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CANADA

BUDGET SPEECH

DELIVERED BY

HONOURABLE DONALD M. FLEMING

MINISTER OF FINANCE

MEMBER FOR EGLINTON

IN THE

HOUSE OF COMMONS

APRIL 9, 1959

THE QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
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HOUSE OF COMMONS, THURSDAY, APRIL 9, 1959

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, ten months have passed since I presented my first budget to this twenty-fourth parliament of Canada. Tonight it is my privilege to present the Canadian budget for the year 1959. I am deeply conscious of the honour and responsibility which once again fall to my lot.

Mr. Speaker, the task of preparing the budget this year has indeed been a challenge. The concurrent existence of higher than normal unemployment and a disturbing inflationary potential have puzzled and confused economic observers not only in Canada but in many other countries. It has been necessary to analyse, weigh and assess the strength and drive of these opposing forces and to endeavour to prescribe courses of fiscal policy which will assist Canada to steer a wise course through them.

In the past year, public attention has been focused to an unusual degree on economic and financial issues. In the house, in the press and in public discussion, questions of inflation and unemployment, fiscal and monetary policy, recovery and the public and private functions in promoting sustained growth have been keenly debated. This is all to the good, for the functioning of our system of Government depends upon an informed public opinion.

1958 ECONOMIC CONDITIONS

A year ago we were faced with the carry-over of the effects of a slowing down in economic activity. The two major factors in the recession which began early in 1957

were the decline in business capital investment and the liquidation of inventories, which resulted in serious unemployment. There is still considerable unemployment, but looking back over the past year it is clear that we are now in a period of economic recovery, a period in which the forces of economic growth and expansion have re-asserted themselves. In the fourth quarter of 1958 the volume of production rose by two per cent above the preceding quarter and was two per cent above the level of the year as a whole. Taking account of normal seasonal influences there was a marked improvement in the trend of employment and earnings, in the volume of retail sales, in the level of corporate profits, and in the accumulation of inventories.

The budget white paper, tabled yesterday, reviews the economic developments of 1958 in some detail. I should like now to draw attention to some of the more significant aspects of these developments since they provide the background against which my budget proposals are presented.

The most important forces stemming the decline in business activity during 1958 were to be found in the fiscal policy and position of the federal government—lower tax rates and revenues, higher expenditures and increased cash disbursements particularly in housing loans. The additional spending power provided in this way helped to arrest the decline and underpinned both consumption and investment to a substantial degree until the major retarding influences had spent themselves. The tax reductions announced in December, 1957, helped to maintain the purchasing power in the hands of the public. Personal taxes paid in the calendar year 1958 were \$142 million lower than in 1957, despite an increase of \$1.4 billion in

personal incomes. In addition, there were increases in social security payments, such as old age pensions, veterans' benefits, and unemployment insurance payments, and these also had the effect of maintaining personal incomes and consumer expenditure. Almost one-third of the total increase in personal incomes consisted of increased federal payments of this type, which rose in 1958 from \$1.5 to \$1.9 billion. There was also increased direct government expenditure on goods and services and this too injected new demand and tended to offset declines elsewhere in the economy. Increased federal transfers to the provinces were equal to about one-third of the total increase in provincial and municipal expenditures. The increase in provincial and municipal expenditures on goods and services in 1958 also provided substantial support.

Perhaps as important as changes in taxes and expenditures was government action to offset directly the decline in business capital investment by making funds available for housing. The result was that housing investment attained an all-time high in 1958. Housing starts rose to 165,000 units compared with 122,000 units in 1957 and a previous record of 138,000 units in 1955. In terms of value, investment in residential construction rose by \$353 million or 25 per cent.

Federal fiscal policy played a major role in arresting the decline and in sustaining the economy until the balance of economic forces again turned in the direction of the recovery which is now well under way. The result was that cash requirements on budgetary account and for loans and advances were greatly in excess of cash receipts, and there was a very large cash deficit of \$1,263 million in the 1958-59 fiscal year.

Hon. members are aware that in our accounting system there is no separation between current and capital expenditure except as regards loans and advances. In other words, the budgetary deficit reflects not only normal current expenditures but expenditures on capital works as well. It should be pointed out therefore that the deficit on budgetary account referred to above was to a large extent the result of expenditures on development of resources and construction, which in private business would be charged to capital account. In the calendar year 1958 these federal capital works included in current budgetary expense amounted to about \$400 million. In addition,

there were capital grants to the provinces, the most important of which was an expenditure of more than \$50 million for the trans-Canada highway. Thus it will be seen on analysis that three-quarters of the 1958-59 budgetary deficit is in fact due to expenditure of a capital nature, rather than expenditure on current account.

The moderate but steady advance in consumer spending during the first nine months of 1958 was also a continuing source of strength. In the fourth quarter of the year the advance quickened and consumer expenditure rose by three per cent, the largest quarterly increase since 1952. This advance was an important facet of recovery and carried consumer expenditure to a level six per cent above the same period in 1957. The fourth quarter increase was particularly noticeable in expenditure on durable consumer goods which rose by eight per cent.

Consumer expenditure is much the largest and most stable element of demand in our economy. The steady rise in consumer spending during 1958 was supported by a growth in all the main components of personal income. For 1958 as a whole total wage and salary payments were two per cent above the 1957 aggregate but the trend throughout the year is more significant. There had been some decline in labour income between the summer of 1957 and the spring of 1958. This trend was reversed in February, 1958 and by December last the level of labour income was five per cent above the low point reached eleven months earlier.

The aggregate income of Canadian farmers improved substantially in 1958. Net farm income rose by 24 per cent. This was largely the result of higher returns from livestock and animal products. Farm cash income was only two per cent below the all-time high reached in 1952 and on a per capita basis for all those employed in agriculture cash income was the highest ever recorded. Government action in aid of agriculture and agricultural exports contributed directly to this improvement.

Among the forces contributing to expansion in our economy is the rapid increase in our population. During 1958 our population increased by 381,000, and by mid-summer of this year our population will pass the 17½ million mark.

All this indicates something of the strength imparted to the economy by the growth in

incomes. As I mentioned earlier, this was reinforced by a reduction in tax rates and by a very considerable increase in social security payments so that personal income available for spending was markedly higher than in 1957. In fact, the increase in personal income after taxes was seven per cent in 1958 compared with an increase of five per cent in 1957. About two-thirds of this large increase in personal income after taxes was used for the purchase of additional consumer goods and services; and the remaining third, an unusually high proportion, was saved. A return to more normal levels of saving together with the anticipated expansion in personal incomes can be expected to impart still greater strength to consumer spending in the months ahead.

Corporate profits are a sensitive indicator of business conditions. For the year 1958 as a whole corporate profits were five per cent lower than in 1957. But here again the yearly aggregate is not indicative of what happened during the course of the year. The downward trend in corporate profits which persisted through 1957 and early 1958 came to an end in the summer of 1958. Corporate profits began to rise in the third quarter of 1958 and increased by a further eight per cent in the fourth quarter. This recovery in profits can be expected to impart strength to increased business capital investment.

A further factor of importance in the recovery now taking place is the changing role of inventories. Movements in inventories tend to be of a short-run character, often intensifying demand in periods of expansion and inducing further declines in periods of lessening activity. In the 1955-56 investment boom the strongly inflationary conditions associated with a high level of capital investment contributed to a rapid rate of inventory accumulation. As the mood of optimism was replaced by one of caution, inventories were allowed to run down and to this extent current needs were met from existing stocks rather than new production. Between the first quarter of 1957 and the first quarter of 1958 investment in inventories declined by \$1.1 billion at annual rates—from accumulation at a rate of \$500 million to liquidation at a rate of \$600 million. Throughout the latter half of 1957 and the first half of 1958 investment in inventories was declining and therefore exerting a depressing effect on production. By the third

quarter of 1958, however, this movement had run its course and inventory investment had resumed a positive role.

I have referred to the fact that declining business capital investment was a major factor in the slow-down which emerged during 1957. This decline was particularly noticeable in the export-based resource industries where expansion had been fed by world demand. As the world commodity markets moved into a position of over-supply in late 1956 and early 1957, capital investment in these industries slowed down and this trend spread to other areas of investment as well. The decline was particularly marked in investment in machinery and equipment which fell by almost 20 per cent between the first and the fourth quarters of 1957.

For 1958 as a whole business capital investment, excluding housing, fell by \$789 million or 13 per cent from the 1957 level. While business capital investment was lower than in the peak year 1957, it was high by any other standard and remained an important source of demand in the economy. Moreover, it should be observed that a considerable part of the impact of the decline in capital investment and inventories did not fall on Canadian producers but was reflected instead in a decline in imports which had been swollen by the demands of the previous boom.

The decline in business capital investment was largely offset by expansion in social capital, including housing. In 1958 outlays of this kind increased by \$513 million or 17 per cent and offset almost two-thirds of the decline in business investment. Investment in housing and community facilities such as roads, schools and hospitals, amounted to more than two-fifths of our total capital spending.

A large number of Canadian workers and important segments of the business community find their prosperity directly related to the demand for our exports. Despite the recession in the United States market in 1958, our exports of merchandise were maintained at the record level of 1957. There were substantial gains in exports of a number of commodities, among them uranium, aircraft, beef cattle, wheat and farm implements. There were declines in other products, notably petroleum, iron ore, copper, nickel, primary and semi-finished steel, as well as pulp and newsprint. There was during 1958

a pronounced economic recovery in our major external market, the United States. While our expectations of continuing improvement in the economic situation at home do not depend on any large increase in exports, the continuing strength of recovery in the United States cannot fail to affect the position of some of our most important exports and has already contributed to a return of confidence.

While exports were maintained in 1958, merchandise imports fell by eight per cent and our deficit on commodity trade declined by more than \$400 million,—from \$579 million in 1957 to \$174 million in 1958. These reductions in purchases from abroad were associated with the lower level of business investment in Canada and affected in particular our imports from the United States. The reduction in our deficit on merchandise trade was offset to some extent by a further rise in our deficit on non-merchandise account, and our overall current account deficit declined by \$288 million,—from \$1,400 million in 1957 to \$1,112 million in 1958. While the merchandise deficit was sharply reduced in the first three quarters of 1958, imports since then have been rising more rapidly than exports, a reflection of our progressing economic recovery.

The exchange value of the Canadian dollar in terms of United States dollars increased during the course of 1958, although the increase was confined to the first half of the year. The premium of the Canadian dollar over the United States dollar was a little more than 3½ cents in December, 1958, compared with about 1½ cents at the beginning of the year.

In our trade with the United States exports were well maintained while imports, particularly of capital goods and equipment, fell off quite sharply. On the other hand, our imports from the United Kingdom showed some increase. I am glad to say our trade and payments position with both the United Kingdom and the United States moved into better balance. With respect to the United Kingdom the gap in our current account has narrowed for the third consecutive year, with increases in both our imports and exports. The United Kingdom current account deficit with Canada in 1958 was \$130 million,—the lowest in any year in the post-war period except 1950.

The achievement of better balance in our trading relationships was one of the objec-

tives which prompted the government to call for a commonwealth trade and economic conference. All the other members of the commonwealth, accepting our invitation, met with us in Montreal last September. It proved to be one of the most significant meetings in the history of the commonwealth, and owed much to the initiative of our Prime Minister (Mr. Diefenbaker). I have no hesitation in saying that, in the field of trade and economic development, the decisions reached at the conference will result in great benefits not only to the commonwealth but to the whole of the free world. The results of the conference fully justified its opening theme—"An expanding commonwealth in an expanding world."

Two subsequent decisions of great importance were foreshadowed at our conference. First, there was the approval at New Delhi in October of the proposal to enlarge the resources of the International Bank and the International Monetary Fund. In their different spheres these two institutions promote world prosperity and world stability. I shall very soon be inviting the house to approve legislation enlarging Canada's subscriptions to the resources of both these institutions. Without going into details at this time I should, however, remind hon. members that these increases in our subscriptions do not involve new cash requirements.

Second, there was the decision of the government of the United Kingdom in December to make sterling convertible—a decision which, I am happy to say, was taken concurrently by a number of leading European governments. We may be confident that, over the months and years ahead, convertibility will be a potent force reducing discriminatory trade barriers against our products and enlarging opportunities for our exporters.

One must admit, however, that trading arrangements and commercial policies on the other side of the Atlantic are in a state of some uncertainty. The European economic community—the European customs union as it was originally called—has come into being, and as an evidence of western European solidarity it is indeed welcome. Also to be welcomed is the fact that many of the first tariff reductions of the community, which came into effect last January, were made available to all members of GATT and were not confined to the members of the community. On the other hand, there seem to be strong pressures within the community to

increase discrimination against the outside world in the field of trade quotas. This, together with the possibility of higher European tariffs at a later date, is seriously disturbing to other members of the North Atlantic community and could exercise a divisive influence within the alliance. In seeking wider trade opportunities wherever we can we shall continue to employ all available facilities including those of GATT, the one organization which brings together the important trading countries and the chief trading groups.

Despite these difficulties and uncertainties in the commercial policies of the common market countries, world trade and payments have been moving into better balance. The fear of "dollar shortage", which hung over these countries in the post-war years, now seems to be dissipated. The United Kingdom and western European countries have added over \$3 billion to their gold and dollar reserves last year and this trend is expected to continue. For this reason alone we are entitled to expect that trading opportunities in that direction should continue to improve.

Much of the increase in European reserves came from the United States where gold reserves have fallen by \$2.3 billion during the past year. This implies that, broadly speaking, the United States is continuing to act as a "good creditor". By gifts and loans, bilaterally and through international institutions, it is providing other countries with more than enough dollars to pay for the excess of its exports over its imports. But it is to be hoped that the people and the government of the United States will become less timid regarding imports, particularly imports from a country like Canada, which buys from them far more than it sells, and is linked with them by bonds of common continental defence. In particular the actions of the United States in imposing during the past year new import restrictions on lead and zinc and mandatory controls on petroleum have aroused strong resentment in this country. We shall continue to press for the removal of these and other unjustifiable impediments to our export trade.

No review of the economic situation would be complete without some comment on price movements. In the fourth quarter of 1958 consumer prices were 2.4 per cent higher than a year earlier. The wholesale price index rose 1.3 per cent in the same period. This tendency toward rising prices, particularly in a period of recession, is a matter for concern. Advancing technology might have been expected to reduce the cost and selling price of many products to consumers. It is

evident, however, that developments in corporation pricing policies, in labour organization and even in our political democracy are producing increased rigidities which inhibit the free play of competitive forces and thereby promote inflation and price increases.

I feel constrained at this point to renew the warning I gave in my previous budget regarding the danger to our longer term economic prospects of a persistent trend toward higher costs of production. World markets are becoming increasingly competitive, and unless we can keep our costs of production in line with those in other important trading countries we shall find it increasingly difficult to sell our goods abroad and meet the competition of imports at home. Indeed this is happening now.

Rising costs and continuing price increases spell inflation. They weaken our competitive position at home and abroad and thereby reduce the possibilities of useful and productive employment. They divert effort from productive pursuits to the wasteful processes of speculation, from which in turn flow economic maladjustment and decline. More than this they impose severe burdens on those with fixed incomes and those normally least able to protect themselves. They lead to an unequal sharing of the fruits of progress and frustrate the just expectations of toil. I believe that the long-run growth in production and the fairness with which it is distributed are not unrelated and that both depend upon reasonably stable prices.

There has been much discussion about inflation during the past year, both here and in the United States. Some of it, in my view, has been of an exaggerated and overdramatized nature. I have always welcomed public discussion of this question. Only good can come from a better public understanding of the varied causes of inflation, of its different aspects, of its risks, of the dangers and injustices it breeds, and of the serious economic distortions it produces. I reject the doctrine of either the desirability or the inevitability of creeping inflation. As the *London Economist* put it:

The proposition that inflation is inevitable is not an acknowledgment of economic determinism, but a political judgment that the will to control it has disappeared.

To argue that inflation is inevitable is a reflection upon, indeed an insult to the intelligence and the moral fibre of free peoples.

I do not see any present evidence of overt inflation in the coming year; in fact the consumer price index has declined for the past four consecutive months. We must, however, continue on guard against potential inflationary pressures. I believe that it is well

within the power of Canadians to achieve reasonable price stability without sacrificing either immediate recovery or balanced growth.

I have tried to draw together the main strands in the economic developments of 1958. I have pointed to the evidence of recovery at home and abroad. Throughout 1958 there was serious unemployment despite very substantial positive action by the government. The improvements in economic conditions to which I have referred had not been in effect long enough to bring about a substantial improvement in employment before the end of 1958. It has been an unusually severe winter in most parts of Canada, and this has contributed to some delay in the recovery of employment. The most recent statistics available show a reduction in the numbers of unemployed persons as compared with a year ago and a rise of 152,000 in the number of persons working. These are very encouraging figures, and I am confident that we can now look forward to a rapid growth in employment opportunities as the season advances.

It remains to assess the strength of this recovery and to estimate the levels to which it will carry incomes in the coming year. I estimate that a mere continuation of the level of gross national product reached in the first quarter of this year would of itself produce a 1959 gross national product about four per cent above 1958. But recovery is still in process, and we can therefore confidently expect the gain in 1959 production to go well beyond this figure. Assuming normal crops, stable prices and no untoward external events I shall be basing my budgetary policy and my revenue forecasts on a gross national product of about \$34½ billion which is about seven per cent above the average level achieved in 1958.

GOVERNMENT ACCOUNTS 1958-59

I should like now to review briefly the government's accounts for the fiscal year that ended on March 31. Hon. members will find these set forth in some detail in the white paper tabled yesterday. It will be two or three months before our books of account for the fiscal year can be closed and audited, and the figures in the white paper and those I use tonight are approximate and subject to revision.

In my budget speech last June I budgeted for revenues of \$4,652 million, expenditures of \$5,300 million and a deficit of \$648 million.

In August, as a result of further sales tax exemptions provided in the amendments to the Excise Tax Act, I estimated the deficit at \$650 million, and shortly before the house adjourned in September, following approval by parliament of the special wheat acreage payments and certain other expenditures, I revised my forecast of expenditure to \$5,350 million and of the deficit to \$700 million. It now appears that our revenues were \$4,770 million, our expenditures including the deficit in the old age security fund were \$5,387 million and the total budgetary deficit was \$617 million.

The increase of \$120 million in revenues is 2½ per cent over the budget forecast and reflects the fact that economic conditions during the year were somewhat better than those on which my budget estimate was based. Approximately \$52 million of this increase was in tax revenues and \$68 million in non-tax revenues, the latter reflecting mainly higher interest earnings and increased Bank of Canada profits. Expenditures at \$5,387 million were \$37 million, or two-thirds of one per cent higher than my revised budget forecast.

In addition to the expenditures for government services that are charged to the budgetary accounts we have made many very substantial loans and advances and disbursed large sums for a variety of other authorized and essential purposes. During the fiscal year these outlays amounted to \$1,760 million and included loans and advances of \$336 million to Central Mortgage and Housing Corporation, \$207 million to the Canadian National Railways, \$99 million to the St. Lawrence Seaway Authority and \$42 million to the Northern Ontario Pipe Line Crown Corporation, as well as \$212 million representing disbursements from the national defence equipment account. To meet these outlays substantial sums amounting in all to \$1,114 million were available from the repayment of loans, net annuity insurance and pension receipts and from other non-budgetary sources.

The budgetary deficit of \$617 million and the net non-budgetary requirements of \$646 million have been financed by an increase of \$1,429 million in the government's outstanding unmatured debt, resulting in an increase of \$166 million in our cash balances.

During the fiscal year, in addition to the refunding of treasury bills which matured weekly, outstanding securities amounting to the very large sum of \$7,973 million were

redeemed or converted. New bonds in the amount of \$9,286 million were issued in exchange or for cash. After taking into account the net reduction of \$116 million in bonds held in our securities investment and sinking fund accounts the unmatured debt held outside these government accounts increased by \$1,429 million during the fiscal year.

