are already exempt from sales tax. I am glad to be able to extend this exemption to a number of additional items in this category. The new exemptions include stock conditioners and feed supplements for poultry and livestock, sugar beet handling equipment of a kind covered by item 417 of the Customs Tariff, all rodenticides, tree-guards for fruit-growers, and all materials used in the manufacture of grain and seed-cleaning machines.

Cut flowers will in future be exempt from sales tax. The existing discrimination in the law and the technical difficulties in the way of ensuring fairness in the administration of the present tax have become intolerable. The annual cost to the treasury of this exemption will be about \$1 million.

We propose to abolish the \$2 fee now payable for a sales tax licence.

In the resolution to amend the Excise Tax Act will be found an extensive list of other proposed changes in the schedule of exemptions proposed for the relief of the taxpayer. I am proposing no changes in the special excise taxes in this budget.

It is estimated that the total revenue loss on an annual basis from the proposed amend-

ments to the Excise Tax Act will be approximately \$7 million. For the remainder of the present fiscal year these changes will cost the treasury approximately \$5 million.

I should like to report progress on work being done towards a revision of the sales tax structure. Officials have been devoting considerable study to this problem and my hope is that some important amendments may soon be ready for consideration by the government.

TAX ON SPECIAL EDITIONS OF NON-CANADIAN MAGAZINES

I turn now to the so-called "magazine tax" which imposes a 20 per cent levy on the advertising revenues of special Canadian editions of foreign magazines.

During the past twelve months the government has received numerous representations regarding this tax and regarding the general position of Canadian magazines. Canadian publishers have stressed that they are encountering unusually severe competition. This competition takes many forms: competition for circulation and for advertising revenues, competition from magazines published abroad, from Canadian daily newspapers and their weekly editions, from radio and from television.

The government has a sympathetic interest in the problems confronting Canadian magazines. We believe that Canadian magazines are contributing to the quality of our national life. But this interest does not blind us to the inequities introduced by this tax. When we were on the opposite side of the house we warned repeatedly that this tax would prove to be both unjust and ineffective. Experience has confirmed our views.

Accordingly, I am recommending to the house that this tax be repealed forthwith. The loss of revenue will be about \$1 million.

I do not underestimate the difficulties which Canadian magazines are facing. Likewise I do not underestimate the difficulties of governmental action in this field. If the government is to give any special support it should be in a manner that infringes neither the freedom of the press nor the reading preferences of the public. A number of proposals have been put forward, but none has proved to be both practical and acceptable. While we are prepared to study any serious proposal to encourage a truly Canadian periodic press, it must conform with the principles I have stated.

TARIFFS AND RELATED CUSTOMS MATTERS

Earlier in my remarks I outlined the main features of this government's commercial policies and the principal objectives we are seeking to achieve in this field. I discussed the major developments in our external trade relations and the steps that are being taken to expand and safeguard our export markets. I should like now to outline a number of specific measures in the field of tariffs and related customs matters designed to meet the legitimate needs of Canadian industry, to protect our producers and workmen against certain unfair trading practices, and to promote the diversification and balanced development of the Canadian economy.

During the past year many representatives of Canadian industry, large and small, and agriculture, have discussed their problems with members of the government. We have been impressed by the serious difficulties that have been created for many of them by the dumping of foreign goods in the Canadian market. Such dumping may arise from a variety of causes and may take many forms. The present dumping duties section of the customs tariff together with the valuation provisions of the Customs Act are adequate to deal with some forms of dumping. However, they do not deal with cases where goods are being imported into Canada at less than their cost of production and are also sold in the country of export below cost.

I have examined this problem with the utmost care and am satisfied that this unfair trading practice is in fact occurring, with a harmful impact on Canadian producers. This situation appears to be particularly serious in the case of primary textiles where, for some years now, depressed conditions and difficult problems of adjustment have prevailed in many countries. Canadian industry should be expected to compete with imported goods on reasonable terms but it is unfair to subject our producers to trading practices which are really a special kind of dumping.

As I have said, Mr Speaker, I have examined this problem with the utmost care and am satisfied that this unfair trading practice is in fact occurring, with a harmful impact on Canadian producers. This situation appears to be particularly serious in the case of primary textiles where, for some years now, depressed conditions and difficult problems of adjustment have prevailed in many countries. Canadian industry should be ex-

pected to compete with imported goods on reasonable terms but it is unfair to subject our producers to trading practices which are really a special kind of dumping.

Most countries which carry on substantial foreign trade have laws to protect their domestic producers against dumping. Indeed the right to take effective measures against dumping has long been a standard provision of international trade treaties including the GATT. The government intends to defend Canadian producers against the practice of dumping, whatever form it may take. This will require the strengthening of the present valuation provisions of the Customs Act and their effective enforcement. To this end my colleague the Minister of National Revenue (Mr. Nowlan) will shortly submit a bill to parliament amending the valuation provisions of the Customs Act, to add a provision to section 35 along the lines of the legislation in effect prior to 1948, requiring that, where appropriate, the value for duty of imported goods shall not be less than the cost of production plus a reasonable advance for selling cost and profit.

In referring to the Customs Act I should mention the matter of appeals from decisions of the customs authorities under item 1201 which prohibits the entry of material of a treasonable, seditious, immoral or indecent character. In a recent judgment the tariff board questioned whether it is the appropriate body to hear such appeals. The government shares the doubt expressed by the tariff board. Accordingly my colleague the Minister of National Revenue will shortly be introducing a bill to amend the Customs Act to provide that the appeal in such cases shall lie to the courts.

At the conclusion of my remarks tonight I shall table certain amendments to the Customs Tariff. A great many items are involved. For that reason, and to facilitate the consideration of all these items by the house at a later stage, I have divided them into groups according to subject-matter. Several groups relate to tariff board reports of which I shall now speak, and the final group comprises miscellaneous tariff adjustments.

During the previous session of parliament I tabled five reports by the tariff board. They related to basic iron and steel; pipes and tubes; rubber footwear and rubber-soled canvas footwear; certain zinc products; and fresh fruits and vegetables. A sixth report, that on wool fabrics, was tabled two weeks ago.

It may be of interest if I summarize, in a few sentences, where matters now stand with regard to each of these reports.

First is the report on basic iron and steel. We have now completed the process of negotiating with other countries, under the procedures of the GATT, the adjustments in commitments which were necessary in order to implement the tariff board's main recommendations. The amendments which the government is proposing in order to carry into effect the results of these negotiations are set out in the resolutions. They involve a complete overhaul of the very important sector of the tariff relating to primary iron and steel products. More than 100 tariff items are involved; and 92 of these are being reduced to 38 items. This substantial simplification will be accomplished by the elimination of numerous end-use items providing for reduced rates of duty on iron or steel for special purposes. The remaining items are consolidated into four major groups relating to plate, structurals, bars and sheet, respectively. There are increases in some rates of duty and reductions in others. The changes are designed to provide what, in the light of the evidence presented to the tariff board, appears to be adequate protection on those items where it is required. I understand that Canadian steel producers consider the new schedule to be a decided improvement over the old one.

Second, pipes and tubes. The renegotiation of these items under the provisions of the GATT has also been completed and the proposed tariff changes are set out in the resolutions. These changes also involve some reductions and some increases. They will bring the tariff up to date and simplify its structure. All the drawback items will be eliminated, and the number of end-use items will be reduced. A separate tariff item is being proposed to cover all kinds of iron and steel pipe for use in the construction of oil and gas pipelines at rates of 10 per cent under the British preferential tariff and 15 per cent under the most-favoured-nation tariff. A major result of these changes will be to make more effective the protection which it affords to Canadian producers.

Third, zinc and zinc products. Once again, I am glad to say, the necessary international negotiations have been completed. The revised items and rates of duty as recommended by the tariff board are set out in the resolution. These proposed tariff changes constitute a balanced package. On balance the proposed changes do not involve any increase in the

Canadian tariff on zinc and zinc products. However, they provide for adjustments in the rates on rolled zinc which will encourage additional fabrication in Canada.

Fourth, rubber footwear and rubber-soled canvas footwear. The former government had instructed the tariff board to make a study of the rubber footwear industry, but did not ask for recommendations. We have examined the board's report on this reference, and have referred the matter back to the board with a request for its recommendations.

Fifth, fresh fruits and vegetables. Negotiations with the United States have been initiated. I hope that they will soon lead to agreement on a more satisfactory schedule of duties. However, I am not at present in a position to forecast just when we will be in a position to introduce tariff amendments based on the results of these negotiations. In the meantime we have available in section 38 of the Customs Act a means of dealing, on a temporary basis, with any serious emergencies that may arise.

Sixth, wool fabrics. The report on wool fabrics is the first of a series which will cover the whole field of primary textiles and their main products. As recently as February, 1955 the board had made a report to the previous government on tariff item 554b, which is the main wool fabric item. At that time, however, the government of the day did not ask the board for recommendations, and took no action on its report.

The present government requested the tariff board to make recommendations, and these are included in the report which I tabled two weeks ago. We were, of course, well aware that the problem posed by the situation in wool fabrics was one of peculiar difficulty. It represents one of the few instances where competition from the United Kingdom is a serious factor in the difficulties of Canadian industry. We believed, however, that careful examination of the problem would point toward a solution which would relieve the pressure on the Canadian industry without materially affecting the interests of British producers. The tariff board has suggested an adjustment in the British preferential tariff which offers some hope of achieving this result. Accordingly, the resolution to be moved later tonight includes one involving a modest increase in the British preferential tariff on wool fabrics under tariff item 554b, as recommended by the tariff board.

The tariff board's recommendations relating to wool fabrics, involve a change only in the British preferential tariff. For the time being the present most-favoured-nation rates, as bound under the GATT, will continue to apply. But it is our intention to renegotiate item 554b as soon as possible with a view to restoring the margin of British preference.

Before leaving the subject of the tariff board references, I should mention those which are still in progress. The board has completed its hearings with respect to fluor-spar, and I am awaiting their report. As to the textile reference, hearings are now proceeding on the cotton items and when these are completed the board will be directing its attention to synthetic textiles, knitted goods and finally narrow fabrics. After that major studies on chemicals, and on radio and television parts await it.

Thus far I have referred only to tariff changes arising from tariff board reports. These comprise most of the changes that I shall propose, and rightly so. I have found the board to be a valuable means of screening tariff requests. It provides an open forum in which all interested parties may state their views.

We receive, however, a great many representations which it would not be practicable to refer to the tariff board. Many of them involve matters which are not of general interest, but none the less are important to the applicant. Others are technical suggestions originating in the Department of National Revenue or in the Department of Finance relating to anomalies that are arising constantly as a result of changing industrial techniques and conditions.

You will find, accordingly, that the last group of items in the resolutions is a heterogeneous collection. The purpose of many of the proposed changes will be readily apparent. It is to give Canadian producers access on better terms to materials or equipment of types that cannot be obtained in Canada, and thus to improve their competitive position. There are, in addition, numerous items which it is proposed to reword, without altering the rates of duty.

Perhaps the most significant change in rates of duties in this category is that relating to foamed and expanded synthetic resin products. At the time of the tariff board enquiry in 1952, these products were not made in Canada and the board recommended that

they be made duty free. However, the board in its report noted that the plastics industry was undergoing rapid development and that the plastics schedule would have to be revised from time to time to keep it up to date. It seems clear that if these particular products had been made in Canada at that time, the board would have recommended the same rates of duties as in the case of cellulose sponges, which were made in Canada at that time. There are several Canadian companies manufacturing this item. We are proposing the same rates as now apply to comparable plastic products. Proposed changes do not require negotiations inasmuch as the new rates do not exceed the rates bound under the GATT.

Another change relates to the duty on certain lumber products. A recent decision of the tariff board had the effect of classifying many kinds of worked lumber as "manufactures of wood" carrying a higher rate of duty than had generally applied previously. Canadian lumber interests have expressed serious concern about the possible implications of this change for their important export interests and they have been urging that the earlier position be restored. To meet this situation I am proposing changes in wording to make it clear that all lumber products produced by a planing machine, except those specifically named in the tariff, are treated in a uniform manner at the rates of duty which had been generally in effect prior to the tariff board decision.

There is one further important proposal to which I wish to refer. It relates to the "tourist clause".

This item now provides for a \$100 exemption at four-month intervals to Canadian residents who are absent from Canada for not less than 48 hours. It is apparent that this favours those who are accustomed to making frequent trips to the United States as compared with those who travel abroad only occasionally. The former may bring in duty-free goods to the value of as much as \$300 per annum, while the latter are allowed only \$100 worth on the rare occasions, possibly many years apart, when they are in a position to make use of the exemption.

On a number of occasions the United Kingdom authorities have asked whether some modification could be made in our tourist exemption so as to facilitate purchases by Canadians visiting the United Kingdom and other overseas countries.

The trade statistics show how the present exemption works out in practice. In 1957

duty-free imports into Canada under the exemption totalled \$77.4 million, of which \$74 million were from the United States, \$2 million from the United Kingdom, and \$1.4 million from all other countries combined.

I have examined various suggestions for modifying the present provision so as to make it operate with greater fairness as between individual Canadian travellers on the one hand, and the various countries which they visit on the other hand. I have decided to recommend a rather simple, but none the less significant, addition to the present item. This will neither add to nor subtract from the present provision in so far as travel on the North American continent is concerned. But it will make available to the overseas traveller, provided he is absent from Canada for at least fourteen days, an option which he may wish to exercise. In effect, such travellers will be permitted to draw upon their future exemptions to the extent of an additional \$200. The maximum exemption available will thus total \$300, and the traveller who takes advantage of it will not be entitled to any further exemption under item 703(b) for twelve months thereafter.

This privilege will apply to visitors to places beyond the continental limits of North America, including Bermuda, Cuba, Puerto Rico, the British West Indies, and all of South America, as well as still more distant places. It is proposed that the new provision come into effect July 1st of this year.

SUMMARY OF TAX CHANGES

I can now summarize the effects of the tax reductions I am proposing this evening on our budgetary position. I should point out, however, that the principal tax changes affecting the present fiscal year were introduced and approved by Parliament last December. Those changes amounted to tax reductions of \$178 million in a full year. The further changes now submitted add up to \$26 million in a full year, and it can therefore be fairly said that our total tax reductions in our first year in office exceed \$200 million.

Since we are well into the current year, and since the reductions to be effected by the new estate tax can hardly affect our revenues this year, the net effect of the proposed tax changes on this year's revenues will be to reduce them by \$8 million.

If I have leave I should like to insert in *Hansard* at this point a final table showing these tax changes and our expected 1958-59 revenue after giving effect to them.

The tables are as follows:

TABLE III

Combined Tax Reductions: December 1957 and June 1958

(full year basis—in millions of dollars)

	December 1957	June 1958	Total
Personal Income Tax	\$146	\$ 5	\$151
Corporate Income Tax ..	12	6	18
Non-Resident Tax	—	—	—
Estate Tax	—	7	7
Sales Tax	—	7	7
Other Excise Taxes and Duties	20	1	21
Customs Duties	—	—	—
Other Taxes	—	—	—
Total	\$178	\$ 26	\$204

TABLE IV

Summary of Tax Changes and Revised Forecast of Revenues

(In millions of dollars)

	Tax Reductions		Revised
	In a full year	In 1958-59	Revenue Forecast 1958-59
Personal Income Tax ..	\$ 5	\$1	\$1,369
Corporate Income Tax ..	6	1	1,019
Non-Resident Tax	—	—	70
Estate Tax	7	—	65
Sales Tax	7	5	700
Other Excise Taxes and Duties	1	1	549
Customs Duties	—	—	450
Other Taxes	—	—	2
Total Taxes	\$ 26	\$8	\$4,224
Non-Tax Revenue	—	—	428
Total Revenue	\$ 26	\$8	\$4,652

Since our expenditures are expected to be \$5,300 million, and our revised revenue \$4,652 million, the prospective deficit for the year ending March 31, 1959 is \$648 million.

CONCLUSION

I suppose it rarely falls to the lot of a Minister of Finance to be faced with conditions of his own choosing in preparing his budget. Hon. members will not be slow to realize that a minister who is faced with a deficit of \$648 million is severely circumscribed in writing the kind of budget he would have wished. But we live in a world of realities.

Moreover, I confess my concern over costs of production and prices in Canada. Only by keeping our costs of production in line with those of our competitors can we hope to achieve expanding employment and progressive improvement in our standard of living.

We are in danger of becoming a high-cost economy. Such a prospect is particularly perilous in the case of a country like Canada which must sell so much of its production in markets abroad. Moreover, Canadian producers are encountering increasing difficulty in retaining their domestic market in the face of keen competition from abroad. Many of them under these circumstances turn to the government for a solution of their cost problem.

In a free society there is no simple formula by which the government can maintain stable prices and there is a limit to what governments can do to assist producers to hold down their costs of production. A wise government can, of course, help to promote an environment which is conducive to price stability and this government gives a high place to that duty; but to an important extent prices are the result of competition among the various economic groups which compose our nation, each striving for a greater share of the national product. I echo the warnings issued by the Prime Minister (Mr. Diefenbaker) to all sections of the Canadian people in appealing to all, whether employers, employees or self-employed, to have regard for the general interest in the returns they seek for their services and products. In a free society there is no omnipotent arbitrator who can set prices and wages at stable levels. One must depend upon the sense of responsibility of free men and women not to demand more than their fair share of the national income. As I have said on other occasions, increases in incomes can be justified by increased productivity and by increased productivity alone.

This budget is designed to take realistic account of the forces which are exerting a powerful influence on the tone and direction of the Canadian economy today and to apply fiscal policies which will assist the forces which are contributing strength to the Canadian economy and at the same time to slow down or resist those forces which are impeding Canada's growth and wellbeing. It is an expression of the purpose of the government to encourage the enterprise, industry and self-reliance of the Canadian people.

As debtors to the sacrifices of the generations which have gone before us and heirs to the fruits of their labours, we Canadians take pride in the unyielding march of this nation to her great destiny. The advances of these ninety-one years have surpassed the

dreams of our forefathers; yet today we know that we stand but on the threshold of the true greatness of this favoured land. There remains for us a sacred duty, that of contributing to the realization of the hopes and aims of the fathers of confederation.

As debtors to the sacrifices of the generations which have gone before us and heirs to the fruits of their labours, we Canadians take pride in the unyielding march of this nation to her great destiny. The advances of these ninety-one years have surpassed the dreams of our forefathers; yet today we know that we stand but on the threshold of the true greatness of this favoured land.

This budget has been born of confidence in Canada's future, not blind wishful thinking, but unshrinking realism. We have sought to face our difficulties squarely and to prescribe bold courses to meet them. We have not veered and shall not veer from our unshaken belief in the shining future of Canada. Providence has blessed this land with vast resources. Our people are vigorous and enterprising. The advance of this nation to greatness has derived its strength and inspiration from the courage, the industry, the self-reliance and the thrift of God-fearing pioneers. We stake our unwavering belief in Canada's destiny on these Canadian virtues, and as God gives us wisdom and this house gives us its support, we shall strive to meet the challenge of our responsibilities.

INCOME TAX ACT

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

1. That amounts paid after June 17, 1958, for drugs and medicines which have been prescribed in writing by a medical practitioner be included in the medical expenses that are deductible in computing taxable income.

2. That amounts paid after June 17, 1958, for eyeglasses, artificial eyes, laboratory or other diagnostic services or transportation to or from a hospital by ambulance be included in the medical expenses that are deductible in computing taxable income.

3. That for 1958 and subsequent taxation years the maximum amount deductible by corporations for contributions to charitable organizations be increased from 5% of income to 10% of income.

4. That the rate of interest payable to taxpayers on overpayments of tax for 1958 and subsequent taxation years be increased from 2% to 3%.

5. That the two year period within which a taxpayer may apply for a refund of an overpayment of tax for a taxation year be increased to four years from the end of the taxation year.

6. That for 1958 and subsequent taxation years a gift to the spouse of a donor of real property to be used by the donor and the spouse as their home, or a gift to a child of the donor of farm real property to be used in farming operations carried on by the child, or by the child and the donor, shall be exempt from gift tax to the extent of \$10,000, provided that no such exemption shall apply more than once during the lifetime of the donor.

7. That the amount by which any gift tax paid on a gift made within three years prior to death exceeds any succession duty or estate tax subsequently imposed in respect of a death after June 17, 1958, on that gift under any Act of the Parliament of Canada will be refunded.

8. That with effect after June 17, 1958, the exemption from the tax on income of non-resident persons now granted in respect of dividends paid by a non-resident-owned investment corporation be changed so as to apply only in respect of dividends paid after the time when the corporation has paid out dividends which in the aggregate equal the undistributed earnings accumulated by the corporation in years when it was not a non-resident-owned investment corporation.

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, as follows:

(i) chimneys for buildings, not including fireplaces;

(ii) cornice, frieze, pilasters and other units or members of wood milled for use as structural or architectural building components, not including assembled or unassembled cabinets, counters, cupboards, furniture, ironing boards, work benches and similar installations;

(iii) ash handling and fuel handling equipment for use with furnaces for the heating of buildings, when connected directly to such furnaces and installed in the same building as such furnaces;

(iv) fuel oil tanks for use with furnaces for the heating of buildings and connected directly to such furnaces;

(v) latch sets, master key cylinder blocks, knobs and hinges;

(vi) hard surface plastic laminated building materials;

(vii) underlayment material for hard surface floor coverings for permanent bonding to floors;

(viii) articles and materials to be used exclusively in the manufacture of the foregoing.

(b) certain goods sold to or imported by municipalities for their own use and not for resale, as follows:

(i) culverts;

(ii) structural aluminum for bridges;

(iii) fire truck chassis for the permanent attachment thereon of fire fighting equipment to be used directly in fire fighting;

(iv) fire hose including couplings and nozzles therefor;

(v) diesel fuel oil for use in generating electricity;

(vi) goods for use as part of sewage and drainage systems;

(vii) articles and materials to be used exclusively in the manufacture of the foregoing.

(c) certain agricultural, horticultural and forestry goods as follows:

(i) stock conditioners, condiments and food supplements for addition to poultry, cattle and other stock feeds;

(ii) goods enumerated in Customs Tariff item 417:

"Machinery and apparatus and complete parts thereof and structural iron and steel, of a class or kind not made in Canada, when imported for use exclusively in the construction or equipment of factories for the manufacture of sugar from beetroot, or for receiving sugar beets, under regulations prescribed by the Minister;"

(iii) individual tree guards and tree protectors not exceeding thirty-six inches in height;

(iv) cut flowers;

(v) materials to be used exclusively in the manufacture of grain or seed cleaning machines and parts thereof;

(vi) rodent poisons.

2. That the present exemption for fruit juices which consist of at least ninety-five per cent of pure juice of the fruit be ex-

tended to fruit juices consisting of at least eighty-five per cent of the pure juice of the fruit.

3. That the wording of the exemption for "bases or concentrates for making beverages other than soft drink beverages" in Schedule III be changed to read:

"Bases, not including fruit or imitation fruit bases, for making non-alcoholic food beverages; fruit bases or fruit concentrates for making beverages, when sold in containers not exceeding ten ounces and consisting of at least eighty-five per cent of pure juice of the fruit."

4. That the wording of the exemption for "flavouring extracts" under "Foodstuffs" in Schedule III be changed to read:

"Food flavouring extracts, emulsions and powders, not including those for beverages."

5. That the exemption for desks and chairs specially designed for class room use when sold to educational institutions be extended to apply to chalkboards, desks, tables and chairs, excluding upholstered chairs, without the requirement that they be specially designed for class room use.

6. That the exemption for fire brick, plastic refractories, high temperature cement, fire clay and other refractory materials be extended by removing the present condition requiring them to be "for use exclusively in the construction or repair of a furnace, kiln or other equipment of a manufacturing establishment".

7. That the exemption for materials consumed or expended directly in the process of manufacture or production of goods be clarified and brought into line with the exemption for fuel for lighting or heating, which excludes fuel for use in internal combustion engines.

8. That advertising sheets, local bulletins, local circulars and similar publications be excluded from the exemption for newspapers unless they have qualified as a newspaper enjoying second-class mailing privileges.

9. That certain goods enumerated in Customs Tariff item 848 continue to be exempt from sales tax by listing in Schedule III of the Act the following Tariff items under which these goods are being regrouped by Customs Tariff Resolutions:

399a, 399b, 399c, 848, 848a, 848b.

10. That payments under section forty-seven of the Act to the institutions for children and aged, infirm or incapacitated persons to which that section applies, be increased

(a) by enlarging the class of such institutions eligible to receive such payments by removing the present requirement that the shelter or care provided must be permanent or semi-permanent;

(b) by including in the payments an amount equal to the taxes paid on purchases made within two years prior to certification by the Minister of National Health and Welfare, and made by or on behalf of the institution in the course of construction during that period.

11. That the annual fee for sales and excise tax licences be abolished.

12. That the excise tax on special editions of non-Canadian periodicals imposed by Part II of the Act be repealed.

13. That any enactment founded upon this Resolution be deemed to have come into force on the eighteenth day of June nineteen hundred and fifty-eight.

THE DOMINION SUCCESSION DUTY ACT

Resolved that it is expedient to introduce a measure to replace the present Dominion Succession Duty Act, to provide that the tax on property passing or deemed to pass, on death, be computed by reference to the property comprising the estate of the deceased rather than the property contained in the bequests from the estate to the beneficiaries; and also to consolidate, revise and simplify the tax law.

THE CUSTOMS TARIFF

1. Resolved, that it is expedient to amend the *Customs Tariff* by striking out subsection (1) of section 2 and substituting the following:

2. (1) In this Act, and in any other Act relating to the Customs,

(a) "free" in any one of the tariff columns in Schedule A means that the goods opposite which the word appears, and to which the tariff in the column applies, may be imported and taken out of warehouse for consumption in Canada, without duty;

(b) "gallon" means an Imperial gallon;

(c) "hot-rolled" or "cold-rolled" when applied to shapes or sections, bars or rods, plate, sheet or strip, of iron or steel, includes shapes or sections, bars or rods, plate, sheet or strip that have been subjected to such further processing as annealing, tempering, pickling, liming or polishing;

(d) "in diameter" when applied to pipes and tubes means the actual inside diameter;

(e) "M ft." represents and has the meaning of the words "one thousand feet board measure";

(f) "n.o.p." represents and has the meaning of the words "not otherwise provided for";

(g) "p.c." in any one of the tariff columns in Schedule A represents and has the meaning of the words "per cent, ad valorem";

(h) "plate" when applied to iron or steel means a flat-rolled product of any shape, of the following dimensions: more than eight inches but not more than forty-eight inches in width and 0.2300 inch or more in thickness; more than forty-eight inches in width and 0.1800 inch or more in thickness;

(i) "proof", "proof spirit" or "proof spirits" means any spirit having the strength of proof by Sikes' hydrometer, that is, spirit that at the temperature of fifty-one degrees Fahrenheit weighs exactly twelve-thirteenths of the weight of an equal measure of distilled water at the same temperature;

(j) "rubber" includes synthetic rubber, which may be defined by regulations prescribed by the Minister;

(k) "sheet" or "strip" when applied to iron or steel means a flat-rolled product of any shape, of the following dimensions: "sheet": more than twelve inches but not more than forty-eight inches in width and 0.2299 inch or less in thickness; more than forty-eight inches in width and 0.1799 inch or less in thickness; "strip": more than eight inches but not more than twelve inches in width and 0.2299 inch or less in thickness; eight inches or less in width and 0.2030 inch or less in thickness;

(l) "steel" means any metal or combination of metals containing fifty per cent or more, by weight, of iron;

(m) "ton" means two thousand pounds avoirdupois.

2. Resolved, that Schedule A to the *Customs Tariff* be amended by striking out tariff items 345, 345a, 346, 346a and 346c, 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
345 Zinc dross and zinc scrap for remelting, or for processing into zinc dust.....	Free	Free	10 p.c.	Free	Free	25 p.c.
345a Zinc spelter, zinc, and zinc alloys containing not more than ten per cent by weight of other metal or metals, in the form of pigs, slabs, blocks, dust or granules...per pound...	$\frac{1}{2}$ ct.	1 ct.	2 cts.	Free $\frac{1}{2}$ ct.	Free 1 ct.	Free 1 ct.
346 Zinc, manufactures of, n.o.p.....	15 p.c.	17 $\frac{1}{2}$ p.c.	25 p.c.	15 p.c.	17 $\frac{1}{2}$ p.c.	25 p.c.
346a Zinc, or zinc alloys containing not more than ten per cent by weight of other metal or metals, in the form of foil, ribbon, strip, sheet, plate, discs or slugs; coated or not.....	5 p.c.	7 $\frac{1}{2}$ p.c.	20 p.c.	Free $\frac{1}{2}$ ct. per pound 15 p.c. Free 15 p.c.	Free 1 ct. per pound 17 $\frac{1}{2}$ p.c. Free 20 p.c.	Free 1 ct. per pound 25 p.c. 25 p.c. 25 p.c.
346b Zinc rods; zinc shapes other than flat-rolled; zinc strip or sheet, ungrained, whether or not ground, for making offset plates for lithographing; zinc strip or sheet, not planished, ground or polished, coated on one side with acid-resisting material, to be prepared for use in photo-engraving; all the foregoing if containing not more than ten per cent by weight of other metal or metals.....	Free	Free	10 p.c.	Free $\frac{1}{2}$ ct. per pound 15 p.c. Free 15 p.c.	Free 1 ct. per pound 17 $\frac{1}{2}$ p.c. Free 20 p.c.	Free 1 ct. per pound 25 p.c. 25 p.c. 25 p.c.

3. Resolved, that Schedule A to the *Customs Tariff* be amended by striking out tariff items 355b, 377, 377a, 377b, 377c, 377d, 377e, 377f, 378, 379, 380, 381, 382, 383, 384, 385, 385a, 386, 387, 387a, 387b, 387c, 388, 388a, 388b, 388c, 388d, 388e, 388f, 388g, 389, 392a, 395, 395a and 438f, 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
355b Metal alloy strip or tubing—not being such strip or tubing as accords with the definition of "steel", in paragraph (1) of sub-section (1) of section 2 of the <i>Customs Tariff</i> —containing not less than thirty per cent by weight of nickel and twelve per cent by weight of chromium, for use in Canadian manufactures.....	Free	Free	20 p.c.	Free	Free	20 p.c.
377 Ingots of iron or steel, n.o.p., per ton.....	Free	\$3.00	\$5.00	\$1.50	\$3.00	\$3.00
377a Ingots of iron or steel, round, corrugated, weighing not less than thirty thousand pounds.....	Free	Free	5 p.c.	Free	\$3.00 per ton	\$3.00 per ton
378 Iron or steel, semi-finished, namely: blooms, slabs, billets or sheet bars.....	Free	5 p.c.	10 p.c.	\$2.50 per ton Free	\$4.00 per ton Free	\$4.50 per ton 5 p.c.
379 Bars or rods of iron or steel, hot-rolled, plain or deformed, namely: rounds, half-rounds, ovals, half-ovals, squares, round-cornered squares, hexagons, octagons or other multi-sided bars or rods; flats, 13/64 inch or more in thickness and eight inches or less in width.....	5 p.c.	10 p.c.	20 p.c.	Free	12½ p.c.	15 p.c.
379a Bars or rods of iron or steel, as described in tariff item 379, cold-rolled or cold-drawn.....	5 p.c.	15 p.c.	25 p.c.	10 p.c.	20 p.c.	30 p.c.
379b Bars or rods of iron or steel, as described in tariff item 379, further processed than hot- or cold-rolled or cold-drawn, or otherwise processed.....	5 p.c.	15 p.c.	25 p.c.	10 p.c.	20 p.c.	30 p.c.
379c Rods of iron or steel, in the coil, not more than 0.375 inch in diameter, when imported by manufacturers of wire for use in the manufacture of wire, in their own factories.....per ton	Free	\$3.00	\$5.00	\$2.25	\$5.00	\$5.00
380 Shapes or sections of iron or steel, not further manufactured than hot- or cold-rolled:						
(1) Angles, beams, channels, tees, zeos, or other shapes or sections, n.o.p.....	5 p.c.	10 p.c.	20 p.c.	Free	\$3.00 per ton	\$3.00 per ton
				\$4.00 per ton	\$7.00 per ton	\$7.00 per ton

(2) Wide-flange beams more than ten inches but not more than eighteen inches in depth; when not made in Canada..... per ton						
Free	\$5.00	\$20.00	Free	\$3.00	\$3.00	
			\$4.00	\$7.00	\$7.00	
(3) Angles more than six inches in length of either leg; beams, including wide-flange beams, more than eighteen inches in depth; channels more than fifteen inches in depth; zees more than six inches in depth of any leg: all the foregoing when not made in Canada.....						
Free	Free	10 p.c.	Free	\$3.00 per ton	\$3.00 per ton	
			\$4.00 per ton	\$7.00 per ton	\$7.00 per ton	
(4) Sash, casement or frame sections of iron or steel, hot- or cold-rolled, coated or not, not punched, drilled nor further manufactured, and similar material formed from hot- or cold-rolled iron or steel strip, coated or not, when imported by manufacturers of metal window sash, casements or frames for use in the manufacture of such articles, in their own factories..... per ton						
Free	\$7.00	\$7.00	Free	\$7.00	\$7.00	
380a Iron or steel, angles, beams, channels, columns, girders, joists, piling, tees, zees, and other shapes or sections, punched, drilled or further manufactured than hot-rolled, n.o.p.....						
17½ p.c.	22½ p.c.	40 p.c.	17½ p.c.	25 p.c.	40 p.c.	
381 Plate of iron or steel, not further manufactured than hot- or cold-rolled, and whether or not coated, coiled, or with rolled surface pattern.....						
5 p.c.	10 p.c.	20 p.c.	Free	12½ p.c.	15 p.c.	
381a Plate of iron or steel, flanged or dished.....						
5 p.c.	20 p.c.	30 p.c.	5 p.c.	22½ p.c.	30 p.c.	
381b Plate of iron or steel, n.o.p.....						
5 p.c.	15 p.c.	25 p.c.	5 p.c.	22½ p.c.	30 p.c.	
382 Sheet or strip of iron or steel, corrugated or not, and whether or not with rolled surface pattern:						
(1) Hot-rolled.....	5 p.c.	10 p.c.	20 p.c.	Free	12½ p.c.	20 p.c.
(2) Cold-rolled or cold-drawn.....	5 p.c.	15 p.c.	25 p.c.	7½ p.c.	20 p.c.	20 p.c.
(3) Coated with tin or vitreous enamel.....	10 p.c.	15 p.c.	25 p.c.	15 p.c.	15 p.c.	20 p.c.
				10 p.c.	20 p.c.	25 p.c.
(4) Coated with zinc.....	7½ p.c.	15 p.c.	25 p.c.	7½ p.c.	17½ p.c.	20 p.c.
(5) Coated, n.o.p.....	7½ p.c.	15 p.c.	20 p.c.	5 p.c.	12½ p.c.	15 p.c.
(6) Hot- or cold-rolled, when imported by manufacturers of butts and hinges for use in the manufacture of butts and hinges, in their own factories.....						
Free	7½ p.c.	10 p.c.	Free	7½ p.c.	10 p.c.	
(7) Cold-rolled, with silicon content of 0.075 per cent or more, when imported by manufacturers of electrical apparatus or of parts therefor, for use in the manufacture of electrical apparatus or of parts therefor, in their own factories.....						
5 p.c.	12½ p.c.	25 p.c.	Free	12½ p.c.	12½ 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
333 Plate, sheet or strip of iron or steel, not tempered or ground, nor further manufactured than cut to shape, without indented edges, for use in the manufacture of saws.....	Free	Free	10 p.c.	Free	Free	Free
333a Plate, sheet or strip of iron or steel, hardened, tempered or ground, not further manufactured than cut to shape, without indented edges, for use in the manufacture of saws.....	Free	7½ p.c.	15 p.c.	Free	7½ p.c.	12½ p.c.
334 Skelp, plate, sheet or strip of iron or steel, hot- or cold-rolled, when imported by manufacturers of pipes or tubes, for use in the manufacture of pipes or tubes....	Free	7½ p.c.	15 p.c.	Free	5 p.c.	5 p.c.
335 Sheet or strip of iron or steel, coated with lead or with an alloy of lead and tin.....	Free	Free	15 p.c.	Free	5 p.c.	15 p.c.
336 Plate or sheet of iron or steel, rolled from ingots, blooms or slabs of Canadian origin, when imported by the manufacturer of the said ingots, blooms or slabs..... (This item expires effective January 1, 1961).	Free	Free	20 p.c.	\$5.00 per ton	\$10.00 per ton	\$20.00 per ton
337 Railway rails of iron or steel, of any weight, or for any purpose, punched, drilled, or not.....	5 p.c.	10 p.c.	20 p.c.	\$4.50 per ton	\$6.00 per ton	\$7.00 per ton
337a Rails (track) of iron or steel, other than railway rails, further manufactured than hot-rolled, with other sections, arched or not, welded thereto or not.....	Free	12½ p.c.	35 p.c.	Free	12½ p.c.	35 p.c.
337b Fish plates, splice bars, rail joints, tie plates, of iron or steel.....	\$5.00	\$7.00	\$8.00	\$5.00	\$7.00	\$8.00
337c Railway intersection layouts, intersections, switches, crossings, frogs, guard rails, of iron or steel.....	15 p.c.	25 p.c.	30 p.c.	15 p.c.	25 p.c.	30 p.c.
332a (1) Forgings of iron or steel, hollow, rough-machined or not, not less than twelve inches in internal diameter; all other forgings, solid or otherwise, rough-turned or rough-machined or not, of a weight of twenty tons or more,.....	5 p.c.	20 p.c.	30 p.c.	Free	15 p.c.	30 p.c.