The average interest rate on the government's unmatured debt at March 31, 1959 was 3.60 per cent compared with 3.05 per cent at the end of the previous fiscal year. This increase was mainly due to the substantial lengthening in the average term of the debt achieved during the year.

DOMINION-PROVINCIAL RELATIONS

The subject of dominion-provincial relations has already been debated on two occasions in the present session. Accordingly I do not propose to enter on that subject this evening. However, the house might find it interesting to have on record the financial contributions the federal government is already making available to the provincial governments and to provincial institutions.

Under the Federal-Provincial Tax-Sharing Arrangements Act we are making unconditional payments to the provincial governments

or unconditional tax abatements amounting to \$684 million in the current year, of which \$167 million is in the form of fiscal aid through equalization and stabilization payments. Other direct unconditional payments from statutory subsidies and the share of the power corporation income tax total \$30 million. As additional grants to the Atlantic provinces we are paying \$2½ million a year to the government of Prince Edward Island and \$7½ million a year each to the governments of Nova Scotia, New Brunswick and Newfoundland.

In addition to these very large sums we are paying or stand committed to make available to the provincial governments or to provincial institutions very large amounts of money in the form of conditional, matching or specific grants-in-aid. These cover such projects as hospital insurance, health and hospital grants, old age and disability assistance, unemployment assistance, trans-Canada highway and roads to resources programs, grants in aid of vocational training, university grants, grants to municipalities in lieu of taxes and in aid of winter work programs, and many others. The actual disbursements under these arrangements are expected to add up to more than \$460 million in 1959-60.

TABLE 1
FEDERAL CONTRIBUTIONS TO THE PROVINCES
(in millions of dollars)

	1956-57	1957-58	1958-59 (preliminary)	1959-60 (estimated)
A. Unconditional Grants—				
1. Statutory Subsidies.....	22.7	22.0	21.6	21.4
2. Tax Rental and Abatements.....	—	493.6	514.3	517.0
3. Equalization.....	523.3	136.0	147.5	163.4
4. Stabilization.....	—	3.4	5.7	3.3
5. 50% share of Income Tax on Power Utilities.....	6.6	7.3	8.7	9.0
6. Atlantic Provinces Adjustment Grants.....	—	—	25.0	25.0
7. Term 29 Award (Nfld.).....	—	—	13.6	7.3
Sub-total.....	552.6	662.3	736.4	746.4
B. Conditional Payments—				
1. Agriculture.....	0.8	0.9	1.6	1.6
2. Health.....	36.4	34.7	46.5	63.0
3. Hospital Insurance.....	—	—	57.8	160.0
4. Welfare.....	38.4	54.3	72.8	76.2
5. Vocational Training.....	4.1	4.5	8.5	10.0
6. Highways and Transportation.....	26.9	55.9	65.3	70.3
7. Resource Development.....	2.8	4.8	16.8	23.8
8. Subsidized Rentals and Slum Clearance.....	0.1	1.0	2.2	4.0
9. Other.....	1.2	1.0	9.2	8.5
Sub-total.....	110.7	157.1	280.7	417.4
C. Payments for the benefit of provincial institutions—				
1. University Grants.....	16.0	16.5	25.5	26.2
2. Grants to Municipalities in lieu of Taxes on federal government property.....	9.7	17.8	22.3	22.5
Sub-total.....	25.7	34.3	47.8	48.7
TOTAL.....	\$689.0	\$853.7	\$1,064.9	\$1,212.5

It will be seen from this table that the total cost to our treasury in 1956-57 was \$689 million; in the year just ended it was \$1,065 million; and in the year we are now entering it is estimated that it will be \$1,212 million. Thus in this new fiscal year our payments to or for the benefit of the provinces will be almost double those of three years ago.

Finally, hon. members should note that through the federal schemes of unemployment insurance, old age pensions and family allowance payments we disbursed in 1958-59 a total of \$1,510 million. These disbursements not only had important income sustaining effects on the entire Canadian economy, but also had a major impact on provincial and municipal finances in relieving them of a great part of the burden of relief payments which in earlier decades would have fallen very heavily upon them.

DEBT MANAGEMENT

I reported to the house in my budget speech last June 17 that the matter of debt management, including the financing of about \$1,400 million of new cash requirements, would be one of the major financial problems of the year. I said at that time that debt management cannot follow any rigid formula, but needs to be adapted to shifting economic conditions and market sentiment. I emphasized, however, the importance of taking advantage of every appropriate opportunity to sell longer term bonds in order to keep our debt maturities spread out over a reasonable period of years. Since the end of the war the average term of our debt had been steadily shortening. At the end of 1949 it was about 8½ years; by the end of 1954 it was just over 7 years; and early in 1958 it was down to 6 years.

Our problem of debt management in mid-1958 had several aspects. One was a significant change in the attitude of the investing public toward government bonds, both in Canada and in the United States. After some signs of strength in the earlier months of 1958 the New York bond market broke sharply in mid-June, and continued a pronounced downward trend to the end of the year. The Canadian market, with some variations, followed this general trend.

In both countries investors were showing little interest in increasing their holdings of longer term government bonds. These circumstances led us, in planning our financing, to look to the relatively short term market; but here we encountered the problem of the shortness in the average term of our existing debt. The major factor in this situation was the impending maturities of nearly \$6½ billion

of wartime victory bonds that had ultimate maturity dates between January 1, 1959, and September 1, 1966. But in so far as the market and the investor were concerned, this \$6½ billion was not spread over eight years, because the first four of the issues were callable in 1959 or earlier and the 1966 issue was callable at any time after September 1, 1961. From the investors' point of view, therefore, this \$6½ billion had to be considered as being spread over, not eight years, but approximately three years.

It was to clear away this heavy overhang of bonds of short term and uncertain term, and to provide a substantial lengthening out of the average term of our debt that the great conversion loan of last summer was undertaken. I shall not repeat the detailed merits of this the largest financial operation in Canada's history. It achieved an unprecedented success. More than 90 per cent of the outstanding Victory Loan bonds were converted by their holders into longer maturities. It has proved to be a major anti-inflationary step; it removed a source of heavy pressure on the bond market; and by nearly doubling the average length of our debt it has made it possible to develop and carry forward a sound debt management policy.

Monetary policy and debt management are closely related. During the first nine months of 1958 the Bank of Canada progressively increased the total money supply very substantially. This increase in the money supply, which began in the third quarter of 1957, was in part a normal central banking operation to counter the recession in business activity and to ensure that recovery was not impeded by any shortage in credit. It was also a necessary concomitant of the conversion loan operation which was the foundation for a sound debt management policy.

Debt management and the problems of financing the undertakings of government are too often regarded as matters remote from the interest of the average citizen. The complexities of public finance and the intricacies of the bond market may seem to be removed from his experience. The fact is, however, that the national debt and the way it is managed touch the lives of all Canadians.

The volume of government borrowing, the rates, distribution and length of the national debt, affect the whole pattern of individual, corporate, municipal and provincial financing. Good debt management is essential to the maintenance of the purchasing power of the Canadian dollar and the achievement of sustained national development. It is at the very heart of national thrift and is vital to the realization of the economic goals of a free and competitive society.

An important and healthy development of recent months has been the sharp reversal of a long continuing trend of dis-investment in Government of Canada bonds by the general public. This decline in the holdings of Canada bonds by the general public—that is, holdings outside the banking system and government accounts—had been going on more or less steadily since the end of the war, but was considerably accelerated during the first part of 1958. Ten years ago the general public's holdings were close to \$10 billion; five years ago they were down to \$9 billion; at the end of 1957 they were about \$8.7 billion; and they reached a low point of just

under \$8 billion in September, 1958. In the past six months there has been a sharp turn around. Since last September the general public's holdings of Canada bonds have increased week by week and are now \$1,560 million higher than on September 30. Today the general public's investment in Dominion of Canada bonds is at a higher level than at any time in the past eight years.

If I may have consent, Mr. Speaker, I should like to insert at this point three factual tables relating to the size, the distribution, the average term, and the total interest cost of our public debt over the past ten years.

TABLE 2A
GROSS AND NET DEBT

	Funded Debt	Total Debt	Net Debt	Net Debt	
				Per capita	As per cent of G.N.P.
	(\$ billion)	(\$ billion)	(\$ billion)	\$	
March 31					
1950.....	15.2	16.8	11.6	847	71.2
1951.....	15.0	16.9	11.4	814	63.3
1952.....	14.7	17.5	11.2	772	52.9
1953.....	14.8	17.9	11.2	757	46.7
1954.....	14.6	17.9	11.1	725	44.4
1955.....	14.5	18.0	11.3	720	45.4
1956.....	15.4	19.1	11.3	702	41.7
1957.....	14.4	18.3	11.0	663	36.4
1958.....	14.2	18.4	11.0	647	35.0
1959.....	15.6	20.2	11.7	676	36.3

TABLE 2B
INTEREST COST OF GROSS AND NET DEBT

Year ending March 31	Interest paid on total debt	Revenues from Investments	Net Interest Cost	Net Interest as p.c. of net debt
	(millions)	(millions)	(millions)	
1950.....	\$440	\$ 92	\$348	3.00
1951.....	425	90	335	2.94
1952.....	432	118	314	2.80
1953.....	451	117	334	2.98
1954.....	476	152	324	2.92
1955.....	478	134	344	3.04
1956.....	493	149	344	3.04
1957.....	520	207	313	2.85
1958.....	539	169	370	3.36
1959.....	604	225	379	3.24

TABLE 2C
MATURITY AND DISTRIBUTION OF FUNDED DEBT

December 31	Average Term of Debt*	Amount of Funded Debt Held (\$ millions)			
	Years	Banks	Govt. Accts.	General Public	P.C. held by Gen. Public
1949.....	8.3	5,178	796	9,845	62.2
1950.....	8.1	5,093	847	9,952	62.6
1951.....	7.5	5,052	1,009	9,273	60.5
1952.....	6.8	5,176	1,102	8,909	58.7
1953.....	6.2	5,184	1,314	9,139	58.4
1954.....	7.2	5,633	1,204	8,629	55.8
1955.....	6.3	5,540	1,491	8,969	56.1
1956.....	6.6	4,950	1,518	8,766	57.5
1957.....	6.0	5,104	1,367	8,693	57.3
1958.....	10.3	6,190	1,258	8,968	54.6
1959 (Apr. 1).....	10.0	6,104	944	9,512	57.4

*Excluding Canada Savings Bonds and Perpetuals.

These tables show that since 1949 our gross funded debt has increased by about five per cent, and our net debt is almost unchanged. Our net debt per capita was \$847 ten years ago, \$725 five years ago and is reduced to \$676 now. Our net debt as a percentage of gross national product in the same years was 71.2, 44.4 and now 36.3.

While the gross interest on our public debt rose from \$440 million in 1949-50 to \$604 million in 1958-59, our interest and dividend returns from our public investments have risen in the same years from \$92 million to \$225 million. The net interest cost of the public debt was thus \$348 million ten years ago and was \$379 million in the year just ended.

GOVERNMENT ACCOUNTS 1959-60

I come now to the budgetary outlook for the current fiscal year. Early in February I tabled the main estimates for 1959-60 totaling \$5,596 million. In addition, I must assume that there will be some payments under the Agricultural Stabilization Act and that we will have to make provision for a reduced Canadian National Railways deficit for 1959. The deficit in the old age security fund will be about \$185 million this fiscal year. There will also be some additional statutory expenditures as well as the usual supplementary and further supplementary estimates but offsetting these we can expect some lapsings in appropriations.

The total amount of lapsings at the end of the year is likely to be much smaller than in past years, as a result of the arduous labours of the treasury board in revising and screening the departmental estimates for the current year. As I said on tabling the main estimates, we have done our utmost to

promote efficiency and economy in government administration, and notwithstanding our growth in population and the essential services that must accompany such growth, we have been able to hold both staff and administrative costs remarkably close to the levels of the previous year.

After careful study and consideration, and taking into account our continuing efforts to achieve further economies in administration and greater efficiency in the public service, I have concluded that our budgetary expenditures for the fiscal year ending March 31, 1960, will be approximately \$5,660 million, excluding the old age security fund deficit, or \$5,845 million including that deficit.

This is \$458 million higher than our budgetary expenditures last year. While this would appear to be a very substantial increase I should remind hon. members that \$235 million, or more than half of the total, is in our defence expenditure, and reflects, for the most part, the decision taken last year to liquidate the national defence equipment account in 1958-59. Actually, our total cash outlay this year for defence will be approximately the same as last year, but because of this change in bookkeeping treatment, equipment purchases which in previous years were charged to the defence equipment account will now be charged to budgetary expenditures. As I explained last year, this change was made in the interests of good accounting and for the maintenance of proper parliamentary control of expenditures.

The other half of the increase is in non-defence expenditures. More than \$100 million is due to the higher cost of our contributions under the Hospital Insurance and Diagnostic Services Act. Part is due to increased debt charges reflecting the increase in our outstanding debt and higher interest rates; part

to the normal growth in our existing social security and welfare payments; and part to government policies designed to foster national development and to provide increased employment opportunities,—expenditures which will in this and future years increase the efficiency and productive capacity of our economy and thereby add to our future national wealth and income.

Forecasting revenue is always difficult, much more difficult than estimating expenditures. On the basis I indicated earlier of a gross national product of \$34½ billion for 1959 and taking into account all available information, I should expect if there were no change in tax rates that our total revenues would be \$5,165 million in 1959-60. This is \$395 million, or about eight per cent, more than our revenues in the year just ended.

If I may have unanimous consent, Mr. Speaker, I should like at this point to insert in *Hansard* a table showing my estimate of the revenues for the year just ended and what we may expect to receive in the coming year under our existing tax laws.

Table 3
Revenue forecast—Before tax changes
(in millions of dollars)

	1958-59	1959-60
Personal income tax	\$1,371	\$1,550
Corporation income tax	1,029	1,065
Non-resident tax	60	75
Estates tax	73	75
Customs duties	486	525
Sales tax	694	755
Other duties and taxes	561	610
Total taxes	\$4,274	\$4,655
Non-tax revenue	496	510
Total revenue	\$4,770	\$5,165

With projected revenues of \$5,165 million and expenditures of \$5,845 million I should expect a deficit of \$680 million for the current year if there were no change in our present tax structure.

Apart from and outside the budget we shall continue to require large amounts of cash and before I come to discuss the appropriate tax policy for our present and prospective circumstances I should like to draw these requirements to the attention of the house.

As hon. members know, every year the government lends or advances substantial sums for a wide variety of public purposes. These are not treated in our accounts as budgetary expenditures, as in most cases they are interest-earning or revenue-producing and the principal amount is eventually repaid.

On the other hand, each year we collect or receive large amounts of cash which are not treated as budgetary revenues. These consist mainly of moneys paid for the purchase of

government annuities, insurance or super-annuation benefits or from the repayment of loans made in previous years.

During 1959-60 we shall probably be called upon to advance about \$300 million to Central Mortgage and Housing Corporation for housing loans; about \$200 million for the capital investment and refunding programs of the Canadian National Railways and close to \$150 million to the St. Lawrence Seaway Authority, the National Harbours Board, the Canadian Farm Loan Board and other crown corporations and for other non-budgetary purposes.

On the other hand, we shall have about \$250 million available from the repayment of loans and from the excess of current contributions over current benefit payments in our various annuity, pension and insurance accounts.

Our net requirements for these non-budgetary accounts, excluding possible exchange fund requirements which cannot be forecast, will be of the order of \$400 million which we must borrow. This together with the prospective budget deficit would result in net cash requirements of between \$1,050 and \$1,100 million for the year.

TAX POLICY

As I have said, Mr. Speaker, on the basis of our present expenditure program and our present tax structure we shall be facing a deficit of about \$680 million in the fiscal year ending next March 31. This is about \$63 million greater than the deficit recorded for the year just ended, notwithstanding the fact that I expect our present tax structure to yield nearly \$400 million more revenue in 1959-60 than in 1958-59. As I have already said, this is due to two principal factors. The first is that having liquidated the former defence equipment account during the past year, the defence expenditures to be charged against the current budget in 1959-60 will be \$235 million greater than last year, although the actual cash expenditures will be about the same. The second factor is that we shall now be meeting a full year's cost of the hospital insurance program, and this will add more than \$100 million to our expenditures.

Government policies relating to taxation and expenditures should be kept flexible. In an earlier generation when government revenues and expenditures were only a very small fraction of the gross national product the broad economic effects of government finance were not of great significance. But in this modern age where the government expenditures constitute 18 to 20 per cent of the gross national product—and in many

countries the percentage is much higher than in Canada—the financial policies of the government—the amount spent, how it is spent, how the revenues are raised, and the balance between revenue and expenditure—all exert a very direct influence on the health of the private sector of the economy.

As economic conditions change, the government's budget policy needs to change also. It must be flexible; it should be adapted to the shifting economic climate. There are times when a substantial deficit is clearly the right policy; there are times when the budget should be in balance; there are times when some provision should be made for the orderly retirement of debt; and within these ranges there is always the question of degree. The problem of timing the adjustments in budgetary policy is not an easy one, and yet good timing is often of crucial importance.

Government financial policy can never be as flexible as policy in private business. Changes in taxes have important, sometimes vital, effects on business operations. Government expenditures are in large measure analogous to the overhead expenses of private business; they cannot be greatly changed on short notice. Budgetary changes cannot be lightly undertaken or introduced without the most careful consideration. Moreover, it would be very upsetting and confusing to business if changes in taxation were made too frequently or at unusual times.

The deficits we ran last year, both on budgetary account and on over-all cash account, were very large; but looking back over the past year and considering all the circumstances I do not think that they were excessive. Undoubtedly they were a major factor in moderating the 1957-1958 recession, with respect to both its depth and its duration. I think nearly all informed observers have agreed that our policy last year was right in its direction and about right in its degree. We are now, however, well on the road to recovery, and we can look forward to a steady expansion of economic activity, employment and incomes.

I believe all hon. members recognize that we must look forward to a time when conditions of prosperity and employment will allow a balanced budget and when we can also make proper provision for an orderly retirement of debt.

We have not yet, however, reached that stage. Recovery is gathering momentum, but it would be unwise at this juncture to change our course so abruptly as to hamper the forces of expansion. I believe, however, that there should be some narrowing of the budgetary gap. If, under the greatly improved prospects of today, we were to continue to run deficits on the same scale as last year, we would,

in my judgment, run serious risk of building up an inflationary potential which could prove most difficult to keep under control a year or so hence.

Appropriate steps in the direction of balancing the budget are also desirable in order to reduce the heavy pressure of new federal borrowings on the bond market. I have already noted that our federal debt in relation to our growing population and in relation to our expanding gross national product is not excessive; indeed its relative burden is less than in almost every year since the end of the war. But the fact remains that the Canadian bond market has not been accustomed to absorbing as large a volume of new government of Canada bonds as we have had to offer during the past year. The impact of our borrowings, which over the year as a whole have been achieved largely in a non-inflationary manner, has exerted an upward pressure on interest rates. It is desirable, therefore, under present circumstances to move in the direction of reduced federal borrowing, in order to reduce pressure on the interest rate structure and to leave more room for essential provincial and municipal financing.

The two principal elements of a continuing nature in our increased expenditures in 1958 and in 1959 are the increased old age pensions and the new program of hospital insurance. These are universal benefits available, in so far as the federal government is concerned, in the same degree to all Canadians, from coast to coast, and without regard to individual means. It seems to me that, in principle, such universally available benefits should be met from a broadly based system of tax contributions.

Our tax policy for 1959-60 will therefore be based on two principles:

(a) To provide a broadly based source of revenues to meet the new and additional forms of universally available social welfare benefits, and

(b) To reduce the budgetary gap in a degree that will not interfere with the desired rate of recovery, but will hold out the prospect of a balanced budget at the appropriate time.

I have already referred to the important results achieved by the government in providing increased social security, including old age security and hospital insurance. These programs have been well received. They cost money and must be paid for. We have also, as I have previously indicated, spent large sums to meet the problem of unemployment.

As far as I can judge, our Canadian public has been well informed about the underlying facts of the situation. Evidently most people have been expecting some tax increases this year. Many may be not unpleasantly surprised that the increases I shall be proposing are as moderate as they are.

In formulating my proposals I have made every effort to spread the increased burden in a pattern which is fair and equitable and will not weigh too heavily on any one section of the community. Several different taxes and various tax rates will therefore be affected, each of them in moderate degree. The measures which I propose are designed to safeguard the credit of the country, the soundness of our currency, the development of our resources, and the security of our economic future.

OLD AGE SECURITY

The Old Age Security Act provides a pension without a means test to every eligible person 70 years of age or over. The pension was \$40 a month from 1952 until July 1, 1957, when it was increased to \$46 a month. To meet our people's needs it was increased substantially to \$55 a month by the present government on November 1, 1957.

Before the old age security legislation was first introduced the entire subject was carefully studied by a joint committee of the Senate and the House of Commons. After considering various methods of financing, this committee recommended that the contributory principle be applied, and that the required funds be raised annually on a pay-as-you-go basis. From the outset the contributions to the fund have been two per cent on personal incomes with a maximum contribution of \$60, two per cent on corporate incomes, and a two per cent sales tax. This 2-2-2 formula is now far from adequate to provide the funds required to pay the increased pension. In the past fiscal year the contributions fell short of the required total by \$184 million. If we are to continue to maintain the contributory principle and an ear-marked fund it is necessary to increase the contributions to the fund.

I propose that we continue to support the pension out of the same three sources of contributions in the same proportion as in the past. This system is well established and

fully accepted by the public. I am, therefore, proposing the following rates of contribution; three per cent on personal incomes with a maximum contribution of \$90, to take effect on July 1, 1959; three per cent on corporate incomes, to take effect from January 1, 1959; and a three per cent sales tax, to take effect tomorrow.

Under the 2-2-2 formula the two per cent levy on personal incomes reached its maximum of \$60 at a level of taxable income of \$3,000 a year. The new three per cent levy on personal incomes will reach its maximum of \$90 at the same level of taxable income.

For the convenience of hon. members may I insert in *Hansard* a table showing total contributions and total pension payments under the Old Age Security Act since its inception.

Table 4
Old Age Security Fund

Fiscal year	Total contributions (millions of dollars)	Total pension payments
1951-52 (3 mos. only)	\$ 26.4	\$ 76.1
1952-53	223.6	323.1
1953-54	293.1	338.9
1954-55	290.0	353.3
1955-56	316.2	366.2
1956-57	371.6	379.1
1957-58	371.5	473.9
1958-59	(est.) 376.0	(est.) 560.0
Total	\$2,268.4	\$2,870.6

The rates of contribution that I am proposing will yield about \$143 million in this fiscal year and about \$196 million in a full year. This means that the fund will show a deficit of about \$42 million at the end of the current year; but since we shall have provided for the necessary revenues to bring the fund into balance over the next two or three years, I do not propose to treat the deficit in the old age security fund as a budgetary charge in the current year, but to carry it forward into 1960-61.

May I insert here a table showing the effect of these changes on the Old Age Security Fund for 1959-60 and for a full year.

Table 5
Old Age Security Fund
(in millions of dollars)

	Income Tax		Sales Tax	Total
	Personal	Corporate		
Revenue from present rates	\$150	\$56	\$187	\$393
Revenue added by new rates in 1959-60	41	20	82	143
Total revenue in 1959-60	191	76	269	536
Total revenue in a full year at new rates	225	84	280	589
Total pensions payable in 1959-60				578
Total pensions payable in 1960-61				597

INCOME TAX

I also propose some increases in the rates on personal and corporate incomes as part of the general program of reducing the deficit.

Aside from the increased contributions for old age security I do not recommend any increases in taxes on personal incomes below the level of \$3,000 of taxable income.

I am proposing, however, to add two percentage points of personal income tax to each rate in the rate schedule above \$3,000 per year, to take effect on July 1, 1959. The effect will be that taxpayers will pay an additional two per cent on all of their taxable income in excess of \$3,000. The increased old age security contributions, to which I have already referred, will involve these same taxpayers in an additional \$30 on their first \$3,000 of taxable income. It is expected that this increased rate on taxable incomes in excess of \$3,000 will yield \$25 million this year and \$45 million in a full year. It will have no application to approximately 3,800,000 of Canada's 4,600,000 personal income tax payers.

For 1959 the rates will reflect the fact that the increases are not to take effect until July 1. Therefore the increase in income tax rates for this taxation year will be one percentage point on taxable income in excess of \$3,000 and the additional old age security contribution will not exceed \$15. For example, a married taxpayer with two young children who has a total annual income of \$5,600 will pay no additional income tax, but will pay an additional \$2.50 a month for old age security commencing next July.

It will be remembered that this government reduced income tax rates and increased exemptions in 1957. On the first \$1,000 of taxable income we reduced the rate of tax by two percentage points. On the second \$1,000 of taxable income we reduced the rate of tax by one percentage point. At the same time we increased the exemption for each dependent child by \$100.

Taxpayers in the lower and middle income brackets will find that their tax increases this year will cost them less than the relief granted to them by the reductions of 1957. The best way to illustrate the effect on the individual is to compare the taxes which will be payable in a full year after this year's changes with the taxes payable in 1957 prior to the reductions we introduced in that year. For purposes of comparison, let us consider the position of a typical married man who is the father of two children of family allowance age.

At an income level of \$3,000 a year, under the new rates, this man will pay a total of income tax and social security contribution of \$56, an increase of \$4 from the 1958 level. He will, however, be paying \$34 less than he paid before the reductions we introduced in 1957.

At an income level of \$4,000 a year, under the new rates, he will pay a total of \$208, an increase of \$14 from the 1958 level but \$44 less than before the reductions we introduced in 1957.

At an income level of \$5,000 a year, he will pay a total of \$390, an increase of \$24 from the 1958 level but \$44 less than before the reductions we introduced in 1957.

At an income level of \$7,500 a year, he will pay a total of \$898, an increase of \$68 from the 1958 level but still \$2 less than before the reductions we introduced in 1957.

It is clear from these examples that even after the increases now being proposed the vast majority of taxpayers will be paying less in income tax and old age security contributions than they paid prior to the reductions we introduced in 1957.

At the same time they are receiving the protection of a social security system which has been greatly improved and extended.

For the convenience of hon. members may I insert in *Hansard* at this point five tables indicating the effect of the proposed changes in personal income taxes, along with the increased contribution to old age security.

TABLE 6a

EFFECT OF PROPOSED PERSONAL INCOME TAX CHANGES

Single Taxpayer with No Dependents

Income	In 1958		In 1959		In a Full Year		Increase In a Full Year	
	Income Tax	OAS Con- tribution	Income Tax	OAS Con- tribution	Income Tax	OAS Con- tribution	Income Tax	OAS Con- tribution
\$	\$	\$	\$	\$	\$	\$	\$	\$
1,300	22	4	22	5	22	6	—	2
1,500	44	8	44	10	44	12	—	4
2,000	99	18	99	23	99	27	—	9
2,500	166	28	166	35	166	42	—	14
3,000	236	38	236	48	236	57	—	19
3,500	318	48	318	60	318	72	—	24
4,000	403	58	403	73	403	87	—	29
5,000	573	60	582	75	591	90	18	30
7,500	1,086	60	1,120	75	1,154	90	68	30
10,000	1,722	60	1,781	75	1,840	90	118	30
15,000	3,412	60	3,521	75	3,630	90	218	30
20,000	5,507	60	5,666	75	5,825	90	318	30
30,000	10,002	60	10,261	75	10,520	90	518	30
50,000	20,747	60	21,206	75	21,665	90	918	30
75,000	35,692	60	36,401	75	37,110	90	1,418	30
100,000	51,637	60	52,596	75	53,555	90	1,918	30
200,000	122,332	60	124,291	75	126,250	90	3,918	30

NOTES: 1. In calculating the above taxes it has been assumed that everyone takes the optional standard deduction of \$100 in lieu of claiming deductions for charitable donations, unusual medical expenses and union dues.

2. In calculating the above taxes it has also been assumed that where incomes are in excess of \$30,000 that part of income which is in excess of \$30,000 is subject to the 4 per cent investment surtax.

TABLE 6b

EFFECT OF PROPOSED PERSONAL INCOME TAX CHANGES

Married Taxpayer with No Dependents

Income	In 1958		In 1959		In a Full Year		Increase in a Full Year	
	Income Tax	OAS Con- tribution	Income Tax	OAS Con- tribution	Income Tax	OAS Con- tribution	Income Tax	OAS Con- tribution
\$	\$	\$	\$	\$	\$	\$	\$	\$
2,300	22	4	22	5	22	6	—	2
2,400	33	6	33	8	33	9	—	3
2,500	44	8	44	10	44	12	—	4
3,000	99	18	99	23	99	27	—	9
3,500	166	28	166	35	166	42	—	14
4,000	236	38	236	48	236	57	—	19
5,000	403	58	403	73	403	87	—	29
7,500	870	60	894	75	918	90	48	30
10,000	1,446	60	1,495	75	1,544	90	98	30
15,000	3,032	60	3,131	75	3,230	90	198	30
20,000	5,077	60	5,226	75	5,375	90	298	30
30,000	9,522	60	9,771	75	10,020	90	498	30
50,000	20,217	60	20,666	75	21,115	90	898	30
75,000	35,112	60	35,811	75	36,510	90	1,398	30
100,000	51,007	60	51,956	75	52,905	90	1,898	30
200,000	121,652	60	123,601	75	125,550	90	3,898	30

Note: See Notes for Table 6a.

TABLE 6c

EFFECT OF PROPOSED PERSONAL INCOME TAX CHANGES
Married Taxpayer with Two Children Eligible for Family Allowances

Income	In 1958		In 1959		In a Full Year		Increase in a Full Year	
	Income Tax	OAS Con- tribution	Income Tax	OAS Con- tribution	Income Tax	OAS Con- tribution	Income Tax	OAS Con- tribution
\$	\$	\$	\$	\$	\$	\$	\$	\$
2,800	22	4	22	5	22	6	—	2
2,900	33	6	33	8	33	9	—	3
3,000	44	8	44	10	44	12	—	4
3,500	99	18	99	23	99	27	—	9
4,000	166	28	166	35	166	42	—	14
5,000	318	48	318	60	318	72	—	24
7,500	770	60	789	75	808	90	38	30
10,000	1,326	60	1,370	75	1,414	90	88	30
15,000	2,842	60	2,936	75	3,030	90	188	30
20,000	4,862	60	5,006	75	5,150	90	288	30
30,000	9,282	60	9,526	75	9,770	90	488	30
50,000	19,948	60	20,392	75	20,836	90	888	30
75,000	34,818	60	35,512	75	36,206	90	1,388	30
100,000	50,688	60	51,632	75	52,576	90	1,888	30
200,000	121,308	60	123,252	75	125,196	90	3,888	30

Note: See Notes for Table 6a.

TABLE 6d

EFFECT OF PROPOSED PERSONAL INCOME TAX CHANGES
Married Taxpayer with Four Children Eligible for Family Allowances

Income	In 1958		In 1959		In a Full year		Increase in a Full Year	
	Income Tax	OAS Con- tribution	Income Tax	OAS Con- tribution	Income Tax	OAS Con- tribution	Income Tax	OAS Con- tribution
\$	\$	\$	\$	\$	\$	\$	\$	\$
3,300	22	4	22	5	22	6	—	2
3,500	44	8	44	10	44	12	—	4
4,000	99	18	99	23	99	27	—	9
5,000	236	38	236	48	236	57	—	19
7,500	670	60	684	75	698	90	28	30
10,000	1,206	60	1,245	75	1,284	90	78	30
15,000	2,657	60	2,746	75	2,835	90	178	30
20,000	4,647	60	4,786	75	4,925	90	278	30
30,000	9,042	60	9,281	75	9,520	90	478	30
50,000	19,663	60	20,102	75	20,541	90	878	30
75,000	34,508	60	35,197	75	35,886	90	1,378	30
100,000	50,353	60	51,292	75	52,231	90	1,878	30
200,000	120,948	60	122,887	75	124,826	90	3,878	30

NOTE:—See Notes for Table 6a.

TABLE 6e

EFFECT OF PROPOSED PERSONAL INCOME TAX CHANGES

Married Taxpayer with Two Children Eligible for Family Allowances and Two Other Dependents

Income	In 1958		In 1959		In a Full Year		Increase in a Full Year	
	Income Tax	OAS Contribution	Income Tax	OAS Contribution	Income Tax	OAS Contribution	Income tax	OAS Contribution
\$	\$	\$	\$	\$	\$	\$	\$	\$
3,800	22	4	22	5	22	6	—	2
3,900	33	6	33	8	33	9	—	3
4,000	44	8	44	10	44	12	—	4
4,500	99	18	99	23	99	27	—	9
5,000	166	28	166	35	166	42	—	14
6,000	318	48	318	60	318	72	—	24
7,500	573	60	582	75	591	90	18	30
10,000	1,086	60	1,120	75	1,154	90	68	30
15,000	2,492	60	2,576	75	2,660	90	168	30
20,000	4,432	60	4,566	75	4,700	90	268	30
30,000	8,802	60	9,036	75	9,270	90	468	30
50,000	19,378	60	19,812	75	20,246	90	868	30
75,000	34,198	60	34,882	75	35,566	90	1,368	30
100,000	50,018	60	50,952	75	51,886	90	1,868	30
200,000	120,588	60	122,522	75	124,456	90	3,868	30

NOTE:—See Notes for Table 6a.

I am also proposing to add 2 percentage points to the rate of tax on corporate income in excess of \$25,000, to take effect from January 1, 1959. This increase will have no application to approximately 42,000 of Canada's 50,000 corporate income taxpayers. It is estimated that this additional tax will increase revenues \$56 million on a full year's basis and \$32 million this fiscal year. The applicable rate will now be 47 per cent. Together with the old age security contribution, the levy on corporate profits up to \$25,000

will be 21 per cent, and on the excess over \$25,000 will be 50 per cent.

Although it is only fair and equitable that all corporations should pay the old age security contributions in full, my proposal that corporate incomes up to \$25,000 should be exempt from the additional two per cent levy is in line with the government's policy of giving special encouragement to the expansion of smaller business firms.

May I insert here, Mr. Speaker, a table showing the effect of this tax increase at various levels of corporate profits?

TABLE 7

EFFECT OF PROPOSED CORPORATION INCOME TAX CHANGES

Income of Corporation	In 1958			In 1959			Increase	
	Income Tax	OAS Contribution	Total	Income Tax	OAS Contribution	Total	\$	%
\$	\$	\$	\$	\$	\$	\$	\$	%
5,000	900	100	1,000	900	150	1,050	50	5.0
10,000	1,800	200	2,000	1,800	300	2,100	100	5.0
15,000	2,700	300	3,000	2,700	450	3,150	150	5.0
20,000	3,600	400	4,000	3,600	600	4,200	200	5.0
25,000	4,500	500	5,000	4,500	750	5,250	250	5.0
30,000	6,750	600	7,350	6,850	900	7,750	400	5.4
35,000	9,000	700	9,700	9,200	1,050	10,250	550	5.7
40,000	11,250	800	12,050	11,550	1,200	12,750	700	5.8
50,000	15,750	1,000	16,750	16,250	1,500	17,750	1,000	6.0
75,000	27,000	1,500	28,500	28,000	2,250	30,250	1,750	6.1
100,000	38,250	2,000	40,250	39,750	3,000	42,750	2,500	6.2
200,000	83,250	4,000	87,250	86,750	6,000	92,750	5,500	6.3
300,000	128,250	6,000	134,250	133,750	9,000	142,750	8,500	6.3
500,000	218,250	10,000	228,250	227,750	15,000	242,750	14,500	6.4
1,000,000	443,250	20,000	463,250	462,750	30,000	492,750	29,500	6.4
2,000,000	893,250	40,000	933,250	932,750	60,000	992,750	59,500	6.4
5,000,000	2,243,250	100,000	2,343,250	2,342,750	150,000	2,492,750	149,500	6.4

In connection with personal income taxes, I have reviewed the whole subject of income tax deductions for medical expenses. It became necessary to do this because of the greatly increased federal contributions to health costs under the hospital plans financed jointly with the provinces. After studying various solutions to the problems at issue, I have come to the conclusion that a change should be made.

My proposal is to exclude from medical expenses, as now defined in the Income Tax Act, all such expenses from which the taxpayer is relieved to the extent that they are paid with the assistance of the federal government under the Hospital Insurance and Diagnostic Services Act. This amendment will take effect as from January 1, 1959, to coincide with the taxation year for individuals.

The exemptions granted under the Income Tax Act for medical expenses are clearly intended to relieve the individual taxpayer who has a burden of unusual medical expenses. It would be quite anomalous to allow income tax deductions to individuals for hospital care received at government expense now that the federal government is financing a very substantial proportion of hospital costs. The federal treasury should not be in the position of paying twice, once in terms of expenditure and again in terms of taxes foregone.

A further reason for making this change arises out of the differences in form amongst the provincial schemes. Because of these differences it is becoming increasingly difficult to give equal income tax treatment to the residents of the various provinces which have instituted hospital insurance plans. Under some of these it appears that the taxpayer incurs expenses which he has, in effect, pre-paid by insurance premiums. Under others he does not incur expenses but merely receives free care paid for out of general taxation.

Under this proposal a taxpayer will still be able to claim expenses which he himself has paid, including any co-insurance or deterrent charges paid under a provincial hospital insurance plan, or which an insurance company or health insurance association has paid for him. Consequently, there will be no change in the present incentive for taxpayers to insure against the costs of health care. Implementation of this proposal will have no effect on a taxpayer in any province that is not receiving federal funds in support of a hospital insurance plan.

This change in the definition of medical expenses will reduce the total of medical expenses deductible on income tax returns, and it is estimated that it will increase our tax revenues by \$3 million this year, and \$9 million in a full year.

Before I leave the subject of medical expenses in relation to personal income tax, may I say that I have carefully reviewed a number of requests for additions to the list of items that may be included as medical expenses for income tax purposes. I am proposing to add a few more items to the list including ileostomy and colostomy pads, crutches, trusses, and rocking beds for polio patients.

In addition to these tax changes I have just outlined, Mr. Speaker, the bill to amend the Income Tax Act will contain a number of amendments of a more technical nature. Some of these are designed to alleviate hardship, others to improve the efficiency of the tax system and keep it up to date. It is not expected that these changes will have any significant effect on revenues.

One of these amendments will provide for more generous tax treatment of payments made by an employer to the widow or dependent children of a deceased employee by providing that such death benefits shall be free of tax up to an amount equal to 12 months' salary of the employee or \$10,000 whichever is the lesser.

There has been an increasing use of group life insurance plans as a means whereby corporations provide substantial remuneration to some of their senior officers in a tax-free form. This is unfair to other taxpayers. Accordingly an amendment will be proposed to subject to tax a portion of the benefit which an employee derives through the payment of group life insurance premiums on his behalf by his employer. It is not intended to disturb the present tax treatment of the many plans where the benefit provided by the employer does not exceed \$25,000 of insurance for an individual employee.

Another proposed amendment that will be of some general interest will provide for tax relief on lump sum withdrawals from employee pension plans where the amount withdrawn is transferred to another pension plan or used as a premium under a registered retirement savings plan. It is believed that this step will help an individual who is moving from one job to another or from the status of employee to that of self-employed person to do so without seriously disturbing his provision for a retirement income.

ESTATE TAX

The Estate Tax Act has been in force since January 1, 1959, a period of about three months, and has received general public approval. I am not proposing any amendments to this act this year. In my view, it would be wise to allow for another year of testing, study and experience.