(2) Forgings, solid or otherwise, rough-turned or rough-machined or not, of a weight of forty tons or over..... Free 15 p.c. 30 p.c. Free 15 p.c. 30 p.c.

4. Resolved, that Schedule B to the *Customs Tariff* be amended by striking out items 1005, 1006, 1007, 1009, 1015, 1023, 1025 and 1045, 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
1004	Steel.....	When used in the manufacture of files.....	60 p.c.
1005	Steel.....	When-used in the manufacture of cutlery.....	99 p.c.
1006	Hot-rolled hexagon bars of iron or steel.....	When used in the manufacture of cold-rolled or cold-drawn bars of iron or steel.....	60 p.c.

5. Resolved, that Schedule A to the *Customs Tariff* be amended by striking out tariff items 396, 396a, 397, 398, 398a, 398b, 398c, 399, 399a, 399b, 399c, 400, 410b, 410d, 410g, 410z and 848, 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
396	Pipes or tubes of cast iron, <i>whether or not coated or lined.</i>	7½ p.c.	12½ p.c.	25 p.c.	\$5.00 per ton Free	\$10.00 per ton 7½ p.c.	\$14.00 per ton 10 p.c.
397	Pipes or tubes of iron or steel, n.o.p., with plain or processed ends, <i>whether or not coated or lined.</i>	12½ p.c.	20 p.c.	30 p.c.	15 p.c. 10 p.c.	22½ p.c. 15 p.c.	30 p.c. 20 p.c.
397a	Pipes or tubes of iron or steel, with plain or processed ends, seamless, cold-drawn.	Free	5 p.c.	10 p.c.	Free	5 p.c.	5 p.c.
397b	Corrugated metal culvert pipe, coated or not.	12½ p.c.	15 p.c.	30 p.c.	12½ p.c.	15 p.c.	30 p.c.
398	Pipes or tubes of iron or steel, with plain, swelled or thickened ends, for use in the manufacture or repair of pressure parts of boilers, pulp mill digesters and vessels for the refining of oil.	Free	5 p.c.	20 p.c.	Free	Free	Free
398a	Pipes or tubes of iron or steel, with plain ends, for use in the manufacture of rolls for paper-making machinery.	5 p.c.	15 p.c.	30 p.c.	15 p.c. Free	22½ p.c. 15 p.c.	30 p.c. 30 p.c.
398c	Tubes of iron or steel, seamless, when imported by manufacturers of bearings, for use in the manufacture of bearings in their own factories.	Free	5 p.c.	15 p.c.	Free	Free	30 p.c.
399	Pipes or tubes of iron or steel and fittings and couplings therefor, for use in the transmission of natural gas to points of distribution or in the transmission of crude oil.	10 p.c.	15 p.c.	20 p.c.	Various	Various	Various
399a	Pipes or tubes of iron or steel, commonly known as "oil-country goods", being casing or tubing and fittings or couplings therefor, for use in connection with natural gas or oil wells.	5 p.c.	10 p.c.	20 p.c.	Free	Free	Free
399b	Drill-pipe, for use in connection with natural gas or oil wells.	Free	Free	Free	Free	Free	Free
399c	Materials for use in the manufacture of the goods specified in tariff items 399a and 399b.	Free	Free	Free	Free	Free	Free
400	Fittings and couplings of iron or steel, n.o.p., for pipes and tubes, parts therefor.	15 p.c.	20 p.c.	30 p.c.	20 p.c.	22½ p.c.	30 p.c.

400a	Fittings and couplings of iron or steel, not further manufactured than forged or bent to shape, whether or not deburred or descaled, when imported by manufacturers of welding fittings and couplings, for use in the manufacture of such fittings and couplings in their own factories.....	Free	10 p.c.	25 p.c.	Free	10 p.c.	35 p.c.
410b	Machinery and apparatus for use in washing or dry cleaning coal at coal mines or coke plants; machinery and apparatus for use in producing coke and gas; machinery and apparatus for use in the distillation or recovery of products from coal tar or gas; parts of the foregoing, not including motive power, tanks for gas, valves ten and one-half inches or less in diameter, nor pipes of iron or steel.....	Free	10 p.c.	12½ p.c.	Free	10 p.c.	12½ p.c.
410d	Well-drilling machinery and apparatus, and parts thereof, for use in drilling for water, natural gas or oil, or in prospecting for minerals, not including motive power; machinery and apparatus of a class or kind not made in Canada for maintenance and testing purposes in connection with gas or oil wells; well-packers and parts thereof, for oil or gas wells.....	Free	Free	Free	Free	Free	Free
410g	Articles for use in the metallurgy or smelting of iron, namely: machinery and apparatus for sintering or nodulizing iron ore, concentrated or not, or flue dust; machinery and apparatus for use in the construction, equipment and repairs of blast furnaces for smelting iron ore, such machinery and apparatus to include hot blast stoves and burners, blast piping and valves connecting the blowing engines with the furnace, scale cars, charging and hoisting apparatus, blast furnace gas piping, cleaners and washers; parts of the foregoing, not including structural iron work, valves ten and one-half inches or less in diameter, nor pipes of iron or steel.....	Free	5 p.c.	5 p.c.	Free	5 p.c.	5 p.c.
410z	Machinery and apparatus, n.o.p., and parts thereof, for the recovery of solid or liquid particles from flue or other waste gases at metallurgical or industrial plants, not including motive power, tanks for gas, valves ten and one-half inches or less in diameter, nor pipes of iron or steel.....	5 p.c.	10 p.c.	12½ p.c.	5 p.c.	10 p.c.	12½ p.c.
848	All machinery and apparatus and parts thereof (including motive power) and drilling mud, for use in exploratory or discovery work in connection with, and development, depletion and production of petroleum or natural gas wells.....	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
848a Machinery and apparatus and parts thereof (including motive power) of a class or kind not made in Canada and drilling mud, for use in the exploration, discovery, development and operation of potash and rock salt mines or for use in the production of muriate of potash, or for use in the production of crushed and screened rock salt.....	Free	Free	Free	Free	Free	Free
848b Materials for use in the manufacture of the goods specified in tariff items 848 and 848a.....	Free	Free	Free	Free	Free	Free
6. Resolved, that Schedule B to the <i>Customs Tariff</i> be amended by striking out items 1017, 1018, 1018a and 1028, and the enumerations of goods and the rates of drawback of duty set opposite each of those items.						
7. Resolved, that Schedule A to the <i>Customs Tariff</i> be amended by striking out item 554b, 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:						
554b (1) Woven fabrics composed wholly or in part of yarns of wool or hair, n.o.p.....	20 p.c.	27½ p.c.	40 p.c.	20 p.c.	27½ p.c.	40 p.c.
and, per pound	20 cts.	30 cts.	35 cts.	12 cts.	30 cts.	35 cts.
Provided, that the total duty leviable shall not be in excess of..... per pound	60 cts.	.....	.....	50 cts.	.....	.....
(2) Woven fabrics composed wholly or in part of yarns of wool or hair and weighing not less than twelve ounces per square yard.....	20 p.c.	27½ p.c.	40 p.c.	20 p.c.	27½ p.c.	40 p.c.
and, per pound	15 cts.	30 cts.	35 cts.	12 cts.	30 cts.	35 cts.
Provided, that the total duty leviable shall not be in excess of..... per pound	55 cts.	.....	.....	50 cts.	.....	.....
8. Resolved, that Schedule A to the <i>Customs Tariff</i> be amended by striking out tariff items 90f, 99e, 125, 128, 198c, 206c, 208, 208z, 237a, 327a, 376a, 376b, 409t, 409u, 410s, 427c, 431d, 431g, 437b, 438b, 438c, 438d, 438e, 439b, 439e, 440m, 440n, 462d, 482, 504a, 505, 505a, 505b, 597a(4), 597b, 597d, 691(1), 695d, 696a, 696c, 696d, 703, 791, 901, 902, 907 and 914, 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:						
79g Rose stock, not including buds nor scions, for grafting or budding.....	Free	Free	Free	Free	12½ p.c.	20 p.c.
90f Vegetable materials for use as colourings or flavourings..	10 p.c.	10 p.c.	25 p.c.	10 p.c.	10 p.c.	25 p.c.
99e (1) Dates, pitted, in units of any description weighing more 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. Free	1½ cts. Free	2½ cts. 1 ct.

When in packages weighing two pounds each, or less, the weight of such packages to be included in the weight for duty.

115b	Smelt, fresh, for processing in Canadian plants. . per pound	Free	Free	1 ct.	$\frac{1}{2}$ ct.	$\frac{1}{2}$ ct.	1 ct.
125	Oysters, shelled; cans containing shelled oysters.	Free	Free	25 p.c.	Free	Free	25 p.c.
128	Lobsters or lobster meat, fresh or boiled.	Free	Free	25 p.c.	Free 17 $\frac{1}{2}$ p.c.	Free 22 $\frac{1}{2}$ p.c.	25 p.c. 30 p.c.
206c	(1) Containers, whether or not partially filled with anti-coagulants, and units consisting of such containers and accessories; filters, drop counters, clamps, tubes, bail bands, labels, corks, stoppers or other closures; all the foregoing for use in the collection, preparation, storage, transportation or administration of human blood (whether whole or in the form of liquid or dry serum or plasma) and extenders or substitutes therefor.	Free	Free	Free	Free 15 p.c.	Free 20 p.c.	Free 30 p.c.
	(2) Materials for use in the manufacture of the goods specified in (1) of this item.	Free	Free	Free	Free Various	Free Various	Free Various
208	Ammonium Sulphate; Antimony salts, namely: tartar emetic, chloride and lactate (antimonine); Argols; Arsenious oxide; Boracic acid and borax in packages of not less than twenty-five pounds weight; Bromine; Carbon bisulphide, n.o.p.; Cyanide of calcium; Cyanide of potassium; Cyanide of sodium; Cyanogen bromide; Hydrofluosilicic acid; Iodine crude; Precipitate of copper (crude); Sulphide of arsenic; Sulphur and brimstone, crude or in roll or flour; Tannic acid; Verdigris or sub-acetate of copper, dry.	Free	Free	Free	Free	Free	Free
208z	Materials, and parts, entering into the cost of cyanide of calcium, cyanide of potassium and cyanide of sodium, when imported by manufacturers of cyanide of calcium, cyanide of potassium and cyanide of sodium for use in their own factories.	Free	Free	Free	Free	Free	Free
210h	Sal ammoniac skimmings.	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
237a	Deuterium oxide or heavy water; uranium in the form of pigs, ingots, billets or bars..... On and after July 1, 1960	Free Free	Free 15 p.c.	25 p.c. 25 p.c.	Free Free	Free 15 p.c.	25 p.c. 25 p.c.
296g	Sodium calcium borate ore for use as a fire retardant..... On and after July 1, 1959	Free 15 p.c.	Free 20 p.c.	25 p.c. 25 p.c.	15 p.c.	20 p.c.	25 p.c.
327a	Contact lenses and anterior chamber implants for the human eye.....	Free	Free	Free	Free 15 p.c.	Free 20 p.c.	Free 30 p.c.
347	Chromium metal and tungsten metal, in lumps, powder, ingots, blocks or bars, and scrap of alloy metal containing chromium and tungsten, for use for alloying purposes.....	Free	Free	Free	Free	Free	Free
347a	Materials imported by manufacturers of sintered hard metal compounds of the tungsten carbide type, for use in the manufacture of such compounds in their own factories.....	Free	Free	10 p.c.	Free	Free	10 p.c.
409i	Axles, belts and belting, bolts, brushes, chains, hinges, nuts, pulleys, rivets, screws, 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	Free 15 p.c.	Free 25 p.c.	Free 40 p.c.
409u	Articles and materials, including carrying cases, for use in the processing, storing and insemination of animal semen.....	Free	Free	40 p.c.	Free Various	Free Various	40 p.c. Various
410s	Amalgam safes, automatic ore samplers, automatic feeders, retorts, mercury pumps, non-metallic heating elements, pyrometers, bullion furnaces, amalgam cleaners, and parts of all the foregoing, for use in mining or metallurgical operations.....	Free	Free	Free	Free	Free	Free
427c	Machinery and apparatus for dairying purposes, namely: power churns, power milk coolers, power fillers and cappers, power ice cream mixers, power butter printers, power cream savers, power bottle sterilizers;						

power brine tanks, power milk bottle washers, power milk can washers; ice-breaking machines, valveless or centrifugal milk pumps, sanitary milk and cream vats; none of the foregoing machinery to include motive power; *parts of all the foregoing*.....

Free

15 p.c.

35 p.c.

Free

15 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;

Board, 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.....

Free

9 p.c.

10 p.c.

Free

9 p.c.

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
431g Fixed or stationary meters of a size or capacity not made in Canada, for hydraulic engineering; gauges, indicators and recorders for water or other liquid levels, volume or flow, of a class or kind not made in Canada; <i>parts of all the foregoing</i>	Free	12½ p.c.	20 p.c.	Free Various	12½ p.c. Various	20 p.c. Various
434e <i>Parts used in the repair of street cars (not including subway cars) with magnetic track brakes</i>	Free	Free	35 p.c.	Free	20 p.c.	35 p.c.
438b Bearings, ball or roller; Bearings, clutch release, with or without collar attached; Bearings, graphite; Bearings, steel or bronze backed, with non-ferrous metal lining, parts and materials therefor; Bearings, steering knuckle thrust; Bushings or sleeve bearings of bronze or powdered metal; Bushings, graphited or oil impregnated; Ceramic insulator spark plug cores not further manufactured than burned and glazed, printed or decorated or not, without fittings; Collars, crankshaft thrust; Compressors and parts thereof, air; Commutator copper segments; commutator insulating end rings; Tapered discs of hot-rolled steel, with or without centre hole, for disc wheels; Diaphragms for fuel and vacuum pumps; Distributor rotors and cam assemblies; Door bumper shoes; Electric wiring terminals, sockets, fittings and connectors and parts and combinations thereof, including brackets and fittings permanently attached thereto, but not to include battery terminals; Gaskets of any material except cork or felt, composite or not, parts and materials therefor; Ignition contact points; Keys for shafting; Auxiliary driving control kits, designed for attachment to motor vehicles to facilitate their operation by physically disabled persons, and parts thereof; <i>Laminated composition plastic timing gear blanks;</i>						

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

Parts of all the foregoing;

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

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

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

Tariff Item	British Preferential Tariff	Most- Favoured- Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget		
				British Preferential Tariff	Most- Favoured-Nation Tariff	General Tariff
438c (contd.)						
Grilles not plated, polished or not before assembly, and parts thereof not plated or polished after final forming, casting or piercing, not including added finish or decorative mouldings;						
Hinges, finished or not, for bodies;						
Horns;						
Instrument bezel assemblies; instrument board lamps; instrument panel, glove compartment, luggage compartment, hood compartment and door step lamps and wire assemblies;						
<i>Instrument board panels of moulded or laminated glass fibres and plastic;</i>						
Locks, electric ignition, steering gear, transmission, or combinations of such locks;						
Mouldings of metal, with nails or prongs, set in position, lead filled or not;						
Oil filter parts, namely: perforated filter refill oil board bodies, refill end discs, and roll-seam perforated tubes;						
Ornaments and identification plates of metal, unplated, not including finished or decorative mouldings;						
Pipe lines of tubing, rigid, covered or not, with or without fittings, and tubing therefor;						
Purifiers for gasoline, including brackets and fittings therefor;						
Radiator shutter assemblies, automatic;						
Radiator water gauges;						
Radiator shells not plated nor metal finished in any degree;						
Shackles, bearing spring;						
Speedometers;						
Spring covers of metal and closing strips or shapes therefor;						
Stampings, body, cowl, fender, front end, hood, instrument board, shields and baffles, of metal in the rough, <i>coated or not</i> , trimmed or not, whether or not welded in any manner before final forming or piercing, but not metal finished in any degree;						
Steering wheels, rims and spiders therefor;						
Sun visor blanks of gypsum weatherboard;						
Tachometers, with or without tachographs, both electric and gear driven;						
Thermostatic controls;						

Throttle, spark, choke, and hood lock release assemblies, including buttons therefor;
 Torque convertors;
 Auxiliary transmission overdrive units and controls therefor;
 Universal joint ball assemblies;
 Windshield and window wipers;
 Parts of all the foregoing, including brackets, fittings and connections therefor;

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

Free	17½ p.c.	30 p.c.	Free	17½ p.c.	30 p.c.
			Free	25 p.c.	35 p.c.

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

Free	Free	25 p.c.	Free	Free	25 p.c.
			Free	25 p.c.	35 p.c.

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

Free	Free	25 p.c.	Free	Free	25 p.c.
			Free	25 p.c.	35 p.c.

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

Free	Free	25 p.c.	Free	Free	25 p.c.
			Free	25 p.c.	35 p.c.

Tariff Item	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget		
				British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
438c (4) If the above articles, when of a class or kind not made in Canada, are for use as original equipment by a manufacturer of motor trucks, motor buses, electric trackless trolley buses, fire fighting vehicles, motor ambulances, and hearses, or chassis for same, as enumerated in tariff item 410a(iii), 438a and 424, whose total factory output of such vehicles during the year in which importation is sought, does not exceed ten thousand such vehicles, and if not less than forty per cent of the factory cost of production of such vehicles, not including duties and taxes, is incurred in the British Commonwealth, the rates of duty under this item shall be...	Free	Free	25 p.c.	Free Free	Free 25 p.c.	25 p.c. 35 p.c.
(5) If the above articles, when of a class or kind not made in Canada, are for use as original equipment by a manufacturer of motor trucks, motor buses, electric trackless trolley buses, fire fighting vehicles, motor ambulances and hearses, or chassis for same, as enumerated in tariff items 410a (iii), 438a and 424, whose total factory output of such vehicles during the year in which importation is sought, exceeds ten thousand units, and if not less than fifty per cent of the factory cost of production of such vehicles, not including duties and taxes, is incurred in the British Commonwealth, the rates of duty under this item shall be...	Free	Free	25 p.c.	Free Free	Free 25 p.c.	25 p.c. 35 p.c.
(6) If the above articles are of a class or kind not made in Canada and are for use in the repair of the goods enumerated in tariff items 410a(iii), 424 and 438a, or are for use in the manufacture of repair parts therefor, the rates of duty under this item shall be...	Free	Free	25 p.c.	Free Free	Free 25 p.c.	25 p.c. 35 p.c.
(7) The Governor in Council may make such regulations, if any, as are deemed necessary for carrying out provisions of this item.						
438d Axles, front and rear; Bell or clutch housings for vehicles having a gross vehicle weight rating of over 19,500 pounds; Brakes; Brake drums; Clutches;						

438d Drive shafts;
contd. Fuel pumps for engines of 260 cubic inches and over in displacement;

Hubs;

Hydraulic or fluid couplings;

Internal combustion engines of 349 cubic inches and over in displacement;

Linkages and controls for use with clutches, transmission assemblies, power dividers or transfer cases, when the main assemblies are of a class or kind not made in Canada;

Magnetos;

Power dividers or transfer cases;

Rims for pneumatic tires;

Spring shrouds, spring seats, and spring anchor plates of metal for vehicles having a gross vehicle weight rating of over 19,500 pounds;

Steel road wheels;

Steering drag-links for vehicles having a gross vehicle weight rating of 20,000 pounds or over;

Steering gears;

Tandem axle suspensions, not to include springs;

Transmission assemblies;

Universal joint;

Parts of the foregoing;

All of the foregoing when of a class or kind not made in Canada, and when imported only for the manufacture of motor trucks, motor buses, electric trackless trolley buses, fire fighting vehicles, ambulances, hearses, and the chassis for same.

Free

17½ p.c.

27½ p.c.

Free

17½ p.c.

27½ p.c.

(1) If the above articles are imported for use as original equipment for motor trucks, motor buses, electric trackless trolley buses, fire fighting vehicles, ambulances, hearses, or for chassis for same, by a manufacturer of the goods enumerated in tariff items 410a(iii), 424 and 438a, and during the year in which importation is sought, not less than forty per cent of the factory cost of production of such vehicles and chassis therefor, not including duties and taxes, is incurred in the British Commonwealth, the rates of duty under this item shall be.

Free

Free

27½ p.c.

Free

7½ p.c.

27½ p.c.

(2) If the above articles are for use in the repair of motor trucks, motor buses, fire fighting vehicles, ambulances, hearses and electric trackless trolley buses, or for chassis for same or for use in the manufacture of repair parts therefor, the rates of duty under this item shall be.

Free

Free

27½ p.c.

Free

7½ p.c.

27½ p.c.

(3) The Governor in Council may make such regulations, if any, as are deemed necessary for carrying out the provisions of this item.

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
438e Internal combustion engines of 348 cubic inches and under in displacement; Parts of the foregoing; All of the foregoing when of a class or kind not made in Canada, and when imported only for the manufacture of motor trucks, motor buses, electric trackless trolley buses, fire fighting vehicles, ambulances, hearses, and the chassis for same.....	Free	17½ p.c.	27½ p.c.	Free	17½ p.c.	27½ p.c.
(1) If the above articles are imported for use as original equipment for motor trucks, motor buses, electric trackless trolley buses, fire fighting vehicles, ambulances, hearses, or for chassis for same, by a manufacturer of the goods enumerated in tariff items 410a(iii), 424 and 438a, and during the year in which importation is sought, not less than forty per cent of the factory cost of production of such vehicles and chassis therefor, not including duties and taxes, is incurred in the British Commonwealth, the rates of duty under this item shall be.....	Free	7½ p.c.	27½ p.c.	Free	7½ p.c.	27½ p.c.
(2) If the above articles are for use in the repair of motor trucks, motor buses, fire fighting vehicles, ambulances, hearses and electric trackless trolley buses, or for chassis for same or for use in the manufacture of repair parts therefor, the rates of duty under this item shall be.....	Free	7½ p.c.	27½ p.c.	Free	7½ p.c.	27½ p.c.
(3) The Governor in Council may make such regulations, if any, as are deemed necessary for carrying out the provisions of this item.						
438f (1) Parts, n.o.p., electro-plated or not, whether finished or not, for automobiles, motor vehicles, electric trackless trolley buses, fire fighting vehicles, ambulances and hearses, or chassis enumerated in tariff items 438a and 424, including engines, but not to include wireless receiving sets, die castings of zinc, electric storage batteries, parts of wood, tires and tubes or parts of which the component material of chief value is rubber.....	Free	25 p.c.	35 p.c.	Free	25 p.c.	35 p.c.
(2) Brake linings and clutch facings whether or not including metallic wires or threads:						

	(a) When made from crude asbestos of British Commonwealth origin.....	Free	25 p.c.	35 p.c.	Free	25 p.c.	35 p.c.
	(b) When made from crude asbestos, n.o.p.....	15 p.c.	25 p.c.	35 p.c.	15 p.c.	25 p.c.	35 p.c.
439b	Cars, trailers including house trailers and mobile homes, n.o.p., wheelbarrows, trucks, road or railway scrapers and hand carts.....	10 p.c.	22½ p.c.	30 p.c.	Free 10 p.c.	10 p.c. 22½ p.c.	15 p.c. 30 p.c.
439c	Buggies, cutters, carriages, animal-drawn pleasure carts and animal-drawn pleasure vehicles, n.o.p.; parts of the foregoing.....	Free	10 p.c.	15 p.c.	Free	10 p.c.	15 p.c.
440m	Aircraft, not including engines, under such regulations as the Minister may prescribe:						
	1. When of types or sizes not made in Canada.....	Free	Free	27½ p.c.	Free	Free	27½ p.c.
	on and after July 1, 1960.....	Free	15 p.c.	27½ p.c.			
	2. When of types and sizes made in Canada.....	Free	15 p.c.	27½ p.c.	Free	15 p.c.	27½ p.c.
440n	Aircraft engines, when imported for use in the equipment of aircraft:						
	1. When of types or sizes not made in Canada.....	Free	Free	27½ p.c.	Free	Free	27½ p.c.
	on and after July 1, 1960.....	Free	15 p.c.	27½ p.c.			
	2. When of types and sizes made in Canada.....	Free	15 p.c.	27½ p.c.	Free	15 p.c.	27½ p.c.
462d	Cinematograph and motion picture cameras for use by professional motion picture producers having studios in Canada equipped for motion picture production; parts of the foregoing.....	Free	Free	15 p.c.	Free	9 p.c.	15 p.c.
	On and after July 1, 1959	Free	9 p.c.	15 p.c.			
462i	Optical sound equipment; Dollies, or other mobile mounting units for motion picture cameras; Booms, without wiring, for use with microphones; Motion picture editing equipment, namely: film editing machines, film splicers, film synchronizers, film viewers, rewinds; Parts of the foregoing; All the foregoing when for use in the production of motion pictures by professional producers having studios in Canada equipped for motion picture production.....	Free	Free	15 p.c.	Various	Various	Various
	(This item expires effective July 1, 1959).						
463b	Still picture projectors combined with sound equipment.....	10 p.c.	15 p.c.	30 p.c.	15 p.c.	20 p.c.	30 p.c.
482	Hearing aids and similar appliances, batteries, battery chargers and battery testers therefor, for use by deaf persons; electronic ear-training apparatus, including microphones, headsets, record-turning devices and tone arms, designed for use by or for the training of the deaf; parts of the foregoing; under such regulations as the Minister may prescribe.....	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
482a Materials for use in the manufacture or repair of hearing aids and parts thereof as specified in tariff item 482.....	Free	Free	Free	Various	Various	Various
504a Ponderosa pine lumber (pinus ponderosa), California sugarpine lumber (pinus Lambertiana) and California redwood lumber (sequoia semper virens), not further manufactured than planed, dressed or jointed.....	Free	Free	Free	Free	Free	Free
505 Planks, boards, deals and other lumber of wood, not further manufactured than the product of a planing machine with various profile attachments, n.o.p.....	10 p.c.	10 p.c.	25 p.c.	10 p.c. 17½ p.c.	10 p.c. 20 p.c.	25 p.c. 25 p.c.
505a Ponderosa pine lumber (pinus ponderosa) and California sugarpine lumber (pinus Lambertiana), not further manufactured than the product of a planing machine with various profile attachments, n.o.p.....	5 p.c.	5 p.c.	25 p.c.	5 p.c.	5 p.c.	25 p.c.
505b Douglas fir lumber (pseudotsuga taxifolia) and white oak lumber (quercus spp.), not further manufactured than the product of a planing machine with various profile attachments, n.o.p.....	7½ p.c.	7½ p.c.	25 p.c.	7½ p.c.	7½ p.c.	25 p.c.
505c Hardwood flooring, tongued and grooved, or jointed, namely: beech, birch, maple and oak.....	17½ p.c.	22½ p.c.	25 p.c.	17½ p.c.	22½ p.c.	25 p.c.
505d Shingles of cedar, creosoted, vulcanized or otherwise processed or treated.....	Free	Free	25 p.c.	Free	Free	25 p.c.
595a Tape, coated, not exceeding three-eighths of an inch in width, for use in the recording and reproduction of sound.....	5 p.c.	10 p.c.	35 p.c.	5 p.c.	10 p.c.	35 p.c.
597d Musical instruments, namely: Autoharps, clavichords, harpsichords, harps; Bass violas, violas, violins, violoncellos; Strings for the foregoing; Recorders, xylophones; Bassoons, clarinets, English horns, flutes, oboes, piccolos, saxophones.....	Free	Free	30 p.c.	Free 15 p.c. Free 10 p.c.	Free 17½ p.c. 15 p.c. 15 p.c.	30 p.c. 30 p.c. 30 p.c. 30 p.c.

691	(1) Communion sets; oil stocks; crosiers; benitiers; sprinklers; incensers; incense boats; baptismal shells or fonts; scapulars; chapelets, rosaries; religious statues, statuettes, medals and crosses; Scroll sets; Chanuka candle sticks; Kiddush sets; Mezuzah boxes; Havdalah sets; <i>Seder plates</i> ; parts of the foregoing.....	Free	Free	Free	Free 20 p.c.	Free 20 p.c.	Free 30 p.c.
695d	Engravings, etchings, <i>lithographs</i> , woodcuts, maps and charts, printed prior to January 1, 1900; <i>original engravings</i> , etchings, <i>lithographs</i> , woodcuts, unbound, printed by hand from plates or block <i>wholly executed by hand</i> , and signed by the artist.....	Free	Free	Free	Free 12½ p.c.	Free 20 p.c.	Free 22½ p.c.
696a	Moving picture films, sound or silent, separate sound film track, slides and slide films, positive or negative; <i>sound recordings</i> , other than for sale or rental; models, static and moving; wall charts, maps and posters; when certified by the Government or by a recognized representative authority of the Government of the country of production or by an appropriate representative of the United Nations Educational, Scientific and Cultural Organization as being of an international educational, scientific or cultural character; under such regulations as the Minister may prescribe.....	Free	Free	Free	Free	Free	Free
696c	<i>Sound recordings</i> specially made for use in the study of languages; <i>Sound recordings</i> for bona fide libraries, and being the property of the organized authorities of such libraries and not the property of individuals or business concerns; Sound recordings for the use and by order of any society or institution incorporated or established solely for religious purposes, and not for sale or rental; Under such regulations as the Minister may prescribe..	Free	Free	Free	Free Various	Free Various	Free Various
703a	Travellers' baggage, under such regulations as the Minister may prescribe..... Goods entitled to entry under this tariff item shall be exempt from all imposts, notwithstanding the provisions of this Act or any other Act.	Free	Free	Free	Free	Free	Free
703b	(1) Goods valued at not more than one hundred dollars included in the baggage accompanying residents of Canada returning from abroad after an absence from Canada of not less than forty-eight hours and acquired by them for personal or household use or as souvenirs or gifts, but not bought on commission or as an accommodation for other persons or for sale, under such regulations as the Minister may prescribe.....	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
703b contd.	A resident of Canada shall not be entitled to the exemption herein granted within a period of four months from the date of the last exemption allowed, nor shall the exemption be allowed on alcoholic beverages in excess of one quart, or on tobacco in excess of fifty cigars, two hundred cigarettes and two pounds of manufactured tobacco.					
	(2) <i>Effective on and after July 1, 1958, in addition to the exemption provided for in part (1) of this item, a resident of Canada returning from a point beyond the continental limits of North America after an absence from Canada of not less than fourteen days may elect to avail himself of the following special exemption:</i>					
	<i>Goods valued at not more than two hundred dollars (not including alcoholic beverages, cigars, cigarettes or manufactured tobacco), acquired in overseas countries by residents of Canada during an absence from Canada of not less than fourteen days and acquired by them for personal or household use or as souvenirs or gifts, but not bought on commission or as an accommodation for other persons or for sale, under such regulations as the Minister may prescribe.</i>					
	Free	Free	Free	Free	Free	Free
	<i>All goods admitted under the foregoing special exemption shall be declared by the resident at the time of his return to Canada, and any person who has availed himself of the special exemption is not entitled to any further exemption under item 703b within a period of twelve months from the date the last special exemption was allowed.</i>					
	<i>Goods entitled to entry under this tariff item shall be exempt from all imposts, notwithstanding the provisions of this Act or any other Act.</i>					
703c	Goods (not including alcoholic beverages, cigars, cigarettes or manufactured tobacco) imported					
	(1) by members of the Canadian Forces or by employees of the Canadian Government after an absence from Canada of not less than one year,					
	or					

(2) by former residents of Canada returning to Canada to resume residence therein after having been residents of another country for a period of not less than one year,

and acquired by them for personal or household use and actually owned abroad by them for at least six months before their return to Canada, under such regulations as the Minister may prescribe.....

Free

Free

Free

Free

Free

Free

Goods entitled to entry under this tariff item shall be exempt from all imposts, notwithstanding the provisions of this Act or any other Act.

Any goods imported under this tariff item which are sold or otherwise disposed of within twelve months after importation are subject to the duties and taxes otherwise prescribed.

791 Materials of all kinds for use in producing or manufacturing preparations provided for in tariff items 209b and 219a under such regulations as the Minister may prescribe.....

Free

Free

Free

Free

Free

Free

901 (a) Synthetic resins without admixture, including scrap or waste:

1. Phenol-aldehyde type.....

7½ p.c.

7½ p.c.

17½ p.c.

7½ p.c.

7½ p.c.

17½ p.c.

2. Amino-aldehyde type.....

Free

Free

10 p.c.

Free

Free

10 p.c.

3. Polyester type.....

5 p.c.

5 p.c.

15 p.c.

5 p.c.

5 p.c.

15 p.c.

4. Polyamide type.....

Free

Free

10 p.c.

Free

Free

10 p.c.

5. Polystyrene type.....

7½ p.c.

7½ p.c.

17½ p.c.

7½ p.c.

7½ p.c.

17½ p.c.

6. Vinyl type, except vinylidene.....

5 p.c.

5 p.c.

15 p.c.

5 p.c.

5 p.c.

15 p.c.

7. Resins derived from natural resin or tall oil, n.o.p.....

Free

Free

10 p.c.

Free

Free

10 p.c.

8. Polyethylene type.....

7½ p.c.

7½ p.c.

17½ p.c.

7½ p.c.

7½ p.c.

17½ p.c.

9. Other type.....

Free

Free

10 p.c.

Free

Free

10 p.c.

(b) Synthetic resins in the form of aqueous emulsions, aqueous dispersions or aqueous solutions, without admixture:

1. Phenol-aldehyde type.....

7½ p.c.

7½ p.c.

17½ p.c.

7½ p.c.

7½ p.c.

17½ p.c.

2. Amino-aldehyde type.....

Free

Free

10 p.c.

Free

Free

10 p.c.

3. Polyester type.....

5 p.c.

5 p.c.

15 p.c.

5 p.c.

5 p.c.

15 p.c.

4. Polyamide type.....

Free

Free

10 p.c.

Free

Free

10 p.c.

5. Polystyrene type.....

7½ p.c.

7½ p.c.

17½ p.c.

7½ p.c.

7½ p.c.

17½ p.c.

6. Vinyl type, except vinylidene.....

5 p.c.

5 p.c.

15 p.c.

5 p.c.

5 p.c.

15 p.c.

7. Resins derived from natural resin or tall oil, n.o.p.....

Free

Free

10 p.c.

Free

Free

10 p.c.

8. Other type.....

Free

Free

10 p.c.

Free

Free

10 p.c.

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
901 (c) Synthetic resins in organic solvents where the solvent is not more than 60 per cent by weight, without other admixture:						
1. Phenol-aldehyde type.....	12½ p.c.	12½ p.c.	22½ p.c.	12½ p.c.	12½ p.c.	22½ p.c.
2. Amino-aldehyde type.....	12½ p.c.	12½ p.c.	22½ p.c.	12½ p.c.	12½ p.c.	22½ p.c.
3. Polyester type.....	12½ p.c.	12½ p.c.	22½ p.c.	12½ p.c.	12½ p.c.	22½ p.c.
4. Resins derived from natural resin or tall oil, n.o.p....	12½ p.c.	12½ p.c.	22½ p.c.	12½ p.c.	12½ p.c.	22½ p.c.
5. Other type.....	10 p.c.	10 p.c.	20 p.c.	10 p.c.	10 p.c.	20 p.c.
(d) Synthetic resins, in powder or granular form, containing an ingredient to prevent caking in shipment, not in excess of 3 per cent by weight, but without further admixture:						
1. Amino-aldehyde type.....	Free	Free	10 p.c.	Free	Free	10 p.c.
2. Other type.....	10 p.c.	10 p.c.	20 p.c.	10 p.c.	10 p.c.	20 p
902 Synthetic resins, compounded with other materials, in any form, including scrap or waste, for moulding, casting, extruding, calendering, pressing, (moulding compositions or materials for processing into moulding compositions); synthetic resins compounded with other materials in the form of not fully cured preforms or not fully cured blanks for compression mouldings:						
(a) Phenol-aldehyde type.....	10 p.c.	15 p.c.	25 p.c.	10 p.c.	15 p.c.	25 p.c.
(b) Polyester type.....	5 p.c.	5 p.c.	15 p.c.	5 p.c.	5 p.c.	15 p.c.
(c) Polystyrene type.....	10 p.c.	10 p.c.	20 p.c.	10 p.c.	10 p.c.	20 p.c.
(d) Vinyl type, except vinylidene.....	10 p.c.	10 p.c.	20 p.c.	10 p.c.	10 p.c.	20 p.c.
(e) Polyethylene type.....	10 p.c.	10 p.c.	20 p.c.	10 p.c.	10 p.c.	20 p.c.
(f) Other type.....	Free	Free	10 p.c.	Free	Free	10 p.c.
907 Foamed and expanded synthetic resins, in logs, blocks or boards, or in flakes, granules or powder.....	15 p.c.	20 p.c.	25 p.c.	Free	Free	10 p.c.
914 Foamed and expanded cellulose plastics in blocks or boards, granules or powder.....	15 p.c.	20 p.c.	25 p.c.	Free	Free	10 p.c.

9. Resolved, that Schedule B to the *Customs Tariff* be amended by striking out item 1044, and the enumeration of goods and the rate of drawback of duty set opposite that item, and by inserting therein the following item, enumeration of goods and rate of drawback of duty:

Item No.	Goods	When Subject to Drawback	Portion of Duty (not including Special Duty or Dumping Duty) Payable as Drawback
1044	Fire brick.....	When used by producers of ingots, blooms, slabs and billets of iron or steel, in the construction or repair of blast furnaces, <i>oxygen furnaces</i> , blast furnace stoves, open hearth furnaces (including checker chambers) and soaking pit furnaces.....	99 p.c.