SALES AND EXCISE TAXES

In a budget of this kind, where it is necessary to find increased revenues, no one will be surprised that I am including some changes affecting cigars, cigarettes and spirits. Taking effect tomorrow, the excise duty on spirits will be increased by \$1 per proof gallon, from \$12 to \$13 per proof gallon. This change is equivalent to about 12 cents on a 25-ounce bottle of whisky. Also taking effect tomorrow, the excise tax on cigarettes will be increased by \$1 per thousand. This latter is equivalent to two cents per package of 20 cigarettes. Also taking effect tomorrow, the excise duty on cigars which is now \$1 per thousand will be increased to \$2 per thousand.

These three tax increases will yield about \$42 million in this fiscal year and \$46 million in a full year, including the parallel increases in customs duties and the consequential increases in the sales tax.

I am proposing some technical amendments which will affect the application of the Excise Tax Act to toilet goods and pharmaceuticals. These amendments will go some way toward implementing one of the recommendations contained in the report of the sales tax committee of 1956.

Briefly, they will extend the definition of manufacturing to the packaging of toilet preparations and pharmaceuticals except where this is done in a retail store for sale directly to consumers and will also extend the definition of manufacturer to any person who markets private brand toilet preparations and pharmaceuticals except a retailer who sells directly and exclusively to consumers.

This amendment will apply to both the sales tax and the special 10 per cent excise tax.

After careful consideration, I am convinced that a serious degree of inequity exists at present in the application of the Excise Tax to toilet goods and pharmaceuticals. This is why I am proposing these amendments. In some instances, one domestic manufacturer is being treated unfairly in comparison with another, merely because of the way his business is organized. In other important instances products of domestic manufacture are being taxed more stringently than comparable imported products. The amendments I am bringing forwards are designed to rectify the situations.

These present recommendations may be regarded as portions of the continuing program of reviewing the operation of the

Excise Tax Act and of implementing, where appropriate, certain parts of the report of the sales tax committee of 1956.

I have received a number of requests for the exemption of particular products from sales or excise taxes. Because of the need for revenues I find myself unable to comply with any of these requests this year, apart from minor technical exceptions.

The bill to amend the Excise Tax Act will also contain a number of amendments providing technical and administrative changes. None of these latter amendments is expected to have any significant effect on revenue.

CUSTOMS TARIFF

I now turn to the Customs Tariff. I have a substantial number of changes to propose to the house tonight. The main group relates to fruits and vegetables. For the convenience of honourable members, I have consolidated these changes, affecting eighty-one tariff items and sub-items, into a single resolution. Another resolution contains the nine changes that we are making as a result of renegotiating the most-favoured-nation rates on wools and worsteds. Another resolution clarifies the interpretation to be given to the word "machinery" throughout the tariff. And still another embraces all changes of a miscellaneous character.

It might be of interest to note that 142 tariff items and sub-items are affected by the resolutions. In the case of 32 items the rates of duty are being increased. In the case of 40 items rates are being reduced. In the case of nine items, all involving fruits and vegetables, rates are being both increased and decreased depending on the season. Finally, there are 61 items for which rates of duty are left unchanged and for which the changes proposed are, for the most part, purely formal.

In every case where an increase is proposed in a rate that was bound in one way or another under our trade agreements, the appropriate negotiations or consultations have been undertaken and are either concluded or virtually concluded.

The house will recall that, on November 17, 1957, I tabled an extensive report by the tariff board on fruits and vegetables. Broadly speaking, the changes in the tariff items on fruits and vegetables that I am submitting tonight flow from that report.

The government undertook to negotiate the tariff changes proposed by the board, under the terms of our trade agreements, with the countries concerned—that is to say,

chiefly with the United States, but also with other countries supplying us with small quantities of fruits or vegetables. We recognized that, as in all such negotiations, we would either have to "compensate" for the increase in some tariff rates by reductions in others, or else face retaliatory tariff increases against our fruits, vegetables or other products entering the United States and other countries. Accordingly, before negotiations began, we consulted the Canadian horticultural council about possible supplementary changes in our tariffs on fruits and vegetables which might be used by way of compensation.

In the end, the negotiations ranged over almost the whole of our tariff schedule on fruits and vegetables. While the negotiations have been friendly, they have not been easy. The results, however, can be regarded as satisfactory. Details are to be found in the resolution on the fruit and vegetable tariff schedule that I am tabling tonight. For the convenience of hon. members I have divided this resolution into three sections: one sets out changes of substance, both increases and decreases in rates; another contains other changes of a purely formal nature, such as the renumbering of tariff items; a third was required to make a minor change in our trade agreement with New Zealand.

Three of the most important changes are as follows: The duty on potatoes, table and seed, new and old, will hereafter, as recommended by the tariff board, be 37½ cents per cwt. throughout the year. Thus, at last, we regain substantial reciprocity with the rates applied to our potatoes by the United States—that is to say, reciprocity with the rates applied to the bulk of our shipments to that country. Our seasonal duty applying to imported peaches remains at 1½ cents a pound, but it will hereafter be in force for 14 instead of 9 weeks each year. In respect of apples we are moving to complete reciprocity with the United States; the duty on imported apples will hereafter be ¼ cent a pound all the year round, instead of free for 10 weeks and ⅔ cent a pound for the rest of the year.

The list of products is lengthy. I can summarize the changes broadly, indicating first what is happening to the "in-season" duties and second what is happening to the "out-of-season" duties. As for the "in-season" situation, the special seasonal duties will be increased or the seasonal period improved, or both, for the following products: asparagus, Brussels sprouts, cabbage, carrots, cauliflower, celery, corn-on-the-cob, cucumbers, lettuce,

onions, peppers, parsnips, apricots, sour cherries, pears and prunes. Further, an additional duty of 5 per cent. will be charged on green beans, Brussels sprouts, carrots, beets, cauliflower, lettuce, peas, parsnips and corn-on-the-cob when imported in season in consumer-type packages. Turning to the out-of-season situation, for most products the duty continues to be 10 per cent as at present; but for a number of important products a period of free-entry will now be permitted during part or all of the "off-season". These off-season arrangements, which will benefit Canadian consumers without, we believe, damaging Canadian producers, will apply to the following products: beans, cabbage, carrots, cauliflower, celery, lettuce, peppers, tomatoes, cantaloups, pears, plums and strawberries.

Turning to the canned and frozen products there are modest increases of duty consequential upon the increased protection received by the fresh products. These increases apply to asparagus, Brussels sprouts, apricots, cherries, peaches and prunes. Certain commonwealth countries send us some canned fruits and, following discussions with them, we are adjusting preferential rates on these products so as to maintain existing preferential margins.

I now turn to textiles. In September 1957 I referred to the tariff board the whole of the textile schedule, including yarns, fabrics and made-up goods, and at that time I invited the board's recommendations. The board has, up to the present, submitted reports on woollen and worsted fabrics, on woollen yarns, on cotton yarns and fabrics, and on textile wastes. It has also held hearings on synthetic fibres and fabrics, and I expect to receive that report shortly. Thus, most of the more important items have now been considered. The board has yet to hold hearings, however, on a substantial number of items, many of them of no wide significance but some of considerable importance to the groups directly affected.

It would have been unfair and undesirable to delay action on any of these numerous textile items until the board had reported on all of them. I am sure the house would wish the government to take or to initiate action on individual groups of items as soon as practicable after receiving the board's recommendations, and this is the policy that the government is following. However, we are bound to act within the framework of our trade agreements; these may involve preparatory procedures in addition to the negotiations themselves which usually occupy many months.

Moreover, since some groups of textile tariff items are closely linked to others, it may be contrary to our commercial interests to try to negotiate one group before we are in a position also to negotiate another.

In my last budget I took the first step towards our general revision of the textile schedule by introducing modest increases in the British preferential rates on woollens and worsteds under tariff item 554b. At the same time I announced the government's intention to renegotiate the most-favoured-nation rates on that item with a view to restoring the margin of British preference. Accordingly, tonight I am announcing new most-favoured-nation rates under that item as follows: for fabrics weighing 12 ounces or more per square yard a rate of $27\frac{1}{2}$ per cent plus 33 cents per pound; for fabrics weighing less than 12 ounces a rate of $27\frac{1}{2}$ per cent plus 38 cents; and for fabrics weighing not more than 9 ounces a maximum duty of \$1.10 per pound. The increases in these rates correspond with the modest increases in the preferential rates introduced last year, so that margin of British preference. Accordingly, is now being restored.

Our negotiations regarding increases in our M.F.N. duties on woollens and worsteds have been conducted with Italy and France. By way of compensation we are granting reduced rates on a special type of wool fabric—fabrics for neckties and scarves—and also on perfumes, aperitif wines, ports, sherries and manufactures of marble.

We have taken steps under our trade agreements to initiate negotiations on other textile items, including cotton yarns and fabrics. The house may be assured that we shall move forward as quickly as may be practicable.

A brief reference should, perhaps, be made to other reports of the tariff board that have been received and tabled since my last budget: Those relating to rubber footwear and to fluorspar. In neither case did the board recommend any change in the tariff structure, and no change is proposed.

This concludes what needs to be said about the disposition of reports from the tariff board. However, the resolutions I am tabling for the amendment of the Customs Tariff cover other matters as well. For the most part the changes that are put forward are of miscellaneous character, of considerable interest to those directly concerned but of no very general interest. There is, however, one group of changes to which I should call attention.

I have been giving thought to various representations that have been made to the government regarding a very important concept which runs through our Customs Tariff: the concept that the protection afforded to goods which are ruled by the Department of National Revenue or the courts to be of a "class or kind" made in Canada should receive greater protection than similar goods of a "class or kind" not made in Canada. This differentiation, based on "class or kind", is to be found in many individual tariff items and also in our anti-dumping and countervailing duties.

Some of the representations have suggested legislation which would define or re-define the words "class or kind" in such a way as to enlarge the range of goods that are now deemed to be made in this country and thus given the greater protection. It is questionable, however, whether an over-riding measure, involving a departure from present practices and present interpretations, is in the national interest. I am not prepared, at this stage, to propose a general measure to broaden the range of goods that receive protection on a made-in-Canada basis. On the other hand, I am prepared to propose particular measures to prevent this range of goods from becoming narrower. In this connection important representations have been received from Canadian manufacturers of machinery, and I am proposing two steps tonight that will be of interest to them.

One of the problems to be met is this. Most machines now enter Canada, not under tariff items naming particular types of machine, but under items providing for machinery in general. These items provide for relatively high rates of duty on machines of a class or kind made in Canada and relatively low rates on those of a class or kind not made here. Experience has shown that, with the increasing complexity and variety of modern machines, these "class or kind" provisions create uncertainties. Much time and expense are involved in trying to clarify "class or kind" questions before the courts.

I propose to resolve these issues in six important fields by introducing six new tariff items tonight. Each of these items will specifically name one class or kind of machine, which has been ruled to be made in Canada, and will apply the tariffs rate that is now applicable to it. Thus, there will be no change whatever in the immediate situation. But all concerned, and particularly the Canadian manufacturers and users of these machines, will be able to make plans and contracts on a firm basis and without fear of protracted and costly litigation. The six are: fork-lift trucks, paper-mill machines, power

cranes, power shovels, machines for generating electricity, and vending machines.

The second problem to be met stems from modern automation. Machines are becoming not only more complex but also more closely interwoven and intertwined—linked together, in many cases, under complicated control systems. This has raised a question: What is the difference, if any, between “machinery” and “a machine”? Let me illustrate the problem. The word “machinery” might be interpreted to cover a series of machines, interlinked with each other and under a common control system. If so, and if one or more of this series of interlinked machines was not made in Canada, then our customs department and our courts might feel bound to rule that the machinery, the assembly taken as a whole, was of a class or kind not made here. As such, the whole assembly would be entitled to low rates of duty even though some of the individual machines were of a class or kind made in this country and would thus have been entitled to substantially higher protection.

To avert this risk of loss of protection I am tonight inviting the house to insert a new definition or interpretation in the Customs Tariff. Under this, wherever the word “machinery” appears in the tariff it will be defined to have the same meaning as the word “machines”. Here, again, there will be no change whatever in any rates of duty that are being applied at present; but I hope we shall be avoiding serious difficulties and uncertainties that might have arisen in the future.

In concluding my proposals regarding changes in the Customs Tariff, I should say a word about their effect on the revenues. Hon. members will have observed that, while some of the changes in rates are upwards, others are downwards. Only one of the changes affects a tariff item which yields us substantial revenue—an increase of \$1 per gallon on imported spirits bringing this rate into line with the higher domestic excise duty to which I have already referred. Apart from this change, it is reasonable to assume that the tariff changes I am proposing tonight will not appreciably influence the balance of ways and means in the coming year.

SUMMARY AND CONCLUSION

That, Mr. Speaker, concludes my budgetary proposals for the year upon which we are just entering. In summary may I remind you that our budgetary expenditures, which exclude the old age security fund, are expected to be \$5,660 million; our budgetary revenues after giving effect to the tax changes

I have proposed are estimated at \$5,267 million; and the indicated deficit for 1959-60 is \$393 million.

In reviewing our cash requirements earlier this evening I estimated our extra-budgetary cash needs at about \$400 million. To this sum I must now add the expected deficit of \$42 million in the old age security fund which is not being charged against the current budget. In round figures, therefore, our net cash requirements outside the budget will be about \$450 million, and this added to the budgetary deficit, means that our net borrowing requirements this year will be of the order of \$850 million, or some \$400 million less than in the year just ended. With a good response to our Canada savings bond campaign this year, our net market borrowings in 1959-60 should be less than one half of the \$1,220 million borrowed in the market in 1958-59. Since our flow of revenues will be at a rising rate throughout the year, partly because of expanding prosperity and partly because some of the increased taxes do not come into full effect until later in the year, our new borrowing needs are likely to fall more heavily in the first half of the fiscal year than in the second half.

May I now insert here, Mr. Speaker, my final table which shows the effect of the proposed tax increases on the budgetary levies, on the old age security fund contributions, and the combined increases.

Table 8
Revenue forecasts—After tax changes
(in millions of dollars)

	Revenue added		Total
	Full year	In 1959-60	revenue in 1959-60
(a) Budgetary Levies			
Personal income tax	\$ 54	\$ 28	\$1,578
Corporation income tax	56	32	1,097
Non-resident tax ..			75
Estates tax			75
Customs duties	3	3	528
Sales tax	1	1	756
Other duties and taxes	42	38	648
Total taxes	156	102	4,757
Non-tax revenue ..			510
Total revenue	\$156	\$102	\$5,267
(b) Old age security fund contributions			
Personal income ..	\$ 75	\$ 41	\$191
Corporation income	28	20	76
Sales tax	93	82	269
Total	\$196	\$143	\$536

(c) Combined increases

Personal income tax	\$129	\$ 69
Corporation income tax	84	52
Sales tax	93	82
Cigars, cigarettes and spirits	46	42
Total	\$352	\$245

It will be seen that the total tax increases proposed amount to \$352 million in a full year and \$245 million in this fiscal year. This increase will, in a full year, balance the increased cost of old age pensions and the enlarged social security program.

Mr. Speaker, Canada has its share of problems, some arising out of international disagreements and tensions, and others resulting from the process of growth of our nation. With courage and firmness, none of those difficulties are insuperable. So long as our problems are only in the nature of growing pains, we can look to the future with confidence and assurance.

We have withstood the disturbing calm of recession, and the winds of prosperity again fill our sails, as the basic strength and firmness of the Canadian economy again assert themselves. With a united, determined and confident population, Canada marches on unflinchingly towards its bright destiny.

Just as last year's budget was designed to meet 1958 economic conditions and needs, so this year's budget is designed to meet the changed conditions and needs of 1959. In a period when economic conditions are undergoing rapid change, our approach to our fiscal problems must be flexible and adaptable.

This budget has been designed to foster and promote recovery. Our aim is to maintain a sustainable rate of growth in terms of employment, development of resources and a sound dollar, so that Canadians everywhere may find full expression for their enterprise, industry and aspirations as free men and women.

Canada has no reason for fear. Blessed as she has been by a benign Providence above all other lands, she can face her shining future with utmost confidence.

RESOLUTIONS

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 for the 1960 and subsequent taxation years each of the graduated rates of tax at present applicable to individuals on taxable income in excess of \$3,000 be increased

by two percentage points and that for the 1959 taxation year each of the graduated rates of tax applicable to individuals on taxable income in excess of \$3,000 be increased by one percentage point.

2. That with respect to income of corporations earned on and after January 1, 1959 the 45 per cent rate of tax on taxable income in excess of \$25,000 be increased to 47 per cent and the 43 per cent rate of tax on taxable income in excess of \$25,000 applicable to corporations deriving more than half their gross revenue from the sale for delivery in Canada of electrical energy, gas or steam be increased to 45 per cent.

3. That commencing January 1, 1959 the definition of medical expenses exclude those amounts which the taxpayer is not required to pay because they are paid with the assistance of the government of Canada under the Hospital Insurance and Diagnostic Services Act.

4. That amounts paid on or after January 1, 1959 for iliotomy and colostomy pads, crutches, trusses for hernia and rocking beds for poliomyelitis patients be included in the medical expenses that are deductible in computing taxable income.

5. That for the 1959 and subsequent taxation years an individual be allowed to deduct in computing income, in addition to the amounts now permitted by the Act, any amount received by him out of a pension fund or plan upon withdrawal or retirement from employment or upon the winding up of the fund, not exceeding the portion thereof that is paid in the year, or within 60 days after the end of the year, as a contribution to a registered pension fund or plan or as a premium under a registered retirement savings plan.

6. That with respect to deaths occurring after April 9, 1959 the exemption for a portion of a death benefit paid by an employer upon or after the death of an officer or employee in recognition of his service be changed from an amount equal to the employee's remuneration for the last 90 days in the office or employment to an exemption for an amount equal to the remuneration of the employee for the last 12 months in the office or employment or the amount of \$10,000 whichever is the lesser.

7. That for 1960 and subsequent taxation years there shall be included as income from an office or employment the amount of the benefit which an employee derives by virtue of the payment by his employer of a premium under a group life insurance plan to provide the employee with life insurance coverage to the extent that it is in excess of \$25,000.

8. That the time within which a notice of objection to an assessment issued after Feb-

ruary 8, 1959 must be served be increased from 60 to 90 days from the day of mailing of the notice of assessment.

9. That the privilege of qualifying as a foreign business corporation be withdrawn except for those corporations that were so qualified for the 1958 taxation year.

EXCISE ACT

Resolved that it is expedient to introduce a measure to amend the Excise Act to provide:

1. That the duty of excise on spirits distilled in Canada be increased from \$12 to \$13 per proof gallon.

2. That the duty of excise on Canadian brandy be increased from \$10. to \$11 per proof gallon.

3. That the duty of excise on cigars be increased from \$1 per 1000 to \$2 per 1000.

4. That any enactment founded upon this resolution be deemed to have come into force on the 10th day of April, 1959.

EXCISE TAX ACT

Resolved that it is expedient to introduce a measure to amend the Excise Tax Act to provide:

1. That the excise tax on each five cigarettes or fraction of five cigarettes contained in any package be increased from 2 cents to 2½ cents;

2. That the wording of the exemption from sales tax for "stock conditioners, condiments and feed supplements for addition to poultry, cattle and other stock feeds" in Schedule III be changed to read:

"Feed supplements for addition to poultry, cattle and other stock feeds and materials to be used exclusively in the manufacture thereof";

3. That the exemption from sales tax for tanks for collecting milk be extended to include complete parts therefor including materials to be used exclusively in the manufacture of such tanks and parts;

4. That the definition of "producer or manufacturer" be extended to include any person who packages toilet articles, preparations, cosmetics or pharmaceuticals for sale except where they are packaged by a retailer in his

retail premises for sale therefrom directly to consumers or users;

5. That the definition of "manufacturer or producer" be extended to include any person who markets, except by sale at retail directly to consumers or users, toilet articles, preparations, cosmetics or pharmaceuticals manufactured under his own brand;

6. That the sales tax be imposed, levied and collected on goods purchased or imported by a licensed wholesaler and retained for his own use or for rental to others;

7. That any enactment founded upon this resolution be deemed to have come into force on the 10th day of April, 1959; and to provide further for certain changes in connection with the administration of the Act.

THE CUSTOMS TARIFF

1. Resolved,

(a) that it is expedient to amend the English version of the Customs Tariff by adding to section two thereof the following subsection:

(3) The word "machinery" wherever it appears in this Act shall be read and construed as "machines";

(b) that it is expedient to amend the Customs Tariff by striking out section 13 and substituting the following therefor:

13. (1) The Minister may order that, in lieu of the ad valorem rate of duty or the free rate of duty, the specific duty provided in tariff items 87, 92, 94, 95 and 95a shall apply to goods described in the order imported through ports in a region or part of Canada during such period or periods as may be fixed by the Minister.

(2) If, before the coming into operation of an order under subsection (1), a person purchased goods for importation through a port in a region or part of Canada specified in the order, in the expectation in good faith that the ad valorem rate of duty or the free rate of duty would apply to the goods, and at the time of the coming into operation of the order the goods were in transit to the purchaser in Canada, the ad valorem rate of duty or the free rate of duty shall apply to the goods, notwithstanding the order.

2. Resolved,

(a) that Schedule A to *The New Zealand Trade Agreement Act, 1932* be amended by striking out tariff item 106 and the enumeration of goods and the rates of duty set opposite that item, and by inserting therein the following item, enumeration of goods and rates of duty:

Tariff Item		Tariff Rates on Goods the Produce or Manufacture of New Zealand	Rates in Effect Prior to Rates Proposed in This Budget
106	Fruits, prepared, in air-tight cans or other air-tight containers, the weight of the containers to be included in the weight for duty:		
	(1) Apricots.....	1½ cts. per pound	1 ct. per pound
	(2) Cherries.....	1½ cts. per pound	1 ct. per pound
	(3) Peaches.....	1½ cts. per pound	1 ct. per pound
	(4) Pears.....	1 ct. per pound	1 ct. per pound
	(6) Prunes.....	1½ cts. per pound	1 ct. per pound
	(8) N.o.p.....	1 ct. per pound	1 ct. per pound

(b) that Schedule A to the *Customs Tariff* be amended by striking out tariff items 83b, 84, 85, 87, 89, 90e, 92, 93, 95, 99d, 105i, 106 and 505c, 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
85	Mushrooms, fresh, the weight of the packages to be included in the weight for duty.....per pound	1 ct.	4½ cts.	5 cts.	Free	3½ cts. or 10 p.c.	3½ cts. or 10 p.c.
87	Vegetables, fresh, in their natural state, the weight of the packages to be included in the weight for duty:						
	(2) Asparagus.....per pound	Free	3½ cts. or 10 p.c.	3½ cts. or 10 p.c.	Free	3½ cts. or 10 p.c.	3½ cts. or 10 p.c.
	In any 12 month period ending March 31, the specific duty shall not be maintained in force in excess of 14 weeks, and the 10 per cent duty shall apply whenever the specific duty is not in effect.						
	(3) Beans, green.....per pound	Free	1½ cts. or Free	1½ cts. or Free	Free	1½ cts. or 10 p.c.	1½ cts. or 10 p.c.
	In any 12 month period ending March 31, the specific duty shall not be maintained in force in excess of 14 weeks which may be divided into two separate periods, and the <i>Free</i> rate shall apply whenever the specific duty is not in effect.						
	(5) Brussels sprouts.....per pound	Free	3 cts. or 10 p.c.	3 cts. or 10 p.c.	Free	10 p.c.	30 p.c.
	In any 12 month period ending March 31, the specific duty shall not be maintained in force in excess of 16 weeks, and the 10 per cent duty shall apply whenever the specific duty is not in effect.						
	(6) Cabbage.....per pound	Free	Free or 9/10 ct. or 10 p.c.	Free or 9/10 ct. or 10 p.c.	Free	9/10 ct. or 10 p.c.	9/10 ct. or 10 p.c.
	The <i>Free</i> rate shall apply during the months of March and April.						
	During the remaining months in any 12 month period ending March 31, the specific duty shall not be maintained in force in excess of 30 weeks which may be divided into two separate periods, and the 10 per cent duty shall apply whenever the specific duty is not in effect.						

(7) Carrots.....per pound	Free	1 ct. or Free	1 ct. or Free	Free	1 ct. or 10 p.c.	1 ct. or 10 p.c.
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In any 12 month period ending March 31, the specific duty shall not be maintained in force in excess of 40 weeks which may be divided into two separate periods, and the *Free* rate shall apply whenever the specific duty is not in effect.

(8) Cauliflower.....per pound	Free	Free or $\frac{1}{2}$ ct. or 10 p.c.	Free or $\frac{1}{2}$ ct. or 10 p.c.	Free	$\frac{1}{2}$ ct. or 10 p.c.	$\frac{1}{2}$ ct. or 10 p.c.
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The Free rate shall apply during the months of January, February, March and April.

During the remaining months in any 12 month period ending March 31, the specific duty shall not be maintained in force in excess of 20 weeks which may be divided into two separate periods, and the 10 per cent duty shall apply whenever the specific duty is not in effect.

(9) Celery.....per pound	Free	2 cts. or Free	2 cts. or Free	Free	1 ct. or 10 p.c.	1 ct. or 10 p.c.
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In any 12 month period ending March 31, the specific duty shall not be maintained in force in excess of 24 weeks, and the *Free* rate shall apply whenever the specific duty is not in effect.

(10) Corn on the cob.....per pound	Free	1 $\frac{1}{2}$ cts. or 10 p.c.	1 $\frac{1}{2}$ cts. or 10 p.c.	Free	10 p.c.	30 p.c.
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In any 12 month period ending March 31, the specific duty shall not be maintained in force in excess of 8 weeks, and the 10 per cent duty shall apply whenever the specific duty is not in effect.

(11) Cucumbers when imported by manufacturers for use in the manufacture of pickles or preserves.....	Free	10 p.c.	20 p.c.	Free	2 $\frac{1}{2}$ cts. per lb. or 10 p.c.	2 $\frac{1}{2}$ cts. per lb. or 10 p.c.
(12) Cucumbers, n.o.p. per pound	Free	2 $\frac{1}{2}$ cts. or 10 p.c.	2 $\frac{1}{2}$ cts. or 10 p.c.	Free	2 $\frac{1}{2}$ cts. or 10 p.c.	2 $\frac{1}{2}$ cts. or 10 p.c.

In any 12 month period ending March 31, the specific duty shall not be maintained in force in excess of 22 weeks which may be divided into two separate periods, and the 10 per cent duty shall apply whenever the specific duty is not in effect.

(13) Eggplant.....	10 p.c.	10 p.c.	30 p.c.	Free	Free	30 p.c.
(14) Lettuce.....per pound	Free	.85 ct. or Free	.85 ct. or Free	Free	.85 ct. or 10 p.c.	1 ct. or 10 p.c.

In any 12 month period ending March 31, the specific duty shall not be maintained in force in excess of 26 weeks which may be divided into two separate periods and the *Free* rate shall apply whenever the specific duty is not in effect.

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
87 (con.)	(17) Onions, n.o.p.....per pound	Free	1½ cts. or 10 p.c.	1½ cts. or 10 p.c.	Free	1 ct. or 10 p.c.	1 ct. or 10 p.c.
	In any 12 month period ending March 31, the specific duty shall not be maintained in force in excess of 44 weeks which may be divided into two separate periods, and the 10 per cent duty shall apply whenever the specific duty is not in effect.						
	(19) Parsnips.....per pound	Free	1 ct. or 10 p.c.	1 ct. or 10 p.c.	Free	10 p.c.	30 p.c.
	In any 12 month period ending March 31, the specific duty shall not be maintained in force in excess of 36 weeks which may be divided into two separate periods, and the 10 per cent duty shall apply whenever the specific duty is not in effect.						
	(21) Peppers.....per pound	Free	1 ct. or Free	1 ct. or Free	Free	10 p.c.	30 p.c.
	In any 12 month period ending March 31, the specific duty shall not be maintained in force in excess of 8 weeks, and the Free rate shall apply whenever the specific duty is not in effect.						
	(23) Spinach.....	Free	Free	30 p.c.	Free	10 p.c.	30 p.c.
	(24) Tomatoes.....per pound	Free	Free or 1½ cts. or 10 p.c.	Free or 1½ cts. or 10 p.c.	Free	1½ cts. or 10 p.c.	1½ cts. or 10 p.c.
	The Free rate shall apply during the months of January, February and March.						
	During the remaining months in any 12 month period ending March 31, the specific duty shall not be maintained in force in excess of 32 weeks, and the 10 per cent duty shall apply whenever the specific duty is not in effect.						
	(26) Whitloof or endive.....	10 p.c.	10 p.c.	30 p.c.	Free	Free	30 p.c.
	When the beans (green), beets, Brussels sprouts, carrots, cauliflower, corn on the cob, lettuce, parsnips or peas specified in this item are subject to the specific rates of duty and are imported in packages weighing five pounds or less, each, they shall be subject to an additional duty of						
		Free	5 p.c.	10 p.c.			

89	Vegetables, prepared, in air-tight cans or other air-tight containers, the weight of the containers to be included in the weight for duty:						
	(1) <i>Asparagus</i>	7½ p.c.	22½ p.c.	30 p.c.	Free	15 p.c.	30 p.c.
90	Vegetables, frozen:						
	(1) <i>Asparagus</i>	15 p.c.	22½ p.c.	30 p.c.	10 p.c.	17½ p.c.	30 p.c.
	(2) <i>Brussels sprouts</i>	15 p.c.	22½ p.c.	30 p.c.	10 p.c.	17½ p.c.	30 p.c.
92	Fruits, fresh, in their natural state, the weight of the packages to be included in the weight for duty:						
	(1) <i>Apricots</i>.....per pound	Free	1½ cts. or 10 p.c.	1½ cts. or 10 p.c.	Free	1 ct. or 10 p.c.	1 ct. or 10 p.c.
	In any 12 month period ending March 31, the specific duty shall not be maintained in force in excess of 10 weeks, and the 10 per cent duty shall apply whenever the specific duty is not in effect.						
	(2) <i>Cherries, sour</i>.....per pound	Free	3 cts. or 10 p.c.	3 cts. or 10 p.c.	Free	2 cts. or 10 p.c.	2 cts. or 10 p.c.
	In any 12 month period ending March 31, the specific duty shall not be maintained in force in excess of 10 weeks, and the 10 per cent duty shall apply whenever the specific duty is not in effect.						
	(4) <i>Cranberries</i>.....per pound	Free	2 cts. or 10 p.c.	2 cts. or 10 p.c.	Free	1 ct. or 10 p.c.	1 ct. or 10 p.c.
	In any 12 month period ending March 31, the specific duty shall not be maintained in force in excess of 12 weeks, and the 10 per cent duty shall apply whenever the specific duty is not in effect.						
	(5) <i>Peaches</i>.....per pound	Free	1½ cts. or 10 p.c.	1½ cts. or 10 p.c.	Free	1½ cts. or 10 p.c.	1½ cts. or 10 p.c.
	In any 12 month period ending March 31, the specific duty shall not be maintained in force in excess of 14 weeks, and the 10 per cent duty shall apply whenever the specific duty is not in effect.						
	(6) <i>Pears</i>.....per pound	Free	Free or 1 ct. or 10 p.c.	Free or 1 ct. or 10 p.c.	Free	1 ct. or 10 p.c.	1 ct. or 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
92 (con.)	<i>The Free rate shall apply during the months of March, April, May and June.</i>						
	During the remaining months in any 12 month period ending March 31, the specific duty shall not be maintained in force in excess of 22 weeks, and the 10 per cent duty shall apply whenever the specific duty is not in effect.						
	(7) Plums.....per pound	Free	Free or 1 ct. or 10 p.c.	Free or 1 ct. or 10 p.c.	Free	1 ct. or 10 p.c.	1 ct. or 10 p.c.
	<i>The Free rate shall apply during the months of May and June.</i>						
	During the remaining months in any 12 month period ending March 31, the specific duty shall not be maintained in force in excess of 10 weeks, and the 10 per cent duty shall apply whenever the specific duty is not in effect.						
	(8) Prunes.....per pound	Free	1½ cts. or 10 p.c.	1½ cts. or 10 p.c.	Free	1 ct. or 10 p.c.	1 ct. or 10 p.c.
	In any 12 month period ending March 31, the specific duty shall not be maintained in force in excess of 12 weeks, and the 10 per cent duty shall apply whenever the specific duty is not in effect.						
	(11) Strawberries.....per pound	Free	Free or 1½ cts. or 10 p.c.	Free or 1½ cts. or 10 p.c.	Free	1½ cts. or 10 p.c.	1½ cts. or 10 p.c.
	<i>The Free rate shall apply during the months of September, October, November, December, January, February and March.</i>						
	During the remaining months in any 12 month period ending March 31, the specific duty shall not be maintained in force in excess of 6 weeks, and the 10 per cent duty shall apply whenever the specific duty is not in effect.						
93	Apples, fresh, in their natural state, the weight of the packages to be included in the weight for duty.....per pound	Free	1/4 ct.	20 p.c.	Free	Free or 3/8 ct. per lb.	20 p.c.

95	Cantaloupes, the weight of the packages to be included in the weight for duty.....per pound	Free	1½ cts. or Free	1½ cts. or Free	Free	1½ cts. or 10 p.c.	1½ cts. or 10 p.c.
	In any 12 month period ending March 31, the specific duty shall not be maintained in force in excess of 8 Weeks, and the <i>Free</i> rate shall apply whenever the specific duty is not in effect.						
99d	(1) Dates, unpitted, in bulk.....per pound	Free	Free	2/3 ct.	Free	1/2 ct.	2/3 ct.
	(2) Dates, unpitted, n.o.p.....per pound	Free	Free	2½ cts.	1/2 ct.	1/2 ct.	2½ cts.
	When in packages weighing two pounds each, or less, the weight of such packages to be included in the weight for duty.						
106	Fruits, prepared, in air-tight cans or other air-tight containers, the weight of the containers to be included in the weight for duty:						
	(1) Apricots.....per pound	2½ cts.	2½ cts.	5 cts.	2 cts.	2 cts.	5 cts.
	(2) Cherries.....per pound	1½ cts.	1½ cts.	5 cts.	1 ct.	1 ct.	5 cts.
	(3) Peaches.....per pound	1½ cts.	2½ cts.	5 cts.	1½ cts.	2 cts.	5 cts.
	(6) Prunes.....per pound	1½ cts.	1 1/3 cts.	5 cts.	1 ct.	1 ct.	5 cts.
107	Fruits, frozen:						
	(2) Cherries.....per pound	2½ cts.	3 cts.	3 cts.	1½ cts.	2 cts.	3 cts.
	(3) Peaches.....per pound	2 cts.	2½ cts.	3 cts.	1½ cts.	2 cts.	3 cts.
187d	Sensitized photographic rolls consisting of a photo-sensitive layer and a positive receiving layer, for use in cameras for making positives.....	Free	15 p.c.	30 p.c.	Free	20 p.c.	30 p.c.
505c	Flooring of beech, birch, maple or oak, tongued and grooved, or jointed; floor tiles made of individual strips of beech, birch, maple or oak, joined together.....	12½ p.c.	12½ p.c.	25 p.c.	12½ p.c. 17½ p.c.	12½ p.c. 20 p.c.	25 p.c. 25 p.c.

(c) that Schedule A to the *Customs Tariff* be amended by striking out tariff items 95a, 95b and 107, 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:

84	Onion sets and shallots, in their natural state.....	Free	15 p.c.	30 p.c.	Free	15 p.c.	30 p.c.
85a	Mushrooms, dried or otherwise preserved.....	Free	12½ p.c.	30 p.c.	Free	12½ p.c.	30 p.c.
85b	Truffles, fresh, dried or otherwise preserved.....	Free	10 p.c.	30 p.c.	Free	10 p.c.	30 p.c.

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
87	Vegetables, fresh, in their natural state, the weight of the packages to be included in the weight for duty:						
	(1) Artichokes.....	Free	Free	30 p.c.	Free	Free	30 p.c.
	(4) Beets.....per pound	Free	1 ct. or 10 p.c.	1 ct. or 10 p.c.	Free	1 ct. or 10 p.c.	1 ct. or 10 p.c.
	In any 12 month period ending March 31, the specific duty shall not be maintained in force in excess of 26 weeks which may be divided into two separate periods, and the 10 per cent duty shall apply whenever the specific duty is not in effect.						
	(14) Horseradish.....	Free	Free	30 p.c.	Free	Free	30 p.c.
	(16) Okra.....	Free	Free	30 p.c.	Free	Free	30 p.c.
	(18) Parsley.....	Free	10 p.c.	30 p.c.	Free	10 p.c.	30 p.c.
87	(20) Peas, green.....per pound	Free	2 cts. or 10 p.c.	2 cts. or 10 p.c.	Free	2 cts. or 10 p.c.	2 cts. or 10 p.c.
	In any 12 month period ending March 31, the specific duty shall not be maintained in force in excess of 12 weeks, and the 10 per cent duty shall apply whenever the specific duty is not in effect.						
	(22) Rhubarb.....per pound	Free	$\frac{1}{2}$ ct. or 10 p.c.	$\frac{1}{2}$ ct. or 10 p.c.	Free	$\frac{1}{2}$ ct. or 10 p.c.	$\frac{1}{2}$ ct. or 10 p.c.
	In any 12 month period ending March 31, the specific duty shall not be maintained in force in excess of 10 weeks, and the 10 per cent duty shall apply whenever the specific duty is not in effect.						
	(35) Watercress.....	Free	10 p.c.	30 p.c.	Free	10 p.c.	30 p.c.
	(27) N.o.p.....	Free	10 p.c.	30 p.c.	Free	10 p.c.	30 p.c.
89	Vegetables, prepared, in air-tight cans or other air-tight containers, the weight of the containers to be included in the weight for duty:						
	(2) Beans, baked or otherwise prepared....per pound	Free	1 ct.	3 cts.	Free	1 ct.	3 cts.