10. Resolved, that any enactment founded upon the foregoing resolutions shall be deemed to have come into force on the 18th day of June, 1958, 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.

(See also Budget Papers, pages 1 to 95)

BUDGET PAPERS

presented by

the Honourable Donald M. Fleming, M.P.,

for the information of Parliament

in connection with the Budget of 1958-59

FOREWORD

The purpose of these Papers is twofold:

1. to present a general economic review of 1957, 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, 1958.

PART I

ECONOMIC REVIEW OF 1957

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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 1957 estimates are preliminary and subject to revision.

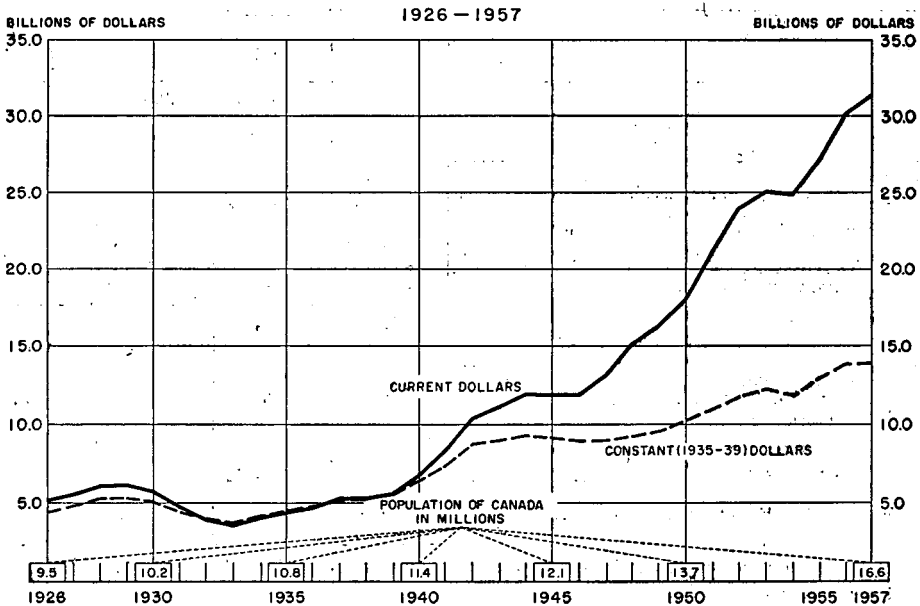
THE NATIONAL ACCOUNTS

NATIONAL INCOME AND PRODUCT

In 1957 aggregate physical production in Canada remained substantially unchanged from the record-breaking year of 1956. In value terms, national production increased by 4 per cent to a peak level of \$31.4 billion but the increase was a reflection of higher prices. In both 1955 and 1956 the economy had expanded at a quite extraordinary rate. In 1957 the momentum of the economy slackened, and this loss of momentum was evident in the fields of income, production and use of resources.

Agricultural production declined in 1957 mainly as a result of the much lower yield for the western grain crop. On the other hand, the volume of non-agricultural output rose by about one per cent in 1957. This gain, while indicating a continued high level of overall demand, marks a pronounced change from the situation in 1956 when for the second year in succession strong expansionary forces dominated the economy. During that two-year period, non-agricultural production in real terms increased by 16 per cent and in the later stages of the economic upsurge the demand for additional goods and services began to press against the limits of productive capacity. In 1957, non-agricultural output, apart from seasonal factors, reached a peak in the first quarter of the year. Under the influence of less buoyant economic conditions both at home and abroad, production remained relatively stable for the next six months and declined by about 2 per cent in the fourth quarter of 1957. During the course of the year, the pressure on supply progressively eased and in some sectors, particularly the resource-based export industries, the continued growth in output capacity was somewhat more than adequate in relation to existing levels of demand.

GROSS NATIONAL EXPENDITURE
IN CURRENT AND CONSTANT 1935-39 DOLLARS



Employment in 1957 was, on the average, 2.4 per cent higher than in 1956 and this, in relation to the level trend in output, indicates that there was some decline in productivity. The labour force expanded at about double the average annual rate in the preceding five years and the gains in employment were not sufficient to absorb this extraordinarily large increase. Unemployment rose considerably and in early 1958 reached a higher level than in any other post-war year.

Both the commodity-producing industries and the service sector contributed to the modest rise in non-agricultural output for 1957 as a whole. Except for transportation, all the major service industries showed further increases in 1957, ranging from a small advance in retail and wholesale trade to a rise of 5 per cent for finance, insurance and real estate. The overall expansion in the volume of services amounted to about 1½ per cent. This indicates that there was some shift in the pattern of production since, in contrast to 1956, the growth in the goods-producing industry was less pronounced than in the service sector and accounted for a smaller share of the rise in total non-agricultural output. As in the previous year, the largest increase occurred in construction; the greater part of the growth of 8 per cent took place before the middle of 1957 when the high rate of activity in non-residential building began to taper off. There were substantial advances in mining and public utilities reflecting the continued stimulus from capital investment in the primary goods sector. Forestry was a notable exception and the sharp decline in activity in this industry was related to reduced sales of lumber in particular as well as higher inventories for other wood products. Non-durable goods manufacturing continued to rise slightly. Durable goods manufacturing, however, declined by almost 5 per cent with decreases concentrated in wood products, electrical apparatus, non-ferrous metal and iron and steel products. As a result manufacturing as a whole was off by about 2 per cent.

The sharp upward movement of production in 1956 was associated with a rapid rise in earned incomes. There was a further advance in national income during 1957 but the expansion reflected the changing tempo and pattern of economic activity and was more moderate, amounting to 3 per cent in contrast

TABLE 1
NATIONAL INCOME AND GROSS NATIONAL PRODUCT

	1954	1955	1956	Prelim. 1957
	(Millions of dollars)			
1. Wages, salaries, and supplementary labour income.	12,432	13,215	14,719	15,825
2. Military pay and allowances.	367	394	424	476
3. Corporation profits before taxes.	1,963	2,489	2,802	2,505
4. Rent, interest, and miscellaneous investment income.	1,511	1,748	1,964	2,179
5. Accrued net income of farm operators from farm production ¹ .	1,017	1,261	1,468	968
6. Net income of non-farm unincorporated business.	1,656	1,793	1,937	1,941
7. Inventory valuation adjustment ² .	86	-217	-260	-60
8. National Income (1+2+3+4+5+6+7)	19,032	20,683	23,054	23,834
9. Indirect taxes less subsidies.	2,947	3,238	3,601	3,802
10. Capital consumption allowances and miscellaneous valuation adjustments.	2,905	3,163	3,515	3,722
11. Residual error of estimate.	-13	-14	12	85
12. Gross National Product at Market Prices (8+9+10+11)	24,871	27,070	30,182	31,443
13. Index of G.N.P. in Constant Dollars.	100.0	108.8	116.9	116.7

¹ Includes accrued earnings arising out of the operations of the Canadian Wheat Board.

² See footnote 2, Table 2.

to the rise of $11\frac{1}{2}$ per cent in the preceding year. In 1956 all major income groups kept pace with the rise in national income whereas in 1957 different trends prevailed among the individual components. Wage and salary payments rose faster than total income in 1957 and reached a level of \$15.8 billion or \$1,106 million above 1956. The gain in labour income of $7\frac{1}{2}$ per cent was sufficiently large to bring about a further improvement in real purchasing power. Labour income after reaching a peak in August, 1957, began to ease off but the level of wage and salary payments in the fourth quarter remained about 4 per cent higher than in the same period twelve months earlier. A substantial part of the gain in labour income for the year 1957 was due to the rise of 3 per cent in the number of paid workers. Since it is estimated that there was some reduction in working hours, more than half of the increase in total wage and salary payments was accounted for by the continued upward movement in rates of pay.

Changes in business conditions are quickly reflected in the trend of corporate earnings. In 1955 and 1956 corporate profits rose to peak levels as greatly expanded productive facilities operated close to capacity levels. In 1957 lower prices for some of Canada's major export products and reduced output levels in a number of industries were some of the factors reflecting weaker market conditions. At the same time, costs of production continued to rise notwithstanding some easing in raw material prices. These trends on both the demand and the supply side were largely responsible for the decline of \$297 million or 11 per cent in corporate profits during 1957.

Income from rentals and interest payments increased by 11 per cent in 1957 and reached a level of \$2,179 million. The gain of \$215 million was about the same as in the previous year and this tends to emphasize the steady growth in this component of investment income during recent years in contrast to the greater variation in corporate earnings.

Farm cash income declined by \$75 million or 3 per cent in 1957. Lower returns from grains more than offset increased receipts from livestock and dairy products. Farm cash income takes into account only final sales whereas accrued farm income is based on the value of annual production. Thus, accrued net farm income fell by \$500 million or 34 per cent in 1957, largely as a result of the decline of about 400 million bushels or 27 per cent in the western grain crop while farm cash income was maintained to a considerable extent from sales out of inventories. On a per capita basis the reduction in farm income for 1957 was somewhat less because of the further decline in the agricultural labour force.

Net income of non-farm unincorporated business remained largely stable in 1957. There was a modest gain in the service and trade sector. However, income from construction declined for 1957 as a whole notwithstanding a marked improvement in the latter part of the year when housing starts began to rise rapidly.

NATIONAL EXPENDITURE

In 1957 the capital investment programme and the world demand for Canadian exports tended to exert a lesser stimulus on economic development than in 1956. The change in the economic climate was reflected in more selective increases in demand over a wide range of consumer goods as well as a progressive slackening in the rate of inventory accumulation. The rise in government expenditures, particularly the pronounced growth in transfer payments, was an important factor in maintaining disposable personal income and a high level of overall spending. However, the transition during 1957 from a very rapid

rate of growth in all sectors of the economy to a more diverse pattern of development had a pronounced effect in a number of directions. There was a reduction in merchandise imports as the pressure on domestic sources of supply diminished. The upward trend in prices for final goods and services continued but a greater degree of flexibility became apparent in wholesale prices the general index of which levelled off. Easier conditions in the credit field during the latter part of the year brought about a sharp reversal in the trend of interest rates. In contrast to 1956 when there were labour shortages, new job opportunities in 1957 failed to keep pace with the growth in the labour force.

In 1957 aggregate demand exclusive of inventory changes rose by \$2.1 billion compared with an increase of \$3.9 billion in the previous year. Although consumer outlays reflected the more stable trend of economic activity during 1957, the demand from this source became relatively more important as a stimulus to production. The expansion in consumer outlays in 1957 absorbed roughly one-half of the increase in overall demand exclusive of inventory changes and this was a higher proportion than in 1956 when about one-third of the expansion in total final purchases were made by consumers.

In 1957 personal expenditures on consumer goods and services rose by \$1,071 million or about 6 per cent and reached a level of \$19.8 billion. The growth in consumer demand was fairly steady in 1957 but the rate of advance was quite moderate compared to the sharply rising trend throughout the previous year. At the end of 1957, consumer expenditures were about 4 per cent above the level twelve months earlier compared to a gain of 9 per cent at the end of 1956. Whereas in 1957 consumer expenditures on services rose more than in 1956, the increase in outlays on non-durable goods was less marked than in the previous

TABLE 2
GROSS NATIONAL EXPENDITURE

	1954	1955	1956	Prelim. 1957
	(Millions of dollars)			
1. Personal expenditure on consumer goods and services.....	16,175	17,464	18,697	19,768
2. Government expenditure on goods and services....	4,461	4,780	5,266	5,612
current expenditure.....	3,519	3,746	4,006	4,207
gross fixed capital formation.....	942	1,034	1,260	1,405
3. Business gross fixed capital formation ¹	4,779	5,210	6,774	7,389
new residential construction.....	1,227	1,378	1,526	1,424
new non-residential construction.....	1,671	1,848	2,589	3,233
new machinery and equipment.....	1,881	1,984	2,659	2,732
4. Value of physical change in inventories—total ²	-130	281	815	142
non-farm business inventories.....	-40	102	545	243
farm inventories.....	-75	199	242	-152
grain in commercial channels.....	-15	-20	28	51
5. Exports of goods and services ³	5,147	5,764	6,339	6,375
6. Imports of goods and services ³	-5,574	-6,443	-7,697	-7,758
7. Residual error of estimate.....	13	14	-12	-85
8. Gross National Expenditure at Market Prices (1+2+3+4+5+6+7).....	24,871	27,070	30,182	31,443
9. Index of G.N.E. in Constant Dollars.....	100.0	108.8	116.9	116.7

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

² The book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of physical change. The difference between this value of physical change and the change in book value is called the inventory valuation adjustment (see line 7, Table 1).

³ 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, 1954 to 1957", Dominion Bureau of Statistics, to achieve consistency with the other component series.

year and purchases of durable goods remained substantially unchanged compared with the expansion of 5 per cent in 1956. Higher prices in 1956 accounted for only a small part of the 7 per cent expansion in consumer outlays. In 1957 prices for consumer goods and services advanced by almost 4 per cent or about twice as fast as in the preceding year and accounted for about two-thirds of the growth in consumer expenditures. The increase of about 2 per cent in real consumption did not keep pace with rising population and per capita real consumption declined slightly in contrast to per capita gains of 3 per cent in 1956 and 5 per cent in 1955.

Government expenditures on goods and services rose in the calendar year 1957 by \$346 million or 7 per cent and reached a level of \$5,612 million. Since there was a decline in defence expenditures of about 2 per cent the growth in outlays on goods and services for civilian purposes at all three levels of government was larger than the expansion in total expenditures and amounted to \$378 million or 11 per cent. Capital expenditures at all three levels of government rose by 11 per cent in 1957 or faster than investment outlays in the private sector. The share of investment outlays in total government expenditures on goods and services has steadily increased in recent years and rose from about one-fifth in 1954 to about one-quarter in 1957.

In 1956 business capital investment and housing expenditures combined rose by 30 per cent and this extraordinary expansion exerted a dynamic influence on economic development. The momentum carried over into 1957 and capital expenditures reached a level of \$7,389 million about 9 per cent above 1956. This gain of \$615 million was substantial and accounted for about 30 per cent of the rise in total final demand. It is noteworthy, however, that investment outlays as a whole, after reaching a peak in early 1957, remained stable in the second and third quarter and became a sustaining force rather than a stimulus to further expansion. In the fourth quarter there was a decline of almost 2 per cent but capital expenditures did not fall below the level twelve months earlier. Within this total the major components showed differing trends. In the first half of 1957 business capital investment rose more than enough to offset declines in residential construction. In the second half of the year combined business expenditures for plant and equipment eased somewhat whereas outlays on housing made a strong recovery.

Expenditures on residential construction rose by about two-thirds in the four years since 1952 due to continuing high demand, increased capacity on the part of the building industry and special financial arrangements under the National Housing Act. The upward movement came to a halt in the middle of 1956. In the course of the next four quarters housing outlays declined steadily and this was mainly associated with a shortage of mortgage money. During 1957, the competition for loan funds from other investment outlets lessened and, more important, government funds were made available in the second half of the year on a large scale to augment loan funds supplied by private lending institutions. There were also legislative changes in late 1957 which had the effect of reducing down payments on houses financed under the NHA. These factors contributed to a substantial recovery in home-building and expenditures at the end of 1957 were slightly above the level a year earlier. This trend was reflected in the number of housing starts which on a seasonally adjusted basis rose from a rate of 86,000 at the beginning of 1957 to a record rate of 150,000 by the end of the year. Housing completions remained fairly constant during 1957 and the number of completed dwelling units amounted to 117,000 or 18,000 units less than in 1956. The rate of completions in 1957 remained in excess of net family formation. Despite the renewed strength in the latter part of the year, expenditures on new residential construction for 1957 as a whole were 7 per cent below the level in the preceding year.

Non-residential construction rose sharply during the first half of 1957 and continued to expand for the rest of the year but at a slower pace. For 1957 as a whole the increase amounted to \$644 million or 25 per cent and this was the largest expansion in absolute terms of any post-war year except 1956 when outlays rose by \$741 million or 40 per cent. In 1956 the pressure on supplies and manpower was most acute in industrial and commercial construction and prices in this sector rose by about 6 per cent. In 1957 the increase in prices was more moderate and amounted to about 3 per cent. Taking account of the price factor, the average annual rate of increase in the volume of non-residential construction amounted to 30 per cent for the years 1956 and 1957. This compares with an average annual rate of physical growth of 9 per cent for the period 1948 to 1955.

In 1956 expenditures on new machinery and equipment were 34 per cent higher than in 1955. Outlays reached a peak in the first quarter of 1957 and then began to decline. A substantial part of the decline in expenditures on machinery and equipment during the latter part of 1957 was reflected in a reduction of purchases from abroad and to this extent did not affect domestic production and employment. For the year as a whole outlays on machinery and equipment remained 3 per cent above the level in 1956. However, prices rose proportionately faster and the volume of investment fell by about 2 per cent.

In 1957 inventories continued to expand but the additional investment amounted to only \$142 million compared with \$815 million in 1956. The smaller growth in overall inventories in 1957 was partly due to an outright reduction in farm inventories and partly a result of the slower accumulation in stocks held by business. The net decline in farm inventories between 1956 and 1957 amounted to \$371 million, mainly the result of the much lower grain crop in 1957. Business inventories increased at a progressively slower rate during 1957 and in the fourth quarter showed a moderate decline. During the twelve-month period beginning in the fourth quarter of 1956, the swing in business inventories from heavy accumulation to slight liquidation amounted to over \$600 million. This decline represented an offset to demand equal to about 2 per cent of gross national expenditure. For 1957 as a whole, business inventory accumulation continued although the addition to demand was \$302 million less than in 1956. The effect of the upward movement of prices on inventories was less pronounced in 1957 than in 1956. In volume terms business inventories expanded by about 3 per cent in 1957 compared with 7 per cent in 1956.

In 1956 the extremely rapid rise in imports together with the lesser but very substantial increase in exports resulted in a current account deficit of \$1,358 million, about twice the level in the preceding year. In contrast both exports and imports of goods and services increased by less than one per cent in 1957 and there was little change in Canada's current account deficit on a year-over-year comparison.

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.

In 1957 personal income increased by somewhat more than 5 per cent over 1956 and reached a record level of \$23.1 billion. Although the gain of \$1,184 million was smaller by about one-half than the increase of the previous year, personal income remained more buoyant than national income which rose by \$780 million compared to the expansion of \$2,371 million for the year 1956. Two factors in particular account for this difference. National income was affected by the decline in corporation profits in 1957 whereas personal income excludes this item but includes dividends paid to Canadian residents which rose by \$22 million. Similarly, government transfer payments are only reflected in personal income and this item increased sharply in 1957. Government transfer payments which had risen only slightly in 1956 expanded by \$318 million or 18 per cent in 1957. The growth in outlays was particularly pronounced in the second half of 1957 and in the fourth quarter transfer payments were about one-third higher than a year earlier. This sharply rising trend was instrumental in maintaining the level of personal income despite the decline in wage and salary payments in the latter part of 1957. Most of the increase in transfer payments took place at the federal level. To a substantial extent this was a reflection of the growth in unemployment insurance payments. Higher welfare payments brought about by legislative changes in the autumn of 1957 also had the effect of increasing disbursements.

TABLE 3
SOURCES OF PERSONAL INCOME

	1954	1955	1956	Prelim. 1957
	(Millions of Dollars)			
1. Wages, salaries and supplementary labour income..	12,432	13,215	14,719	15,825
Deduct: Employer and employee contributions to social insurance and government pension funds.....	-422	-449	-490	-547
2. Military pay and allowances.....	367	394	424	476
3. Net income received by farm operators from farm production ¹	1,009	1,197	1,448	974
4. Net income of non-farm unincorporated business...	1,656	1,793	1,937	1,941
5. Interest, dividends and net rental income of persons ²	1,719	1,911	2,125	2,358
6. Transfer payments to persons (excluding interest)				
(a) from government.....	1,634	1,731	1,765	2,083
(b) charitable contributions made by corpora- tions.....	26	28	30	32
7. Personal Income (1+2+3+4+5+6).....	18,421	19,820	21,958	23,142

¹ Excludes accrued earnings arising out of the operations of the Canadian Wheat Board.

² Includes all government debt interest paid to persons.

In 1957 Canadians spent about 85 cents of each dollar of income on consumer goods and services, somewhat more than 6 cents took the form of personal saving and slightly over 8 cents was paid out in direct taxes. Although reductions affecting the federal income tax were introduced in 1957, the changes which became effective during the calendar year had only a minor impact on tax receipts and the rise of \$195 million or 13 per cent in collections from the personal income tax was directly related to the expansion of personal income. The growth in total personal direct tax revenue was slightly less, amounting to \$187 million or 11 per cent, because the decline in yield from succession duties more than offset the increase from miscellaneous taxes.

After payment of direct taxes Canadians had \$21.2 billion at their disposal for spending or saving during 1957. The gain in disposable income amounted to \$997 million or 5 per cent. There was some change in the pattern of disposition of personal income for 1957. The growth in consumer expenditures was somewhat larger than the expansion in disposable personal income and as a

DISPOSITION OF PERSONAL INCOME

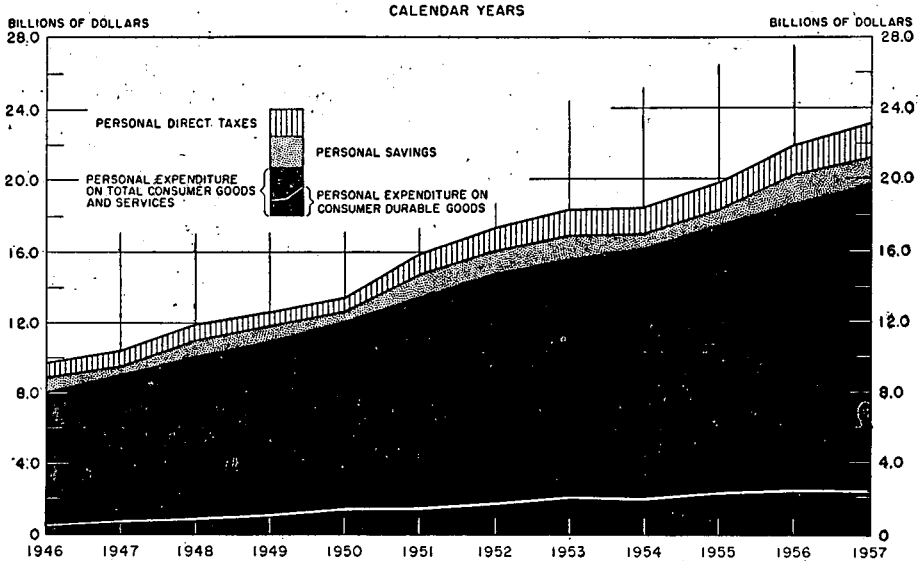


TABLE 4
DISPOSITION OF PERSONAL INCOME

	1954	1955	1956	Prelim. 1957
(Millions of Dollars)				
1. Personal direct taxes—				
(a) income taxes.....	1,296	1,297	1,495	1,690
(b) succession duties.....	78	127	146	127
(c) miscellaneous taxes.....	63	67	79	90
Total direct taxes.....	1,437	1,491	1,720	1,907
2. Personal expenditure on consumer goods and services—				
Goods—				
(a) non-durable.....	8,373	8,879	9,552	10,021
(b) durable.....	1,970	2,284	2,408	2,414
Services.....	5,832	6,301	6,739	7,333
Total consumer expenditure.....	16,175	17,464	18,697	19,768
3. Personal saving—				
(a) personal saving excluding farm inventories.....	884	666	1,299	1,619
(b) change in farm inventories.....	-75	199	242	-152
Total personal saving.....	809	865	1,541	1,467
4. Personal Income (1+2+3).....	18,421	19,829	21,953	23,142

result personal saving declined. This decline in saving arose mainly because of the poor grain crop which affected both income in the form of lower earnings and saving in the form of sharply reduced farm inventories. Exclusive of farm inventories (increases in which are to a large extent involuntary saving), personal saving actually rose by \$320 million or 25 per cent in 1957. Personal saving exclusive of farm inventories constituted 7.6 per cent of disposable income in 1957 compared with 6.4 per cent in 1956.

The increase in consumer expenditures for 1957 was almost entirely confined to non-durable goods and services. Purchases of non-durable goods rose by \$469 million or 5 per cent and reached a level of \$10.0 billion. As in the previous year there was a rise in outlays on food, tobacco, gasoline and clothing and these products absorbed the greater part of the expansion in expenditures. The steady upward trend in outlays on services continued in 1957 and the increase of 9 per cent was somewhat larger than in each of the two preceding years. Expenditures on durable goods in 1957 remained just about stable. In contrast to 1956 when sales of motor cars were at record levels, there was a notable decline in demand for cars during 1957 and this tended to offset relatively modest increases elsewhere.

SOURCE AND DISPOSITION OF SAVING

Saving may be divided into three parts. In addition to personal saving, which is discussed in the preceding section, there are business saving and government saving.

The nation's total saving rose by 14 per cent in 1955 and 29 per cent in 1956. In 1957 decreases in farm inventories, in undistributed corporation profits, and in the government surplus, more than offset higher saving arising in the other major categories so that the total fell by \$156 million or $2\frac{1}{2}$ per cent.

Government saving consists of the excess of revenues over expenditures for all three levels of government combined. In the calendar year 1957 the revenues of all governments exceeded expenditures by \$52 million compared with a surplus of \$379 million in 1956. These figures are calculated in accordance with National Accounts practice and the decrease in government saving between 1956 and 1957 reflects for the largest part the adjustment of federal receipts 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 \$292 million in 1957 compared with \$321 million in 1956. As in the previous year, the surplus arose in the federal accounts and this was offset in part by the excess of expenditures over revenues for all provincial and municipal governments combined.

The largest part of national saving arises in the form of funds set aside by business enterprises for internal uses. In 1957, the two principal items, depreciation allowances and undistributed profits, moved in opposite directions and business saving as a whole remained largely stable. Undistributed corporation profits declined by \$209 million in 1957. The reduction of one-fifth in retained earnings reflected lower total profits after taxes and an increase in the amount paid out in dividends. As in all the previous post-war years, depreciation

TABLE 5
SOURCES OF SAVING

	1954	1955	1956	Prelim. 1957
	(Millions of dollars)			
Personal saving.....	809	865	1,541	1,467
Business gross saving—total.....	3,484	4,106	4,547	4,519
(a) Undistributed corporation profits.....	571	879	1,012	803
(b) Depreciation allowances.....	2,905	3,163	3,515	3,722
(c) Adjustment on grain transactions ¹	8	64	20	-6
Inventory valuation adjustment.....	86	-217	-260	-60
Adjusted government surplus (+) or deficit (-) ²	-131	86	379	52
Residual error of estimate ³	-13	-14	12	85
Total.....	4,235	4,826	6,219	6,063

¹ Accrued earnings arising out of operations of the Canadian Wheat Board.

² See Table 9.

³ See Tables 1 and 2.

allowances, the other major component of business saving, showed the effect of rising investment in capital facilities and increased in 1957 by \$207 million or 6 per cent to a total of \$3,722 million. This component constituted 61 per cent of total national saving compared with 57 per cent in 1956.

The deficit on our international current account amounted to \$1,383 million in 1957 or only slightly more than in 1956, and the share of foreign funds in the financing of domestic investment remained substantially unchanged. The excess of Canada's current payments over receipts was balanced by the inflow of capital and a slight reduction in Canada's reserves of foreign exchange. The value of direct investment remained at a high level, but capital inflows from security transactions were, as in the previous year, the most important source of external capital. These transactions are treated more fully in the section on the International Balance of Payments.

TABLE 6
DISPOSITION OF SAVING

	1954	1955	1956	Prelim. 1957
	(Millions of dollars)			
Business gross fixed capital formation.....	4,779	5,210	6,774	7,389
Value of physical change in inventories.....	-130	281	815	142
Surplus (+) or deficit (-) on current account with non-residents ¹	-427	-679	-1,358	-1,383
Residual error ²	13	14	-12	-85
Total.....	4,235	4,826	6,219	6,063

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

² See Tables 1 and 2.

TABLE 7.
CORPORATION PROFITS, TAXES AND DIVIDENDS

	1954	1955	1956	Prelim. 1957
(Millions of Dollars)				
Corporation profits before taxes including dividends paid to non-residents ¹	2,290	2,884	3,246	3,009
Deduct: corporation income tax liabilities.....	-1,082	-1,280	-1,430	-1,320
Excess of tax liabilities over collections.....	-94	170	58	-240
Tax collections.....	1,176	1,110	1,372	1,560
Corporation profits after taxes.....	1,208	1,604	1,816	1,689
Deduct dividends paid out ²	-637	-725	-804	-886
Undistributed corporation profits ³	571	879	1,012	803

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

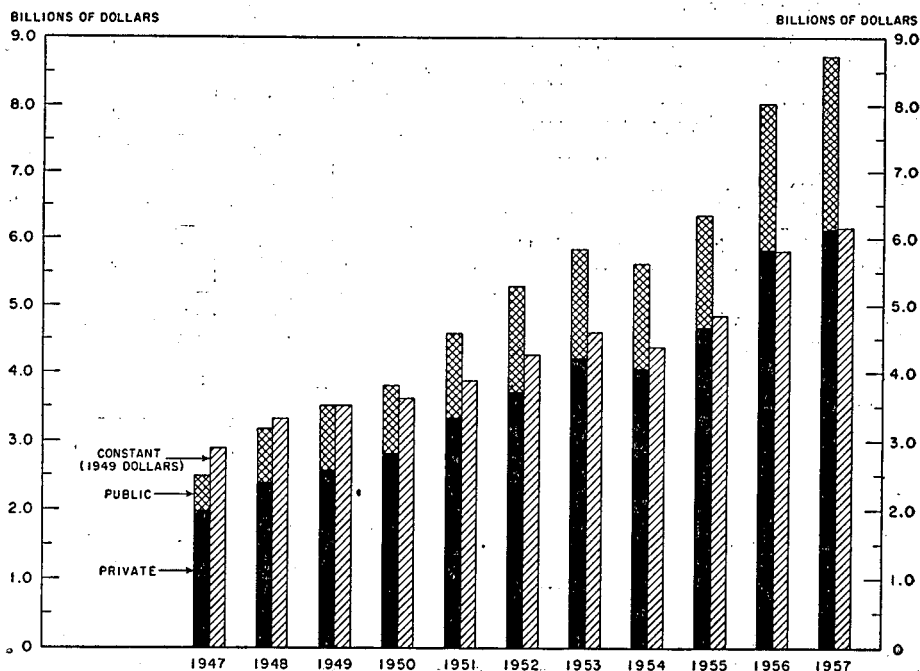
² Includes charitable contributions made by corporations (See Table 3).

³ See Table 5.

INVESTMENT AND CAPITAL EXPENDITURE

Investment expenditures in the public and private sectors combined reached a record level in 1957 and amounted to \$8,794 million, an increase of \$760 million over 1956. About nine-tenths of this expansion came about as a result of the rise in expenditures for construction. Capital outlays accounted for a greater proportion of gross national expenditure than in any other post-war year and constituted 28 per cent of the total, compared with 26.6 per cent in 1956 and about 23 per cent in each of the years 1955 and 1954. The value of capital investment put in place during 1957 actually exceeded the level of expenditures planned at the beginning of the year.

PUBLIC AND PRIVATE CAPITAL EXPENDITURE



Notwithstanding the unprecedented level of capital spending, there was a significant change in the underlying factors determining the rate of capital development. Over a wide range of industries the very rapid expansion and modernization of facilities during recent years had been effective in raising productive capacity to a level more or less in line with existing or prospective demand. On the other hand, housing and social capital expenditures which in part had been held back due to shortages responded only gradually to the effect of easier conditions in the market for labour, materials and funds and the total for the year as a whole remained substantially unchanged from 1956. As a result capital expenditures in 1957 rose less rapidly than in 1956 and increased by 10 per cent compared with 29 per cent in the preceding year. In volume terms, capital investment expanded by 5 per cent, compared with 22 per cent in 1956.

In 1956 there were substantial increases in capital outlays in all major groups except for institutions. Development in 1957 showed a more diverse pattern and investment declined in agriculture, forestry, the construction industry and in housing.

TABLE 8
PRIVATE AND PUBLIC CAPITAL EXPENDITURE

	1954	1955	1956	Prelim. 1957
	(Millions of dollars)			
Agriculture and fishing.....	400	426	488	481
Forestry.....	46	63	76	43
Mining, quarrying and oil wells.....	278	336	542	585
Manufacturing.....	822	947	1,394	1,426
Electric power, gas and water works.....	522	515	769	962
Transportation, storage and communications.....	642	621	993	1,391
Construction industry.....	97	174	200	161
Trade, finance and commercial services.....	582	561	611	719
Institutions.....	338	408	402	443
Housing.....	1,238	1,397	1,547	1,448
Government departments.....	756	796	1,012	1,135
Total Capital Expenditure¹.....	5,721	6,244	8,034	8,794
Total Capital Expenditure as a percentage of Gross National Expenditure.....	23.0	23.1	26.6	28.0
Index of total Capital Expenditure in Constant Dollars.....	100.0	106.9	130.4	136.9

¹ For reconciliation with Business Gross Fixed Capital Formation in housing, plant and equipment in Table 2, see below.

	1954	1955	1956	Prelim. 1957
	(Millions of dollars)			
PRIVATE AND PUBLIC CAPITAL EXPENDITURE—Table 8.....	5,721	6,244	8,034	8,794
DEDUCT:				
Provincial hospitals and schools, and municipal schools.....	170	213	222	241
Government housing excl. C.M.H.C. rental housing.....	11	19	21	24
Direct government department outlays.....	756	796	1,012	1,135
Other.....	5	6	5	5
BUSINESS GROSS FIXED CAPITAL FORMATION IN HOUSING, PLANT AND EQUIPMENT—Table 2.....	4,779	5,210	6,774	7,389

The largest expansion occurred in outlays by utilities. This sector absorbed only 27 per cent of total investment but contributed 78 per cent of the overall increase which took place in 1957. Expenditures rose by \$591 million compared with \$626 million in 1956. The pronounced and steady growth in this group reflects continued heavy requirements for power and transportation facilities. In addition the extension of gas pipelines and telephone networks accounted for significantly higher expenditures.

There was also a substantial rise in outlays by service establishments. Total expenditures increased by 18 per cent or about double the rate of expansion in the previous year. New investment by retailers more than offset a decline in expenditures by wholesalers and the increase of \$55 million for the trade group as a whole was equal to more than one-half the expansion in the service sector.

Investment in manufacturing rose only modestly in contrast to the large increase in 1956. The growth of \$32 million in expenditures was spread over a large number of industries. Whereas the raw material processing industries led the advance in 1956 outlays in this sector showed no further increases in 1957. Declines in the non-metallic mineral group and the wood products group more or less balanced increased expenditures in the petro-chemical field and the metal products group.

The level of investment in the primary sector remained stable. Outlays in mining continued to rise but the advance of \$43 million was only about one-fifth the size of the increase in 1956. In forestry capital expenditures declined from \$76 million in 1956 to \$43 million in 1957.

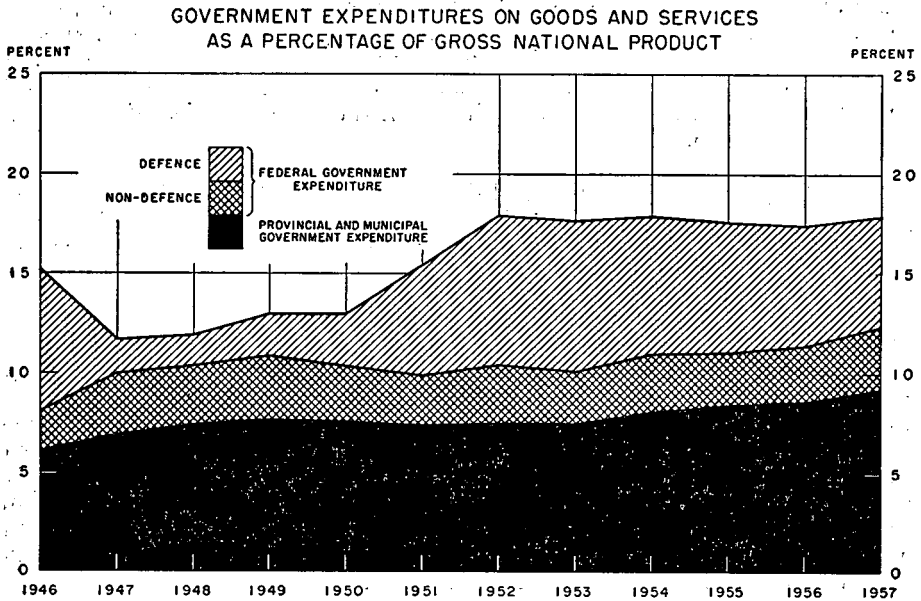
In contrast to a modest decline in 1956 there was a rise in outlays by institutions in 1957 and investment increased by \$41 million or 10 per cent. Outlays for schools increased by nearly \$28 million or about 15 per cent while capital spending for university facilities expanded by \$16 million or 62 per cent. As in the previous year expenditures on hospitals declined slightly. Investment by government departments rose by \$123 million or 12 per cent and the level of capital expenditures in 1957 was about half as large again as in 1954. On a year-over-year comparison the largest absolute decline occurred in housing but, as outlined in the section on National Expenditure, home-building made a strong recovery in the second half of 1957 and outlays for residential construction at the end of the year were above the level twelve months previously.

REVENUE AND EXPENDITURE OF ALL GOVERNMENTS

This section includes only those government 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. In particular, corporate taxes have been adjusted to an accrual basis. In the calendar year 1956 the adjustment was fairly moderate in size and increased revenues by \$58 million. In 1957 the adjustment was much larger but reduced revenues by \$240 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 in both years. The excess of revenues over expenditures amounted to \$292 million in 1957 compared to \$321 million in 1956. Compared with 1956, there was little change for the first three quarters of 1957 in the overall impact of budgetary operations on the nation's economy. In the fourth quarter of 1957, however, the shift in the federal surplus, declining both absolutely and relative to the level a year earlier, provided some offset to the slack in the private sector of the economy.

On the provincial and municipal level government expenditures increased by \$400 million or 12 per cent while revenues rose by \$441 million or 14 per cent and the deficit declined from \$216 million in 1956 to \$175 million in 1957. In the federal accounts, excluding the adjustment for the accrual of corporation taxes mentioned above, receipts increased by \$238 million or 4 per cent and expenditures rose by \$308 million or 6 per cent, so that the surplus fell by \$70 million to a level of \$467 million.

The economic effects of fiscal operations are not determined solely by revenues and expenditures. The expansionary or restrictive impact of governmental operations depends also on changes in loans and investments. In this sector, the net change in the federal accounts from the previous year was of significant proportions particularly in the latter part of 1957 and tended to exert a positive impact on economic activity.



For the calendar year 1957 government expenditures on goods and services rose by \$346 million or about 7 per cent compared to an increase of \$486 million or 10 per cent for 1956. The slower growth was almost entirely due to changes in the federal amounts. Defence expenditures declined by about 2 per cent from 1956 but remained somewhat above the level in each of the years 1955 and 1954. Non-defence outlays on goods and services rose by $9\frac{1}{2}$ per cent in 1957 and this increase, while substantial, was considerably less than in the previous year. Whereas the level of defence expenditures fluctuated within a fairly narrow range in recent years federal outlays for other goods and services followed a steady upward trend. As a result, non-defence expenditures accounted for a growing share of total federal expenditures on goods and services, rising from 30 per cent in 1954 to 35 per cent in 1957. The pronounced upward movement in provincial and municipal outlays on goods and services continued in 1957 and expenditures increased by \$295 million or 11 per cent above the level in the preceding year. In 1957 total expenditures on goods and services exclusive of defence at all three levels of government amounted to \$3,844 million. Municipal governments accounted for the largest share or 45 per cent of the total compared with 30 per cent for provincial governments and 25 per cent for the Federal Government.

In recent years outlays at all three levels of government have risen rapidly and absorbed an increasing proportion of total final purchases of goods and services. The most striking expansion occurred in outlays of provincial governments which have risen by more than one-half since 1954. This trend in expenditures reflects to a large extent the heavy additions to capital facilities which were required due to the growth of population and as a result of the rapid rate of economic development. The substantial rise in wage and salary payments was also an important factor in bringing about the expansion of government outlays.

All levels of government contributed to the rapid growth of transfer payments in 1957. The advance of \$230 million or 13 per cent in federal transfer payments was particularly notable in contrast to the moderate increase of one per cent in 1956 and 3 per cent in 1955. A substantial part of this expansion in 1957 came about as a result of legislative changes. Social security benefits were increased in 1957, including higher family allowances, old age pensions and veterans' pensions as well as more generous provisions for payments to the unemployed. The growth in the number of persons eligible to receive old age pensions and family allowances also had the effect, as in previous years, of bringing about higher disbursements. However, the major impetus underlying the rapid expansion of federal transfer payments was the rise in unemployment and the consequent increase in unemployment insurance payments. There were increases in benefits paid under provincially administered welfare programmes and this, together with the continued growth in grants to private non-commercial institutions, led to an expansion of disbursements by provinces and municipalities. Transfer payments of provincial and municipal governments were \$106 million or 14 per cent higher than in 1956.

The Federal Government collects by far the largest part of direct tax revenues whereas receipts from indirect taxes are shared in roughly equal proportion with provincial and municipal governments. Federal revenues from the personal income tax rose by \$191 million or 13 per cent in 1957 and reached a level of \$1,652 million. The important element in the growth of income tax receipts was the continued expansion of personal incomes. Although reductions in the federal income tax were announced during 1957, these changes for the most part did not become effective until 1958, and as a result had little effect on revenues during the calendar year 1957. There was a further increase in receipts from the Quebec income tax and from miscellaneous taxes. Federal collections from succession duties declined by \$19 million whereas provincial revenues from this source remained stable. Total personal direct tax revenues rose by 11 per cent to a level of \$1,907 million and accounted for about one-fifth of total revenue at all three levels of government.

Excluding the effect of the adjustment to place the federal corporation tax on an accrual basis, federal revenues from this source rose by \$51 million or 4 per cent in the calendar year 1957. This modest increase in yield represents a fairly marked change from 1956 when receipts from the corporation income tax advanced by \$247 million or 24 per cent. The trend in federal receipts reflects to an important degree the effect of the entry of Ontario into the corporation income tax field in 1957. Federal revenues were reduced by a tax credit of 9 per cent on the 1957 income of Ontario corporations. The increase from 7 to 9 per cent in the tax credit on earnings of Quebec corporations had a similar though less substantial effect on federal receipts. The sharp rise in provincial collections from the corporation income tax was directly related to these changes.

The growth of \$188 million in collections from indirect taxes at all three levels of government was less than half as large as the expansion in revenues from these sources in 1956. The explanation for this is found in the trend of federal receipts which rose very rapidly in 1956 but remained largely stable in 1957.

TABLE 9

GOVERNMENT TRANSACTIONS RELATED TO THE NATIONAL ACCOUNTS

	1954	1955	1956	Prelim. 1957
	(Millions of Dollars)			
GOVERNMENT REVENUE—				
Direct Taxes—Persons.....	1,437	1,491	1,720	1,907
Income—				
Federal.....	1,277	1,269	1,461	1,652
Provincial and Municipal.....	19	28	34	38
Succession Duties—				
Federal.....	41	55	88	69
Provincial.....	37	72	58	58
Miscellaneous—				
Federal.....	1	1	1	1
Provincial and Municipal.....	62	66	78	89
Direct Taxes—Corporations.....	1,082	1,280	1,430	1,320
Income—				
Federal.....	1,018	1,218	1,353	1,106
Provincial.....	64	62	77	214
Other Direct Taxes—				
Withholding taxes—Federal.....	58	67	68	83
Indirect Taxes.....	3,033	3,317	3,722	3,910
Federal.....	1,612	1,744	1,972	1,990
Provincial and Municipal.....	1,421	1,573	1,750	1,920
Investment Income.....	687	742	819	824
Federal.....	234	267	315	268
Provincial and Municipal.....	453	475	504	556
Employer and Employee Contributions to Social Insurance and Government Pension Funds.....	422	449	490	547
Federal.....	287	310	347	376
Provincial and Municipal.....	135	139	143	171
Transfers from Other Governments—				
Provincial and Municipal.....	430	450	481	520
Total Revenue.....	7,149	7,796	8,730	9,111
Federal.....	4,528	4,931	5,605	5,545
Provincial and Municipal.....	2,621	2,865	3,125	3,566

TABLE 9—Concluded

GOVERNMENT TRANSACTIONS RELATED TO THE NATIONAL ACCOUNTS

	1954	1955	1956	Prelim. 1957
	(Millions of dollars)			
GOVERNMENT EXPENDITURE—				
Goods and Services	4,461	4,780	5,266	5,612
Federal—				
Defence	1,727	1,756	1,800	1,768
Non-defence	722	742	871	954
Provincial and Municipal	2,012	2,282	2,595	2,890
Transfer Payments	2,303	2,401	2,483	2,819
Federal	1,665	1,720	1,740	1,970
Provincial and Municipal	638	681	743	849
Subsidies	86	79	121	108
Federal	84	75	118	106
Provincial and Municipal	2	4	3	2
Transfers to Other Governments—				
Federal	430	450	481	520
Total Expenditure	7,280	7,710	8,351	9,059
Federal	4,628	4,743	5,010	5,318
Provincial and Municipal	2,652	2,967	3,341	3,741
Surplus (+) or Deficit (—)	—131	+86	+379	+53
Federal ¹	—100	+188	+595	+227
Provincial and Municipal	—31	—102	—216	—175
Total Expenditure plus surplus (or minus deficit)	7,149	7,796	8,730	9,111
Federal	4,528	4,931	5,605	5,545
Provincial and Municipal	2,621	2,865	3,125	3,566

¹ For reconciliation with Public Accounts Surplus or Deficit see below.

	1954	1955	1956	Prelim. 1957
	(Millions of dollars)			
Federal Government calendar year surplus for national accounts purposes	—100	+188	+595	+227
Adjustments:				
Difference between calendar and fiscal year	+195	—11	—305	+73
Difference between corporation tax accruals and government receipts	+94	—170	—58	+240
Revenue items omitted	+79	+21	+37	+68
Reserves, write-offs and similar items omitted from expenditure	—145	—110	—137	—249
Shipment of military equipment to NATO countries less replacement	—5	+2	+22	+32
Extra-budgetary funds for pensions and social insurance (net)	—36	—30	—151	—69
Adjustment to place debt interest on a "due date" basis	+23	+7	+8	—12
Other adjustments	—59	—49	—44	—52
Federal surplus for fiscal year as per public accounts	+46	—152	—33	+258
	(1953-54)	(1954-55)	(1955-56)	(1956-57)

Federal revenues from indirect taxes rose by 13 per cent in 1956 in contrast to the increase of one per cent in 1957. The decline in merchandise imports during 1957 led to a drop of \$22 million or 4 per cent in customs duties. This decline was somewhat more than offset by further increases in sales and excise taxes but tax reductions and the more stable trend in consumer expenditures were instrumental in keeping the rise in revenues from these sources to relatively modest proportions. The upward trend in provincial and municipal revenues from indirect taxes continued in 1957 without much change and receipts rose by \$170 million or 10 per cent above the level in 1956. There were increases of \$13 million in receipts from retail sales taxes and of \$46 million or 16 per cent from gasoline taxes. Receipts from natural resources rose slightly. Municipal revenues from the real property tax expanded by \$74 million or 10 per cent in 1957.

Income from investment of provincial and municipal governments rose by \$52 million or 10 per cent in 1957. There was a decline in income from this source in the federal accounts amounting to \$47 million or 15 per cent, and this arose primarily because the deficit of the Canadian National Railways more than offset increases in other components of investment income.

BALANCE OF INTERNATIONAL PAYMENTS

Canada's international transactions in 1957 reflected the changing tempo of economic activity both at home and abroad. The value of merchandise exports continued to rise but the expansion of $1\frac{1}{2}$ per cent over the previous year was considerably smaller than the increase of 12 per cent recorded in 1956. The slower growth came about in association with a downward trend of production in the United States and a less rapid rate of expansion in Europe. The change in merchandise imports was even more pronounced and the total actually declined by about $1\frac{1}{2}$ per cent in contrast to the sharp increase of 22 per cent in 1956. This was related in large measure to the levelling out in expenditures for business capital investment in Canada. In 1957 export prices remained fairly stable, but import prices increased by 3 per cent so that the terms of trade, or the ratio of export prices to import prices, moved against Canada.

The increase in merchandise exports together with the decline in merchandise imports brought about a reduction in the imbalance on commodity trade and the deficit fell to \$578 million or \$156 million below the record level incurred in the preceding year. There was, however, an increase in the deficit on non-merchandise transactions, and this slightly more than offset the shift in the trade balance. As a result the deficit on current account was \$11 million above that in 1956 and amounted to \$1,383 million. Notwithstanding the relatively stable level of the current account deficit when comparing the average for 1956 and 1957, the underlying movement in merchandise exports and imports brought about a pronounced change in the trade deficit in the second half of 1957, and the excess of total payments over receipts declined very substantially. At the end of 1957, the current account deficit in terms of the seasonally adjusted annual rate amounted to \$1,116 million.

In 1957 merchandise exports rose by \$76 million over 1956 and reached a level of \$4,909 million. Notwithstanding the moderate expansion in total sales abroad there were substantial increases in some exports including a threefold rise in the value of uranium shipments and an increase of 35 per cent in sales of petroleum. Other commodities such as iron and steel, nickel and beef cattle also showed important advances over 1956. However, a larger number of items than in the previous year showed the effect of a lessening in demand. The biggest drop occurred in sales of wheat and other grains and there were smaller but substantial declines in exports of lumber, copper and other products of the forestry and mineral industries.

TABLE 10
INTERNATIONAL PAYMENTS; CURRENT ACCOUNT

	1954	1955	1956	Prelim. 1957
	(Millions of Dollars)			
CURRENT CREDITS—				
Merchandise exports (adjusted) ¹	3,929	4,332	4,833	4,909
Gold available for export.....	155	155	150	147
Travel expenditures.....	305	328	336	362
Interest and dividends.....	147	160	140	151
Freight and shipping.....	313	398	450	421
Inheritances and immigrants' funds.....	89	86	98	120
Other current receipts.....	298	391	430	385
Total Credits.....	5,236	5,850	6,437	6,495
CURRENT DEBITS—				
Merchandise imports (adjusted).....	3,916	4,543	5,567	5,487
Travel expenditures.....	389	449	498	523
Interest and dividends.....	423	483	530	613
Freight and shipping.....	356	415	498	493
Inheritances and emigrants' funds.....	94	105	112	120
Other current payments.....	490	553	604	642
Total Debits.....	5,668	6,548	7,809	7,878
Net Balance on Current Account.....	-432	-698	-1,372	-1,383

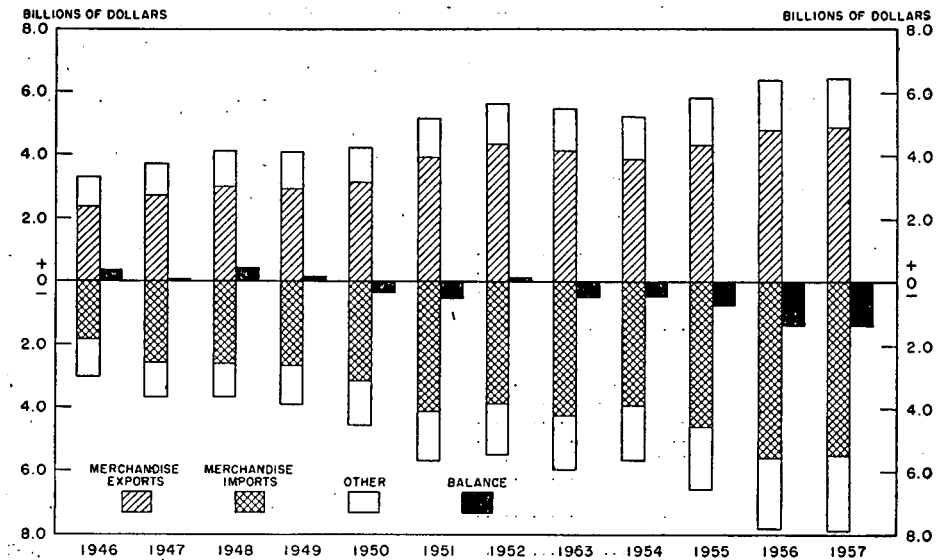
¹ Aid to NATO countries under Defence Appropriation Act has been excluded.

ESTIMATED GEOGRAPHICAL DISTRIBUTION OF THE NET BALANCE ON CURRENT ACCOUNT

	1954	1955	1956	Prelim. 1957
	(Millions of dollars)			
Between Canada and—				
United States.....	-807	-1,035	-1,640	-1,550
United Kingdom.....	+229	+330	+254	+144
Rest of the Sterling Area.....	+44	+60	+50	+9
Other OEEC Countries.....	+93	+24	+12	+43
Other Countries.....	+9	-77	-48	-29
All Countries.....	-432	-698	-1,372	-1,383

The value of merchandise imports fell from \$5,567 million in 1956 to \$5,487 million in 1957, a decline of \$80 million or 1½ per cent. In volume terms the decline was actually larger since import prices rose by 3 per cent. While there were few significant changes in the value and composition of imports on a year-over-year comparison, the trends through 1957 were strikingly different from the movement in the previous year. In 1956 imports rose rapidly and on a seasonally adjusted basis reached a peak in the fourth quarter, whereas in 1957 there was some easing during the first nine months and this was followed by a sharp decline at the end of the year. In the fourth quarter of 1957 merchandise imports were about 10 per cent below the level in the same period of 1956. These changes were accompanied by a pronounced shift in the pattern of imports. Investment goods which had been the prime factor in the extraordinary growth of imports in 1956 became progressively less important and the substantial drop in requirements for machinery and equipment as well as industrial materials in the latter part of 1957 was instrumental in lowering the total level of purchases from abroad. Imports of consumer goods, on the other hand, were well sustained and there were further increases for some products.

BALANCE OF INTERNATIONAL PAYMENTS



The geographic pattern of Canada's external trade underwent moderate though significant changes in 1957. Compared with 1956, exports to the United States rose slightly while imports from that country declined materially. This decline in imports was related to the levelling off in capital investment, referred to above. Trade with the United Kingdom and other Commonwealth countries moved in the opposite direction with exports, particularly to the United Kingdom, substantially lower and imports significantly higher. Trade with Europe and Latin America increased in both directions. Trade with all other countries, taken together, followed a pattern similar to Canada's trade with the United States, exports rising and imports falling.

TABLE 11
INTERNATIONAL PAYMENTS; CAPITAL MOVEMENTS

	1954	1955	1956	Prelim. 1957
(Millions of dollars)				
Direct investment in Canada.....	+392	+417	+595	+525
Direct investment abroad.....	-81	-74	-110	-55
Canadian securities—				
Trade in outstanding issues.....	+63	-27	+207	+104
New issues.....	+331	+166	+681	+762
Retirements.....	-203	-184	-140	-152
Foreign securities.....	-24	-6	+12	+17
Official Loan Repayments.....	+72	+69	+69	+50
Canadian dollar holdings of foreigners.....	+34	+89	-26	-35
Official holdings of gold and foreign exchange (increase -)	-124	+44	-33	+105
Other capital movements.....	-28	+204	+117	+62
Net capital movement financing current account balance.....	+432	+698	+1,372	+1,383

Comparing 1957 with 1956, the trade deficit with the United States showed a decline; the surplus with the United Kingdom was reduced; the balance with other Commonwealth countries moved into deficit; and the trade surplus with all other countries showed an increase.

The deficit on non-merchandise transactions rose from \$638 million in 1956 to \$805 million in 1957, an increase of \$167 million. The growth in the deficit came about mainly as a result of the rise of 7 per cent in total payments but also because of a decline of one per cent in total receipts. On the payments side all categories except freight and shipping showed an increase over 1956. Interest and dividend payments rose more than other items, and the increase in this group accounted for about one-half of the expansion in total non-merchandise expenditures. The major factor in bringing about the decline in total receipts was a reduction in expenditures by the United States Government on defence installations in Canada. There was also a decline in earnings from freight and shipping.

TABLE 12
CANADA'S OFFICIAL HOLDINGS OF GOLD AND U.S. DOLLARS
AS AT DECEMBER 31

	1954	1955	1956	1957
	(Millions of U.S. Dollars)			
Exchange Fund Account and Bank of Canada—				
Gold.....	1,072.7	1,133.9	1,103.3	1,100.3
U.S. Dollars.....	833.4	692.0	798.0	691.5
Other Government of Canada Accounts.....	36.5	74.9	34.9	36.5
Total Gold and U.S. Dollars.....	1,942.6	1,900.8	1,936.2	1,828.3

The net inflow of capital into Canada in 1957 remained at an exceedingly high level although somewhat below the record inflow in 1956. As in the previous year, portfolio security transactions predominated and funds from these sources were equal to more than one-half the current account deficit. Although proceeds from new issues sold to non-residents rose by \$81 million and reached a record level of \$762 million, total inflows on portfolio account were slightly below the level in 1956 because of higher redemptions and reduced net sales to non-residents of outstanding Canadian issues. Whereas new borrowing abroad underwent a pronounced change during 1957 and declined sharply in the second half of the year, the movement of foreign capital to Canada for direct investment remained relatively stable throughout 1957 and the total amounted to \$525 million, a higher level than in any other year except 1956. Net imports of capital, in all forms, financed about 92 per cent of the current account deficit and the balance was met by a moderate withdrawal from exchange reserves. At December 31, 1957, official reserves of gold and United States dollars, expressed in United States funds, amounted to \$1,828 million compared with \$1,936 million at December 31, 1956.

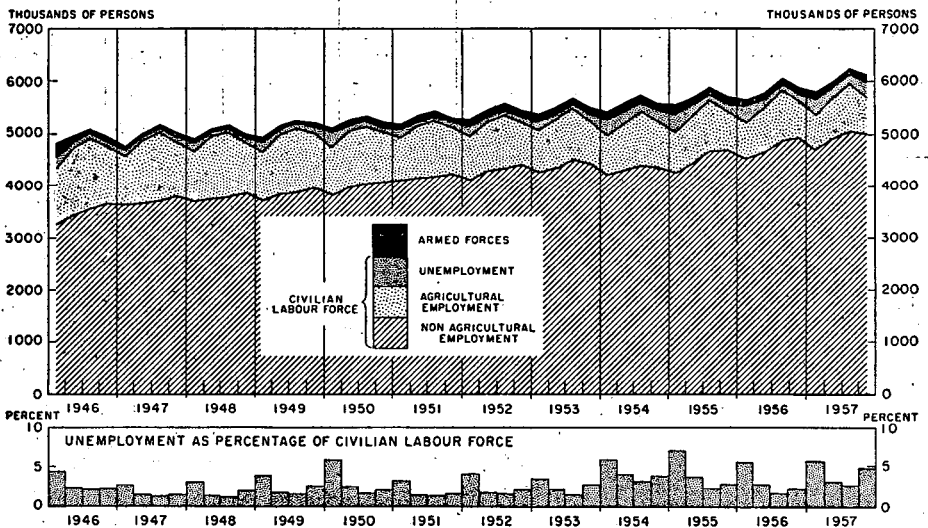
Throughout 1956 the exchange value of the Canadian dollar rose steadily and this upward trend continued until August, 1957, when the premium on the Canadian dollar reached a peak of over 6 per cent in terms of the United States dollar. Subsequently, the premium on the Canadian dollar declined. For December, 1957, the average rate of exchange for the United States dollar was 97.74 compared with 96.05 for December, 1956.

EMPLOYMENT AND EARNINGS

There were more persons with jobs in each month of 1957 than in the corresponding period of 1956, but in the fourth quarter of the year the gains became progressively smaller as employment began to show the effects of the levelling out in production. For 1957 as a whole the number of persons with jobs rose on the average by 135,000 or 2.4 per cent compared with increases of 3.7 per cent in 1956 and 2.6 per cent in 1955. A significant factor in 1957 was the extraordinarily large expansion in the labour force which rose by 3.7 per cent compared to 2.6 per cent in 1956 and 2.4 per cent in 1955. It is estimated that about 210,000 persons entered the labour market in 1957, some 63,000 more than during 1956. The faster rate of increase in 1957 came about partly as a result of the very high level of immigration, but also because of a further rise in the labour force participation rate as more housewives, older persons and others decided to take up work outside the home. Thus, conditions in the labour market, reflecting on the one hand the less favourable trend in employment opportunities and on the other hand an unusually large addition to the labour force, led to a substantial rise in unemployment during 1957.

The shift from rural to urban occupations which had been a notable feature in the pattern of employment during recent years continued in 1957 and about 28,000 persons left the agricultural industry. The drop of $3\frac{1}{2}$ per cent in agricultural employment compares with a decrease of $5\frac{1}{2}$ per cent in 1956 and 6 per cent in 1955.

THE LABOUR FORCE



During the first three quarters of 1957 the number of persons employed in non-agricultural occupations rose, on a seasonally adjusted basis, by almost 3 per cent over the level in the fourth quarter of 1956 while the volume of non-agricultural production remained largely unchanged. This difference in trends is less pronounced when account is taken of the decline in hours worked per week. None the less, it suggests that there occurred a decline in productivity compared to the situation in 1956 when the expansion of 7 per cent in output was accompanied by a rise of 5.4 per cent in employment. Productivity is affected by a wide variety of factors and these may combine at any one time to bring about a notable deviation from the long-run trend. Since overall economic activity

kept more or less stable during most of 1957 the adjustments in plant operations tended to lag behind the selective declines in demand which took place in a number of industries and this was reflected in less economic operations, including the use of proportionately more labour than earlier when output was closer to optimum levels. There was also a shift in the pattern of production in 1957 from industries using a large amount of fixed investment such as the resource-based industries to sectors which employ relatively more labour such as the service industries and this may have had a similar effect on the labour output ratio. These and other such factors ceased to have any further marked impact during the fourth quarter of 1957 when both production and employment in the non-agricultural sector moved in the same direction and declined.

Employment in the major commodity producing industries followed a similar trend and the number of persons with jobs at the end of 1957 was below peak levels reached four to twelve months earlier. The decline was most pronounced in the forestry industry whereas the level of employment in mining remained fairly stable in the fourth quarter of 1957. In the service sector employment continued to rise throughout 1957 but the increase was less marked than in the preceding year.

Throughout 1957 unemployment was higher than in the preceding year. For 1957 as a whole there were 254,000 persons without jobs and seeking work or 75,000 more than in 1956. Unemployment in 1957 accounted for the same proportion of the labour force as in 1954 when a post-war peak had been reached and averaged 4.3 per cent compared with 3.1 per cent in 1956. The low in unemployment occurred in June, 1957, when 162,000 persons were jobless, compared with 117,000 during the same period in 1956. From the third quarter to the end of 1957 unemployment just about doubled and there were 386,000 jobless persons in December compared with 186,000 a year earlier. On a seasonally adjusted basis unemployment rose throughout 1957. In the first

TABLE 13
THE CIVILIAN LABOUR FORCE
ANNUAL AVERAGES

	1954	1955	1956	Prelim. 1957
	(Thousands of persons)			
Civilian Labour Force.....	5,426	5,558	5,705	5,915
Male.....	4,207	4,299	4,372	4,495
Female.....	1,219	1,259	1,333	1,420
Non-Agricultural.....	4,547	4,734	4,927	5,163
Agricultural.....	879	824	778	752
Persons without jobs seeking work.....	232	230	179	254
Persons with jobs.....	5,194	5,328	5,526	5,661
In Non-Agricultural Industries.....	4,321	4,510	4,753	4,916
Paid Workers.....	3,802	3,996	4,237	4,382
Employers, own account workers and unpaid family workers.....	519	514	516	534
In Agriculture.....	873	818	773	745
Paid Workers.....	120	106	101	96
Employers, own account workers and unpaid family workers.....	753	712	672	649

quarter of 1958 the seasonally adjusted index of unemployment showed a further increase. However, the rate of increase was considerably less than in the fourth quarter of 1956. In April, 1958, unemployment began to decline but remained higher than in the previous year.

The steady upward movement which characterized the trend in labour income during recent years ceased in September, 1957. Wage and salary payments declined but in each successive month labour income remained above the level reached in the same period twelve months earlier. For 1957 as a whole there was a substantial expansion in labour income amounting to $7\frac{1}{2}$ per cent. The number of paid workers rose by 140,000 or about 3 per cent in 1957 and average annual earnings per paid worker amounted to \$3,534, an increase of \$141 or 4 per cent over the previous year. Since it is estimated that average hours worked per week were somewhat lower than in 1956, there was obviously a pronounced increase in rates of pay. In manufacturing, for example, average hourly earnings rose by about 6 per cent compared with a 5 per cent increase in 1956. For the economy as a whole the rise in consumer prices provided an offset to most of the gain in per capita earnings and the improvement in real income for 1957 was slight compared to the advance of 4 per cent in 1956.

The increase in earnings in 1957 occurred in all the main industrial categories. Whereas wages and salaries paid in the service sector rose faster than labour income as a whole there was less buoyancy in the commodity producing industries. Finance and related groups led the way with an increase of 12 per cent. There was also a pronounced rise in salaries and wages paid by public utilities, transportation, communications, storage and trade and the total advanced by 9 per cent. In manufacturing the increase in labour income was substantial and amounted to 5 per cent. Earnings in construction and in the primary industries rose by more than 3 per cent.

MONETARY AND CREDIT DEVELOPMENTS

There were substantial changes in monetary and financial conditions in Canada in 1957. During the first part of the year the pressure of demand for money and credit continued to increase. Although the amounts of money that Canadians were willing to save and to lend continued to expand, the amounts wanted by borrowers rose even more rapidly. Competition in the market for loanable funds increased and interest rates rose.

During the latter part of the year there was a pronounced change in the balance between supply and demand in the market for borrowed money. As overall spending in the economy levelled off, conditions in the capital market became easier and in addition action by the Bank of Canada had the effect of improving the liquidity of the chartered banks. As a result of these and other factors interest rates which had reached a post-war peak in August, 1957, began to decline. The sharpest drop occurred in short-term rates. Three-month treasury bills fell from 4.08 per cent in August, 1957, to 1.54 per cent in May, 1958. Yields on medium-term government bonds were close to 5 per cent in August, 1957, and subsequently the three to five-year theoretical rate steadily declined to 3.13 per cent in May, 1958. The 15-year theoretical rate fell from about $4\frac{1}{2}$ per cent in August, 1957, to 3.75 per cent in December and kept relatively stable in early 1958. During part of 1956 and in 1957 the yield on short-term and medium-term bonds was higher than on long-term bonds, but in early 1958 the situation was reversed.

Interest rates for provincial, municipal and industrial bonds also declined from the levels in the third quarter of 1957. The chartered banks prime commercial loan rate fell from a high of $5\frac{1}{4}$ per cent in 1957 to $5\frac{1}{4}$ per cent in early 1958. The Bank of Canada discount rate continued to be established on the basis of one-quarter per cent above the average tender rate for treasury bills. The Bank Rate declined from a peak of 4.33 per cent in August, 1957, to 1.79 per cent in May, 1958.

Monetary conditions in the United States began to ease somewhat later than in Canada and in the latter part of 1957 the spread between interest rates in the two countries narrowed. However, some widening took place again in the first part of 1958, particularly in long-term rates.

Net new bond issues by provinces, municipalities, corporations and institutions reached a peak in the second quarter of 1957 but the amount of new funds obtained in the market in the second half of 1957 was less than in the same period of 1956. For 1957 as a whole, net bond issues were \$175 million higher than in the preceding year and reached a level of \$1,725 million. Net new corporate stock issues, however, declined by \$181 million in 1957 in contrast to the increase of \$225 million in the previous year. As in 1956, the widening spread between interest rates in Canada and the United States made borrowing in the United States market attractive. For 1957 as a whole, a larger amount of new issues was sold to non-residents than in the preceding year, notwithstanding a substantial decline in issues sold abroad during the latter part of 1957 when the interest rate differential narrowed.

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	
	Canada U.S. Spread			Canada U.S. Spread			Canada U.S. Spread			Canada	U.S.
1955—											
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	2.00	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	3.00	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
1957—											
March.....	4.01	3.24	.77	4.32	3.37	.95	3.73	3.24	.49	3.98	3.00
June.....	4.30	3.51	.79	4.75	3.68	1.07	3.79	3.26	.53	4.04	3.00
September.....	4.54	3.55	.99	4.95	3.91	1.04	4.00	3.58	.42	4.25	3.50
December.....	3.75	3.06	.69	3.93	3.09	.84	3.67	2.99	.68	3.92	3.00
1958—											
March.....	3.76	2.98	.78	3.53	2.53	1.00	2.42	1.53	.89	2.67	2.25
May.....	3.70	2.86	.84	3.13	2.26	.87	1.54	.93	.61	1.79	1.75

⁽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.

Although the banks were in a position to expand their lending activity in the latter part of 1957, the demand for bank loans levelled off and most of the increase in chartered bank assets remained in relatively liquid forms. Total assets increased by \$483 million in the last five months of 1957 and more than one-half of this was reflected in the expansion of day-to-day loans and in purchases of government bonds.

General loans remained relatively stable during the last half of 1956 and for the first ten months of 1957 but declined in November and December below the level twelve months earlier. During 1957, the largest decrease occurred in loans to instalment finance companies. This was related to the markedly slower expansion of consumer credit in 1957. Loans for construction purposes also fell, reflecting a levelling off in the rate of activity in the building industry. These and other declines were partly offset by a higher level of lending to industrial concerns, to merchandizers and public utilities among others.

There were no significant changes in bank holdings of corporate and provincial and municipal securities in 1957. The addition to bank holdings of insured N.H.A. mortgages amounted to about \$93 million and most of this expansion took place in the second half of 1957.

The public's holdings of currency, bank deposits and Government of Canada securities rose by \$235 million in 1957 or considerably more than in the previous year. Holdings of currency and bank deposits increased by \$308 million while

TABLE 15
CHARTERED BANK ASSETS
(month-end figures)

	As at Dec. 31 1957	Changes ⁽¹⁾			
		Calendar Year		July 31 to Dec. 31	
		1956	1957	1956	1957
(Millions of dollars)					
Bank of Canada notes and deposits.....	866	42	-16	77	71
Day-to-day loans.....	210	-7	136	-35	129
Treasury bills.....	805	313	65	-2	11
Sub-total.....	1,881	348	185	40	211
Government bonds.....	1,835	-957	44	-218	130
Call loans.....	191	-20	35	-30	20
Net foreign assets ⁽²⁾	143	6	41	40	77
Total of foregoing assets.....	4,050	-623	305	-168	438
Canadian loans (other than day-to-day and call loans).....	5,214	532	114	125	-42
Insured mortgages.....	586	199	93	81	77
Non-Government securities.....	962	-58	-8	-41	10
Total of above assets.....	10,812	50	504	-3	483

⁽¹⁾ To make the statistics for the different periods in this table comparable certain approximate adjustments have been made in calculating changes in loans and investments. The 1956 figures have been adjusted for the reclassification of foreign currency loans from Canadian loans to net foreign assets which was made in the returns of the banks to the Department of Finance, and the 1957 figures for the change in the allocation of inner reserves consequent upon the change in the method of valuing Government and provincial securities required in the returns of the banks to the Department of Finance.

⁽²⁾ Total foreign currency assets less total foreign currency liabilities. Excludes foreign currency securities issued by Canadian borrowers.

holdings of Government of Canada securities fell by \$73 million. This increase in the public's liquid assets occurred almost entirely as a consequence of activity in the banking system since there was approximate balance between the total budgetary and non-budgetary receipts and outlays of the Federal Government.

In 1957 the total amount of Federal Government direct and guaranteed securities outstanding declined by \$69 million, the reduction of \$177 million in market securities being partially offset by the increase of \$108 million in Canada Savings Bonds. For the year as a whole there was a decrease of \$151 million in the amount of this debt held in government accounts, a decrease of \$73 million in the amount held by the general public and an increase of \$154 million in the amount held in the banking system.

TABLE 16

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

	1954	1955	1956	1957
	(Millions of dollars)			
Currency—notes and coin.....	1,458	1,550	1,605	1,667
Bank deposits—				
Deposits other than personal savings deposits (less float).....	3,462	3,697	3,580	3,585(?)
Personal savings deposits.....	5,218	5,633	6,007	6,248(?)
Total bank deposits (less float).....	8,680	9,330	9,587	9,833
Government Securities—(at par value)				
Market securities.....	6,538	6,536	6,225	6,045
Non-market securities.....	2,090	2,433	2,541	2,649
Total government securities.....	8,628	8,969	8,766	8,693
Total liquid assets.....	18,766	19,849	19,958	20,193

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

² Adjusted for reclassification at Sept. 30, 1957 of approximately \$140 million of institutional and personal business accounts in returns to Dept. of Finance.

PRICE TRENDS

After several years of relative stability the consumer price index began to rise in mid-1956, and the upward movement continued throughout most of 1957. In December, 1957, consumer prices were 2.3 per cent higher than at the start of the year compared to an increase of 3 per cent during the same period in 1956. Whereas consumer prices followed a rising trend, the general index of wholesale prices reached a peak in January, 1957, and declined slowly during the succeeding ten months. Wholesale prices fell by 1.4 per cent in the course of 1957 in contrast to the rise of almost 3 per cent in each of the two preceding years.