	(3) Corn.....per pound	Free	1½ cts.	3 cts.	Free	1½ cts.	3 cts.
	(4) Peas.....per pound	Free	1½ cts.	3 cts.	Free	1½ cts.	3 cts.
	(5) Tomatoes.....per pound	Free	2 cts.	3 cts.	Free	2 cts.	3 cts.
	(6) N.o.p.....	Free	15 p.c.	30 p.c.	Free	15 p.c.	30 p.c.
90	Vegetables, frozen:						
	(3) N.o.p.....	10 p.c.	17½ p.c.	30 p.c.	10 p.c.	17½ p.c.	30 p.c.
92	Fruits, fresh, in their natural state, the weight of the packages to be included in the weight for duty:						
	(3) Cherries, <i>sweet</i>.....per pound	Free	2 cts. or 10 p.c.	2 cts. or 10 p.c.	Free	2 cts. or 10 p.c.	2 cts. or 10 p.c.
	In any 12 month period ending March 31, the specific duty shall not be maintained in force in excess of 7 weeks, and the 10 per cent duty shall apply whenever the specific duty is not in effect.						
	(9) Quinces and nectarines.....	Free	10 p.c.	20 p.c.	Free	10 p.c.	20 p.c.
	(10) Raspberries and loganberries.....per pound	Free	2 cts. or 10 p.c.	2 cts. or 10 p.c.	Free	2 cts. or 10 p.c.	2 cts. or 10 p.c.
	In any 12 month period ending March 31, the specific duty shall not be maintained in force in excess of 6 weeks, and the 10 per cent duty shall apply whenever the specific duty is not in effect.						
	(12) Berries, edible, n.o.p.....	Free	10 p.c.	20 p.c.	Free	10 p.c.	20 p.c.
95a	Muskmelons, the weight of the packages to be included in the weight for duty.....per pound	Free	1½ cts. or 10 p.c.	1½ cts. or 10 p.c.	Free	1½ cts. or 10 p.c.	1½ cts. or 10 p.c.
	In any 12 month period ending March 31, the specific duty shall not be maintained in force in excess of 8 weeks, and the 10 per cent duty shall apply whenever the specific duty is not in effect.						
95b	Melons, n.o.p.....each	Free	Free	3 cts.	Free	Free	3 cts.
95c	Passion fruit (<i>passiflora edulis</i>).....	Free	15 p.c.	20 p.c.	Free	15 p.c.	20 p.c.
105i	Preserved ginger.....	25 p.c.	35 p.c.	35 p.c.	25 p.c.	35 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
106	Fruits, prepared, in air-tight cans or other air-tight containers, the weight of the containers to be included in the weight for duty:						
	(4) Pears.....per pound	2 cts.	2 cts.	5 cts.	2 cts.	2 cts.	5 cts.
	(5) Pineapples.....per pound	1 ct.	2 cts.	5 cts.	1 ct.	2 cts.	5 cts.
	(7) Mixtures containing peaches, pears or apricots per pound	2 cts.	2 cts.	5 cts.	2 cts.	2 cts.	5 cts.
	(8) N.o.p.....per pound	1 ct.	1 ct.	5 cts.	1 ct.	1 ct.	5 cts.
107	Fruits, frozen:						
	(1) Blueberries.....per pound	1½ cts.	1½ cts.	3 cts.	1½ cts.	1½ cts.	3 cts.
	(4) N.o.p.....per pound	1½ cts.	2 cts.	3 cts.	1½ cts.	2 cts.	3 cts.
3. Resolved, that Schedule A to the <i>Customs Tariff</i> be amended by striking out tariff items 160, 162(b), 163(3), 307a and 554b, 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:							
160	Alcoholic perfumes:						
	(a) When in bottles or flasks containing not more than four ounces each.....	22½ p.c.	22½ p.c.	90 p.c.	25 p.c.	25 p.c.	90 p.c.
	(b) When in bottles, flasks or other packages, containing more than four ounces each.....per gallon and	\$4.00 22½ p.c.	\$4.00 22½ p.c.	\$5.00 40 p.c.	\$4.00 25 p.c.	\$4.00 25 p.c.	\$5.00 40 p.c.
162	(b) Vermouth, aperitif and cordial wines, containing more than thirty-two per cent of proof spirit and not more than forty per cent of proof spirit.....	50 p.c.	50 p.c.	80 p.c.	80 p.c.	80 p.c.	80 p.c.
	And in addition thereto, under all tariffs 42½ cents per gallon						
163	(3) Wines of all kinds, n.o.p., including orange, lemon, strawberry, raspberry, elder and currant wines, containing more than twenty-four per cent but not more than twenty-six per cent of proof spirit, whether imported in wood or in bottles.....per gallon and	50 cts.	50 cts.	55 cts. 30 p.c.	55 cts.	55 cts.	55 cts. 30 p.c.

And in addition thereto, for each degree of strength in excess of twenty-six per cent of proof spirit until the strength reaches forty per cent of proof spirit.....

3 cts.

3 cts.

3 cts.

3 cts.

3 cts.

3 cts.

And in addition thereto, under all tariffs

42½ cents per gallon

307a	Manufactures of marble, n.o.p.....	20 p.c.	22½ p.c.	40 p.c.	20 p.c.	25 p.c.	40 p.c.
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.	38 cts.	40 cts.	20 cts.	30 cts.	35 cts.
	The total duty leviable shall not be in excess of.....per pound	60 cts.			60 cts.		
	(2) Woven fabrics composed wholly or in part of yarns of wool or hair and weighing not less than twelve ounces to the 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.	33 cts.	40 cts.	15 cts.	30 cts.	35 cts.
	The total duty leviable shall not be in excess of per pound	55 cts.			55 cts.		
	(3) Woven fabrics composed wholly or in chief part by weight of yarns of wool or hair and weighing not more than nine ounces to the square yard, 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.	38 cts.	40 cts.	20 cts.	30 cts.	35 cts.
	The total duty leviable shall not be in excess of...per pound	60 cts.	\$1.10		60 cts.	\$1.00	
554g	Woven fabrics composed wholly or in part of yarns of wool, imported in the web in lengths of not less than five yards each, for use exclusively in the manufacture of neckties, scarves or mufflers.....	Free	15 p.c.	40 p.c.	20 p.c.	27½ p.c.	40 p.c.
	and, per pound			40 cts.	20 cts.	30 cts.	35 cts.
	In the case of such fabrics weighing not more than nine ounces to the square yard, the total duty leviable shall not be in excess of.....per pound		\$1.10		60 cts.	\$1.00	

4. Resolved, that Schedule A to the Customs Tariff be amended by striking out tariff items 28, 72a, 82f, 134, 135, 143, 156, 180a, 296g, 351c, 399a, 409f, 414a, 427, 438b, 438c, 438d, 438e, 438m, 440c, 440k, 442b, 442c, 446e, 462d, 462i, 502, 502c, 504a, 505a, 682, 691(1) and 696a, 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:

27	Coffee, green, n.o.p.....per pound	Free	2 cts.	5 cts.	Free	2 cts.	5 cts.
27a	Coffee, green, for use in the manufacture of coffee extract per pound	Free	Free	5 cts.	Free	Free	5 cts.
72a	Aromatic seeds, not advanced in value or condition by grinding or refining or by any other process of manufacture, namely: Anise, anise star, caraway, cardamom, coriander, cumin, fennel and fenugreek.....	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
79h	<i>Multiflora</i> rosebushes.....	12½ p.c.	12½ p.c.	30 p.c.	1½ cts. each	3 cts. each	7 cts. each.
79i	Rosebushes, n.o.p..... each	1½ cts.	3 cts.	7 cts.	1½ cts.	3 cts.	7 cts.
82i	<i>Highbush</i> blueberry plants, roots and cuttings, for propaga- tion or growing purposes.....	Free	Free	30 p.c.	12½ p.c.	12½ p.c.	30 p.c.
134	All sugar above number sixteen Dutch standard in colour, and all refined sugars of whatever kinds, grades or standards, not covered by tariff item No. 135, when not exceeding eighty-eight degrees of polari- zation..... per one hundred pounds	83 cts.	\$1.50	\$1.50	83 cts.	\$1.50	\$1.50
	When exceeding eighty-eight degrees but not exceeding eighty-nine degrees..... per one hundred pounds	85 cts.	\$1.53	\$1.53	85 cts.	\$1.53	\$1.53
	When exceeding eighty-nine degrees but not exceeding ninety degrees..... per one hundred pounds	87 cts.	\$1.55	\$1.55	87 cts.	\$1.55	\$1.55
	When exceeding ninety degrees but not exceeding ninety- one degrees..... per one hundred pounds	89 cts.	\$1.58	\$1.58	89 cts.	\$1.58	\$1.58
	When exceeding ninety-one degrees but not exceeding ninety-two degrees..... per one hundred pounds	91 cts.	\$1.62	\$1.62	91 cts.	\$1.62	\$1.62
	When exceeding ninety-two degrees but not exceeding ninety-three degrees..... per one hundred pounds	93 cts.	\$1.65	\$1.65	93 cts.	\$1.65	\$1.65
	When exceeding ninety-three degrees but not exceeding ninety-four degrees..... per one hundred pounds	95 cts.	\$1.68	\$1.68	95 cts.	\$1.68	\$1.68
	When exceeding ninety-four degrees but not exceeding ninety-five degrees..... per one hundred pounds	97 cts.	\$1.70	\$1.70	97 cts.	\$1.70	\$1.70
	When exceeding ninety-five degrees but not exceeding ninety-six degrees..... per one hundred pounds	99 cts.	\$1.74	\$1.74	99 cts.	\$1.74	\$1.74
	When exceeding ninety-six degrees but not exceeding ninety-seven degrees..... per one hundred pounds	\$1.01	\$1.77	\$1.77	\$1.01	\$1.77	\$1.77
	When exceeding ninety-seven degrees but not exceeding ninety-eight degrees..... per one hundred pounds	\$1.03	\$1.80	\$1.80	\$1.03	\$1.80	\$1.80
	When exceeding ninety-eight degrees but not exceeding ninety-nine degrees..... per one hundred pounds	\$1.09	\$1.89	\$1.89	\$1.09	\$1.89	\$1.89
	When exceeding ninety-nine degrees..... per one hundred pounds	\$1.09	\$1.89	\$1.89	\$1.09	\$1.89	\$1.89

Refined sugar is entitled to entry under the British Preferential Tariff upon evidence satisfactory to the Minister, that such refined sugar has been manufactured wholly from raw sugar produced in the British colonies and possessions, and not otherwise.

134a	Sugar, for use in the manufacture of wine per one hundred pounds	\$.0109	\$.0189	\$ 1.89	\$.0109	\$.0189
135	Sugar above number sixteen Dutch standard in colour when imported or purchased in bond in Canada by a recognized sugar refiner, for refining purposes only, under regulations by the Minister, and sugar, n.o.p., not above number sixteen Dutch standard in colour;					
	When not exceeding seventy-six degrees of polarization per one hundred pounds	20.627 cts.	70.851 cts.	70.851 cts.	20.627 cts.	70.851 cts.
	When exceeding seventy-six degrees but not exceeding seventy-seven degrees..... per one hundred pounds	20.647 cts.	73.213 cts.	73.213 cts.	20.647 cts.	73.213 cts.
	When exceeding seventy-seven degrees but not exceeding seventy-eight degrees..... per one hundred pounds	20.667 cts.	75.574 cts.	75.574 cts.	20.667 cts.	75.574 cts.
	When exceeding seventy-eight degrees but not exceeding seventy-nine degrees..... per one hundred pounds	20.687 cts.	77.936 cts.	77.936 cts.	20.687 cts.	77.936 cts.
	When exceeding seventy-nine degrees but not exceeding eighty degrees..... per one hundred pounds	20.707 cts.	80.298 cts.	80.298 cts.	20.707 cts.	80.298 cts.
	When exceeding eighty degrees but not exceeding eighty-one degrees..... per one hundred pounds	20.727 cts.	82.659 cts.	82.659 cts.	20.727 cts.	82.659 cts.
	When exceeding eighty-one degrees but not exceeding eighty-two degrees..... per one hundred pounds	20.747 cts.	85.021 cts.	85.021 cts.	20.747 cts.	85.021 cts.
	When exceeding eighty-two degrees but not exceeding eighty-three degrees..... per one hundred pounds	20.767 cts.	87.383 cts.	87.383 cts.	20.767 cts.	87.383 cts.
	When exceeding eighty-three degrees but not exceeding eighty-four degrees..... per one hundred pounds	20.857 cts.	90.040 cts.	90.040 cts.	20.857 cts.	90.040 cts.
	When exceeding eighty-four degrees but not exceeding eighty-five degrees..... per one hundred pounds	20.947 cts.	92.697 cts.	92.697 cts.	20.947 cts.	92.697 cts.
	When exceeding eighty-five degrees but not exceeding eighty-six degrees..... per one hundred pounds	21.036 cts.	95.353 cts.	95.353 cts.	21.036 cts.	95.353 cts.
	When exceeding eighty-six degrees but not exceeding eighty-seven degrees..... per one hundred pounds	21.126 cts.	98.010 cts.	98.010 cts.	21.126 cts.	98.010 cts.
	When exceeding eighty-seven degrees but not exceeding eighty-eight degrees..... per one hundred pounds	21.512 cts.	\$1.00963	\$1.00963	21.512 cts.	\$1.00963
	When exceeding eighty-eight degrees but not exceeding eighty-nine degrees..... per one hundred pounds	21.897 cts.	\$1.03915	\$1.03915	21.897 cts.	\$1.03915
	When exceeding eighty-nine degrees but not exceeding ninety degrees..... per one hundred pounds	22.872 cts.	\$1.07457	\$1.07457	22.872 cts.	\$1.07457
	When exceeding ninety degrees but not exceeding ninety-one degrees..... per one hundred pounds	23.848 cts.	\$1.11000	\$1.11000	23.848 cts.	\$1.11000

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
135 (con.)	When exceeding ninety-one degrees but not exceeding ninety-two degrees..... per one hundred pounds	24.823 cts.	\$1.14542	\$1.14542	24.823 cts.	\$1.14542	\$1.14542
	When exceeding ninety-two degrees but not exceeding ninety-three degrees..... per one hundred pounds	25.799 cts.	\$1.18085	\$1.18085	25.799 cts.	\$1.18085	\$1.18085
	When exceeding ninety-three degrees but not exceeding ninety-four degrees..... per one hundred pounds	26.762 cts.	\$1.21627	\$1.21627	26.762 cts.	\$1.21627	\$1.21627
	When exceeding ninety-four degrees but not exceeding ninety-five degrees..... per one hundred pounds	27.737 cts.	\$1.25170	\$1.25170	27.737 cts.	\$1.25170	\$1.25170
	When exceeding ninety-five degrees but not exceeding ninety-six degrees..... per one hundred pounds	28.712 cts.	\$1.28712	\$1.28712	28.712 cts.	\$1.28712	\$1.28712
	When exceeding ninety-six degrees but not exceeding ninety-seven degrees..... per one hundred pounds	29.688 cts.	\$1.32255	\$1.32255	29.688 cts.	\$1.32255	\$1.32255
	When exceeding ninety-seven degrees but not exceeding ninety-eight degrees..... per one hundred pounds	30.664 cts.	\$1.35798	\$1.35798	30.664 cts.	\$1.35798	\$1.35798
	When exceeding ninety-eight degrees but not exceeding ninety-nine degrees..... per one hundred pounds	31.64 cts.	\$1.47606	\$1.47606	31.64 cts.	\$1.47606	\$1.47606
	When exceeding ninety-nine degrees..... per one hundred pounds	35.606 cts.	\$1.47606	\$1.47606	35.606 cts.	\$1.47606	\$1.47606
143	(1) Cigars, the weight of the bands and ribbons to be included in the weight for duty..... per pound and 15 p.c.	\$1.75	\$1.75	\$3.50	\$1.75	\$1.75	\$3.50
	and in addition thereto, under all tariffs, \$1.00 per thousand			25 p.c.	15 p.c.	15 p.c.	25 p.c.
	(2) Cigars, valued for duty at more than \$6.00 per pound, the weight of the bands and ribbons to be included in the weight for duty..... per pound and 10 p.c.	\$1.50	\$1.50	\$3.50	\$1.50	\$1.50	\$3.50
	and in addition thereto, under all tariffs, \$1.00 per thousand			25 p.c.	10 p.c.	10 p.c.	25 p.c.
152j	Dehydrated citrus fruit juices with or without stabilizers or sugar.....	2½ p.c.	7½ p.c.	25 p.c.	15 p.c.	20 p.c.	25 p.c.
156	(a) Whiskey..... per gallon of the strength of proof and in addition thereto, under all tariffs, \$9.00 per gallon of the strength of proof	\$4.50	\$5.00	\$10.00	\$4.50	\$5.00	\$10.00

(b) Gin, n.o.p. per gallon of the strength of proof and in addition thereto, under all tariffs, \$9.00 per gallon of the strength of proof	\$4.50	\$5.00	\$10.00	\$4.50	\$5.00	\$10.00
(c) Rum, n.o.p. per gallon of the strength of proof and in addition thereto, under all tariffs \$9.00 per gallon of the strength of proof	\$4.50	\$6.00	\$10.00	\$4.50	\$6.00	\$10.00
(d) Brandy per gallon of the strength of proof and in addition thereto, under all tariffs \$9.00 per gallon of the strength of proof	\$4.00	\$4.00	\$10.00	\$4.00	\$4.00	\$10.00
(e) Liqueurs per gallon of the strength of proof and in addition thereto, under all tariffs, \$9.00 per gallon of the strength of proof	\$4.50	\$4.50	\$10.00	\$4.50	\$4.50	\$10.00
(f) Ethyl alcohol, or the substance commonly known as alcohol, hydrated oxide of ethyl or spirits of wine, n.o.p.; spirituous or alcoholic liquors, n.o.p.; absinthe, arrack or palm spirit, artificial brandy and imitations of brandy, n.o.p.; cordials of all kinds, n.o.p.; mescal, pulque, rum shrub, schiedam and other schnapps; tafia, and alcoholic bitters or beverages, n.o.p.; and wines, n.o.p., containing more than forty per cent of proof spirit per gallon of the strength of proof and in addition thereto, under all tariffs, \$9.00 per gallon of the strength of proof	\$5.00	\$10.00	\$10.00	\$5.00	\$10.00	\$10.00

When the goods specified in item 156 are of greater or less strength than the strength of proof, the measurement thereof and the amount of duty payable thereon shall be increased or decreased in proportion for any greater or less strength than the strength of proof.

Bottles and flasks and packages of gin, rum, whiskey and brandy of all kinds, and imitations thereof, shall be held to contain the following quantities (subject to the provisions for addition or deduction in respect of the degree of strength), namely:

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

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

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

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

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
156 (con.)	<p>Bottles, flasks and packages, containing more than one-half of a gallon but not more than three-fourths of a gallon per dozen, as three-fourths of a gallon per dozen;</p> <p>Bottles, flasks and packages, containing more than three-fourths of a gallon but not more than one gallon per dozen, as one gallon per dozen;</p> <p>Bottles, flasks and packages, containing more than one gallon but not more than one and one-half gallons per dozen, as one and one-half gallons per dozen;</p> <p>Bottles, flasks and packages, containing more than one and one-half gallons but not more than two gallons per dozen, as two gallons per dozen;</p> <p>Bottles, flasks and packages, containing more than two gallons but not more than two and four-fifths gallons per dozen, as two and four-fifths gallons per dozen;</p> <p>Bottles, flasks and packages, containing more than two and four-fifths gallons but not more than three gallons per dozen, as three gallons per dozen;</p> <p>Bottles, flasks and packages, containing more than three gallons but not more than three and one-fifth gallons per dozen, as three and one-fifth gallons per dozen.</p> <p>Bottles or phials of liquors for special purposes, such as samples not for sale to the trade, may be entered for duty according to actual measurement, under regulations prescribed by the Minister.</p>						
180a	Photographs, <i>negatives and exposed film</i> , for use only as news illustrations, under <i>such regulations as the Minister may prescribe</i>	Free	Free	Free	Free 15 p.c.	Free 20 p.c.	Free 30 p.c.
296g	Sodium calcium borate ore for use as a fire retardant.. on and after July 1, 1961	Free 15 p.c.	Free 20 p.c.	25 p.c. 25 p.c.	Free	Free	25 p.c.
351c	Brass wire for the manufacture of fourdrinier wire or of paper-machine wire cloth.....	Free	15 p.c.	35 p.c.	Free 10 p.c.	15 p.c. 20 p.c.	35 p.c. 35 p.c.