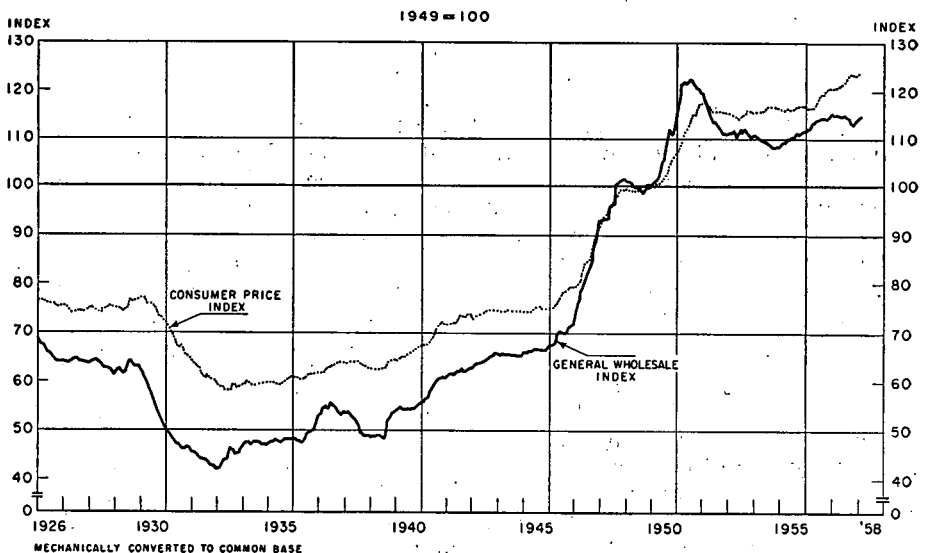
The consumer price index rose steadily from 120.3 in January, 1957, to 123.4 in October. There were fractional declines in the next two months but the upward movement was resumed and the index reached a level of 125.2 in April, 1958. This was followed by a small decline in May, 1958, and the index stood at a level slightly more than 3 per cent higher than a year earlier. During 1957 the largest increase occurred in the cost of services which rose by over 4 per cent. All other major components of the index also followed an upward trend. The smallest increase, apart from seasonal movements, was in food prices, which

TABLE 17
CONSUMER PRICE INDEXES
1949=100

	Total	Food
1954.....	116.2	112.2
1955.....	116.4	112.1
1956.....	118.1	113.4
1957.....	121.9	118.6
1957—January.....	120.3	117.1
February.....	120.5	117.2
March.....	120.5	116.4
April.....	120.9	116.7
May.....	121.1	116.7
June.....	121.6	117.7
July.....	121.9	118.2
August.....	122.6	120.2
September.....	123.3	121.9
October.....	123.4	121.7
November.....	123.3	120.2
December.....	123.1	118.8
1958—January.....	123.4	119.4
February.....	123.7	119.9
March.....	124.3	121.3
April.....	125.2	123.4
May.....	125.1	122.7

in December, 1957, were $1\frac{1}{2}$ per cent higher than at the beginning of the year. However, in early 1958 food prices provided the major impetus to the rise in the consumer price index. The food component rose by 3.9 per cent during the first four months of the year and in April, 1958, stood at a level 5.7 per cent higher than twelve months previously. This upward movement was in part attributable to the effects brought about by poor crop conditions in the United States. In May, 1958, the food index declined somewhat.

CANADIAN WHOLESALE AND CONSUMER PRICE INDEXES



The United States consumer price index, like the Canadian index, registered a further increase in 1957 and prices rose by nearly 3 per cent during the year. The upward trend continued in 1958. Food prices in the United States rose more rapidly than in Canada and in April, 1958, were nearly 7 per cent higher than in the same month of 1957.

The Canadian index of wholesale prices averaged somewhat higher for the year 1957 than for 1956, but this comparison hides the downward movement which prevailed during most of 1957. The index declined from a high of 229.2 in January, 1957, to a low of 224.1 in November. Increases in the next few months brought the index back to a level of 228.1 in March, 1958, approximately the same level as a year earlier. The rising trend mainly reflected the exceptional level of demand in the United States for Canadian cattle. In April, 1958, there was a small decline in the index of wholesale prices. During 1957 and early 1958 the broad categories of wholesale prices followed diverse trends. The most rapid decline occurred in prices of industrial materials, particularly non-ferrous metals, although some firming became apparent in early 1958. There was a substantial downward movement during 1957 in prices of raw materials but this was followed by increases in the first few months of 1958. The same trend prevailed for Canadian farm products. The recovery of prices in 1958 was notable and the index for farm products stood at 222.7 in April, 1958, about 6 per cent higher than twelve months earlier. Prices for building materials and manufactured products remained fairly stable during this period except for some easing in prices for residential building materials in the second half of 1957.

TABLE 18
WHOLESALE PRICE INDEXES
(1935-39=100)

	General Wholesale Prices	Fully and Chiefly Manu- factured Goods	Canadian Farm Products
1954.....	217.0	224.2	213.6
1955.....	218.9	224.5	212.6
1956.....	225.6	231.5	213.2
1957.....	227.4	237.9	209.2
1957—January.....	229.2	236.3	214.6
February.....	228.2	236.5	213.2
March.....	228.4	237.8	209.8
April.....	228.5	238.4	210.4
May.....	228.0	238.9	209.4
June.....	228.1	238.9	211.4
July.....	228.2	239.5	215.7
August.....	227.6	239.2	212.6
September.....	227.0	238.8	208.5
October.....	225.0	237.4	200.7
November.....	224.1	236.1	199.7
December.....	226.1	237.2	204.6
1958—January.....	226.8	237.7	208.4
February.....	227.7	238.4	214.0
March.....	228.1	238.3	220.6
April.....	227.9	238.5	222.7

NOTE: 1957 indexes are preliminary. The Canadian Farm Products index is fully revised only up to July 1956 and does not reflect final payments on all grains for subsequent months.

PART II

REVIEW OF GOVERNMENT ACCOUNTS 1957-58

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PART II

REVIEW OF GOVERNMENT ACCOUNTS

1957-58

1. INTRODUCTION

The figures presented in this Part for the fiscal year 1957-58 are preliminary and subject to revision. The fiscal year of the Government ended on March 31 but the books must remain open for some time 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 1957-58. The final figures when they become available next August may vary to some extent from those given in the following pages.

2. HIGHLIGHTS OF GOVERNMENTAL FINANCIAL OPERATIONS
DURING 1957-58

Budgetary transactions

Revenues of the government for the fiscal year ended March 31, 1958, amounted to \$5,047 million. This was \$97 million or about 2 per cent less than the forecast of \$5,144 million given in the financial statement of December 6, 1957, and \$59 million or one per cent less than the total of \$5,106 million collected in 1956-57.

Expenditures amounted to \$5,086 million and were \$22 million or less than $\frac{1}{2}$ of one per cent more than the December forecast of \$5,064 million and \$237 million or 5 per cent more than the total spent in 1956-57.

Expenditures in 1957-58 exceeded revenues and resulted in a budgetary deficit of \$39 million compared with a December forecast of a surplus of \$80 million and a surplus of \$258 million in 1956-57.

On the revenue side of the government's budgetary operations collections have shown a decline from the previous year. Part of this was due to the reductions in taxes announced in the March, 1957 budget and in the financial statement of December 6, 1957, and part to the fact that the general level of activity and production in the economy has been somewhat less than that on which the forecasts had been based. Although receipts from corporation income tax, succession duties, and excise duties and taxes other than sales tax, and non-tax revenues exceeded expectations, these were more than offset by the amount by which collections of personal and non-resident income taxes, customs import duties and sales tax fell short of expectations.

On the expenditure side defence has again been the most significant feature in the government's programme. In 1957-58 defence expenditures amounted to \$1,687 million, a decrease of \$96 million or 5 per cent from the preceding year and represented 33 per cent of the government's total budgetary outlay. In 1956-57 defence expenditures amounted to \$1,784 million and constituted 37 per cent of the total.

Non-budgetary transactions

Although the budgetary deficit for 1957-58 was only \$39 million, the government's bank balances at the end of the fiscal year were \$164 million less than a year ago. This reduction was the net result of the budgetary deficit of \$39 million, payments of \$571 million for loans, investments and working capital advances and other non-budgetary disbursements offset by receipts of \$447 million from repayments of loans and investments, annuity, insurance and pension accounts and other non-budgetary sources together with a reduction of \$1 million in outstanding unmatured debt.

The following table summarizes the budgetary and non-budgetary transactions for the fiscal year and indicates how they, together with changes in the unmatured debt, affected the government's cash balances. For purposes of comparison, the corresponding figures for 1956-57 are also shown. In the section entitled "The Cash Position" a more detailed explanation of these transactions is given.

TABLE 1
(in millions of dollars)

SUMMARY OF BUDGETARY AND NON-BUDGETARY TRANSACTIONS AND CHANGES IN CASH POSITION	Fiscal year ended March 31	
	1958 (Preliminary)	1957
Budgetary transactions—		
Revenues.....	5,047	5,107
Expenditures.....	-5,086	-4,849
Surplus or deficit (—).....	- 39	258
Non-budgetary transactions—		
Receipts and credits (excluding unmatured debt transactions)—		
Repayments of loans, investments and working capital advances.....	128	117
Net government annuities account receipts.....	58	59
Net insurance and pension account receipts.....	222	200
Other non-budgetary receipts.....	39	236
	447	612
Disbursements and charges (excluding unmatured debt transactions)—		
Loans, investments and working capital advances.....	-345	-350
Other non-budgetary disbursements.....	-226	- 96
	-571	-446
Net amount available from or required for (—) non-budgetary transactions.....	-124	166
Overall cash available for debt reduction or increase in cash balances.....		424
Overall cash requirement to be financed by an increase in debt or decrease in cash balances (—).....	-163	
Net increase or decrease (—) in unmatured debt outstanding in the hands of the public.....	- 1	-522
Net increase or decrease (—) in Receiver General bank balances.....	-164	- 98

Old age security fund

Pension payments from the old age security fund amounted to \$474 million in 1957-58 and tax receipts credited to the fund totalled \$372 million, and the deficit of \$102 million for the fiscal year was covered by a temporary loan by the Minister of Finance to the fund. During 1956-57 pension payments

amounted to \$379 million and tax receipts credited to the fund to \$371 million, resulting in an excess of pension payments over tax receipts of \$8 million, of which \$6 million was charged to expenditures in 1956-57 under the authority of a vote of parliament. Parliament will be asked to authorize writing off to expenditure in 1957-58 temporary loans of \$104 million outstanding at March 31, 1958.

Debt transactions

During 1957-58, the government issued securities amounting to \$2,527 million (excluding the refunding of treasury bills which mature periodically) and redeemed or converted issues in the amount of \$2,650 million, resulting in a decrease of \$123 million in unmatured debt. However, other liabilities increased by \$165 million and consequently the government's gross public debt increased by \$42 million to \$18,368 million at March 31, 1958. During the fiscal year the government's net assets increased by \$2 million to \$7,320 million. As a result the government's net debt at March 31, 1958, was \$11,048 million, the increase of \$40 million reflecting the budgetary deficit for the fiscal year of \$39 million plus adjustments of \$1 million in respect of prior years' transactions.

Cash position

Receiver General bank balances were drawn down by \$164 million during the fiscal year reflecting the cash requirements of \$163 million for budgetary and non-budgetary transactions and of \$1 million for the net reduction in outstanding unmatured debt (after taking into account transactions in the securities investment and sinking fund accounts).

3. THE BUDGETARY ACCOUNTS

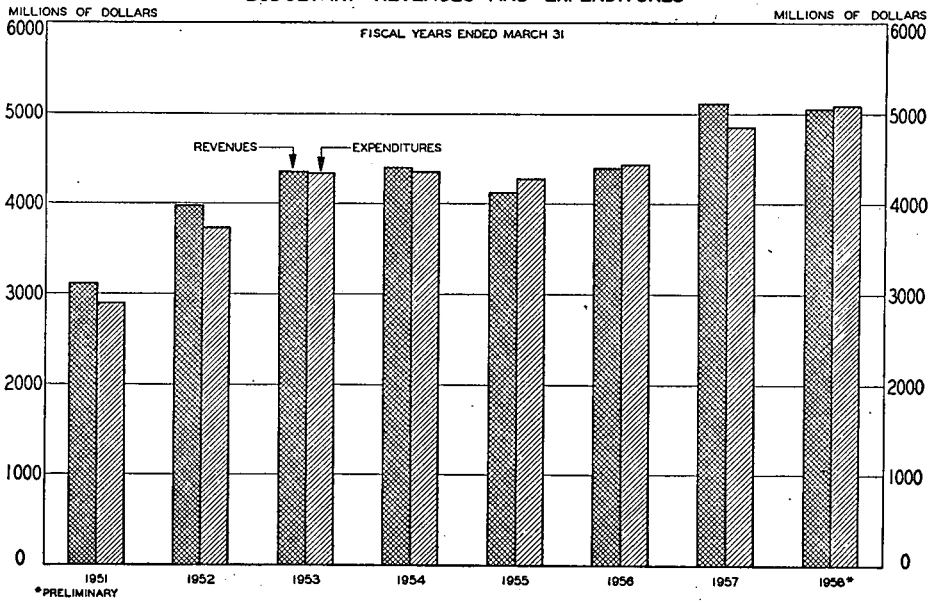
Total revenues, amounting to \$5,047 million for 1957-58, were \$59 million less than the total for the previous year. Total expenditures were \$5,086 million, an increase of \$237 million over the total for 1956-57. The deficit for the fiscal year was \$39 million compared with a surplus of \$258 million for the fiscal year ended March 31, 1957.

A summarized statement of the revenues and expenditures and deficit for the fiscal year ended March 31, 1958, with the figures for the fiscal years ended March 31, 1951 to 1957 inclusive, is given in the following table:

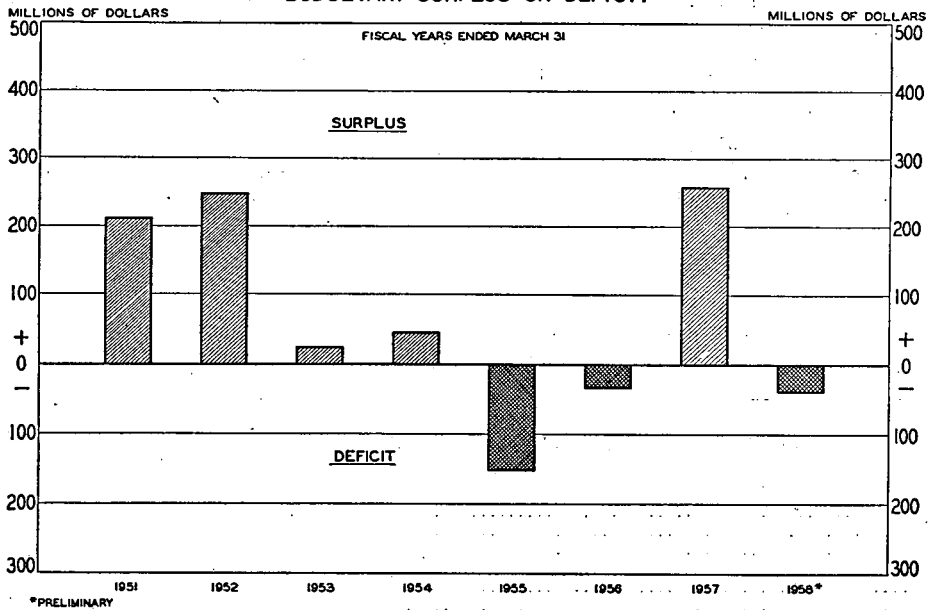
TABLE 2
BUDGETARY REVENUES, EXPENDITURES AND SURPLUS OR DEFICIT
(in millions of dollars)

Fiscal Year Ended March 31	Budgetary revenues	Budgetary expenditures	Surplus or deficit (-)
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.....	5,106.5	4,849.0	257.5
1958 (Preliminary).....	5,047.1	5,086.5	-39.4

BUDGETARY REVENUES AND EXPENDITURES



BUDGETARY SURPLUS OR DEFICIT



A. REVENUES

Budgetary revenues amounted to \$5,047 million in the fiscal year 1957-58. This was \$59 million or one per cent less than in the previous year. Of the total for the year, \$4,622 million or 92 per cent, was derived from taxes and \$425 million or 8 per cent from non-tax revenues.

A statement of revenues for 1957-58 classified by major sources and the corresponding figures for 1956-57 is given in the following table:

TABLE 3
BUDGETARY REVENUES BY MAJOR SOURCES
(in millions of dollars)

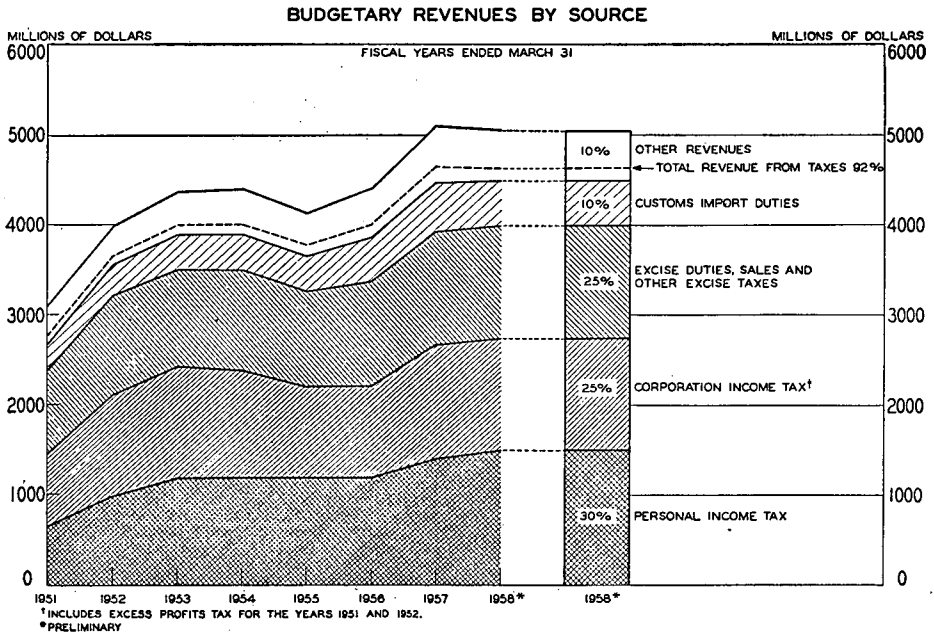
Source	Fiscal Year Ended March 31				Increase or Decrease (-)	
	1958 (Preliminary)		1957		Amount	Per cent
	Amount	Per cent	Amount	Per cent		
Tax revenues—						
Income tax—						
Personal (1).....	1,499.2	29.7	1,400.5	27.4	98.7	7.0
Corporation (1).....	1,234.8	24.5	1,268.3	24.8	-33.5	-2.6
On dividends, interest, etc., going abroad.....	64.3	1.3	76.4	1.5	-12.1	-15.8
Excise taxes—						
Sales (1).....	703.2	14.0	717.1	-14.0	-13.9	-1.9
Other.....	249.4	4.9	267.1	5.2	-17.7	-6.6
Customs import duties.....	498.1	9.9	549.1	10.8	-51.0	-9.3
Excise duties.....	300.1	5.9	271.4	5.3	28.7	10.6
Succession duties.....	71.6	1.4	79.7	1.6	- 8.1	-10.2
Other taxes.....	1.5		18.3	0.4	-16.8	-91.8
	4,622.2	91.6	4,647.9	91.0	-25.7	-0.6
Non-tax revenues—						
Return on investments.....	169.5	3.4	206.6	4.0	-37.1	-18.0
Post office.....	152.9	3.0	145.8	2.9	7.1	4.9
Other non-tax revenues.....	102.5	2.0	106.2	2.1	- 3.7	-3.5
	424.9	8.4	458.6	9.0	-33.7	-7.3
Total revenues.....	5,047.1	100.0	5,106.5	100.0	-59.4	-1.2

	1957-58	1956-57
(1) Excluding tax credited to the old age security fund—		
2% personal income tax.....	135.0	125.0
2% corporation income tax.....	60.7	67.3
2% sales tax.....	175.8	179.3
	371.5	371.6

(1) TAX REVENUES

Tax on personal incomes

The personal income tax in 1957-58 was again the largest source of government revenue. The yield for the year (excluding the old age security tax) was \$1,499 million. This was \$99 million, or 7 per cent more than in the previous year. This increase was due to the rise in the total of personal incomes that took place in 1957.



In addition the 2 per cent tax on personal incomes levied under the Old Age Security Act totalled \$135 million during 1957-58 compared with \$125 million in 1956-57. The maximum tax is \$60 per person. This revenue was credited to the old age security fund.

Corporation income tax

Corporation income tax was the second largest revenue producer in 1957-58. Collections (excluding the old age security tax) were \$1,235 million, a decrease of \$33 million from the previous year. This decrease was due to lower profits in 1957 and the re-entry of the Province of Ontario into the corporation income tax field. These influences were offset in part by substantial receipts early in the year on account of high 1956 profits.

In addition the 2 per cent tax on income of corporations under the Old Age Security Act yielded \$61 million during 1957-58 compared with \$67 million collected from this source in 1956-57. These collections were 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 \$64 million for 1957-58 was \$12 million less than in the previous year reflecting lower corporate profits in 1957 and the fact that refunds adjusting overpayments in previous years were larger than usual.

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 were \$953 million a decrease of \$32 million or 3 per cent from 1956-57.

The sales tax, which from a revenue standpoint is the most important tax levied under the Excise Tax Act, yielded a net revenue of \$703 million in the year (excluding the 2 per cent old age security sales tax). This was \$14 million or 2 per cent less than in the previous year reflecting the changes announced in the March 1957 Budget which exempted a number of commodities from this tax.

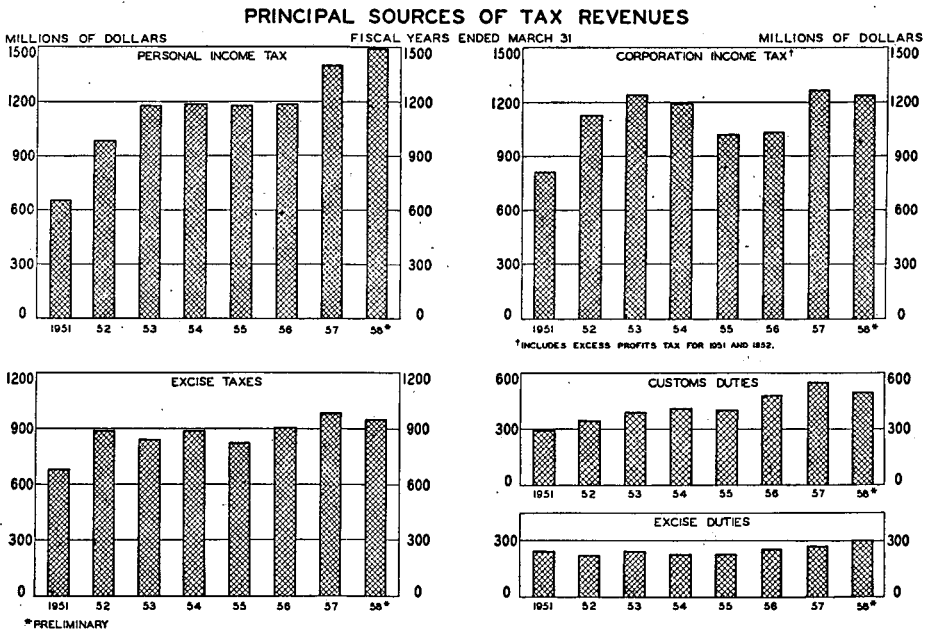
Excise taxes other than the general sales tax yielded approximately \$250 million, or \$18 million less than in 1956-57. This decrease was due mainly to tax changes. The repeal of the tax on candy and chewing gum in March 1957 resulted in a reduction of revenue for the year of \$9 million and the repeal of the tax on soft drinks at the same time reduced revenue by \$8 million. The reduction in the tax on automobiles from 10 per cent to 7½ per cent on December 6, 1957, resulted in revenue from this source declining \$7 million. In addition lower sales of television sets caused the revenue from the tax on this item to decline by \$2 million.

These declines were partly offset by an increase of \$10 million from the taxes on tobacco products. The revenues from the taxes on jewellery, matches, lighters, toilet preparations, wines and sundry commodities showed little change from the previous year.

The 2 per cent tax on sales levied under the Old Age Security Act and credited to the old age security fund yielded \$176 million in 1957-58 compared with \$179 million in the previous year.

Customs import duties

Revenue from customs import duties was \$498 million, a decrease of \$51 million or 9 per cent from 1956-57. This decrease in revenue reflected the decrease in the volume and value of imports during the year.



Excise duties

Excise duties are levied exclusively on alcoholic beverages and tobacco products. (Additional taxes on tobacco products are levied under the Excise Tax Act referred to above.) The revenue from excise duties for the year was \$300 million, an increase of \$29 million or 11 per cent over the previous year. The collections from the taxes on alcoholic beverages, before deducting refunds, were \$172 million, an increase of \$18 million over the previous year. The gross receipts from the taxes on tobacco products amounted to \$132 million, an increase of \$11 million.

Succession duties

Revenue from succession duties totalled \$72 million in 1957-58, a decrease of \$8 million from the previous year. The revenue from this source for the year as well as for the previous year was substantially affected by collections from two unusually large estates.

Other taxes

The principal source of revenue under this heading in the previous year was the tax on the premium income of insurance companies amounting to \$17 million. In 1957-58 the federal government withdrew from the premium tax field in favour of the provinces. Small amounts of revenue were received from the 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 1957-58 amounted to \$425 million, \$34 million less than the 1956-57 total of \$459 million. The following table presents a comparative summary of these revenues for the two fiscal years by principal classification:

TABLE 4
(in millions of dollars)

NON-TAX REVENUES	Fiscal Year Ended March 31		Increase or Decrease (-)	
	1958 (Preliminary)	1957	Amount	Per cent
Return on investments.....	169.5	206.6	-37.1	-18.0
Post office.....	152.9	145.8	7.1	4.9
Privileges, licences and permits.....	19.3	18.0	1.3	7.2
Proceeds from sales.....	22.1	28.8	- 6.7	-23.3
Premium, discount and exchange.....	1.4	.....	1.4	100.0
Refunds of previous years' expenditures.....	27.2	27.8	- 0.6	- 2.2
Services and service fees.....	22.4	22.0	0.4	1.8
Bullion and coinage.....	5.0	4.1	0.9	22.0
Other.....	5.1	5.5	- 0.4	- 7.3
	424.9	458.6	-33.7	- 7.3

Return on investments

Return on investments amounted to \$170 million in 1957-58 or \$37 million less than the yield of \$207 million in 1956-57.

Payments from Crown corporations were \$114 million or \$39 million less than similar payments of \$153 million received in 1956-57. A large part of this decrease was due to receipts from the Bank of Canada and reflects an increase of \$21 million in the Bank's profits transferred to the Receiver General for 1957 over those for 1956 more than offset by the non-recurring payment of \$43 million in 1956 on 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. Most of the remainder of the decrease was due to a reduction of \$18 million in receipts from the Canadian National Railways, as there were no profits of the Company in 1957 to be transferred to the Receiver General.

Receipts from other loans and investments were \$55 million, or \$2 million more than similar receipts in 1956-57. Increases of \$6 million in exchange fund profits and \$1 million in sinking fund and other investments held for retirement of unmatured debt were nearly offset by decreases of \$3 million in the earnings of the securities investment account, \$1 million in receipts from interest-bearing balances with chartered banks and \$1 million in interest payments from other national governments.

A comparative summary of the receipts for 1957-58 and the previous year is given in the following table:

TABLE 5
(in millions of dollars)

RETURN ON INVESTMENTS	Fiscal Year Ended March 31		Increase or Decrease (—)
	1958 (Preliminary)	1957	
Loans to, and investments in, Crown corporations—			
Bank of Canada—			
Profits.....	68.7	47.3	21.4
Inner investment reserves.....		42.6	—42.6
Canadian Arsenals.....		0.9	—0.9
Canadian Farm Loan Board.....	1.6	1.6	
Canadian National Railways.....	12.5	30.8	—18.3
Central Mortgage and Housing Corporation.....	18.2	17.5	0.7
Eldorado Mining and Refining Limited.....	3.5		3.5
National Harbours Board.....	3.4	3.2	0.2
Northern Ontario Pipe Line Crown Corporation.....	0.6	0.9	—0.3
Polymer Corporation Limited.....	4.0	6.0	—2.0
Miscellaneous.....	1.6	2.4	—0.8
	114.1	153.2	—39.1
Other loans and investments—			
United Kingdom.....	0.4		0.4
Other national governments.....	9.7	10.3	—0.6
Provincial governments.....	0.9	1.0	—0.1
Soldier and general land settlement loans and Veterans Land Act advances.....	5.0	4.8	0.2
Exchange fund account.....	22.9	17.4	5.5
Securities investment account.....	1.7	5.2	—3.5
Sinking fund and other investments held for retirement of unmatured debt.....	5.8	5.0	0.8
Interest-bearing balances with chartered banks.....	5.3	6.3	—1.0
Miscellaneous.....	3.7	3.4	0.3
	55.4	53.4	2.0
	169.5	206.6	—37.1

Post Office

Net post office receipts credited to budgetary revenues in 1957-58 totalled \$153 million or \$7 million more than in 1956-57. Gross receipts were \$177 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., amounted to \$24 million. Last year, gross receipts amounted to \$168 million and authorized disbursements totalled \$22 million.

As costs of operating the post office during 1957-58 (excluding the \$24 million charged to revenues) were \$153 million, net costs and net revenue were the same for 1957-58. 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

Revenues of \$19 million were received during the fiscal year on account of privileges, licences and permits compared with \$18 million received last year. Included in the total for the current fiscal year was approximately \$8 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 were \$22 million for 1957-58 or about \$7 million less than the total received in 1956-57. This amount included \$7 million from Crown Assets Disposal Corporation representing amounts realized from the disposal of surplus Crown assets (after deducting certain agency fees and transfers), \$4 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.

Premium, discount and exchange

Premium, discount and exchange transactions in the current fiscal year resulted in a net credit of \$1 million to revenues compared with a net charge of \$1 million to expenditures in the previous fiscal year.

Refunds of previous years' expenditures

Refunds in the current fiscal year of expenditures made in prior years totalled \$27 million compared with \$28 million received last year. A large part of these refunds arose from previous years' expenditures by the Department of National Defence on contracts with the United States Government for the supply of engines, aircraft and other defence 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 esti-

mated costs are revised, or if there are reductions in the contracts, the United States Government refunds the overpayments. Refunds arising from this source totalled \$14 million in 1957-58; in 1956-57 the total was \$7 million.

Services and service fees

Sums totalling \$22 million were collected during 1957-58 by various government departments for services and service fees, about the same as the amounts collected during 1956-57. The total of \$22 million included \$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; \$7 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.

Bullion and coinage

Revenue under this heading arose out of the operations of the Royal Canadian Mint and included assaying, refining and handling charges and the net gain on coinage and refining operations. The amount credited to bullion and coinage revenue for 1957-58 was \$5 million, \$1 million more than in the previous year.

Other non-tax revenues

Other non-tax revenues amounted to \$5 million, about the same as was received in 1956-57.

(3) COMPARISON OF ACTUAL REVENUE WITH FORECAST

The forecast of revenues for 1957-58 made in the Budget Speech of March 14, 1957, was modified by tax changes announced in the Financial Statement made on December 6, 1957. In this Financial Statement the Minister of Finance stated that it was expected, on the basis of eight months collections, that revenues for the year from some sources would exceed the amount forecast in the March Budget Speech while other revenues would fall below this forecast but in total the revenue for the year would fall below the forecast in March only by the amount attributable to the tax reductions announced in the Financial Statement.

Revenue collections up to the end of the calendar year were quite close to expectations, but during the final quarter of the fiscal year they began to reflect more markedly the effects of the recession. This, together with the fact that during the final quarter refunds of previous overpayments of tax were higher than expected, resulted in total budgetary revenues being \$97 million, or about 2 per cent, less than the December forecast. Although revenues from several sources exceeded the forecast by small amounts these were more than offset by the amount by which revenues from customs duties, personal and non-resident income tax and sales tax fell below the forecast.

The following table shows the extent to which revenues for 1957-58 differ from the forecast for the year as modified by the December Financial Statement:

TABLE 6
COMPARISON OF FORECASTS WITH ACTUAL REVENUES FOR
FISCAL YEAR ENDED MARCH 31, 1958
(in millions of dollars)

SOURCE OF REVENUES	Revenue Forecasts		Actual Revenues (Preliminary)	Increase or Decrease (—) compared with Dec. 6, 1957 Forecast	
	Mar. 14, 1957 Budget	Dec. 6, 1957 Financial Statement		Amount	Per cent
Personal income tax.....	1,560.0	1,543.0	1,499.2	—43.8	— 2.8
Non-resident income tax.....	80.0	80.0	64.3	—15.7	—19.6
Corporation income tax.....	1,200.0	1,199.0	1,234.8	35.8	3.0
Succession duties.....	59.4	59.4	71.6	12.2	20.5
Customs import duties.....	590.0	590.0	498.1	—91.9	—15.6
Sales tax (net).....	751.4	751.4	703.2	—48.2	— 6.4
Excise duties and excise taxes other than sales tax.....	537.2	529.2	549.5	20.3	3.8
Miscellaneous taxes.....	2.0	2.0	1.5	— 0.5	—25.0
Total tax revenues.....	4,780.0	4,754.0	4,622.2	—131.8	— 2.8
Non-tax revenues.....	390.0	390.0	424.9	34.9	8.9
Total budgetary revenues.....	5,170.0	5,144.0	5,047.1	—96.9	— 1.9

The revenue from the personal income tax was \$44 million below forecast. This occurred because the extra collections in January based on year-end bonuses were below expectations and the level of taxable personal incomes in the final four months of the fiscal year declined more than was foreseen.

The revenue from the tax on income going to non-residents fell below the forecast because dividend payments going abroad were not as high as expected and because some large refunds had to be made toward the end of the year to adjust overpayments of tax in previous years.

The revenue from the corporation income tax exceeded the forecast despite the fact that corporation profits for the year were not as high as expected. This occurred because the payments made in the year to complete payment of taxes due on high 1956 profits were substantially in excess of what was anticipated.

The revenue from succession duties has been substantially influenced in the last three years by duties payable on two exceptionally large estates and actual revenues in each year have varied from the forecasts because of the difficulty of foreseeing exactly when the duties on these estates would be paid.

The revenue from customs duties was \$92 million less than forecast. The decline in imports appears to have been more pronounced in commodities bearing higher rates of duty than in those coming in free of duty or at the lower rates.

The extent to which the revenue from the sales tax fell below the forecast is a reflection of the extent to which commodity sales fell below expectations.

Revenues from excise duties and other excise taxes exceeded the forecast largely because sales of alcoholic beverages and tobacco products showed a greater buoyancy than expected.

Non-tax revenues were \$35 million above the forecast. A large part of this was due to larger than expected Bank of Canada profits.

B. EXPENDITURES

Budgetary expenditures for 1957-58 amounted to \$5,086 million, an increase of \$237 million over the 1956-57 total of \$4,849 million.

A comparative summary of expenditures by departments and principal purposes for the fiscal year 1957-58 and the preceding year is given in the following table:

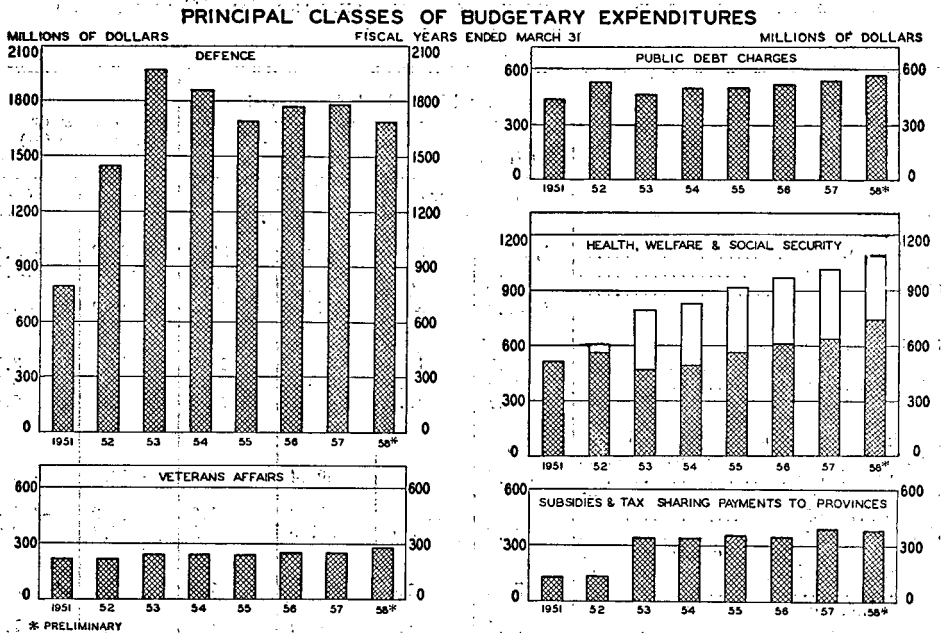
TABLE 7
STATEMENT OF BUDGETARY EXPENDITURES BY DEPARTMENTS AND MAJOR CLASSIFICATIONS
(in millions of dollars)

	Fiscal Year Ended March 31				Increase or Decrease (—)	
	1958 (Preliminary)		1957			
	Amount	Per cent	Amount	Per Cent	Amount	Per Cent
National Defence.....	1,668.5	32.8	1,759.4	36.3	-90.9	-5.2
Defence Production.....	14.9	0.3	20.5	0.4	-5.6	-27.3
Civil defence.....	4.0	0.1	3.7	0.1	0.3	8.1
	1,687.4	33.2	1,783.6	36.8	-96.2	-5.4
Public debt charges—						
Interest on public debt.....	539.3	10.6	520.2	10.7	19.1	3.7
Other debt charges.....	27.8	0.6	13.9	0.3	13.9	100.0
	567.1	11.2	534.1	11.0	33.0	6.2
Provincial subsidies and tax-sharing payments (including transitional grant to Newfoundland).....	382.7	7.5	395.4	8.2	-12.7	-3.2
Provision for reserve for losses on realization of assets.....			50.0	1.0	-50.0	-100.0
Family allowances.....	437.9	8.6	397.5	8.2	40.4	10.2
Unemployment Insurance Act—admin- istration and government's contri- bution.....	70.3	1.4	66.4	1.4	3.9	5.9
Government contributions with respect to the superannuation account.....	78.1	1.5	72.4	1.5	5.7	7.9
Provision for actuarial deficiency in the superannuation account.....			50.0	1.0	-50.0	-100.0
Agriculture.....	94.7	1.9	84.6	1.7	10.1	11.9
Atomic Energy.....	21.6	0.4	21.9	0.5	-0.3	-0.1
Canadian Broadcasting Corporation.....	43.0	0.9	39.3	0.8	3.7	9.4
Citizenship and Immigration.....	52.4	1.0	44.5	0.9	7.9	17.8
External Affairs.....	60.2	1.2	60.2	1.2		
Finance.....	158.9	3.1	50.9	1.0	108.0	212.2
Mines and Technical Surveys.....	36.1	0.7	35.9	0.7	0.2	0.6
National Health and Welfare.....	221.1	4.3	160.5	3.3	60.6	37.8
National Research Council.....	21.6	0.4	19.0	0.4	2.6	13.7
National Revenue.....	67.7	1.3	61.8	1.3	5.9	9.5
Northern Affairs and National Resources.....	48.6	1.0	37.0	0.8	11.6	31.4
Post Office.....	153.3	3.0	140.0	2.9	13.3	9.5
Public Works.....	206.0	4.1	165.3	3.4	40.7	24.6
Royal Canadian Mounted Police.....	47.4	0.9	43.4	0.9	4.0	9.2
Trade and Commerce.....	57.0	1.1	55.4	1.1	1.6	2.9
Transport.....	206.8	4.1	158.2	3.3	48.6	30.7
Veterans Affairs.....	276.7	5.4	251.5	5.2	25.2	10.0
Other departments.....	89.9	1.8	70.2	1.5	19.7	28.0
Grand total.....	5,086.5	100.0	4,849.0	100.0	237.5	4.9

Defence expenditures

Defence expenditures consisting of expenditures of the Departments of National Defence and Defence Production and outlay for the civil defence programme were again the largest category of government expenditure. The total of \$1,687 million for the fiscal year was approximately 33 per cent of the aggregate budgetary expenditures of the government. This is a decrease of \$96 million or about 5 per cent less than the 1956-57 total of \$1,784 million when defence expenditures were 37 per cent of aggregate budgetary expenditures.

Expenditures of the Department of National Defence amounted to \$1,668 million and those of the Department of Defence Production to \$15 million, while outlays in connection with the civil defence programme were \$4 million. In 1956-57 expenditures were \$1,759 million, \$21 million and \$4 million, respectively.



NOTE: The unshaded areas of the columns in the chart for health, welfare and social security, represent pension payments out of the old age security fund not charged to budgetary expenditure in the year in which they were paid.

A comparative summary of defence expenditures for 1957-58 and 1956-57 is shown in the following table:

TABLE 8
(in millions of dollars)

DEFENCE EXPENDITURE	Fiscal Year Ended March 31		Increase or Decrease (—)
	1958* (Preliminary)	1957	
Department of National Defence—			
Army services.....	378.6	388.7	—10.1
Naval services.....	262.7	326.7	—64.0
Air services.....	760.0	775.0	—15.0
	1,401.3	1,490.4	—89.1
Defence research and development.....	78.7	69.3	9.4
Mutual aid to NATO countries including contributions towards military costs of NATO.....	118.4	133.6	—15.2
Government contribution to the permanent services pension account.....	49.7	46.3	3.4
Administration and general.....	20.4	19.8	0.6
	1,668.5	1,759.4	—90.9
Department of Defence Production—			
Capital assistance.....	4.7	10.0	—5.3
Administration and general.....	10.2	10.5	—0.3
	14.9	20.5	—5.6
Civil defence programme.....	4.0	3.7	0.3
	1,687.4	1,783.6	—96.2

Expenditures for army, naval and air services amounted in the aggregate to \$1,401 million, \$89 million less than the total for 1956-57. Outlay in 1957-58 was less than in the previous year by \$10 million for army services, \$64 million for naval services and \$15 million for air services.

Expenditures for defence research and development were \$79 million, an increase of \$9 million over the 1956-57 programme.

Expenditures of \$118 million under the mutual aid programme and contributions to the military costs of NATO were \$15 million less than 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 expenditures of \$118 million for 1957-58 included \$78 million for the transfer of equipment and supplies, and \$30 million 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 \$10 million on account of Canada's share of the NATO military budgets and infrastructure costs which was also included in this total was \$4 million less than in 1956-57. The percentage share of these costs to be 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 1957-58 of an amount equal to 1-2/3 times the contributions by permanent services personnel was \$50 million consisting of \$46 million relating to current contributions and \$4 million to contributions for arrears. This was \$3 million more than the 1956-57 contribution of \$46 million of which \$41 million related to current contributions and \$5 million to contributions for arrears.

The expenditures of \$15 million for 1957-58 for the Department of Defence Production reflect a decrease of \$6 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 1957-58 this capital assistance was \$5 million compared with \$10 million in 1956-57.

Civil defence expenditures at \$4 million, reflected a slight increase over the 1956-57 expenditures.

In addition to these budgetary expenditures for defence, there were 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. As a result of the transactions during 1957-58, the assets of the revolving fund were reduced by \$2 million leaving a balance in the account of \$54 million at March 31, 1958.

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. Since 1956 no further credits have been made to this equipment account. The Defence Services Vote provides that where any equipment or supplies are transferred as mutual aid, the estimated present value thereof shall be credited to that 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 were \$24 million. The balance available at March 31, 1958 for disbursements in subsequent years was \$212 million compared with \$236 million at March 31, 1957.

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 1957-58 were \$17 million leaving a balance of \$18 million at March 31, 1958.

The following table summarizes the cash outlays for defence for the past two fiscal years:

TABLE 9
(in millions of dollars)

CASH OUTLAYS FOR DEFENCE	Fiscal Year Ended March 31		Increase or Decrease (-)
	1958 (Preliminary)	1957	
Budgetary expenditures—			
Department of National Defence.....	1,668.5	1,759.4	-90.9
Department of Defence Production.....	14.9	20.5	- 5.6
Civil defence programme.....	4.0	3.7	0.3
	1,687.4	1,783.6	-96.2
Disbursements from—			
National defence equipment account (1).....	24.3	45.9	-21.6
Replacement of materiel account—sec. 11, National Defence Act (net).....	-16.6	-1.5	-15.1
Defence production revolving fund (net).....	- 1.9	-2.1	0.2
	5.8	42.3	-36.5
Net cash outlay for defence.....	1,693.2	1,825.9	-132.7

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

Public debt charges

Public debt charges 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 amounted to \$567 million for 1957-58 or 11 per cent of all budgetary expenditure, compared with a total of \$534 million or 11 per cent for 1956-57. They were again the second largest item of budgetary expenditure.

Interest on public debt amounted to \$539 million or \$19 million more than the corresponding expenditure of \$520 million in 1956-57. Interest on unmatured debt totalled \$438 million compared with \$430 million in the previous year. This increase was due to the rise in interest rates during the year and occurred despite the fact that unmatured debt had been reduced by \$123 million during 1957-58. Increases of \$5 million in respect of the superannuation account, \$3 million in respect of the permanent services pension account and \$2 million

in respect of the government annuities account brought interest on annuity, insurance and pension accounts to \$98 million for 1957-58 compared with \$87 million for 1956-57. Interest of \$3 million on deposit and trust accounts was unchanged from the total for 1956-57.

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 interest on the public debt, and other costs of servicing the public debt totalled \$28 million compared with \$14 million in 1956-57. The increase of \$14 million was due to an increase in the annual amortization of bond discounts and commissions of \$9 million and to the fact that the 1956-57 charges had been reduced by a premium of \$5 million on the partial conversion of the fifth victory loan.

The table which follows presents a comparative summary of public debt charges for 1957-58 and 1956-57:

TABLE 10
(in millions of dollars)

INTEREST AND OTHER PUBLIC DEBT CHARGES	Fiscal Year Ended March 31		Increase or Decrease (—)
	1958 (Preliminary)	1957	
Interest on public debt—			
Unmatured debt and treasury bills—			
Payable in Canada.....	428.3	419.6	8.7
Payable in London.....	1.5	1.5	.....
Payable in New York.....	8.6	8.6	.....
	438.4	429.7	8.7
Deposit and trust accounts.....	3.2	3.3	—0.1
Annuity, insurance and pension accounts.....	97.7	87.2	10.5
	100.9	90.5	10.4
Total interest on public debt.....	539.3	520.2	19.1
Annual amortization of bond discounts and commissions..	26.0	12.3	13.7
Servicing of public debt.....	0.6	0.5	0.1
Cost of issuing new loans.....	1.2	1.1	0.1
	567.1	534.1	33.0

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 1957-58 this income amounted to \$170 million as shown in the preceding section on non-tax revenue. This amount deducted from the gross total of \$539 million for interest shown in the previous table leaves a net annual interest charge of \$369 million compared with a net of \$314 million in 1956-57.

Subsidies and tax-sharing payments to provinces

Payments to the provinces during 1957-58 for statutory subsidies, rentals under the tax-sharing arrangements act, the transitional grant to Newfoundland and the transfer of a portion of income tax receipts from certain public utility companies amounted to \$383 million compared with \$395 million in 1956-57.

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

TABLE 11
(in millions of dollars)

SUBSIDIES, TAX-SHARING AND TAX-RENTAL PAYMENTS TO PROVINCES	Fiscal Year Ended March 31		Increase or Decrease (—)
	1958 (Preliminary)	1957	
Payments under Tax-Rental Agreements Act, c. 49, Statutes of 1952.....		365.9	—365.9
Payments under Federal-Provincial Tax-Sharing Arrangements Act, c. 29, Statutes of 1956.....	353.3		353.3
Statutory subsidies.....	20.6	20.6	
Transitional grant to Newfoundland.....	1.4	2.3	—0.9
Transfer of certain public utility tax receipts, Sec. 6, c. 49, Statutes of 1952.....	7.4	6.6	0.8
	382.7	395.4	—12.7

Payments under the Federal-Provincial tax-sharing arrangements in 1957-58 were \$13 million less than the payments under the tax-rental agreements in 1956-57. The decrease was due to the decision of the province of Ontario not to rent the corporation income tax field under the new tax-sharing agreement. If Ontario had rented the corporation income tax field, the 1957-58 payments would have been \$105 million in excess of the 1956-57 payments.

Payments to the provinces under the Federal-Provincial tax-sharing arrangements in 1957-58 as shown in the next table were adjusted by deducting \$1 million from the tax-sharing entitlement of the provinces of Newfoundland, Prince Edward Island, New Brunswick, Manitoba and Saskatchewan. This deduction represented recovery of one-fifth of the overpayment made to those provinces under the 1952 tax-rental agreements on account of an over-estimation of their population as revealed by the 1956 census.

By memoranda of agreement with the provinces concerned, the 1952 tax agreements were amended to authorize the recovery of the overpayment in equal monthly deductions from the tax-sharing payments of those provinces over the five-year life of the new agreements.

Statutory subsidies at \$21 million in 1957-58 were unchanged from the previous year.

A summary of payments, by provinces, during 1957-58 is given in the following table:

TABLE 12
(in millions of dollars)

SUBSIDIES AND TAX-SHARING PAYMENTS TO PROVINCES	Fiscal Year Ended March 31, 1958 (Preliminary)				
	Statutory subsidies	Payments under tax-sharing arrangements	Transitional grant	Transfer of certain public utility tax receipts	Total
Newfoundland.....	1.6	16.0	1.4	0.2	19.2
Nova Scotia.....	2.0	26.4		0.4	28.8
Prince Edward Island.....	0.7	4.1		0.1	4.9
New Brunswick.....	1.7	21.3		0.2	23.2
Quebec.....	3.3	43.1		1.7	48.1
Ontario.....	3.6	74.4		1.3	79.3
Manitoba.....	2.0	32.3		0.1	34.4
Saskatchewan.....	2.1	33.1		0.1	35.3
Alberta.....	2.3	43.6		2.0	47.9
British Columbia.....	1.3	59.0		1.3	61.6
	20.6	353.3	1.4	7.4	382.7

The amount of public utility tax receipts transferred to the provinces in 1957-58 amounted to \$7 million or \$1 million more than in 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 such as in the case of children of immigrants who must reside in Canada a year before an allowance is payable. The monthly allowance prior to September 1, 1957 was \$5 if the child was under 6 years; \$6 in the age group 6 to 9; \$7 in the age group 10 to 12; and \$8 in the age group 13 to 15. Effective September 1, 1957 the monthly allowance was changed to \$6 if the child is under 10 years and \$8 in the age group 10-15. Children of immigrants receive family assistance of \$5 per month during their first year of residence in Canada from the Department of Citizenship and Immigration if during that period they are under sixteen years of age.

Family allowance payments amounted to \$438 million in 1957-58 representing 9 per cent of total expenditures for the fiscal year. The increase of \$40 million over the corresponding 1956-57 outlay reflects the increase in the monthly allowances and the increase in the number of children in the eligible age groups.

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

TABLE 13
(in millions of dollars)

FAMILY ALLOWANCE PAYMENTS BY PROVINCES	Fiscal Year Ended March 31		Increase
	1958 (Preliminary)	1957	
Newfoundland.....	14.1	12.9	1.2
Nova Scotia.....	19.4	18.0	1.4
Prince Edward Island.....	2.8	2.6	0.2
New Brunswick.....	17.1	15.8	1.3
Quebec.....	136.1	124.4	11.7
Ontario.....	136.8	122.5	14.3
Manitoba.....	21.5	19.9	1.6
Saskatchewan.....	23.2	21.6	1.6
Alberta.....	31.0	28.0	3.0
British Columbia.....	35.0	31.0	4.0
Northwest and Yukon Territories.....	0.9	0.8	0.1
	437.9	397.5	40.4

Unemployment Insurance Act administration and government's contribution

Expenditures in 1957-58 relating to the Unemployment Insurance Act (excluding the government's payment as an employer) amounted to \$70 million compared with \$66 million spent in 1956-57.

Unemployment insurance benefit payments are not charged directly to budgetary expenditures but are paid from the unemployment insurance fund which 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 1957-58 was \$38 million and administration costs were \$32 million; the corresponding figures for 1956-57 were \$37 million and \$29 million.

Government contributions with respect to the superannuation account

The government's contribution to the superannuation account was \$78 million in 1957-58 compared with \$72 million in 1956-57. Of this total \$44 million was due to the additional liability created by the general salary increases to civil servants effective May 1, 1957 and \$34 million to the government's regular contribution of an amount equal to the current and prior service payments of individuals. The corresponding figures for 1956-57 were \$41 million and \$31 million.

Provision for reserve for losses on realization of assets

No charge to expenditures for an addition to the general reserve for losses on realization of assets has been included in the government's accounts for 1957-58. In 1956-57, \$50 million was added to the reserve and charged to expenditure. The balance in the reserve which was \$546 million at March 31, 1957 remains unchanged, and is equivalent to 7 per cent of the aggregate active assets.

Agriculture

Expenditures of the Department of Agriculture totalled \$95 million for 1957-58 compared with \$85 million in 1956-57.

The net increase of \$10 million was due to the deficit of \$6 million in the prairie farm emergency fund (for which there was no corresponding charge in 1956-57) and increases of \$2 million in the costs of experimental farms service, \$1 million each in costs of marketing service, science service, and operating losses of the agricultural stabilization board offset in part by a decrease of \$1 million in rehabilitation and reclamation projects. Authority of parliament will be sought to charge to 1957-58 expenditure the operating losses of the agricultural stabilization board.

A comparative summary of expenditures for 1957-58 and 1956-57 is presented in the following table:

TABLE 14
(in millions of dollars)

AGRICULTURE	Fiscal Year Ended March 31		Increase or Decrease (—)
	1958 (Preliminary)	1957	
Experimental farms service.....	13.8	11.9	1.9
Freight assistance on western feed grains.....	17.5	17.5	.....
Marketing service.....	7.4	6.6	0.8
Operating losses of the agricultural stabilization board.....	6.0	5.0	1.0
Prairie farm emergency fund—deficit.....	5.9	.....	5.9
Premium on hog carcasses including administrative costs.....	5.5	5.7	—0.2
Production service.....	12.9	12.3	0.6
Rehabilitation and reclamation projects.....	12.4	13.6	—1.2
Science service.....	10.6	9.8	0.8
Administration and general.....	2.7	2.2	0.5
	94.7	84.6	10.1

Atomic energy

Expenditures of the Atomic Energy Control Board and payments to Atomic Energy of Canada Limited totalled \$22 million for 1957-58 the same as for 1956-57.

Administration expenses of the Atomic Energy Control Board and grants for research and investigations with respect to atomic energy were \$0.5 million, compared with \$0.3 million for the previous year.

Payments to Atomic Energy of Canada Limited for its research programme amounted to \$21 million compared with \$22 million in 1956-57. Of the total, \$14 million was for current operations and maintenance and \$7 million for the construction and acquisition of buildings, land, works and equipment.

In addition, advances to Atomic Energy of Canada Limited for the construction or acquisition of buildings and equipment at Chalk River and Deep River and for the commercial products division at Ottawa amounted to \$3 million. This brought the total of advances covered, or to be covered, by obligations or shares of the company to \$56 million at March 31, 1958.

Canadian Broadcasting Corporation

Payments by the Government of Canada to the Canadian Broadcasting Corporation totalled \$43 million for 1957-58 compared with \$39 million in 1956-57. This increase of \$4 million was due to an increase of \$6 million in the grant toward the deficit in radio broadcasting and television service offset in part by a decrease of \$2 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 and advances for the past five years:

TABLE 15
(in millions of dollars)

CANADIAN BROADCASTING CORPORATION	Fiscal Year Ended March 31				
	1954	1955	1956	1957	1958 (Preliminary)
Grants to the Canadian Broadcasting Corporation by the Government of Canada—					
International shortwave broadcasting service.....	2.0	2.1	1.8	1.7	1.8
Amounts equal to tax collected under the Excise Tax Act in respect of radio and television sets and tubes.....	16.7	20.8	23.1	19.3	16.8
Radio broadcasting and television service.....	6.3	6.3	6.3	18.3	24.4
	25.0	29.2	31.2	39.3	43.0
Loans to the Canadian Broadcasting Corporation by the Government of Canada.....	4.8	3.0	8.5	.....	.....
Less repayments.....	4.8	3.0	-0.1	-0.1	-0.3
	.....	.....	8.4	-0.1	-0.3
	29.8	32.2	39.6	39.2	42.7

No additional loans were made to the corporation in 1957-58, total loans remaining at \$27 million at March 31, 1958. 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 were \$52 million for 1957-58 compared with \$44 million in 1956-57. The principal items causing this increase were a \$4 million increase in Indian affairs, mainly for larger outlays for Indian education, and a \$3 million increase in immigration

expenditures which included family assistance under which children of immigrants under the age of sixteen in their first year in Canada are eligible for a monthly allowance of \$5.

The following table presents a comparative summary of expenditures for 1957-58 and 1956-57:

TABLE 16
(in millions of dollars)

CITIZENSHIP AND IMMIGRATION	Fiscal Year Ended March 31		Increase or Decrease (—)
	1958 (Preliminary)	1957	
Citizenship and citizenship registration.....	1.3	1.1	0.2
Immigration.....	22.0	18.6	3.4
Indian affairs.....	27.9	23.7	4.2
Administration and general.....	0.6	0.7	-0.1
	51.8	44.1	7.7
National Gallery of Canada—			
Payment to the purchase account.....	0.1	0.1	
Administration and general.....	0.5	0.3	0.2
	0.6	0.4	0.2
	52.4	44.5	7.9

External Affairs

Expenditures of the Department of External Affairs amounted to \$60 million the same as for 1956-57. A decrease of \$2 million in Canada's assessment for membership in international or commonwealth organizations was more than offset by increases in other categories.

The decrease of \$2 million in Canada's assessment for membership in international or commonwealth organizations was due mainly to a change in the effective date of payments in 1956-57 which increased the payments for that year.

The following table presents a comparative summary of expenditures for 1957-58 and 1956-57:

TABLE 17
(in millions of dollars)

EXTERNAL AFFAIRS	Fiscal Year Ended March 31		Increase or Decrease (—)
	1958 (Preliminary)	1957	
Assistance to other countries.....	2.0	1.5	0.5
Canada's assessment for membership in international or commonwealth organizations.....	3.4	5.7	-2.3
Contributions to international organizations.....	4.6	4.1	0.5
Grant to Colombo plan fund.....	34.4	34.4	
Representation abroad.....	9.3	8.5	0.8
Administration and general.....	6.5	6.0	0.5
	60.2	60.2	

Finance

The major items of expenditure for the Department of Finance have been dealt with in previous paragraphs under the headings "Public debt charges", "Subsidies and tax-sharing payments to provinces" and "Government contribution with respect to the superannuation account".

Other expenditures totalled \$159 million for 1957-58, an increase of \$108 million over the expenditures for 1956-57. This increase of \$108 million was due to a grant of \$100 million to the Canada Council, for which there was no corresponding charge in 1956-57, and increases of \$8 million in grants to municipalities in lieu of taxes on federal property and \$2 million in administration expenses of the office of the Comptroller of the Treasury offset in part by decreases of \$1 million in premium, discount and exchange and \$1 million in administration and general costs.

The following table presents a comparison of 1957-58 expenditures with those for 1956-57:

TABLE 18
(in millions of dollars)

FINANCE	Fiscal Year Ended March 31		Increase or Decrease (—)
	1958 (Preliminary)	1957	
Grant to Canada Council.....	100.0		100.0
Office of the Comptroller of the Treasury—administration expenses.....	17.5	16.0	1.5
Grants to universities.....	16.6	16.0	0.6
Grants to municipalities in lieu of taxes on federal property.....	17.5	9.5	8.0
Government contribution as an employer to the unemployment insurance fund.....	0.8	0.8	
Premium, discount and exchange.....		1.4	-1.4
Administration and general.....	6.5	7.2	-0.7
	158.9	50.9	108.0

Mines and Technical Surveys

Expenditures of the Department of Mines and Technical Surveys totalled \$36 million for 1957-58, the same as for 1956-57. A decrease of \$1 million in connection with the movement of coal under the Dominion Coal Board was offset by smaller increases in other expenditure categories.

The following table presents a comparative summary of expenditures for 1957-58 and 1956-57:

TABLE 19
(in millions of dollars)

MINES AND TECHNICAL SURVEYS	Fiscal Year Ended March 31		Increase or Decrease (—)
	1958 (Preliminary)	1957	
Emergency gold mining assistance.....	8.6	8.7	-0.1
Dominion Coal Board.....	8.8	9.7	-0.9
Surveys and mapping including aerial photography.....	10.5	10.2	0.3
Mines branch.....	3.3	3.2	0.1
Geological Survey of Canada.....	2.7	2.4	0.3
Administration and general.....	2.2	1.7	0.5
	36.1	35.9	0.2

National Health and Welfare

Family allowance payments, amounting to \$438 million for 1957-58, 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, amounting to \$4 million, are dealt with under the heading "Defence expenditures".

Other expenditures of the Department in 1957-58 totalled \$221 million, an increase of \$61 million compared with expenditures of \$160 million in 1956-57.

The following table presents a comparative summary of expenditures for 1957-58 and 1956-57:

TABLE 20
(in millions of dollars)

NATIONAL HEALTH AND WELFARE	Fiscal Year Ended March 31		Increase or Decrease (—)
	1958 (Preliminary)	1957	
Blind persons allowances.....	3.6	3.0	0.6
Disabled persons allowances.....	11.1	7.2	3.9
General health grants.....	34.6	36.3	—1.7
Indian and Eskimo health services.....	19.8	18.2	1.6
Old age assistance.....	25.1	20.3	4.8
Other health services.....	10.3	7.3	3.0
Reduction in the amount owing by the old age security fund.....	103.9	56.0	47.9
Unemployment Assistance Act.....	8.2	7.9	0.3
Administration and general.....	4.5	4.3	0.2
	221.1	160.5	60.6

Outstanding temporary loans by the Minister of Finance to the old age security fund amounted to \$104 million at March 31, 1958. Parliament will be asked to authorize writing off these temporary loans as a charge to expenditure in the 1957-58 accounts.

Expenditures for Indian and Eskimo health services were \$20 million for 1957-58 compared with \$18 million for 1956-57. Expenditures for other health services were \$10 million in 1957-58 compared with \$7 million in 1956-57.

General health grants to the provinces for assistance in hospital construction, general health services and the control of diseases amounted to \$35 million for 1957-58 compared with expenditures of \$36 million in 1956-57.

Under the Old Age Assistance Act, the federal government reimburses the provinces by paying 50 per cent of the lesser of \$55 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 \$55 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 of not more than \$55 per month 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 \$55 per month for allowances to disabled persons in need over the age of 18 years. Two sets of amendments to the Old Age Assistance Act, the Blind Persons Act, and the Disabled Persons Act, raised the maximum pension towards which the Federal Government would contribute from \$40 to \$46 effective July 1, 1957 and from \$46 to \$55 effective November 1, 1957. Similar increases were made in old age security pensions at the same times, through amendments to the Old Age Security Act. In 1957-58 payments for old age assistance were \$25 million compared with \$20 million in 1956-57, for blind persons allowances \$4 million compared with \$3 million and for disabled persons allowances \$11 million compared with \$7 million.

Under the Unemployment Assistance 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 eight provinces have signed agreements with the federal government. Expenditures under this Act amounted to \$8 million for 1957-58 the same as for 1956-57 which covered a twenty-one month period from July 1, 1955 (the effective date stipulated in the Act) to March 31, 1957.

The following table presents a distribution of these payments to provinces for health grants, old age assistance, disabled persons and blind persons allowances and for unemployment assistance for 1957-58:

TABLE 21
(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 Ended March 31, 1958 (Preliminary)				
	General health grants	Old age assistance	Disabled persons allowances	Blind persons allowances	Unemployment assistance
Newfoundland.....	1.1	1.3	0.2	0.1	1.8
Nova Scotia.....	1.9	1.3	0.5	0.3	(¹)
Prince Edward Island.....	0.3	0.1	0.2	0.1	0.1
New Brunswick.....	1.8	1.6	0.4	0.3	(¹)
Quebec.....	8.3	8.8	6.0	1.3	.....
Ontario.....	9.9	5.7	2.5	0.7	2.1
Manitoba.....	2.2	1.3	0.3	0.2	0.8
Saskatchewan.....	2.3	1.4	0.3	0.2	0.6
Alberta.....	2.9	1.5	0.4	0.2	.....
British Columbia.....	3.8	2.0	0.3	0.2	2.8
Northwest and Yukon Territories.....	0.1	0.1	(¹)	(¹)	.....
	34.6	25.1	11.1	3.6	8.2

(¹) Less than \$50,000.

National Research Council

Expenditures of the National Research Council amounted to \$22 million for 1957-58, \$3 million higher than for 1956-57. Salaries and other expenses amounting to \$19 million were \$3 million more than the corresponding amount in 1956-57; the costs of construction or acquisition of buildings, works, land and new equipment totalling \$3 million were approximately the same as the corresponding outlay in 1956-57.

National Revenue

Expenditures of the Department of National Revenue were \$68 million for 1957-58 compared with \$62 million in 1956-57. The following table presents a comparative summary of expenditures for the two years:

TABLE 22
(in millions of dollars)

NATIONAL REVENUE	Fiscal Year Ended March 31		Increase or Decrease (—)
	1958 (Preliminary)	1957	
Customs and excise division.....	36.5	33.4	3.1
Taxation division.....	31.0	28.3	2.7
Income tax appeal board.....	0.2	0.1	0.1
	67.7	61.8	5.9

Northern Affairs and National Resources

Expenditures of the Department of Northern Affairs and National Resources in 1957-58 were \$49 million, compared with \$37 million in 1956-57.

Of this increase of \$12 million, \$7 million was attributable to expenditures by the northern administration and lands branch (of which \$5 million was for the construction or acquisition of buildings, works, land and new equipment and \$2 million for operation and maintenance); \$2 million to expenditures by the national parks branch (of which \$1 million was for construction or acquisition of buildings, works, land and new equipment); and \$3 million to the expenditures of the forestry branch.

The following table presents a comparative summary of expenditures for 1957-58 with those for 1956-57:

TABLE 23
(in millions of dollars)

NORTHERN AFFAIRS AND NATIONAL RESOURCES	Fiscal Year Ended March 31		Increase or Decrease (—)
	1958 (Preliminary)	1957	
National parks branch.....	18.2	16.4	1.8
Engineering and water resources branch.....	1.8	1.8	.....
Northern administration and lands branch.....	18.6	12.1	6.5
Forestry branch.....	7.2	4.5	2.7
Canadian government travel bureau.....	1.9	1.5	0.4
Administration and general.....	0.9	0.7	0.2
	48.6	37.0	11.6

Post Office

Gross expenditures of the Post Office Department for 1957-58 were \$177 million, an increase of \$15 million over the 1956-57 outlay of \$162 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 \$177 million, amounted to \$24 million for 1957-58, compared with \$22 million in 1956-57.

Disbursements charged to budgetary expenditures were \$153 million, an increase of \$13 million over expenditures in 1956-57, due mainly to the increase of \$6 million on account of the general salary increase effective May 1, 1957, and \$5 million in costs of movement of mail.

The following table presents a comparative summary of expenditures for 1957-58 and 1956-57:

TABLE 24
(in millions of dollars)

POST OFFICE	Fiscal Year Ended March 31		Increase or Decrease (-)
	1958 (Preliminary)	1957	
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.....	94.7	86.6	8.1
Transportation—movement of mail by land, air and water.....	54.1	49.4	4.7
Financial services.....	2.6	2.4	0.2
Administration and general.....	1.9	1.6	0.3
	153.3	140.0	13.3
Charged to revenue—			
Operations—salaries of postmasters and staffs at revenue and semi-staff offices, commissions paid at sub-offices and other disbursements.....	24.2	22.1	2.1
	177.5	162.1	15.4

Public Works

Expenditures of the Department of Public Works for 1957-58 amounted to \$206 million, compared with \$165 million for 1956-57, an increase of \$41 million. Costs of the development engineering branch increased by \$26 million of which \$25 million was attributable to the trans-Canada highway; costs of the public buildings construction and services branch increased by \$11 million, of which \$9 million was for the acquisition, construction and improvements of public buildings in Ottawa; and costs of the harbours and rivers engineering branch increased by \$3 million due mainly to the acquisition, construction and improvements of harbour and river works.

The following table presents a comparative summary of expenditures for 1957-58 with those for 1956-57:

TABLE 25

(in millions of dollars)

PUBLIC WORKS	Fiscal Year Ended March 31		Increase or Decrease (—)
	1958 (Preliminary)	1957	
Public buildings—construction and services—			
Acquisition, construction and improvements of public buildings—			
Ottawa.....	16.9	8.1	8.8
Other centres in Canada.....	36.3	36.7	—0.4
Outside Canada.....	0.1		0.1
Maintenance and operation.....	41.4	38.9	2.5
Furniture and furnishings.....	2.3	2.4	—0.1
General.....	3.4	3.6	—0.2
	100.4	89.7	10.7
Harbours and rivers engineering services—			
Acquisition, construction and improvements of harbour and river works.....	24.3	21.8	2.5
Harbours and rivers—generally.....	3.0	3.4	—0.4
Dredging.....	3.8	3.5	0.3
General.....	1.1	0.9	0.2
	32.2	29.6	2.6
Development engineering services—			
Trans-Canada highway division—			
Contributions to the provinces under the terms of the Trans-Canada Highway Act.....	49.4	24.8	24.6
Trans-Canada highway through national parks.....	12.6	11.3	1.3
General.....	1.4	1.6	—0.2
	63.4	37.7	25.7
Housing.....	2.7	1.8	0.9
Administration and general.....	7.3	6.5	0.8
	206.0	165.3	40.7

Royal Canadian Mounted Police

Expenditures for the Royal Canadian Mounted Police amounted to \$47 million for 1957-58, \$4 million more than the total spent in 1956-57. Larger outlays of \$2 million in land and air services, and \$1 million each in marine services and headquarters administration and general (due mainly to the salary increase effective May 1, 1957) accounted for the increase. These payments represented gross expenditures; payments received from the provinces and municipalities for police services totalling \$7 million were credited to revenue.

The following table presents a comparative summary of expenditures for 1957-58 and 1956-57:

TABLE 26

(in millions of dollars)

ROYAL CANADIAN MOUNTED POLICE	Fiscal Year Ended March 31		Increase or Decrease (—)
	1958 (Preliminary)	1957	
Land and air services.....	31.4	29.3	2.1
Marine services.....	3.2	2.3	0.9
Government contribution to the Royal Canadian Mounted Police pension account.....	1.5	1.6	—0.1
Pensions and other benefits.....	2.5	2.3	0.2
Headquarters administration and general.....	8.8	7.9	0.9
	47.4	43.4	4.0

Trade and Commerce

Expenditures for the Department of Trade and Commerce totalled \$57 million for 1957-58 compared with \$55 million for 1956-57. The net increase of \$2 million was due to increases of \$2 million in assistance re storage costs of grain and \$2 million in administration and general expenditures, offset in part by a decrease of \$3 million in the outlay of the Dominion Bureau of Statistics. The 1957-58 expenditures of the Dominion Bureau of Statistics did not include an item comparable to the \$4 million spent in 1956-57 for the 1956 census.

The following table presents a comparative summary of expenditures for 1957-58 and 1956-57:

TABLE 27
(in millions of dollars)

TRADE AND COMMERCE	Fiscal Year Ended March 31		Increase or Decrease (—)
	1958 (Preliminary)	1957	
Assistance re storage costs of grain.....	33.3	31.8	1.5
Canada Grain Act.....	6.3	5.9	0.4
Dominion Bureau of Statistics.....	7.5	10.0	—2.5
Standards branch.....	2.2	1.9	0.3
Trade commissioners service.....	3.3	2.9	0.4
Administration and general.....	4.4	2.9	1.5
	57.0	55.4	1.6

Transport

Expenditures of the Department of Transport for 1957-58 amounted to \$207 million, an increase of \$49 million over the total of \$158 million in 1956-57.

Expenditures for air services at \$91 million were \$20 million higher than those for the previous year. This was due to an increase in the outlays of the civil aviation division of \$12 million, of which \$9 million was for the construction and acquisition of buildings, works, lands and new equipment including construction work on municipal airports and \$3 million for the operation and maintenance of airways and airports; an increase in the outlays of the telecommunications division of \$6 million, of which \$4 million was for the construction and acquisition of new lines; and an increase of \$2 million in the costs of the meteorological division.

Expenditures for marine services amounted to \$33 million in 1957-58, an increase of \$6 million over the outlay of \$27 million in 1956-57. This increase was due mainly to higher expenditures for the construction and acquisition of steamers.

Expenditures for railway and steamship services amounted to \$18 million, a decrease of \$3 million from the previous year. Decreases of \$2 million in costs of construction and acquisition of auto ferries and \$1 million in expenditures in connection with the Straits of Canso causeway accounted for this decrease.

Expenditures for the Board of Transport Commissioners at \$13 million were the same as in the previous year.

Payments to cover the net operating deficits of certain Crown corporations totalled \$31 million in 1957-58, an increase of \$23 million over expenditures of \$8 million in 1956-57. The increase was due almost entirely to the reimbursement of \$22 million to the Canadian National Railways on account of its 1957 deficit

for which there was no corresponding charge in the previous year. "Non-active" advances to the National Harbours Board totalled \$5 million in 1957-58 compared with \$4 million for 1956-57.

The following table presents a comparative summary of expenditures for 1957-58 and 1956-57:

TABLE 28
(in millions of dollars)

TRANSPORT	Fiscal Year Ended March 31		Increase or Decrease (—)
	1958 (Preliminary)	1957	
Air services—			
Civil aviation division.....	53.3	41.5	11.8
Meteorological division.....	10.8	9.2	1.6
Telecommunications division.....	24.0	17.9	6.1
Administration.....	2.4	1.9	0.5
	90.5	70.5	20.0
Canal services.....	8.6	8.2	0.4
Marine services.....	32.7	26.9	5.8
Railway and steamship services—			
Maritime Freight Rates Act—			
Difference between tariff and normal tolls.....	12.6	12.5	0.1
Strait of Canso causeway.....	0.1	1.1	—1.0
Construction and acquisition of auto ferries.....	1.5	3.1	—1.6
Other.....	4.0	4.0	.....
	18.2	20.7	—2.5
Board of Transport Commissioners—			
Maintenance of trackage.....	7.0	7.0	.....
Railway grade crossing fund.....	5.0	5.0	.....
Administration and general.....	1.1	0.9	0.2
	13.1	12.9	0.2
Canadian Maritime Commission.....	5.3	5.0	0.3
Crown Corporations—			
Net income deficits.....	30.9	7.5	23.4
Non-active advances—National Harbours Board.....	4.8	4.1	0.7
	35.7	11.6	24.1
Administration and general.....	2.7	2.4	0.3
	206.8	158.2	48.6

Veterans Affairs

Expenditures of the Department of Veterans Affairs were \$277 million in 1957-58 compared with expenditures of \$252 million in 1956-57. The net increase of \$25 million was due mainly to increases of \$15 million in pensions for disability or death and \$7 million in war veterans allowances as a result of legislation increasing on July 1 and November 1, 1957 monthly payments of pensions and allowances, and \$4 million in the costs of treatment services. Partly offsetting these increases was a decrease of \$2 million in the provision for reserve for conditional benefits under the Veterans Land Act.