399a	Pipes or tubes of iron or steel, commonly known as "oil-country goods", being casing or tubing and fittings or couplings therefor; sucker rods, pony rods, polished rods and couplings therefor; all of the foregoing for use in connection with natural gas or oil wells....	5 p.c.	10 p.c.	20 p.c.	5 p.c. Free	10 p.c. Free	20 p.c. Free
409f	Animal clippers; Automatic stock watering devices; Barn hay forks, carriage, pulleys and track; Barn litter carriers and track; <i>Combination excavating and transporting scraper units;</i> Egg cooling cabinets; Elevators (other than storage elevators); Grain crushers; Grain or hay dryers; Grain or hay grinders; Grain loaders; Gravity discharge farm wagon boxes; Hitches and couplings; Hydraulic hoists for unloading vehicles; Land levellers; Machines and tools for use on tractors, including blades, loaders, rippers, rakes and related operating and controlling gear; Milk coolers; Sodium metabisulphite; Sprinkler irrigation systems; Steel stanchions for confining livestock either in pens or individually, and complete equipment for milking parlors; All the foregoing for use on the farm for farm purposes only; Brooders; Ensilage cutters; Fodder or feed cutters; Hay loaders; Hay tedders; Post hole diggers; Potato diggers; Potato planters; Snaths; Stumping machines; All other agricultural implements or agricultural machinery, n.o.p.; Parts of all the foregoing.....	Free	Free	Free	Free Free	Free 7½ p.c.	Free 12½ p.c.
414a	Parts of typewriters.....	Free	15 p.c.	25 p.c.	Free Various	15 p.c. Various	25 p.c. Various
423a	<i>Chiropractic chairs and parts thereof</i>	Free	Free	35 p.c.	10 p.c.	22½ p.c.	35 p.c.

Tariff Item		British Preferential Tariff	Most- Favoured- Nation Tariff	General Tariff	Rates in Effect Prior to 1913 Rates Proposed in this Budget		
					British Preferential Tariff	Most- Favoured-Nation Tariff	General Tariff
427	(1) All machinery composed wholly or in part of iron or steel, n.o.p.; parts of the foregoing.....	10 p.c.	22½ p.c.	35 p.c.	10 p.c.	22½ p.c.	35 p.c.
	(2) Seed and grain cleaning machines of screen and air blast type with a capacity not exceeding 100 bushels per hour; parts of the foregoing.....	10 p.c.	15 p.c.	35 p.c.	10 p.c.	15 p.c.	35 p.c.
	(3) Industrial trucks, n.o.p., gas or gasoline powered, commonly known as "fork-lift" or "lift" trucks, for the movement of goods, having maximum lifting capacities, when equipped with forks, from four thousand pounds to sixteen thousand pounds, inclusive, at a load centre of twenty-four inches from the face of the forks; accessories and attachments therefor; parts of the foregoing.....	10 p.c.	22½ p.c.	35 p.c.	10 p.c.	22½ p.c.	35 p.c.
	(4) Power shovels and cranes, convertible, with nominal dipper capacities, as shovels, from three-eighth to two and one-half cubic yards, inclusive, n.o.p.; parts of the foregoing.....	10 p.c.	22½ p.c.	35 p.c.	10 p.c.	22½ p.c.	35 p.c.
	(5) Power cranes, truck or wagon type, with rated lifting capacities of ten to forty tons, inclusive, computed on the basis of twelve foot radius with fifty foot boom, n.o.p.; parts of the foregoing.....	10 p.c.	22½ p.c.	35 p.c.	10 p.c.	22½ p.c.	35 p.c.
	(6) Paper machines; machines for calendering (not including super-calenders), slitting, reeling, winding and re-winding paper, n.o.p.; driving mechanisms therefor; parts of the foregoing.....	10 p.c.	22½ p.c.	35 p.c.	10 p.c.	22½ p.c.	35 p.c.
	(7) Electricity generating sets, consisting essentially of an internal combustion engine and one or more generators mounted on a common base, n.o.p.; parts of the foregoing.....	10 p.c.	22½ p.c.	35 p.c.	10 p.c.	22½ p.c.	35 p.c.
	(8) Vending machines for dispensing soft drinks, coin-operated, incorporating mechanical refrigeration; parts of the foregoing.....	10 p.c.	22½ p.c.	35 p.c.	10 p.c.	22½ p.c.	35 p.c.
437b	Motor rail cars or units and chassis for same for use on railways for the carriage of passenger, baggage, mail or express traffic, and parts thereof.....	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;
 Laminated composition plastic timing gear blanks;
 Lenses of glass for motor vehicle lamps and for light reflectors;
 Lock washers;
 Magnetic plugs;
Metal frames for convertible soft tops;
Permanent mould pistons for brake master cylinders;
 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;

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
438b Synchronizing cones or blocking rings for transmissions; (con.) 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), 411a, 424 and 438a, or for use in the manufacture of parts therefor:						
1. When of a class or kind not made in Canada.....	Free	Free	30 p.c.	Free	Free	30 p.c.
2. When of a class or kind made in Canada.....	Free	17½ p.c.	30 p.c.	Free Various	17½ p.c. Various	30 p.c. Various
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; <i>Composite frame and floor structure of metal in the rough</i> ; 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; 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;

Instrument board panels of moulded or laminated glass fibres and plastic;

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 *plain or coated* metal, in the rough, trimmed or not, whether or not welded in any manner before final forming or piercing, but not metal finished in any degree, *including such stampings incorporating pierce or clinch nuts*;

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), 411a, 424 and 438a, or for use in the manufacture of parts therefor.....

Free

17½ p.c.

30 p.c.

Free
Various

17½ p.c.
Various

30 p.c.
Various

Tariff Item	Rates in Effect Prior to Rates Proposed in this Budget					
	British Preferential Tariff	Most- Favoured- Nation Tariff	General Tariff	British Preferential Tariff	Most- Favoured-Nation Tariff	General Tariff
438c (cont.)	(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 Various	Free Various	25 p.c. Various
	(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 Various	Free Various	25 p.c. Various
	(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 Various	Free Various	25 p.c. Various

(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 items 410a(iii), 411a, 424 and 438a, 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
Various

Free
Various

25 p.c.
Various

(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), 411a, 424 and 438a, 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
Various

Free
Various

25 p.c.
Various

(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), 411a, 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
Various

Free
Various

25 p.c.
Various

The Governor in Council may make such regulations, if any, as are deemed necessary for carrying out the 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;
Drive shafts;
Fuel pumps;
Hubs;
Hydraulic or fluid couplings;
Internal combustion engines of 349 cubic inches and over in displacement;

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
438d (cont.)	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						
	(1) 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.
	(2) 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), 411a, 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 Various	Free Various	27½ p.c. Various
	(3) 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 Various	Free Various	27½ p.c. Various

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

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

(1) 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.
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(2) 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), 411a, 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 Various	7½ p.c. Various	27½ p.c. Various
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(3) 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 Various	7½ p.c. Various	27½ p.c. Various
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The Governor in Council may make such regulations, if any, as are deemed necessary for carrying out the provisions of this item.

440c Racing shells or oars therefor, when imported by amateur rowing clubs for use exclusively by such clubs.....

Free	20 p.c.	25 p.c.	Free	25 p.c.	25 p.c.
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440k (1) Engines and parts thereof, n.o.p., for use in boats used exclusively in commercial fishing operations under such regulations as the Minister may prescribe.

Free	Free	15 p.c.	Free 15 p.c.	Free 20 p.c.	15 p.c. 30 p.c.
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(2) Materials and articles for the manufacture or repair of the engines provided for in item 440k(1).....

Free	Free	15 p.c.	Free Various	Free Various	15 p.c. Various
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446e Steel shapes, including steel balls not larger than three-eighths inch in diameter, for burnishing.....

Free	7½ p.c.	10 p.c.	Free 10 p.c.	7½ p.c. 22½ p.c.	10 p.c. 35 p.c.
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Tariff Item	British Preferential Tariff	Most- Favoured- Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget		
				British Preferential Tariff	Most- Favoured-Nation Tariff	General Tariff
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	Free	15 p.c.
On and after July 1, 1961	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..... (Expires July 1, 1961.)	Free	Free	15 p.c.	Free	Free	15 p.c.
479 Orthopedic highchairs and parts thereof.....	Free	Free	Free	15 p.c.	25 p.c.	45 p.c.
502 Felloes of hickory or oak, not further manufactured than rough sawn or bent to shape; Hub, wagon, oar and gun blocks, and all like blocks or sticks, rough hewn or sawn only; Last blocks, not further manufactured than sawn, rough hewn or rough turned; Mexican saddle trees and stirrups of wood; Scale board for cheese; Shingles of wood; Spokes of hickory or oak, not further manufactured than rough turned, and not tenoned, mitred or sized; Staves of oak, sawn, split or cut, not further manufactured than listed or jointed; Treenails.....	Free	Free	Free	Free 17½ p.c.	Free 20 p.c.	Free 25 p.c.
502c Wooden handles or stems for handles, not further manufactured than turned, for use in the manufacture of the goods enumerated in tariff item 431.....	Free	Free	Free	Free	Free	Free

505a	Ponderosa pine lumber (<i>pinus ponderosa</i>), California sugarpine lumber (<i>pinus Lambertiana</i>) and <i>California redwood lumber (sequoia semper virens)</i> , not further manufactured than the product of a planing machine with various profile attachments.....	Free	Free	25 p.c.	Free 5 p.c. 10 p.c.	Free 5 p.c. 10 p.c.	Free 25 p.c. 25 p.c.
611a	(4) <i>Conductive shoes for use in hospitals</i> <i>On and after July 1, 1961</i>	Free 20 p.c.	Free 27½ p.c.	40 p.c. 40 p.c.	20 p.c.	27½ p.c.	40 p.c.
682	Fish hooks, for deep-sea or lake fishing, not smaller in size than number 2.0; Fishing nets and nettings of all kinds; <i>Lures, jiggers and artificial baits;</i> <i>Metal panel devices for use in keeping nets open;</i> Metal swivels, of a class or kind not made in Canada; Net and line floats of any material except wood; Specially designed needles of a class or kind not made in Canada for use in repairing fish nets; Threads, twines, marlines, fishing lines, rope and cordage, not exceeding one and one-half inches in circumference; All the foregoing for use in commercial fishing, under such regulations as the Minister may prescribe; Carapace measures of any material.....	Free	Free	Free	Free Free 15 p.c.	Free 20 p.c. 22½ p.c.	Free 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; <i>religious figures and plaques, mounted or not</i> ; Scroll sets; Chanuka candlesticks; Kiddush sets; Mezuzah boxes; Havdalah sets; Seder plates; parts of the foregoing.....	Free	Free	Free	Free Various	Free Various	Free Various
696a	Moving picture films, sound or silent, separate sound film track, slides and slide films, positive or negative, and sound recordings for use therewith; <i>Sound recordings for use by educational, scientific or cultural institutions or societies;</i> Sound recordings other than for sale or rental; Models, static and moving; Wall charts, maps and posters; <i>All the foregoing</i> 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 15 p.c.	Free 20 p.c.	Free 30 p.c.

5. Resolved, that any enactment founded upon the foregoing resolutions shall be deemed to have come into force on the 10th day of April, 1959, 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.

THE OLD AGE SECURITY ACT

Resolved that it is expedient to introduce a measure to amend The Old Age Security Act to provide:

1. That for the 1960 and subsequent taxation years the rate of Old Age Security tax every individual shall be required to pay on his taxable income be increased from 2 per cent with a maximum of \$60 to 3 per cent with a maximum of \$90 and that for the 1959 taxation year the rate shall be 2.5 per cent with a maximum of \$75.
2. That with respect to income of corporations, other than non-resident-owned investment corporations, earned on and after January 1, 1959 the rate of Old Age Security Tax be increased from 2 per cent to 3 per cent of taxable income.
3. That the rate of Old Age Security tax on the sale price of goods be increased from 2 per cent to 3 per cent and that any enactment founded upon this paragraph be deemed to have come into force on the 10th day of April, 1959.

BUDGET PAPERS

presented by
the Honourable Donald M. Fleming, M.P.,
for the information of Parliament
in connection with the Budget of 1959-60

FOREWORD

The purpose of these Papers is twofold:

1. to present a general economic review of 1958, 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, 1959.

PART I

ECONOMIC REVIEW OF 1958

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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 1958 estimates are preliminary and subject to revision.

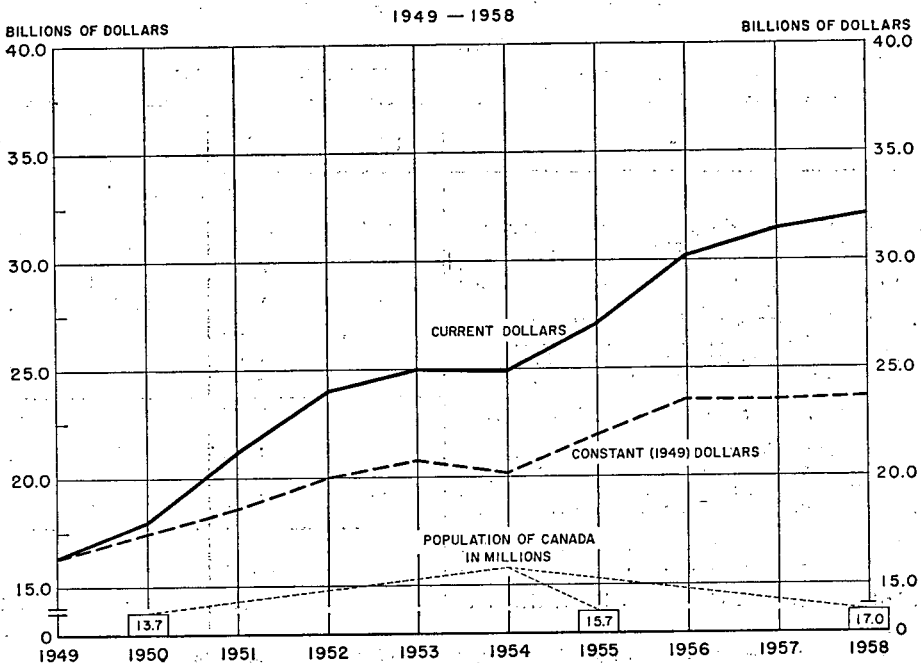
THE NATIONAL ACCOUNTS

NATIONAL INCOME AND PRODUCT

In 1958 Canadian gross national production rose by \$778 million or by 2½ per cent and reached a level of \$32.2 billion. Price increases accounted for about four-fifths of this advance in the value of production; the volume of total output was slightly higher than in 1957.

In 1958 for the second year in succession the growth in aggregate physical production fell short of the full growth potential of the economy in terms of the annual increment in the labour force and a further improvement in productivity. However, there was a significant difference between the economic trends of the two years. In 1957 the cessation of the strongly expansionary forces which characterized the preceding period, exerted a depressing influence on overall activity and brought about a downward adjustment in both business expectations and business operations over a wide area of production. During 1958 the volume of output stayed above the low point reached during the winter of 1957-58 and there was mounting evidence in the course of the year that recovery was under way. Although conditions of excess capacity continued to prevail in a considerable number of industries, selective increases in demand occurred and affected a growing number of products. The service industries which had expanded without interruption throughout the period of recession played an important part in providing additional support to the strengthening in economic trends. As a result of these developments and in marked contrast to the same period twelve months earlier, economic activity in the fourth quarter of 1958 rose substantially and the volume of non-farm output at seasonally adjusted annual rates expanded by approximately 2 per cent.

GROSS NATIONAL EXPENDITURE IN CURRENT AND CONSTANT (1949) DOLLARS



The modest increase for 1958 in total real output did not apply in all sectors of the economy. In the non-agricultural sector, approximate stability prevailed with some decline in commodity production almost balanced by a further increase in the output of services. In agriculture, on the other hand, the expansion was quite pronounced and this accounted for the advance in aggregate real output.

In the goods producing industries output in 1958 continued to rise in construction and the public utilities. The increase in construction was due to record-breaking activity in the residential building field, but the advance was fairly moderate. The gain in output for public utilities was more substantial reflecting the continued growth in population and the rapid rate of resource development in previous years. Mining production was maintained at about the same level as in 1957 and this came about mainly because of sharply rising uranium shipments. The declines in production were concentrated in the forestry industry and in manufacturing. Notwithstanding the improvement in sales of lumber and the upturn in the pulp and paper industry during the latter part of the year, there was a sharp curtailment in logging operations in 1958. In manufacturing both durable and non-durable goods production fell below the 1957 level. The decline in the durable goods sector was quite pronounced, affecting among other commodities transportation equipment as well as iron and steel products. In non-durable goods manufacturing the downward movement was more moderate and in the second half of 1958 a marked recovery in production occurred. The steady upward trend in the service sector has been maintained in recent years despite fluctuations in overall business activity. In 1958 output increased in all service industries except transportation, storage and communication. The advance ranged from a moderate improvement in the retail and wholesale trades to a sizeable expansion in financial and related services.

Non-agricultural employment rose fractionally in 1958 but this was slightly more than offset by the drop in the number of agricultural jobs, and overall employment declined from the level which prevailed in 1957. There was a

TABLE 1
NATIONAL INCOME AND GROSS NATIONAL PRODUCT

	1955	1956	1957	Prelim. 1958
	(Millions of dollars)			
1. Wages, salaries, and supplementary labour income.	13,215	14,719	15,825	16,180
2. Military pay and allowances.	394	424	476	491
3. Corporation profits before taxes.	2,489	2,802	2,505	2,369
4. Rent, interest, and miscellaneous investment income.	1,748	1,964	2,179	2,374
5. Accrued net income of farm operators from farm production ¹ .	1,261	1,468	968	1,202
6. Net income of non-farm unincorporated business.	1,793	1,937	1,941	2,079
7. Inventory valuation adjustment ² .	-217	-260	-60	-34
8. National Income (1+2+3+4+5+6+7).....	20,683	23,054	23,834	24,661
9. Indirect taxes less subsidies.	3,238	3,601	3,802	3,825
10. Capital consumption allowances and miscellaneous valuation adjustments.	3,163	3,515	3,722	3,725
11. Residual error of estimate.	-14	12	48	-27
12. Gross National Product at Market Prices (8+9+10+11).....	27,070	30,182	31,406	32,184
13. Index of G.N.P. in Constant Dollars.....	100.0	107.4	107.1	107.9

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

² See footnote 2, Table 2.

further rise in the labour force although the growth of 2.1 per cent in 1958 was much less than in the previous year when the unusually heavy flow of immigrants added a large number of persons to the working force. These trends in the labour market during 1958 were reflected in a higher level of unemployment. The number of persons without jobs and looking for work averaged 6.6 per cent of the labour force in 1958 compared with 4.3 per cent in 1957.

The shifts in production and employment in 1958 were associated with a further rise in earned incomes. The expansion of over 3 per cent in national income was approximately the same as the advance in 1957. Except for corporate profits there was a gain in all the major income groups and the improvement was particularly marked for unincorporated business, both in the farm and non-farm sectors. In 1957 labour income was up by $7\frac{1}{2}$ per cent or considerably in excess of the rate of increase in national income, whereas in 1958 the rise in salaries and wages was less than the expansion in national income and amounted to about 2 per cent. The advance in labour income failed to keep pace with the rise in consumer prices and there was consequently a small decline in real income per capita. After some hesitation in the winter of 1957-58, aggregate wages and salaries rose slowly but steadily in each succeeding quarter and at the end of 1958 labour income was \$544 million or 3 per cent above the level twelve months previously. An improvement in rates of pay as well as some increase in the number of paid workers during 1958 contributed to this effect. There was a decline from 1957 in the average number of hours worked per week.

In 1958 corporation profits fell by \$136 million or by 5 per cent to a level of \$2,369 million. The year-over-year decline, although less than the drop of 11 per cent in 1957, provides no indication of the recovery which occurred in the course of 1958. The downward trend in corporate profits which prevailed throughout 1957 came to a halt in the summer of 1958. Corporate profits gained moderately in the succeeding quarter and expanded by 8 per cent in the fourth quarter of 1958. This reflects a significant change in underlying business conditions brought about by a more favourable cost structure and by an improvement in sales affecting a growing number of industries.

Corporate profits are a sensitive indicator of the changing tempo of economic activity whereas other investment income, such as income from rentals and interest payments, follows a more stable pattern and tends to reflect more accurately the growth in the value of Canadian assets. As a result of the steady expansion over the years, income from these latter sources in 1958 reached a level of \$2,374 million and exceeded corporate profits for the first time since 1934. Higher shelter costs and rising interest rates contributed to the gain of \$195 million or 9 per cent in 1958.