Expenditures relating to the administration of the Soldier Settlement and Veterans Land Acts were \$5 million, unchanged from the previous year, while the provision for the reserve for conditional benefits under the Veterans Land Act was \$5 million. These conditional benefits are granted 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 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 1957-58 and 1956-57:

TABLE 29
(in millions of dollars)

VETERANS AFFAIRS	Fiscal Year Ended March 31		Increase or Decrease (—)
	1958 (Preliminary)	1957	
Pensions for disability or death.....	145.6	130.3	15.3
Treatment and welfare services.....	59.7	55.4	4.3
War veterans allowances and other benefits.....	53.2	45.8	7.4
War service gratuities and re-establishment credits.....	1.8	2.4	-0.6
Soldier Settlement and Veterans Land Acts—			
Administration and general.....	5.6	5.4	0.2
Provision for reserve for conditional benefits, Veterans Land Act.....	5.2	6.8	-1.6
Departmental, district and pensions administration and miscellaneous payments.....	5.6	5.4	0.2
	276.7	251.5	25.2

All other departments

Expenditures of the departments not dealt with in preceding sections amounted to \$90 million for 1957-58, compared with expenditures of \$70 million in 1956-57. The increase of \$20 million was due mainly to increases of \$13 million in the expenses of the Chief Electoral Officer, due to the June 1957 and March 1958 federal elections; \$3 million in expenditures of the Department of Fisheries, mainly in the outlays of the Fisheries Research Board; and \$3 million in expenditures of the Department of Labour, mainly in the costs of vocational training.

The following table presents a comparative summary of expenditures for 1957-58 and 1956-57:

TABLE 30
(in millions of dollars)

ALL OTHER DEPARTMENTS	Fiscal Year Ended March 31		Increase or Decrease (—)
	1958 (Preliminary)	1957	
Auditor General.....	0.8	0.7	0.1
Chief Electoral Officer.....	13.6	0.2	13.4
Civil Service Commission.....	3.2	2.7	0.5
Fisheries.....	16.4	13.8	2.6
Governor General and Lieutenant-Governors.....	0.4	0.4	.....
Insurance.....	0.6	0.5	0.1
Justice.....	7.2	7.0	0.2
Office of the Commissioner of Penitentiaries.....	12.7	12.0	0.7
Labour.....	12.4	9.5	2.9
Legislation.....	6.8	7.2	-0.4
National Film Board.....	4.0	5.0	-1.0
Privy Council including Federal District Commission.....	3.9	3.9	.....
Public Archives and National Library.....	0.6	0.6	.....
Public Printing and Stationery.....	3.3	3.2	0.1
Secretary of State.....	4.0	3.5	0.5
	89.9	70.2	19.7

4. SUMMARY OF ASSETS AND LIABILITIES OF CANADA AT MARCH 31, 1958

The balances of the asset and liability accounts at March 31, 1958, the comparable balances at March 31, 1957, and the changes in each category during 1957-58 are shown in the following table:

TABLE 31
SUMMARY OF ASSETS AND LIABILITIES OF CANADA
(in millions of dollars)

	Balance at March 31		Increase or Decrease (—)
	1958 (Preliminary)	1957	
LIABILITIES			
Current and demand liabilities.....	874.8	1,002.9	—128.1
Deposit and trust accounts.....	186.9	167.6	19.3
Annuity, insurance and pension accounts.....	2,712.0	2,427.2	284.8
Undisbursed balances of appropriations to special accounts.....	285.4	312.5	—27.1
Suspense accounts.....	64.1	47.6	16.5
Unmatured debt.....	14,245.1	14,368.4	—123.3
	18,368.3	18,326.2	42.1
ASSETS			
Current assets.....	694.5	947.0	—252.5
Advances to exchange fund account.....	1,975.0	2,021.0	—46.0
Sinking fund and other investments held for retirement of unmatured debt.....	212.2	210.8	1.4
Loans to, and investments in, Crown corporations.....	2,549.8	2,250.5	299.3
Loans to national governments.....	1,443.7	1,478.6	—34.9
Other loans and investments.....	658.0	655.1	2.9
Securities held in trust.....	22.6		22.6
Province debt account arising out of 1952 tax-rental agree- ments.....	4.1	0.1	4.0
Deferred charges.....	76.6	63.9	12.7
Unamortized portion of actuarial deficiency in the super- annuation account.....	139.0	139.0	
Suspense accounts.....		9.4	—9.4
Capital assets.....	(¹)	(¹)	
Inactive loans and investments.....	90.9	89.5	1.4
Total assets.....	7,866.4	7,864.9	1.5
Less reserve for losses on realization of assets.....	—546.4	—546.4	
Net assets.....	7,320.0	7,318.5	1.5
Net debt (excess of liabilities over net assets).....	11,048.3	11,007.7	(²) 40.6

(¹) Shown at nominal value of \$1.

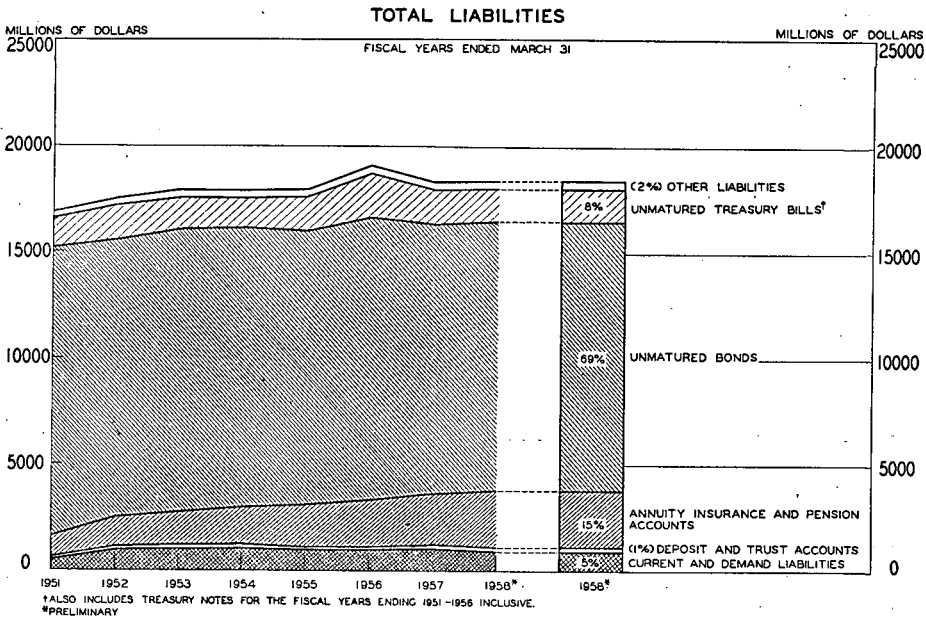
(²) Reflecting the budgetary deficit of \$39 million plus adjustments of \$1 million in respect of prior years transactions.

A. CHANGES IN PRINCIPAL LIABILITY CLASSIFICATIONS DURING 1957-58

The gross liabilities of the government increased by \$42 million during the fiscal year. Increases of \$285 million in annuity, insurance and pension accounts, \$16 million in suspense accounts and \$19 million in deposit and trust accounts were only partly offset by decreases of \$128 million in current and demand liabilities, \$123 million in unmaturing debt and \$27 million in undisbursed balances of appropriations to special accounts.

Current and demand liabilities

Current and demand liabilities, which include matured debt outstanding, outstanding treasury cheques and interest, interest accrued, accounts payable, non-interest bearing notes payable to the international monetary fund and the international bank for reconstruction and development and other obligations payable on demand, decreased by \$128 million during the fiscal year. Decreases of \$81 million in outstanding treasury cheques, \$31 million in accounts payable, \$12 million in matured debt outstanding, \$8 million in non-interest bearing notes, \$3 million in the net liability for post office money orders and \$2 million in interest due and outstanding, were partially offset by an increase of \$9 million in interest accrued.



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

TABLE 32
(in millions of dollars)

CURRENT AND DEMAND LIABILITIES	Balance at March 31		Increase or Decrease (-)
	1958 (Preliminary)	1957	
Outstanding treasury cheques.....	233.1	314.0	-80.9
Accounts payable.....	201.8	232.9	-31.1
Non-interest bearing notes payable to the international monetary fund and the international bank for recon- struction and development.....	203.8	211.8	- 8.0
Matured debt outstanding.....	23.6	36.0	-12.4
Interest due and outstanding.....	57.0	59.1	- 2.1
Interest accrued.....	129.1	120.0	9.1
Post Office (net liability for money orders, etc.).....	26.0	28.6	- 2.6
Other current liabilities.....	0.4	0.5	- 0.1
	874.8	1,002.9	-128.1

Deposit and trust accounts

Deposit and trust accounts which consist of sundry funds deposited with the Receiver General or held in trust for various purposes increased by \$19 million during 1957-58.

In 1957-58 a new account was set up to record deposits of Crown corporations of cash temporarily in excess of current requirements which would earn interest at a rate determined on the basis of weekly treasury bill yields. At March 31, 1958 the balance in this account was \$10 million. Also during the fiscal year it was decided to record in the contractors' security account, in addition to the cash deposits formerly recorded, the value of all bonds and certified cheques held by the government as a guarantee of the fulfilment of contracts. This amount was also included as a contra account in the asset category "Securities held in trust". At March 31, 1958 the value of these additional securities was \$13 million. Other major changes in this category were decreases of \$6 million in contractors' holdbacks, \$4 million in contractors' securities—cash, and \$3 million in the prairie farm emergency fund. The increase of \$8 million in all other deposit and trust accounts was due to a change in the method of presentation of those portions of certain deposit and trust accounts which are held in the form of bonds. In prior years these were shown as a deduction from the gross liability whereas in 1957-58 they are included in the new asset account "Securities held in trust".

Annuity, insurance and pension accounts

Annuity, insurance and pension accounts increased by \$285 million during 1957-58. The changes in the various accounts are shown in the following table.

TABLE 33
(in millions of dollars)

ANNUITY, INSURANCE AND PENSION ACCOUNTS	Balance at March 31		Increase or Decrease (—)
	1958 (Preliminary)	1957	
Unemployment insurance fund.....	754.8	885.7	—130.9
Less investment in bonds and accrued interest.....	—739.7	—875.1	135.4
	15.1	10.6	4.5
Government annuities.....	1,047.6	989.3	58.3
Superannuation account.....	1,045.8	919.0	126.8
Permanent services pension account.....	513.8	426.3	87.5
Other.....	89.7	82.0	7.7
	2,712.0	2,427.2	284.8

The unemployment insurance fund decreased by \$131 million during the year reducing the balance at March 31, 1958 to \$755 million. Of this amount \$740 million was invested in bonds and accrued interest and \$15 million was held by the Receiver General in the consolidated revenue fund. The decrease of \$131 million in the fund represents the amount by which benefit payments totalling \$385 million exceeded contributions by employers, employees and the government, income from investments and other miscellaneous revenue credited to the fund. Benefit payments in the fiscal year were \$154 million higher than the \$231 million in 1956-57.

The government annuities account increased by \$58 million reflecting the amount by which premium receipts, interest credited to the account by the government and the amount required to maintain the reserve exceeded payments to annuitants and beneficiaries.

The increase of \$127 million in the superannuation account was due mainly to the government's contribution of \$34 million equal to the estimated current and prior service payments of individuals in 1956-57, the government's contribution of \$44 million in respect of the civil service salary increase effective May 1, 1957 and \$40 million interest credited to the account. The remainder of the increase was due to the excess of employee's current and prior service contributions over benefit payments.

The permanent services pension account increased by \$88 million, reflecting the government's contribution of \$50 million which is made at the rate of one and two-thirds times the current and prior service contributions, interest on the account of \$18 million and contributions by permanent services personnel for current and prior years service less payments from the account.

Other annuity, insurance and pension accounts showed an increase of \$8 million for the fiscal year.

Old age security fund

Under the Old Age Security Act pensions of \$55 per month are paid, without a means test, from the old age security fund to all eligible persons seventy years of age and over. The monthly allowance was raised from \$40 to \$46 effective July 1, 1957 and from \$46 to \$55 effective November 1, 1957. Payments from the fund during the fiscal year were \$474 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 totalled \$372 million. Temporary loans amounting to \$102 million were required to cover the deficit resulting from these transactions during 1957-58. Parliament will be asked to authorize writing off to expenditure in 1957-58 the remainder of the 1956-57 deficit of \$2 million and the 1957-58 deficit of \$102 million.

The following table shows the transactions in the old age security fund for the fiscal years ended March 31, 1953 to 1958 inclusive:

TABLE 34
(in millions of dollars)

OLD AGE SECURITY FUND	Fiscal Year Ended March 31					
	1953	1954	1955	1956	1957	1958(1)
Tax receipts—						
2 per cent sales tax.....	141.5	146.8	143.1	160.4	179.3	175.8
2 per cent personal income tax.....	45.2	90.7	100.9	102.5	125.0	135.0
2 per cent corporation income tax.....	36.9	55.6	46.0	53.3	67.3	60.7
Total tax receipts.....	223.6	293.1	290.0	316.2	371.6	371.5
Pension payments.....	-323.1	-338.9	-353.3	-366.2	-379.1	-473.9
Excess of payments over receipts.....	-99.5	-45.8	-63.3	-50.0	-7.5	-102.4
Previous deficit brought forward.....		-99.5	-45.8	-63.3	-50.0	-1.5
Appropriation by Parliament—						
Charged to budgetary expenditure.....			45.8	63.3	56.0	103.9
Charged to reserve for losses on realization of assets.....		99.5				
Deficit in fund covered by temporary loan from the Minister of Finance.....	-99.5	-45.8	-63.3	-50.0	-1.5	

(1) Preliminary.

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 35
(in millions of dollars)

OLD AGE SECURITY PAYMENTS BY PROVINCES	Fiscal Year Ended March 31		Increase or Decrease (—)
	1958 (Preliminary)	1957	
Newfoundland.....	9.9	7.7	2.2
Nova Scotia.....	23.0	18.7	4.3
Prince Edward Island.....	3.7	3.4	0.3
New Brunswick.....	16.7	13.5	3.2
Quebec.....	99.5	79.7	19.8
Ontario.....	172.9	138.8	34.1
Manitoba.....	28.6	22.9	5.7
Saskatchewan.....	29.4	23.3	6.1
Alberta.....	30.4	23.9	6.5
British Columbia.....	59.5	46.9	12.6
Northwest and Yukon Territories.....	0.3	0.3	.....
	473.9	379.1	94.8

Undisbursed balances of appropriations to special accounts

This category was 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. There was a net decrease of \$27 million during the year in these accounts, due to decreases of \$24 million in the national defence equipment account and \$6 million in the Colombo plan fund and an increase of \$3 million in the railway grade crossing fund.

The decrease of \$6 million in the Colombo plan fund represented the amount by which disbursements from the fund of \$40 million exceeded the \$34 million credited to the fund out of moneys voted by parliament for assistance to countries in south and south-east Asia.

The transactions in the national defence equipment account resulted in 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. 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 were \$24 million. No credits have been made to this account since 1956.

The increase of \$3 million in the railway grade crossing fund represented the amount of \$5 million credited to this account and charged to expenditure less disbursements from the account.

Suspense accounts

Suspense accounts, which consist of balances where some uncertainty as to disposition exists and balances where the ultimate treatment is known but which are held until certain conditions are fulfilled showed a net increase of \$16 million during the fiscal year. The major changes in the accounts in this category were

increases of \$16 million in the replacement of materiel account, \$5 million in international monetary fund—revaluation of Canadian dollar balance account, and \$2 million in other suspense accounts, and decreases of \$4 million in balances receivable under agreements of sale of Crown assets and \$2 million in Crown Assets Disposal Corporation account.

The replacement of materiel account established by section 11 of the National Defence Act is credited with amounts realized from the sale of materiel that has not been declared surplus to requirements but has been authorized by the Governor in Council to be sold to other countries. The account is debited with disbursements representing amounts paid for the procurement of replacement materiel. During 1957-58 credits to the account exceeded disbursements by \$17 million.

The increase of \$5 million in the international monetary fund—revaluation of Canadian dollar balance account, represented adjustments occasioned by the decreased value in terms of Canadian dollars of Canada's subscription to the fund.

The reduction of \$4 million in agreements of sale of Crown assets reflected payments on outstanding agreements including \$1 million each from Canadair Limited and Orenda Engines Limited.

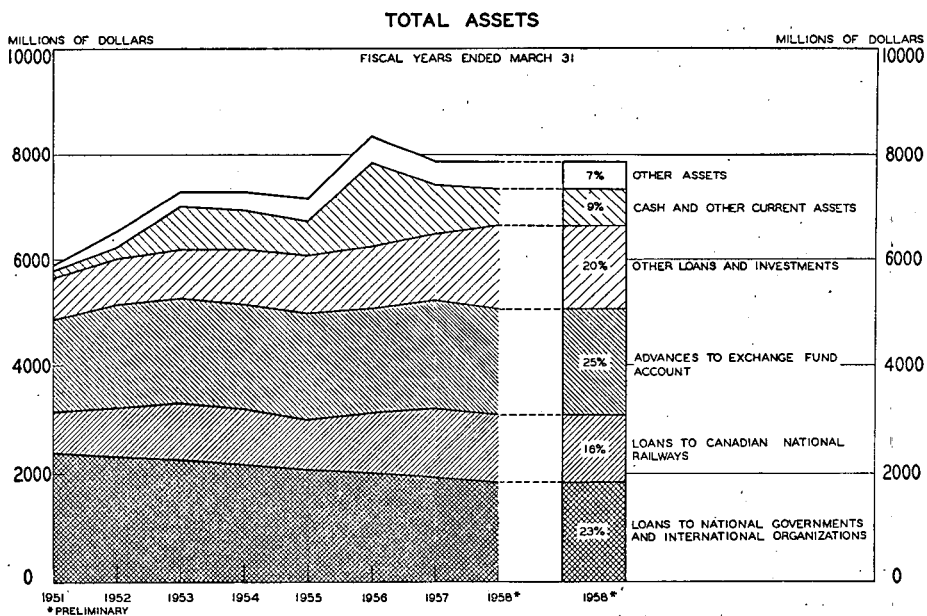
The decrease in Crown Assets Disposal Corporation account represented a reduction in the government's equity in the agency account of the Corporation.

Unmatured debt

The outstanding unmatured debt at the close of 1957-58 was \$14,245 million, a decrease of \$123 million from the previous year which was reflected entirely in debt payable in Canada.

B. CHANGES IN PRINCIPAL ASSET CLASSIFICATIONS DURING 1957-58

The total of assets increased during the fiscal year by \$2 million. The principal changes were increases of \$299 million in loans to, and investments in, Crown corporations, \$23 million in securities held in trust, \$13 million in



deferred charges, \$4 million in the province debt account arising out of 1952 tax-rental agreements, \$3 million in other loans and investments, \$1 million in sinking fund and other investments held for retirement of unmatured debt and \$1 million in inactive loans and investments partly offset by decreases of \$252 million in current assets, \$46 million in advances to the exchange fund account, \$35 million in loans to national governments and \$9 million in suspense accounts.

Current Assets

Current assets, including cash, departmental working capital advances and revolving funds and securities held in the securities investment account, totalled \$695 million, \$252 million less than the previous year.

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

TABLE 36
(in millions of dollars)

CURRENT ASSETS	Balance at March 31		Increase or Decrease (—)
	1958 (Preliminary)	1957	
Cash in current and special deposits	308.3	472.2	—163.9
Cash in hands of collectors and in transit	160.0	132.0	28.0
Departmental working capital advances and revolving funds—			
Agricultural commodities stabilization account	26.4	20.7	5.7
Defence production revolving fund	54.4	56.3	—1.9
Miscellaneous departmental imprest and advance accounts	20.0	21.3	—1.3
Other	28.1	25.6	2.5
Securities investment account	80.1	204.3	—124.2
Other current assets—moneys received after March 31 but applicable to the current year	17.2	14.6	2.6
	694.5	947.0	—252.5

The decrease of \$252 million in current assets was due to decreases of \$164 million in cash in current and special deposits and \$124 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) offset in part by increases of \$28 million in cash in hands of collectors and in transit, \$5 million in departmental working capital advances and revolving funds and \$3 million in moneys received after March 31 but applicable to the current year.

Of the net increase of \$5 million in departmental working capital advances and revolving funds, \$6 million was due to a net increase in the agricultural commodities stabilization account and \$2 million in other accounts partly offset by a decrease of \$2 million in the defence production revolving fund and \$1 million in miscellaneous departmental imprest and advance accounts.

The increase of \$6 million in the agricultural commodities stabilization account reflected the credit to the account of \$6 million, representing the loss on operations for 1957-58 which with the authority of parliament will be included in the year's expenditure, and the net debit of \$12 million representing the excess of purchases over sales during the year by the agricultural stabilization board.

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

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 account to finance the purchase of gold and foreign exchange amounted to \$250 million and repayments to \$296 million, resulting in a net repayment of \$46 million during the year.

Sinking fund and other investments held for retirement of unmatured debt

Sinking fund and other investments held for retirement of unmatured debt totalled \$212 million at the end of the fiscal year 1957-58, an increase of \$1 million, 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

Loans to, and investments in, Crown corporations amounted to \$2,550 million at March 31, 1958, an increase of \$299 million over the previous year. The most important changes were net increases of \$108 million in loans to Central Mortgage and Housing Corporation, \$95 million in advances to The St. Lawrence Seaway Authority, \$71 million in loans to Northern Ontario Pipe Line Crown Corporation, \$14 million in advances to Canadian Farm Loan Board, \$11 million in advances to National Harbours Board, \$7 million in advances to Northern Canada Power Commission, \$3 million in advances to Atomic Energy of Canada Limited and a decrease of \$11 million in loans and advances to the Canadian National Railways.

The following table shows the changes in this category during the year:

TABLE 37
(in millions of dollars)

LOANS TO, AND INVESTMENTS IN, CROWN CORPORATIONS	Balance at March 31		Increase or Decrease (-)
	1958 (Preliminary)	1957	
Atomic Energy of Canada Limited.....	56.0	52.8	3.2
Bank of Canada.....	5.9	5.9	
Canadian Arsenals Limited.....	7.5	7.5	
Canadian Broadcasting Corporation.....	27.0	27.3	-0.3
Canadian Commercial Corporation.....	4.0	4.0	
Canadian Farm Loan Board.....	65.2	50.9	14.3
Canadian National Railways.....	1,266.2	1,276.8	-10.6
Canadian National (West Indies) Steamships Limited.....	3.1	3.3	-0.2
Canadian Overseas Telecommunication Corporation.....	12.6	12.3	0.3
Central Mortgage and Housing Corporation.....	668.0	560.5	107.5
Eldorado Mining and Refining Limited.....	8.2	8.2	
Export Credits Insurance Corporation.....	10.0	10.0	
National Harbours Board.....	125.4	114.3	11.1
Northern Canada Power Commission.....	14.6	7.7	6.9
Northern Ontario Pipe Line Crown Corporation.....	70.8	0.3	70.5
Polymer Corporation Limited.....	30.0	30.0	
The St. Lawrence Seaway Authority.....	172.0	77.5	94.5
Other Crown Corporations.....	3.3	1.2	2.1
	2,549.8	2,250.5	299.3

Advances to Atomic Energy of Canada Limited, to be covered by obligations or shares of the company, amounted to \$3 million during the fiscal year, bringing advances to \$56 million at March 31, 1958. Advances during the year were for the construction or acquisition of buildings and equipment at Chalk River and Deep River and for the commercial products division at Ottawa.

No loans were made during the year to the Canadian Broadcasting Corporation. Total loans to the corporation outstanding at March 31, 1958 were \$27 million. Grants were made to the corporation during the fiscal year of \$43 million.

In the fiscal year ended March 31, 1958, the government advanced \$233 million to the Canadian National Railway Company for capital purposes and the retirement of debt in the hands of the public. During the year the Company repaid \$295 million (of which \$289 million was made available from the sale of \$300 million Canadian National Railway Company 4% bonds guaranteed by the Government of Canada) of current and prior year's advances and thus reduced by \$62 million the amount of advances outstanding at March 31, 1958 compared with March 31, 1957.

However, in addition to the advances the government purchased \$22 million of 4 per cent preferred stock of the Canadian National Railways in order to assist the Company to finance additional capital expenditures. This stock is issued pursuant to the provisions of the Canadian National Railways Capital Revision Act, 1952, in an amount equal to three per cent of the gross revenues of the Company.

Further, to cover the income deficits the Government provided the Company with \$51 million during the year by way of temporary loans. Of this amount \$22 million in respect of the 1957 calendar year deficit has been written off to expenditure.

Therefore the total amount made available to the Company during the year was \$306 million and the repayments and write-off amounted to \$317 million for a net decrease in the amount outstanding at the end of the fiscal year of \$11 million.

Loans to Central Mortgage and Housing Corporation during the year amounted to \$114 million, of which \$98 million was for direct loans by the corporation and joint loans with lending institutions, \$15 million for federal-provincial housing projects and \$1 million for advances for house construction. Repayments totalled \$6 million, of which \$5 million was in respect of advances for house construction and \$1 million in respect of loans for federal-provincial projects. The net increase for the fiscal year in loans to the corporation was \$108 million.

Loans to the Northern Ontario Pipe Line Crown Corporation in connection with the construction of the Northern Ontario section of the all-Canadian natural gas pipe line totalled \$71 million in 1957-58.

Advances to The St. Lawrence Seaway Authority during the year amounted to \$95 million, bringing total loans at the close of the year to \$172 million. There were no repayments made on advances in the fiscal year.

Other increases in loans and advances to Crown corporations included \$14 million to Canadian Farm Loan Board, \$11 million to National Harbours Board, \$7 million to Northern Canada Power Commission and \$2 million to other Crown corporations.

Loans to national governments

Loans to national governments totalled \$1,444 million at the end of the fiscal year, a decrease of \$35 million from the previous year. The changes in these loans are shown in the following table:

TABLE 38
(in millions of dollars)

LOANS TO NATIONAL GOVERNMENTS	Balance at March 31		Increase or Decrease (—)
	1958 (Preliminary)	1957	
Loans to United Kingdom—			
The War Appropriation (United Kingdom Financing) Act, 1942.....	22.5	52.5	—30.0
The United Kingdom Financial Agreement Act, 1946.....	1,096.6	1,096.6	—30.0
	1,119.1	1,149.1	
Loans under the Export Credits Insurance Act, Part II—			
Belgium.....	43.8	46.2	—2.4
Czechoslovakia.....		2.0	—2.0
France.....	167.4	175.7	—8.3
Netherlands.....	87.2	91.8	—4.6
Norway.....	5.3	7.9	—2.6
	303.7	323.6	—19.9
Miscellaneous loans and advances—			
France—military relief credits settlement.....		0.5	—0.5
interim credit—consolidated interest.....	1.6	1.7	—0.1
India—special loans to finance the purchase of wheat and flour from Canada.....	16.2		16.2
Netherlands—military relief and currency credit settlement.....	2.3	2.9	—0.6
Miscellaneous.....	0.8	0.8	
	1,443.7	1,478.6	—34.9

During the year the Government of the United Kingdom reduced the balance of the \$700 million interest-free loan granted under the provisions of the War Appropriation (United Kingdom Financing) Act, 1942 by \$30 million as arranged under the terms of an agreement entered into on August 13, 1953, between the Governments of the United Kingdom and Canada. The balance outstanding at March 31, 1958 was \$23 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 deferred the payment of principal and interest on the \$1,185 million loan made under the \$1,250 million credit authorized by the United Kingdom Financial Agreement Act, 1946, the principal outstanding at the close of the year remaining at \$1,097 million. The deferment of principal and interest was by an agreement between the Government of Canada and the Government of the United Kingdom that was approved by a 1957 Act to amend the United Kingdom Financial Agreement Act, 1946. The agreement, which became effective April 29, 1957, permits the United Kingdom in lieu of any right of waiver hitherto existing to defer after December 31, 1956, seven instalments of principal and interest under certain conditions. The first of any such deferred instalments is payable on December 31, 2001, and the others annually thereafter, in order.

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 amounted to \$20 million for the year, as shown in the preceding table.

Other loans and investments

Other loans and investments, consisting of Canada's subscription to the capital of the international monetary fund, the international bank for reconstruction and development and the international finance corporation, advances and loans to international organizations, loans to provinces and municipalities, veterans and miscellaneous loans and balances receivable, amounted to \$658 million an increase of \$3 million over the previous year.

The balances of the main accounts in this category together with the changes during the year are shown in the following table:

TABLE 39
(in millions of dollars)

OTHER LOANS AND INVESTMENTS	Balance at March 31		Increase or Decrease (—)
	1958 (Preliminary)	1957	
Subscriptions to capital of, working capital advances and loans to, international organizations—			
Canada's subscription to capital of—			
International monetary fund.....	296.0	290.9	5.1
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.....	2.2	2.5	—0.3
	<i>372.6</i>	<i>367.8</i>	<i>4.8</i>
Loans to provincial governments—			
Alberta.....	9.2	9.6	—0.4
British Columbia.....	17.9	18.7	—0.8
Manitoba.....	15.0	15.6	—0.6
Nova Scotia.....	0.1	0.1	.....
Prince Edward Island.....	0.1	0.1	.....
Saskatchewan.....	24.4	25.6	—1.2
	<i>66.7</i>	<i>69.7</i>	<i>—3.0</i>
Veterans Land Act advances.....	154.0	157.2	—3.2
Miscellaneous—			
Acquisition of land to control properties in the vicinity of main terminal airports.....	6.8	2.8	4.0
Assisted passage scheme (section 69, Immigration Act, R.S. 1952).....	7.1	3.9	3.2
Balances receivable under agreements of sale of Crown assets.....	22.0	26.4	—4.4
Construction of dock and rail facilities for Steep Rock Iron Mines Limited.....	2.2	2.3	—0.1
Crown Assets Disposal Corporation—			
Government equity in agency account.....	5.0	6.6	—1.6
Dominion Coal Company Limited.....	5.2	4.8	0.4
Municipal Improvements Assistance Act, 1938.....	2.4	2.6	—0.2
New Westminster Harbour Commission.....	2.4	2.4	.....
Other.....	11.6	8.6	3.0
	<i>64.7</i>	<i>60.4</i>	<i>4.3</i>
	658.0	655.1	2.9

The accounts of the international monetary fund are maintained in terms of United States dollars. In order to keep the government's subscription at the required amount, that portion represented by the Canadian dollar balances is revalued quarterly and any settlement required is made annually as at April 30, the end of the fund's fiscal year. The increase of \$5 million during the fiscal year reflected the settlement at April 30, 1957 and the subsequent quarterly adjustments due to the revaluation of the Canadian dollar balances.

Loans to provincial governments were reduced by \$3 million reflecting payments by the governments concerned.

Advances under the Veterans Land Act decreased by \$13 million during the year. However, as there was also a decrease of \$10 million in the reserve for conditional benefits under the Veterans Land Act, the net decrease was \$3 million.

Miscellaneous loans and investments increased by \$4 million during the year. The main changes in this category were increases of \$4 million in the acquisition of land to control properties in the vicinity of main terminal airports, \$3 million in loans under the assisted passage scheme and \$3 million in other accounts and decreases of \$4 million in balances receivable under agreements of sale of Crown assets, reflecting repayments received on previous agreements, and \$2 million in the government equity in the agency account of the Crown Assets Disposal Corporation.

Securities held in trust

This is a new category set up to record the security holdings of various deposit and trust and annuity, insurance and pension accounts that were formerly shown as deductions from the liability and, also, to record bonds and certified cheques held in connection with contractors' securities deposits listed under deposit and trust accounts. The balance at March 31, 1958 was \$22 million.

Province debt account arising out of 1952 tax-rental agreements

Under the 1952 agreements, at their termination, payments were to be recalculated using revised G.N.P. and population figures based on the 1956 census. The revised G.N.P. figures did not differ materially from those originally used, but the census revealed an increased national population and thus a smaller G.N.P. per capita. This coupled with an over-estimation of population for Newfoundland, Prince Edward Island, New Brunswick, Manitoba and Saskatchewan, would have resulted in substantial overpayments to those provinces had the fourth quarterly instalments been paid on March 31, 1957. However, under the agreements quarterly instalments were not required on March 31, 1957, being replaced in the agreements' final year by terminal payments payable not later than April 30, 1957, which were to adjust any over- or under-payments made during the period of the agreements. In the terminal settlement, all underpayments were adjusted. As those provinces that had been overpaid would have suffered severe budgetary strain had the overpayments been recovered in their entirety from the terminal payment, the federal government agreed to amend the 1952 tax agreements and make remittances equivalent to the full quarterly payments. Any overpayment was to be recovered by equal monthly deductions from the payments accruing to the provinces concerned under the 1957 tax-sharing arrangement. The five provinces which had received overpayments subsequently signed Memoranda of Agreement amending their 1952 agreements to give effect to the above.

The overpayments amounted to \$5 million. During the course of the fiscal year \$1 million was recovered leaving a balance of \$4 million due at March 31, 1958. The outstanding overpayments bear no interest.

Deferred charges

This category consists of the residual balance of discounts and commissions, redemption bonuses and conversion premiums on loan flotations that have not been amortized or written off to expenditure.

The balance of the unamortized bond discount and commission account increased from \$64 million on March 31, 1957 to \$77 million at March 31, 1958. The net increase of \$13 million during the fiscal year reflected the amount by which the aggregate of payments of \$42 million charged to the account for

commissions and discounts on new loans and \$5 million representing the unamortized portion of the discount on treasury bills issued in 1957-58 and maturing in 1958-59 (which will be charged to interest on public debt in 1958-59) exceeded the annual amortization charges of \$34 million. This latter amount included \$8 million charged to interest on public debt representing the unamortized discount of treasury bills issued in 1956-57 and maturing in 1957-58.

Unamortized portion of actuarial deficiency in the superannuation account

There was no change during the fiscal year in the unamortized portion of the actuarial deficiency in the superannuation account (that portion of the government's liability in respect of the superannuation account that has not been charged to budgetary expenditure); the balance at March 31, 1958 remained at \$139 million.

Suspense accounts

The decrease of \$9 million in this category was due almost entirely to the adjustment of the government's Canadian dollar equity in the international monetary fund. The accounts of the fund are maintained in terms of United States dollars. In order to keep the government's subscription at the required amount, that portion represented by Canadian dollar balances is revalued quarterly and any settlement required is made annually as at April 30, the end of the fund's fiscal year. The annual settlement with the fund at April 30, 1957 reduced the balance in this account from \$8 million at the beginning of the fiscal year to nil at April 30, 1957. Due to the decreased value of the Canadian dollar in terms of the United States dollar, subsequent quarterly adjustments are reflected in the liability suspense category. The remainder of the decrease was due to a reduction in the temporary loans made by the Minister of Finance to the old age security fund. Parliament will be asked to authorize writing off to expenditure in 1957-58 the outstanding temporary loans of \$104 million.

Capital assets

Capital assets which consist of assets of the government such as land, buildings, works and equipment, etc., that are charged to budgetary expenditures at the time of acquisition or construction, are shown on the statement of assets and liabilities at a nominal value of \$1.

Inactive loans and advances

This category records those loans and advances which are not currently revenue-producing or realizable. At March 31, 1958 the balance was \$91 million and included the loan of \$49 million to China under the Export Credits Insurance Act, loans of \$24 and \$7 million made to Roumania and Greece in 1919-20 and 1920-21 and advances of \$11 million in respect of the implementation of guarantees (Ming Sung Industrial Company Limited), an increase of \$1 million over 1956-57.

Reserve for losses on realization of assets

There was no change in the reserve for losses on realization of assets during the year; the balance at March 31, 1958 was \$546 million, unchanged from the end of the previous year.

C. INCREASE IN NET DEBT

The budgetary deficit of \$39 million for the fiscal year 1957-58 plus an adjustment of \$1 million in respect of prior years' transactions resulted in an increase of \$40 million in the net debt of Canada from \$11,008 million at March 31, 1957 to \$11,048 million at March 31, 1958.

The adjustment of \$1 million in respect of prior years' transactions reflected increases in the recorded liabilities in the civil service insurance, returned soldiers insurance and veterans insurance accounts of the amount by which these balances were below the actuarial liability as at March 31, 1957, as calculated by the Department of Insurance.

5. THE CASH POSITION

The government's cash position is affected not only by the budgetary transactions explained in some detail in preceding sections but also by non-budgetary transactions and changes in the government's outstanding unmatured debt. Although there was a budgetary deficit of \$39 million in 1957-58, the government's bank balances declined by \$164 million during the same period. This decrease was the net result of the budgetary deficit of \$39 million, a cash requirement of \$124 million for non-budgetary transactions and a reduction of \$1 million in outstanding unmatured debt (after taking into account transactions in the securities investment and sinking fund accounts).

Non-budgetary receipts and credits relate to transactions which result in increases or decreases in the government's assets and liabilities and 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 on the economy, non-budgetary as well as budgetary transactions must be taken into account.

The 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 non-budgetary transactions for 1957-58 and indicates how they, together with the budgetary transactions and changes in the unmatured debt position, affected the government's cash position. For purposes of comparison, the corresponding figures for 1956-57 are also shown.

TABLE 40

(in millions of dollars)

CHANGES IN CASH POSITION	Fiscal year ended March 31	
	1958 (Preliminary)	1957
NON-BUDGETARY RECEIPTS AND CREDITS (excluding unmatured debt transactions)—		
Repayments of loans, investments and working capital advances (net)—		
Exchange fund.....	46.0	-71.0
Canadian National Railways.....	10.6	-172.1
United Kingdom (1942 loan).....	30.0	30.0
United Kingdom (1946 loan).....	15.5	15.5
Other national governments.....	21.1	25.7
Provincial governments.....	3.0	3.4
Veterans Land Act.....	13.5	11.4
Other.....	3.5	14.1
	127.7	-143.0
Net government annuities account receipts—		
Premium receipts less payments to beneficiaries.....	18.7	22.8
Government contribution to maintain reserve.....	1.2	
Interest paid by government.....	38.4	36.3
	58.3	59.1
Net insurance and pension account receipts—		
Employee contributions less payments to beneficiaries.....	32.9	28.2
Government contributions.....	129.8	120.9
Interest paid by government.....	59.3	50.9
	222.0	200.0
Net reduction in temporary loans to old age security fund.....	1.5	48.5
Net receipts in sundry other accounts.....	37.7	40.6
Reduction in unamortized portion of superannuation account liability.....		50.0
Addition to reserve for possible losses on assets.....		50.0
	447.2	305.2
NON-BUDGETARY DISBURSEMENTS AND CHARGES (excluding unmatured debt transactions)—		
Loans, investments and working capital advances (net)—		
Agricultural commodities stabilization account.....	5.7	-12.3
Atomic Energy of Canada Limited.....	3.2	9.1
Canadian Farm Loan Board.....	14.3	9.3
Central Mortgage and Housing Corporation.....	107.5	-4.1
Government of India.....	16.2	
National Harbours Board.....	11.1	7.2
Northern Canada Power Commission.....	6.9	0.3
Northern Ontario Pipe Line Crown Corporation.....	70.5	0.3
The St. Lawrence Seaway Authority.....	94.5	56.0
Other.....	15.2	24.7
	345.1	90.5
Net payments from special defence accounts.....	7.7	44.4
Net payments from Colombo plan fund.....	5.5	-13.4
Net increase in unamortized loan flotation costs.....	12.7	7.0
Net decrease in current and demand liabilities.....	128.1	-33.4
Net decrease in reserve for conditional benefits—		
Veterans Land Act.....	10.3	7.6
Net disbursements from sundry other accounts.....	61.8	36.7
	571.2	139.4
Net amount available from, or required for (—), non-budgetary transactions.....	-124.0	165.8
Add budgetary surplus or deduct budgetary deficit.....	-39.4	257.5
Overall cash available for debt reduction or increase in cash balances.....		423.3
Overall cash requirements to be financed by an increase in debt or decrease in cash balances (—).....	-163.4	
Net increase or decrease (—) in unmatured debt outstanding in the hands of the public—		
Unmatured debt.....	-123.3	-1,039.2
Securities investment account.....	124.2	517.3
Sinking funds.....	-1.4	(¹)
	-0.5	-521.9
Net increase or decrease (—) in Receiver General bank balances.....	-163.9	-98.6

⁽¹⁾ Less than \$50,000.

As the table shows, non-budgetary receipts and credits for 1957-58 (excluding unmatured debt transactions) totalled \$447 million while non-budgetary disbursements and charges (also excluding unmatured debt transactions) amounted to \$571 million, resulting in a net amount of \$124 million required for non-budgetary transactions. As there was a budgetary deficit of \$39 million, \$163 million was required to be financed by an increase in unmatured debt or a decrease in cash balances. In 1956-57 there was \$166 million available from non-budgetary transactions and this together with the budgetary surplus of \$258 million made \$424 million available for debt reduction or increase in cash balances.

Non-budgetary receipts and credits totalled \$447 million in 1957-58. Repayments of loans, investments and working capital advances were \$128 million and included \$30 million from the Government of the United Kingdom, \$21 million from other national governments, and \$11 million from Canadian National Railways (loans and advances of \$284 million together with purchases of \$22 million of 4 per cent preferred stock of the company were more than offset by repayments by the company of \$295 million, of which \$289 million was from the proceeds of a bond issue to the public, and \$22 million that was charged to budgetary expenditure in respect of the company's 1957 operating deficit). Net government annuities account receipts were \$58 million and net insurance and pension account receipts were \$222 million. Temporary loans to the old age security fund were reduced by \$2 million. Such loans outstanding at the first of the year were \$2 million and during 1957-58 temporary loans to the fund amounted to \$102 million. Parliament will be asked to authorize writing off to budgetary expenditure in 1957-58 the outstanding temporary loans of \$104 million. Net receipts and credits in various other accounts amounted to \$38 million.

Non-budgetary disbursements and charges amounted to \$571 million. Loans, investments and working capital advances totalled \$345 million and included \$6 million to the agricultural commodities stabilization account in connection with the purchase and sale of agricultural commodities after allowing for a charge to budgetary expenditure of \$6 million, which parliament will be asked to authorize, in respect of the loss on operations for 1957-58, \$14 million to Canadian Farm Loan Board for the purpose of making loans to farmers, \$107 million to Central Mortgage and Housing Corporation for the purpose of making housing loans, \$16 million to the Government of India for the purchase of Canadian wheat, \$70 million to Northern Ontario Pipe Line Crown Corporation for financing the Northern Ontario section of the natural gas pipe line, and \$95 million to The St. Lawrence Seaway Authority for the dredging and construction of the seaway. Other non-budgetary disbursements and charges totalled \$226 million and included \$8 million for net payments from the special defence accounts and \$128 million for the net decrease in current and demand liabilities (such as outstanding cheques and outstanding matured debt).

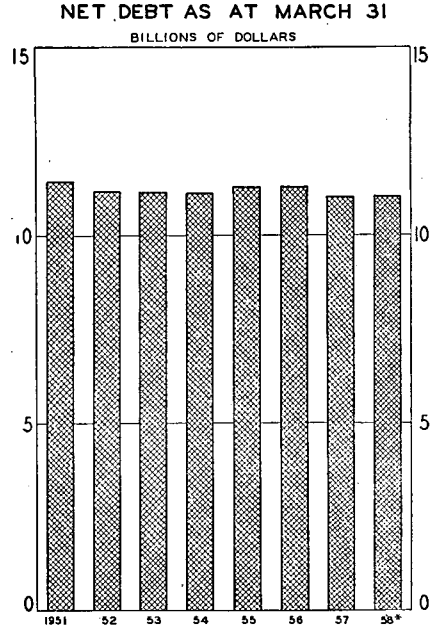
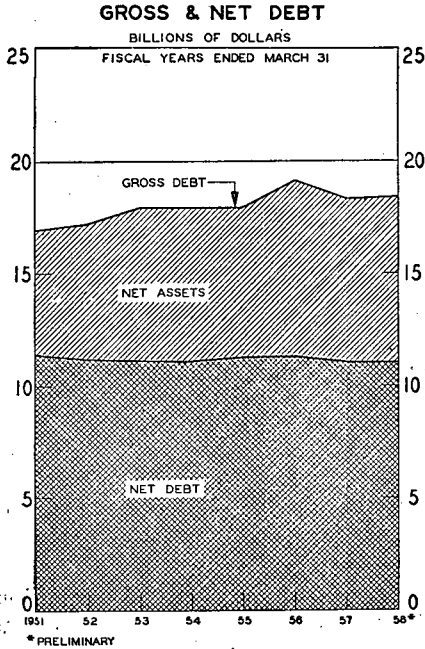
In summary, unmatured debt outstanding in the hands of the public was reduced \$1 million after taking into account transactions in the securities investment and sinking fund accounts. As budgetary and non-budgetary transactions required financing in the amount of \$163 million, cash balances on deposit with the banks were drawn down by \$164 million.

6. THE PUBLIC DEBT

Gross and net debt

During the fiscal year ended March 31, 1958 the gross public debt increased by \$42 million to \$18,368 million.

This increase was made up of a decrease of \$123 million in unmatured debt, and an increase of \$165 million in other liabilities. The government's recorded net assets increased during the year by \$2 million. The net debt thus increased by \$40 million to \$11,048 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 1957-58 inclusive.

TABLE 41
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 net 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	—23.6
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.....	14,368.4	3,957.8	18,326.2	7,318.5	11,007.7	—272.7
1958 (Preliminary).....	14,245.1	4,123.2	18,368.3	7,320.0	11,048.3	40.6

Unmatured debt

The total unmaturred debt of Canada at March 31, 1958 was \$14,245 million. This was \$123 million less than that at the end of the previous fiscal year. During the same period the government's holdings of securities in the sinking fund and securities investment accounts decreased by \$122 million, resulting in a net decrease of \$1 million in the amount of outstanding unmaturred debt.

Summary of security issues and redemptions during the year

During the fiscal year 1957-58 the government issued securities payable in Canadian dollars in the principal amount of \$2,527 million (excluding the refunding of treasury bills which mature periodically) and redeemed or converted issues in the amount of \$2,650 million (including the redemption of treasury bills in the amount of \$100 million) all payable in Canadian dollars.

Redemptions were financed as follows:

(in millions of dollars)

By issue of Canada savings bonds, series 12 (net).....	1,177
By refunding and conversion.....	1,350
By available cash.....	123
	<u>2,650</u>

The net decrease in unmaturred debt as a result of these transactions was \$123 million. There was no change during the year in the unmaturred debt payable in U.S. dollars and sterling. At March 31, 1958 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 the following tables:

TABLE 42
REDEMPTION OF DEBT DURING FISCAL YEAR ENDED MARCH 31, 1958

MATURITY	Interest rate.	Where payable	Amount
	per cent		\$
June 15, 1957.....	2½	Canada	150,000,000
October 1, 1957.....	2	Canada	700,000,000
December 15, 1957.....	2½	Canada	250,000,000
May 1, 1958 ⁽¹⁾	2	Canada	224,522,000
May 1, 1958 ⁽¹⁾	3	Canada	175,478,000
Canada savings bonds series 2-11.....	2½-3½	Canada	1,050,249,700
Treasury bills.....	various	Canada	100,000,000
			<u>2,650,249,700</u>

⁽¹⁾ Converted to 3% bonds dated December 15, 1957 due December 15, 1960.

Net sales of Canada savings bonds, series 12 (which were withdrawn from sale on December 31, 1957) amounted to \$1,177 million and net redemptions of Canada savings bonds, series 2 to 11 (of which series 2 matured on November 1, 1957) were \$1,050 million. The net increase during the year for all series was \$127 million and the amount outstanding at March 31, 1958 was \$2,547 million compared with \$2,420 million at the close of the previous fiscal year.

The amount of treasury bills outstanding at the end of the fiscal year was \$1,525 million or \$100 million less than at March 31, 1957.

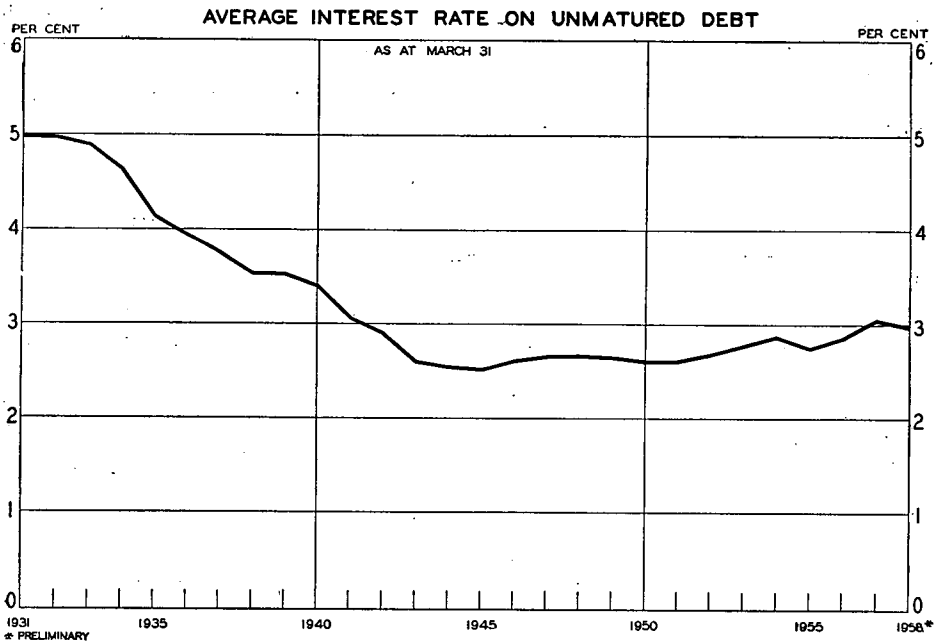
TABLE 43

NEW SECURITIES ISSUED DURING YEAR ENDED MARCH 31, 1958

DESCRIPTION	Price to government	Yield at price to government	Total amount issued	Renewals or conversion included in amount issued	Amount issued for cash
		per cent	\$	\$	\$
Issued to general public-					
Bonds 3% Oct. 1/57-Oct. 1/58.....	98.00	5.08	400,000,000	400,000,000	.....
Bonds 3% Oct. 1/57-Oct. 1/59.....	96.00	5.13	300,000,000	300,000,000	.....
Bonds 3% Dec. 15/57-Oct. 1/59.....	98.40	3.93	250,000,000	250,000,000	.....
Bonds 3% Dec. 15/57-Dec. 15/60.....	97.35	3.95	400,000,000	400,000,000	.....
Canada savings bonds series 12, 3½ to 4½% Nov. 1/57-Nov. 1/70.....	99.00	4.56	1,176,940,400	.....	1,176,940,400
			2,526,940,400	1,350,000,000	1,176,940,400

Interest rates

During the first five months of the year interest rates generally continued to rise and reached a peak during August. Subsequently, rates dropped considerably and continued the downward trend to the end of the fiscal year. The average interest rate on the government's unmatured debt at March 31, 1958 was 2.98 per cent compared with 3.05 per cent at the end of the previous fiscal year and 2.60 per cent at March 31, 1951:



Treasury bill yields reflected a trend similar to that of general interest rates. The yield on three-month bills on April 5, 1957 was 3.69 per cent. In August 1957 the yield rose to a high of 4.08 per cent declining to a low of 2.27 per cent on the last issue of the fiscal year.

The following table shows the high and low yields together with the yield on the last issue for the fiscal year 1947-48 to 1957-58 inclusive on three-month bills:

TABLE 44
TREASURY BILL YIELDS

FISCAL YEAR	Three-month bills		
	High	Low	Last issue
	per cent	per cent	per cent
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.....	3.81	2.40	3.70
1957-58.....	4.08	2.27	2.27

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.

The government's liability under its guarantee of insured loans under the National Housing Act, 1954 was \$1,395 million at December 31, 1957 compared with \$122 million at December 31, 1954 and \$1,061 million at December 31, 1956.

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 45
BONDS AND DEBENTURE STOCKS GUARANTEED BY THE GOVERNMENT AS AT
MARCH 31, 1958

Date of Maturity	Issue	Interest rate	Estimated amount outstanding
		per cent	\$
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.....	2½	250,000,000
Jan. 3, 1966.....	Canadian National.....	3	35,000,000
Jan. 2, 1967.....	Canadian National.....	2½	50,000,000
Sept. 15, 1969.....	Canadian National.....	2½	70,000,000
Jan. 16, 1971.....	Canadian National.....	2½	40,000,000
Feb. 1, 1974.....	Canadian National.....	3½	200,000,000
June 15, 1975.....	Canadian National.....	2½	6,000,000
Feb. 1, 1981.....	Canadian National.....	4	300,000,000
Perpetual.....	Grand Trunk debenture stock.....	5	51,190
Perpetual.....	Grand Trunk debenture stock.....	4	5,054
			1,028,407,317

TABLE 46

OTHER OUTSTANDING GUARANTEES AND CONTINGENT LIABILITIES	Amount outstanding (Preliminary)
	\$
Deposits maintained by the chartered banks in the Bank of Canada (March 31, 1958).....	579,472,661
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, 1957).....	3,443,083
Insured loans made by approved lenders under the National Housing Act, 1954 (December 31, 1957)	1,394,635,167
Guarantees to owners of returns from moderate rental housing projects.....	Indeterminate
Guarantees under the Export Credits Insurance Act Part I (March 31, 1958).....	64,545,993
Guarantees under the Exports Credits Insurance Act Part II (March 31, 1958).....	3,825,000
Loans made by chartered banks under the Farm Improvement Loans Act (March 31, 1958).....	39,117,850
Loans made by chartered banks under The Veterans' Business and Professional Loans Act (March 31, 1958).....	677,847
Loans made by chartered banks under the Prairie Grain Producers' Interim Financing Act, 1956 (March 31, 1958).....	941,821
Loans made by chartered banks and credit unions under the Fisheries Improvement Loans Act (March 31, 1958).....	72,773
Loans made by chartered banks under the Prairie Grain Producers' Interim Financing Act, 1951 (March 31, 1958).....	283
Loans made by chartered banks to Canadian Wheat Board (March 31, 1958).....	103,065,754
Loans made by chartered banks under the Prairie Grain Advance Payments Act (March 31, 1958).....	21,855,285

STATEMENT OF REVENUES FOR LAST FIVE FISCAL YEARS

(in millions of dollars)

	1953-54	1954-55	1955-56	1956-57	Preliminary 1957-58
	\$	\$	\$	\$	\$
TAX REVENUES—					
Income tax—					
Personal (1).....	1,187.7	1,183.4	1,185.6	1,400.5	1,499.2
Corporation (1).....	1,191.2	1,020.6	1,027.7	1,268.3	1,234.8
On dividends, interest, etc. going abroad.....	53.8	61.3	66.2	76.4	64.3
	2,432.7	2,265.3	2,279.5	2,745.2	2,798.3
Excise taxes—					
Sales taxes (1) (2).....	587.3	572.2	641.5	717.1	703.2
Other excise taxes—					
Automobiles.....	94.7	73.2	76.2	79.7	72.3
Beverages (soft drinks).....	11.7	8.2	8.7	9.0	0.6
Candy and chewing gum.....	12.8	9.9	9.2	9.8	0.7
Cigarettes, cigars and tobacco.....	113.2	114.5	126.9	132.3	142.4
Electrical appliances.....	5.1	0.4			
Furs.....	3.7	0.1			
Jewellery, watches, ornaments, etc.	7.2	4.8	5.0	6.1	5.3
Matches and lighters.....	1.4	0.9	0.9	0.8	0.9
Television sets, radios, tubes and phonographs.....	16.8	21.5	22.8	19.0	16.9
Tires and tubes.....	11.4	8.6	0.8		
Toilet preparations.....	7.1	5.2	5.6	6.1	6.3
Trunks, bags, luggage, etc.....	3.5	0.4			
Wines.....	2.2	2.4	2.5	2.6	2.7
Sundry commodities.....	6.4	2.3	2.1	2.3	1.4
Licences, interest and miscel- laneous.....	0.4	0.4	0.4	0.5	0.6
Less refunds.....	-1.6	-0.8	-0.4	-1.1	-0.7
296.0		252.0	260.7	267.1	249.4
Customs duties.....	407.3	397.2	481.2	549.1	498.1
Excise duties—					
Spirits, malt and beer.....	133.0	130.1	141.9	153.4	171.8
Cigarettes, cigars and tobacco.....	97.0	100.8	110.4	121.1	131.6
Less refunds.....	-3.3	-4.4	-2.9	-3.1	-3.3
226.7		226.5	249.4	271.4	300.1
Succession duties.....	39.1	44.8	66.6	79.7	71.6
Tax on insurance premiums.....	13.8	14.5	15.5	16.7	0.1
Miscellaneous tax revenue.....	0.7	1.0	1.3	1.6	1.4
Total tax revenues.....	4,003.6	3,773.5	3,995.7	4,647.9	4,622.2
NON-TAX REVENUES—					
Post office—net postal revenue.....	111.0	131.3	137.4	145.8	152.9
Return on investments.....	152.1	134.0	149.3	206.6	169.5
Other.....	129.6	84.7	117.6	106.2	102.5
Total non-tax revenues.....	392.7	350.0	404.3	458.6	424.9
TOTAL REVENUE.....	4,396.3	4,123.5	4,400.0	5,106.5	5,047.1

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

	1953-54	1954-55	1955-56	1956-57	Preliminary 1957-58
2% personal income tax.....	90.7	100.9	102.5	125.0	135.0
2% corporation income tax.....	55.6	46.0	53.3	67.3	60.7
2% sales tax.....	146.8	143.1	160.4	179.3	175.8

(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)

	1953-54	1954-55	1955-56	1956-57	Preliminary 1957-58
	\$	\$	\$	\$	\$
Agriculture—					
Administration and general.....	0.9	1.0	1.0	1.2	1.4
Science service.....	8.2	8.5	8.6	9.8	10.6
Experimental farms service.....	8.6	9.6	10.6	11.9	13.8
Production service.....	10.3	10.8	11.2	12.3	12.9
Marketing service.....	5.0	10.3	7.8	6.6	7.4
Rehabilitation and reclamation projects.....	14.8	12.6	11.9	13.6	12.4
Freight assistance on western feed grains.....	17.0	19.0	16.0	17.5	17.5
Premium on hog carcasses suitable for export to United Kingdom.....	4.7	5.1	5.9	5.7	5.5
Net operating loss—agricultural commodities stabilization account.....	37.7	3.1	5.8	5.0	6.0
Deficit—prairie farm emergency fund.....	1.2	1.8	8.4	5.9	5.9
Other expenditure.....	108.4	81.8	1.0	1.0	1.3
Atomic Energy.....	12.7	15.0	19.0	21.9	21.6
Auditor General's Office.....	0.6	0.7	0.7	0.7	0.8
Canadian Broadcasting Corporation—					
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	19.3	16.8
Grant towards the anticipated operating deficit and capital expenditures of the radio broadcasting and television services.....	6.3	6.3	6.3	18.3	24.4
International service.....	2.0	2.1	1.8	1.7	1.8
Office of the Chief Electoral Officer.....	25.0	29.2	31.2	39.3	43.0
Citizenship and Immigration—	5.5	0.3	0.4	0.2	13.6
Administration and general.....	1.7	1.7	2.8	2.2	2.5
Immigration branch.....	7.3	8.3	8.0	18.6	22.0
Indian Affairs branch.....	16.5	18.0	21.5	23.7	27.9
Civil Service Commission.....	25.5	28.0	32.3	44.5	52.4
Defence Production—	2.1	2.3	2.4	2.7	3.2
Administration and general.....	10.1	9.2	9.6	10.5	10.2
Capital assistance to defence industry.....	37.8	9.7	6.5	10.0	4.7
External Affairs.....	47.9	18.9	16.1	20.5	14.9
Membership in commonwealth and international organizations.....	10.0	11.7	13.0	14.4	15.8
Assistance to other countries and international organizations.....	2.9	3.1	3.1	5.8	4.3
Finance—	32.8	29.0	28.8	40.0	40.1
Departmental administration and general.....	45.7	43.8	44.9	60.2	60.2
Office of the Comptroller of the Treasury.....	6.4	6.2	6.7	8.0	7.3
Interest on public debt.....	13.7	14.9	14.9	16.0	17.5
Cost of issuing new loans and annual amortization of bond discounts and commissions.....	476.1	477.9	492.6	520.2	539.3
Servicing of public debt.....	19.1	23.6	21.1	13.4	27.2
Subsidies to provinces.....	0.6	0.8	0.6	0.5	0.6
Compensation to provinces—	20.1	20.4	20.3	20.6	20.6
Tax-rental agreements, 1952 Act.....	309.2	327.4	319.6	365.9	353.3
Tax-sharing arrangements, 1956 Act.....					
Transfer of certain public utility tax receipts, under tax-rental agreements.....	6.8	7.3	7.9	6.6	7.4
Transitional grant to Newfoundland.....	4.8	3.9	3.1	2.3	1.4

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

(in millions of dollars)

	1953-54	1954-55	1955-56	1956-57	Preliminary 1957-58
	\$	\$	\$	\$	\$
Finance—concluded.					
Government contributions with respect to the superannuation account—					
General.....	16.4	37.4	31.5	31.6	33.8
Special.....	38.0			40.8	44.3
Reduction in actuarial deficiency in the superannuation account.....				50.0	
Grants to municipalities in lieu of taxes on federal property.....	3.0	3.1	7.0	9.5	17.5
Grants to universities.....	5.2	5.4	5.5	16.0	16.6
Grant to Canada Council.....					100.0
Implementation of guarantees (Ming Sung Industrial Co. Ltd.).....	1.6	1.5			
Premium, discount and exchange.....		3.8		1.4	
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.....	50.0			50.0	
	971.3	934.0	931.2	1,152.8	1,186.8
Fisheries.....	9.3	11.2	12.4	13.8	16.4
Governor General and Lieutenant-Governors.....	0.4	0.4	0.4	0.4	0.4
Insurance.....	0.4	0.5	0.5	0.5	0.6
Justice.....	5.8	5.9	6.6	7.0	7.2
Office of the Commissioner of Penitentiaries.....	9.2	10.5	10.7	12.0	12.7
	15.0	16.4	17.3	19.0	19.9
Labour.....	9.6	9.4	9.0	9.5	11.2
Government annuities—amount required to maintain reserve.....	0.1	0.4			1.2
Unemployment Insurance Act, 1940—					
Administration and general.....	26.1	28.3	26.6	29.0	32.5
Government contribution.....	31.8	31.7	33.9	37.4	37.8
	67.6	69.8	69.5	75.9	82.7
Legislation—					
House of Commons.....	4.2	5.0	5.1	5.4	5.0
Library of Parliament.....	0.3	0.3	0.3	0.3	0.3
Senate.....	1.1	1.4	1.4	1.5	1.5
	5.6	6.7	6.8	7.2	6.8
Mines and Technical Surveys.....	13.0	16.4	17.6	17.5	18.7
Dominion Coal Board.....	10.3	11.8	11.3	9.7	8.8
Emergency gold mining assistance.....	15.2	15.5	9.3	8.7	8.6
	38.5	43.7	38.2	35.9	36.1
National Defence—					
General.....	0.3	0.3	0.5	0.5	0.8
Defence forces, Army, Navy and Air services.....	1,424.3	1,313.8	1,464.9	1,504.1	1,415.1
Mutual aid to NATO countries.....	300.2	260.0	175.0	133.6	118.4
Defence research and development.....	40.8	50.0	64.3	69.3	78.7
Pensions — payments under defence services pension act.....	5.1	5.2	5.3	5.6	5.8
Government contribution to permanent services pension account.....	35.2	36.7	40.1	46.3	49.7
	1,805.9	1,668.0	1,750.1	1,759.4	1,668.5
National Film Board.....	3.0	3.4	4.1	5.0	4.0
National Health and Welfare.....	28.0	28.6	29.1	33.5	38.7
General health grants.....	29.2	31.6	33.5	36.3	34.6
Family allowances.....	350.1	366.5	382.5	397.5	437.9
Old age assistance, blind and disabled persons allowances.....	23.2	24.2	29.5	30.5	39.7
Unemployment assistance.....				7.9	8.2
Deficit—old age security fund.....		45.8	63.3	56.0	103.9
	430.5	436.7	537.9	561.7	663.0
National Research Council.....	15.4	15.7	16.1	19.0	21.6
National Revenue.....	49.9	55.0	56.1	61.8	67.7

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

(in millions of dollars)

	1953-54	1954-55	1955-56	1956-57	Preliminary 1957-58
	\$	\$	\$	\$	\$
Northern Affairs and National Resources	19.3	20.2	24.6	37.0	48.6
Post Office	113.6	123.6	127.4	140.0	153.3
Privy Council including Prime Minister's Office	3.7	3.8	3.9	3.9	3.9
Public Archives and National Library	0.4	0.4	0.5	0.6	0.6
Public Printing and Stationery	2.0	2.1	2.2	3.2	3.3
Public Works	101.5	112.7	126.0	140.5	156.6
Trans-Canada highway contributions	13.4	18.1	16.1	24.8	49.4
	114.9	130.8	142.1	165.3	206.0
Royal Canadian Mounted Police	33.9	35.5	36.6	43.4	47.4
Secretary of State	3.3	2.7	3.0	3.5	4.0
Trade and Commerce	16.5	17.5	17.6	23.6	23.7
Assistance re storage costs on grain	16.5	17.5	18.9	31.8	33.3
			36.5	65.4	67.0
Transport—					
Administration and general	4.2	7.0	8.1	8.3	8.7
Canal services	8.4	7.8	8.3	8.2	8.6
Marine services	20.3	21.3	20.6	26.9	32.7
Railway and steamship services	20.4	26.7	15.3	15.2	12.7
Maritime freight rates act	10.5	10.5	11.0	12.5	12.6
Air services	41.4	44.7	57.3	70.5	90.5
Canadian Maritime Commission	4.2	4.2	4.3	5.0	5.3
Deficits—					
Canadian National Railways		28.8			22.0
Canadian National (West Indies) Steamships Limited	0.6	0.6	0.1		0.6
Prince Edward Island car ferry and terminals	1.6	1.5	1.6	1.8	2.0
North Sydney—Port-aux-Basques ferry and terminals	2.2	2.2	2.4	5.4	6.0
Yarmouth—Bar Harbour ferry				0.3	0.3
Non-active assets—					
National Harbours Board	4.2	3.9	3.0	4.1	4.8
	118.0	159.2	132.0	158.2	206.8
Veterans Affairs—					
Administration and general	4.9	5.0	4.9	5.4	5.6
Pensions	127.6	128.8	130.7	130.3	145.6
Treatment and welfare services	46.5	47.9	47.6	50.8	56.4
Hospital accommodation, additions, alterations and improvements	4.1	3.9	3.5	4.6	3.3
Veterans allowances, treatment allow- ances and other benefits	32.8	34.2	44.0	45.8	53.2
War service gratuities and re-establish- ment credits	8.9	6.0	3.6	2.4	1.8
Soldier settlement and veterans land acts	5.4	5.4	5.4	5.4	5.6
Provision for reserve for conditional benefits under veterans land act	8.5	8.9	8.8	6.8	5.2
	238.7	240.1	248.5	251.5	276.7
TOTAL EXPENDITURE	4,350.5	4,275.4	4,433.1	4,849.0	5,086.5

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

(in millions of dollars)

	1953-54	1954-55	1955-56	1956-57	Preliminary 1957-58
	\$	\$	\$	\$	\$
LOANS TO, AND INVESTMENTS IN, CROWN CORPORATIONS					
Atomic Energy of Canada Limited.....	7.2	16.0	11.7	9.1	3.2
Canadian Broadcasting Corporation.....	4.7	3.0	8.4	Cr. 0.1	Cr. 0.3
Canadian Commercial Corporation.....			Cr. 4.0	Cr. 2.0	
Canadian Farm Loan Board.....	3.7	4.4	4.7	9.3	14.3
Canadian National Railways.....	Cr. 18.1	Cr. 93.4	170.7	172.1	Cr. 10.6
Canadian National (West Indies) Steam- ships Limited.....		3.6	Cr. 0.2	Cr. 0.3	Cr. 0.2
Canadian Overseas Telecommunication Corporation.....	0.4	0.3	4.0	4.3	0.3
Central Mortgage and Housing Corpora- tion.....	98.8	43.7	Cr. 10.4	Cr. 4.1	107.5
Commodity Prices Stabilization Corpo- ration.....	Cr. 1.2				
National Harbours Board.....	Cr. 0.6	1.0	Cr. 0.1	7.2	11.1
Northern Canada Power Commission.....	Cr. 0.4	Cr. 0.4	Cr. 0.4	0.3	6.9
Northern Ontario Pipe Line Crown Corporation.....				0.3	70.5
Polymer Corporation Limited.....	Cr. 3.0	Cr. 4.0			
The St. Lawrence Seaway Authority.....		1.3	20.2	56.0	94.5
Other Crown corporations.....	Cr. 2.8	0.4	0.4	Cr. 0.1	2.1
	88.7	Cr. 24.1	205.0	252.0	299.3
LOANS TO NATIONAL GOVERNMENTS					
United Kingdom—					
The War Appropriation (U.K. Financ- ing) Act, 1942.....	Cr. 53.6	Cr. 30.0	Cr. 30.0	Cr. 30.0	Cr. 30.0
The United Kingdom Financial Agree- ment Act, 1946.....	Cr. 14.6	Cr. 14.8	Cr. 15.2	Cr. 15.5	
Export Credits Insurance Act.....	Cr. 19.4	Cr. 23.6	Cr. 22.4	Cr. 21.9	Cr. 19.9
India—special loans to finance the pur- chase of wheat and flour from Canada.					16.2
Other.....	Cr. 4.9	Cr. 2.9	Cr. 3.4	Cr. 3.8	Cr. 1.2
	Cr. 92.5	Cr. 71.3	Cr. 71.0	Cr. 71.2	Cr. 34.9
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. 8.8	5.1
International Finance Corporation.....				3.5	
Working capital advances and loans to international organizations.....		1.7		0.8	Cr. 0.3
Loans to provincial governments.....	Cr. 3.4	Cr. 3.4	Cr. 3.6	Cr. 3.4	Cr. 3.0
Miscellaneous—					
Balances receivable under agreements of sale of Crown assets.....	8.5	Cr. 8.0	11.8	7.8	Cr. 4.4
Veterans land act advances.....	Cr. 0.1	0.9	Cr. 0.6	Cr. 3.8	Cr. 3.2
Other.....	Cr. 0.7	3.6	2.2	2.8	8.7
	4.3	Cr. 34.3	16.1	Cr. 1.1	2.9
Sinking fund and other investments held for retirement of unmatured debt.....	74.2	89.0	20.0		1.4
Net total of changes in loans and in- vestments.....	74.7	Cr. 40.7	170.1	179.7	268.7

UNMATURED DEBT AND TREASURY BILLS AS AT MARCH 31, 1958 AND THE ANNUAL INTEREST THEREON

Date of maturity	Description	Rate per cent	Where payable	Amount of loan	Annual interest charges
1958, May 1.....	Loan of 1953.....T.9	3	Canada	124,522,000	3,735,660
May 1.....	Loan of 1955.....T.14	2	Canada	475,478,000	9,509,560
Oct. 1.....	Loan of 1957.....T.18	3	Canada	400,000,000	12,000,000
Nov. 1.....	Canada savings bonds 1948.....S.3	2½	Canada	(1) 14,303,700	393,352
1959, Jan. 1.....	Fifth victory loan 1943.....L.7	3	Canada	947,324,750	28,419,743
Oct. 1.....	Loan of 1957.....T.19	3	Canada	300,000,000	9,000,000
Oct. 1.....	Loan of 1957.....T.20	3	Canada	250,000,000	7,500,000
Nov. 1.....	Canada savings bonds 1949.....S.4	2½	Canada	(1) 21,695,100	596,615
1960, June 1.....	Sixth victory loan 1944.....L.9	3	Canada	1,165,300,350	34,959,011
Nov. 1.....	Canada savings bonds 1950.....S.5	2½	Canada	(1) 19,802,250	544,562
Dec. 15.....	Loan of 1957.....T.21	3	Canada	400,000,000	12,000,000
1962, Feb. 1.....	Seventh victory loan 1944.....P.3	3	Canada	1,315,639,200	39,469,176
Aug. 1.....	Canada savings bonds 1951.....S.6	3½	Canada	(1) 80,294,200	2,810,297
1963, July 1.....	Loan of 1938.....	3½	London	(2) 1,978,362	64,297
July 1.....	Loan of 1933/34.....	3	London	(2) 49,833,091	1,494,993
Aug. 1.....	Loan of 1948.....	3	New York	(3) 150,000,000	4,500,000
Aug. 1.....	Canada savings bonds 1952.....S.7	3½	Canada	(1) 94,655,400	3,549,578
Oct. 1.....	Eighth victory loan 1945.....P.5	3	Canada	1,295,819,350	38,874,581
1965, Nov. 1.....	Canada savings bonds 1953.....S.8	3½	Canada	(1) 376,298,000	14,111,175
1966, Sept. 1.....	Ninth victory loan 1945.....P.7	3	Canada	1,691,796,700	50,753,901
Nov. 1.....	Canada savings bonds 1954.....S.9	3½	Canada	(1) 195,878,300	6,366,045
1967, Nov. 1.....	Canada savings bonds 1955.....S.10	3½	Canada	(1) 199,591,150	6,486,712
1968, June 15.....	Loan of 1950.....P.9	2½	Canada	350,000,000	9,625,000
1969, May 1.....	Canada savings bonds 1956.....S.11	3½-3½	Canada	(1) 367,956,850	12,892,427
1970, Nov. 1.....	Canada savings bonds 1957.....S.12	3½	Canada	(1) 1,176,940,400	38,250,563
1974, Sept. 1.....	Loan of 1949.....	2½	New York	(3) 100,000,000	2,750,000
1975, Sept. 15.....	Loan of 1950.....	2½	New York	(3) 50,000,000	1,375,000
1976, June 1.....	Loan of 1954.....T.11	3½	Canada	300,000,000	9,750,000
1978, Jan. 15.....	Loan of 1953.....T.5	3½	Canada	100,000,000	3,750,000
1979, Oct. 1.....	Loan of 1954.....T.13	3½	Canada	400,000,000	13,000,000
1998, Mar. 15.....	Loan of 1956.....T.15	3½	Canada	250,000,000	9,375,000
Perpetual.....	Loan of 1936.....P.1	3	Canada	55,000,000	1,650,000
Various.....	Three month treasury bills.....	(4) 2.27	Canada	1,525,000,000	34,617,500
				14,245,107,153	424,174,748
	Payable in Canada.....			13,893,295,700	413,990,458
	Payable in London.....			51,811,453	1,559,290
	Payable in New York.....			300,000,000	8,625,000
				14,245,107,153	424,174,748

(1) Preliminary.

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

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

(4) Rate of discount on bills sold March 28, 1958.