Accrued net farm income, after a sharp decline in 1957, recovered substantially in 1958 and rose by \$234 million or 24 per cent. The size of the wheat harvest was not substantially different from 1957 and the slight increase in crop production was mainly due to the expansion in coarse grains. The major part of the improvement in agricultural income was a result of higher returns from livestock and animal products. Output and prices for some products, particularly for cattle, were significantly higher than in 1957. Farm cash income which had declined moderately in the previous year rose by 8 per cent in 1958 to a level of \$2,808 million. The total for 1958 was less than 2 per cent below the all-time high reached in 1952. In the years since 1952, the agricultural labour force has declined by almost one-fifth and, as a consequence, farm cash income on a per capita basis was at a record level in 1958.

Net income of non-farm unincorporated business which remained practically stable in 1957 showed a fairly substantial advance in 1958. The increase of 7 per cent was about double the rate of expansion for national income and earnings in this sector reached a level of \$2,079 million. Although corporation

profits were \$290 million higher than income of non-farm unincorporated business, this difference was markedly smaller than in most years since 1946. Most of the advance in unincorporated business income during 1958 was a result of the pronounced improvement in earnings from construction. There were further modest gains in the service and trade sectors.

NATIONAL EXPENDITURE

In 1957 there was a lessening in the tempo of activity abroad but the impact of this on the Canadian economy was eased during 1958 by the strong recovery in the United States and by the expansionary measures taken in a number of countries, including European countries which had experienced a notable improvement in their foreign exchange reserves. The level of Canadian exports was well maintained and consumption expenditures continued to rise steadily. Larger government outlays, particularly in the form of higher transfer payments, compensated to an important extent for the fall-off in purchasing power elsewhere. Record expenditures on residential housing tended to offset a large part of the decline in business capital investment. These developments were accompanied by further adjustments, some of which began in 1957 in response to less favourable economic conditions. Efforts were made to bring costs more closely in line with current levels of plant operations. Commodity imports declined sharply in late 1957 and early 1958 and a larger proportion of Canadian requirements was supplied from domestic sources. The liquidation of business inventories had largely run its course by the end of 1958 and a better balance prevailed in stock-sales ratios. Upward price movements were somewhat less pronounced than in 1957 and selective declines took place over a wide area in 1958.

Personal expenditures on consumer goods and services rose by 5 per cent in 1958 compared with 6 per cent in 1957 and 7 per cent in 1956. Although the upward movement in expenditures slowed down over the last three years, consumer outlays played a progressively more important role in stabilizing overall activity and the demand from this source accounted for a rising proportion of total final purchases. In 1956 and 1957 consumer demand absorbed one-third and one-half respectively of the increase in total final purchases. In 1958 the expansion in consumer outlays was equal to \$945 million whereas the rise in aggregate final demand was less than this mainly because of the decline in capital investment.

Consumer expenditures advanced without interruption throughout 1958. Although the expansion was quite modest during the first nine months of the year, this was followed at the end of 1958 by an increase of 3 per cent, the largest since the second quarter of 1952. Consumer expenditures in the fourth quarter of 1958 rose, seasonally adjusted at annual rates, by \$660 million to a level of \$21.3 billion or about 6 per cent above the level in the same period of 1957. Prices for consumer goods and services advanced by $2\frac{1}{2}$ per cent in 1958 or less than in 1957 when the increase amounted to about $3\frac{1}{2}$ per cent. The expansion of 2 per cent in the volume of consumption was slightly less than the rate of growth in population and there was for the second year in succession a small decline in real per capita consumption.

In both years, 1957 as well as 1958, government expenditures on goods and services rose by about 7 per cent. The increase of \$382 million in 1958 brought outlays for all three levels of government to almost \$6 billion. The expansion in this component of gross national expenditure tended to offset a substantial part of the decline in total final demand which took place in other sectors of the economy. Civilian expenditures by governments increased somewhat faster than total outlays because there was a further decline in defence costs. The expansion in capital investment for all levels of government combined was particularly pronounced and the rise of 10 per cent differed sharply from the downward trend in business capital formation.

Business capital expenditures (including housing) after reaching a record level of \$7.3 billion in 1957 declined by \$436 million or 6 per cent in 1958. The drop in the volume of capital investment was somewhat more pronounced since prices continued to rise although the advance of 2 per cent was less than the increase in 1957. Notwithstanding the downward shift in the year-over-year comparison there was some improvement in the trend of capital outlays during 1958. In the previous year investment expenditures reached a peak in the first quarter and subsequently decreased without interruption to a low point in the first quarter of 1958. However, capital outlays remained approximately stable during the last three quarters of 1958.

In 1958 the movement in the various components of capital investment was different from the pattern established in the previous year. In 1957 investment in non-residential construction as well as in machinery and equipment expanded on a year-over-year comparison, whereas residential construction declined. In 1958 there was an increase in housing construction and the extremely rapid growth tended to offset almost one-half of the decline in the other two components of capital investment.

Following the decline of 8 per cent in 1957, expenditures on residential construction in 1958 rose by \$353 million or 25 per cent and reached a level of \$1.8 billion. Taking into account the rise in prices, house building, in real terms, expanded by 22 per cent in 1958. Governmental action, particularly the large-scale provision of loan funds, played an important role in bringing about the strong

TABLE 2
GROSS NATIONAL EXPENDITURE

	1955	1956	1957	Prelim. 1958
	(Millions of dollars)			
1. Personal expenditure on consumer goods and services.....	17,464	18,697	19,768	20,713
2. Government expenditure on goods and services.....	4,780	5,266	5,612	5,994
current expenditure.....	3,746	4,006	4,230	4,476
gross fixed capital formation.....	1,034	1,260	1,382	1,518
3. Business gross fixed capital formation ¹	5,210	6,774	7,335	6,899
new residential construction.....	1,378	1,526	1,409	1,762
new non-residential construction.....	1,848	2,589	3,103	2,813
new machinery and equipment.....	1,984	2,659	2,823	2,324
4. Value of physical change in inventories—total ²	281	815	142	—386
non-farm business inventories.....	102	545	243	—216
farm inventories.....	199	242	—152	—138
grain in commercial channels.....	—20	28	51	—32
5. Exports of goods and services ³	5,764	6,339	6,394	6,298
6. Imports of goods and services ³	—6,443	—7,697	—7,796	—7,361
7. Residual error of estimate.....	14	—12	—49	27
8. Gross National Expenditure at Market Prices (1+2+3+4+5+6+7).....	27,070	30,182	31,406	32,184
9. Index of G.N.E. in Constant Dollars.....	100.0	107.4	107.1	107.9

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, 1955 to 1958", Dominion Bureau of Statistics, to achieve consistency with the other component series.

revival in house building. Shortly after the introduction of these measures in 1957, housing starts rose notably and in the fourth quarter reached a new high of over 145,500 units, at annual rates and seasonally adjusted. Throughout 1958 government funds continued to be made available for house building and in addition easier conditions prevailed in the private mortgage market. These developments on the supply side and the strong demand for housing, supported by the uninterrupted rise in personal incomes, led to a record-breaking rate of activity in construction. Housing starts in 1958 amounted to 164,632 units compared to 122,340 units in 1957 and the previous high of 138,276 units in 1955. Housing completions in 1958 amounted to 146,686 units compared to 117,283 units in 1957 and the previous record of 135,700 units in 1956.

The extraordinary capital investment boom in recent years brought about a large-scale expansion in non-residential construction and expenditures in this field rose by 40 per cent in 1956 and by 20 per cent in 1957. This development reached its peak in the third quarter of 1957. In the succeeding five quarters there was a fairly continuous decline in outlays from the record level of \$3.1 billion and the drop over this period amounted to \$472 million. For 1958 as a whole non-residential construction declined by 9 per cent below the level in the previous year but outlays remained the highest on record except for 1957. Prices in this sector rose by one per cent in 1958 compared to the increase of 3 per cent in the previous year.

Investment in machinery and equipment rose to a peak of \$3.1 billion in the first quarter of 1957 and followed a sharply declining trend during the succeeding four quarters. Relatively more stability prevailed during the remainder of 1958 and the year ended on a somewhat stronger note with expenditures rising by 2 per cent in the fourth quarter. For 1958 as a whole this component of business capital investment declined by \$499 million or 18 per cent below the average level in 1957. Since prices rose by about 3 per cent in 1958, the drop in the volume of investment in machinery and equipment was somewhat larger and amounted to about 20 per cent. A large part of the fall in requirements was reflected in lower imports.

In contrast to the increase in inventories of \$142 million in 1957 there was a reduction in stocks held both in the farm and non-farm sectors in 1958 and total inventories declined by \$386 million. Farm inventories, including grain in commercial channels, fell by \$170 million or substantially more than in 1957. In both years the disposal of wheat was in excess of below average crops and effectively reduced the high stocks accumulated during the previous period when a series of bumper harvests went together with some weakening in overseas markets. Moreover, the market for cattle, particularly in the United States, began to expand rapidly in the second half of 1957 and the high level of demand for Canadian supplies, which continued during 1958, was met in part from sales out of inventories. The movement in non-farm business inventories was different over the two-year period and the accumulation in stocks of \$243 million in 1957 was followed by a decline of \$216 million in 1958. The swing from heavy inventory accumulation in the first half of 1957 to substantial liquidation in the first half of 1958 was particularly pronounced. The turnabout of \$920 million at annual rates during this period acted as an offset to overall demand equal to almost 3 per cent of gross national expenditure. During the second half of 1958, however, there was a reversal of the trend in business inventories and stocks rose by \$32 million, at annual rates, in contrast to the reduction of \$464 million for the first six months of the year. These developments during the course of 1958 indicate that stocks moved closely in line with current levels of economic activity and as a result there was a cessation of the downward effect exerted by the rapid adjustment in business inventories earlier in the year. In 1958 price increases for some components of business inventories were largely

offset by declines elsewhere. It is estimated that in physical terms business inventories declined by about 2 per cent in 1958.

Inventory changes can occur quickly and these movements can bring about large additions or large offsets to total final demand. While fluctuations in this component are an important factor in determining the level of economic activity, the changes are of a short-run nature and tend to hide the more fundamental trend underlying the current situation. Excluding inventory changes, aggregate demand affecting both domestic production and foreign production rose by about three-quarters of a billion dollars or by 2 per cent in 1958. Since imports declined by \$435 million, the increase in total final demand for 1958 which was met from Canadian production actually amounted to about \$1.2 billion or close to 4 per cent. This indicates the extent to which the burden of the adjustment in the Canadian economy during 1958 was shifted to foreign sources of supply.

In 1958 exports of goods and services were $1\frac{1}{2}$ per cent below the level in the previous year. Since prices declined somewhat there was actually an expansion of one per cent in the volume of exports in 1958. With only a small increase in prices, imports of goods and services in 1958 fell both in volume and value terms by about 6 per cent. As a result of these trends Canada's deficit on current account was substantially lower than in 1957.

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.

TABLE 3
SOURCES OF PERSONAL INCOME

	1955	1956	1957	Prelim. 1958
	(Millions of Dollars)			
1. Wages, salaries and supplementary labour income... Deduct: Employer and employee contributions to social insurance and government pension funds.....	13,215 -449	14,719 -490	15,825 -547	16,180 -568
2. Military pay and allowances.....	394	424	476	491
3. Net income received by farm operators from farm production ¹	1,197	1,448	974	1,206
4. Net income of non-farm unincorporated business...	1,793	1,937	1,941	2,079
5. Interest, dividends and net rental income of persons ²	1,911	2,125	2,358	2,538
6. Transfer payments to persons (a) from government (excluding interest)..... (b) charitable contributions made by corpora- tions.....	1,731 28	1,765 30	2,083 32	2,628 32
7. Personal Income (1+2+3+4+5+6).....	19,820	21,958	23,142	24,586

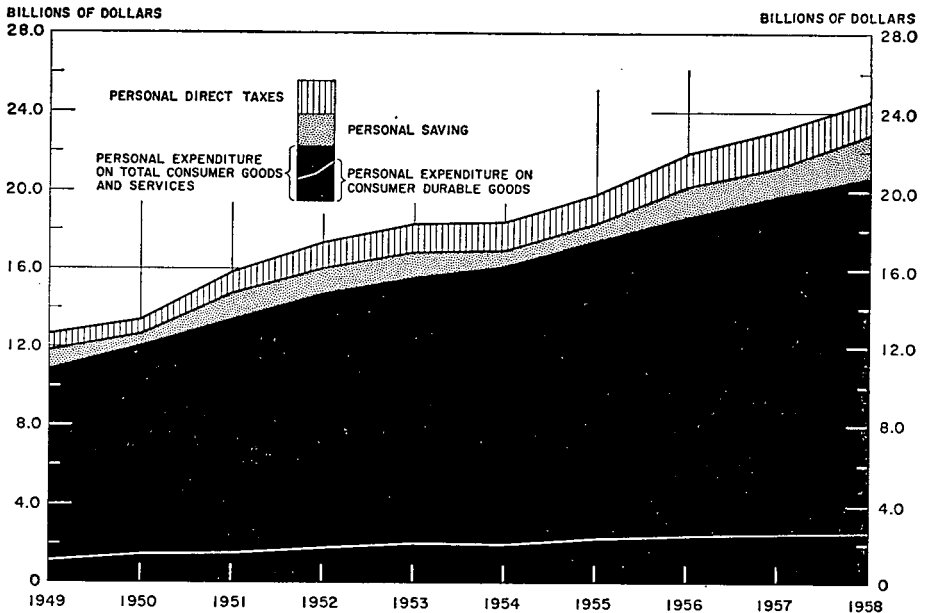
¹ Excludes accrued earnings arising out of the operations of the Canadian Wheat Board.

² Includes all government debt interest paid to persons.

In 1958 all components of personal income expanded and the total rose by 6 per cent or somewhat faster than in 1957 to a level of \$24.6 billion. The growth of \$1,444 million in 1958 was \$617 million in excess of the advance in national income and this was the second year in succession when greater buoyancy prevailed in personal income. The difference in the upward movement came about mainly as a result of disbursements made by governments. Transfer payments, which are not part of national income, rose very rapidly in 1958 and this increase contributed about 38 per cent to the expansion in personal income. Larger unemployment insurance and welfare payments as well as increased disbursements to farmers were instrumental in bringing about the advance of \$545 million or 26 per cent in government transfer payments. This component accounted for about 11 per cent of personal income in 1958 and exceeded investment income which had previously ranked second in importance next to wages and salaries.

Compared to the previous year Canadians in 1958 saved more but spent less out of each dollar of income on consumer goods and services and similarly paid out less in direct taxes. The yield from succession duties and miscellaneous direct taxes remained practically unchanged from the level in the previous year and the decline in total personal direct taxes in 1958 was due to lower receipts from the personal income tax. Revenues from this latter source fell by \$136 million or 8 per cent in contrast to the advance of \$195 million or 13 per cent in 1957. The decline in yield came about despite the further rise in incomes and was a result of the reduction in tax rates which went into effect in 1957 and 1958.

DISPOSITION OF PERSONAL INCOME



In 1958 personal disposable income, or income after payment of taxes, rose by 7 per cent compared with an increase of 5 per cent in 1957. The expansion of \$1,574 million in disposable income in 1958 was about half as large again as the rise of \$997 million in the previous year. About two-thirds of this increase in disposable income was used for the purchase of additional consumer goods and services, while the remainder took the form of higher personal saving. The level of personal saving is related directly to changes in assets and liabilities

such as variations in inventories, in holdings of liquid assets, in contractual payments for life insurance and in outstanding consumer debt, mortgage debt as well as loans from banks and other financial institutions. For example, in recent years the increase in personal assets has been offset to a considerable extent by increased consumer credit. In 1958 there was a further expansion in consumer credit but the increase was quite small. In 1958 saving out of current income rose by \$629 million or from \$1,467 million to \$2,096 million. The increase in personal saving exclusive of the change in farm inventories was about twice as large as in the previous year. Personal saving exclusive of saving in the form of farm inventories amounted to 9.8 per cent of disposable income in 1958 compared with 7.6 per cent in 1957 and 6.4 per cent in 1956.

TABLE 4
DISPOSITION OF PERSONAL INCOME

	1955	1956	1957	Prelim. 1958
(Millions of Dollars)				
1. Personal direct taxes—				
(a) income taxes.....	1,297	1,495	1,690	1,554
(b) succession duties.....	127	146	127	124
(c) miscellaneous taxes.....	67	79	90	99
Total direct taxes.....	1,491	1,720	1,907	1,777
2. Personal expenditure on consumer goods and services—				
Goods—				
(a) non-durable.....	8,879	9,552	10,021	10,462
(b) durable.....	2,284	2,406	2,414	2,490
Services.....	6,301	6,739	7,333	7,761
Total consumer expenditure.....	17,464	18,697	19,768	20,713
3. Personal saving—				
(a) personal saving excluding farm inventories.....	666	1,299	1,619	2,234
(b) change in farm inventories.....	199	242	-152	-138
Total personal saving.....	865	1,541	1,467	2,096
4. Personal Income (1+2+3).....	19,820	21,958	23,142	24,586

All main categories of consumer expenditures expanded in 1958. Consumer expenditures for durable goods rose more than in the previous year while outlays for non-durable goods and for services increased somewhat less than in 1957. The growth of \$441 million or 4 per cent in purchases of non-durable goods affected a large number of products including foodstuffs, tobacco and clothing. Expenditures for durable goods, which had remained largely stable in 1957, increased by \$76 million or 3 per cent in 1958. The expansion was particularly pronounced in the fourth quarter of 1958 when an advance of 8 per cent brought total outlays to a level \$248 million higher than in the same period twelve months earlier. The major factor was the sharp rise in sales of new motor cars. Outlays on services in 1958 rose by \$428 million or 6 per cent compared with the advance of \$594 million or 9 per cent in 1957.

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.

In 1958 business saving declined slightly more than in the previous year and there was a large deficit instead of a surplus on government account. As a result of this and notwithstanding higher saving in the personal sector, the nation's total saving fell by \$549 million or 9 per cent in 1958 compared with a drop of \$193 million or 3 per cent in 1957.

TABLE 5
SOURCES OF SAVING

	1955	1956	1957	Prelim. 1958
	(Millions of dollars)			
Personal saving.....	865	1,541	1,467	2,096
Business gross saving—total.....	4,106	4,547	4,519	4,488
(a) Undistributed corporation profits.....	879	1,012	803	767
(b) Depreciation allowances.....	3,163	3,515	3,722	3,725
(c) Adjustment on grain transactions ¹	64	20	-6	-4
Inventory valuation adjustment.....	-217	-260	-60	-34
Adjusted government surplus (+) or deficit (-) ²	86	379	52	-1,046
Residual error of estimate ³	-14	12	48	-27
Total.....	4,826	6,219	6,026	5,477

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

² See Table 9.

³ See Tables 1 and 2.

Government saving is represented by the surplus of revenues over expenditures for all three levels of government combined. In 1957 saving by governments amounted to \$52 million but in 1958 there was a deficit and expenditures exceeded revenues by \$1,046 million. These figures are calculated in accordance with National Accounts practice and reflect the adjustment of federal receipts to place corporate tax revenue on an accrual basis. Excluding the effect of this adjustment, which has no significance from a cash standpoint, government saving in 1957 actually amounted to \$292 million while the deficit in 1958 amounted to \$926 million. The change in government accounts from a surplus to a deficit over the two-year period represented an offset to the nation's total saving equal to about twice the increase in personal saving in 1958. Almost all of this change took place in the federal accounts. As in the previous year, there was an excess of expenditures over revenues on the provincial and municipal levels taken together but the deficit was substantially unchanged from the level in 1957.

TABLE 6
DISPOSITION OF SAVING

	1955	1956	1957	Prelim. 1958
	(Millions of dollars)			
Business gross fixed capital formation.....	5,210	6,774	7,335	6,899
Value of physical change in inventories.....	281	815	142	-386
Surplus (+) or deficit (-) on current account with non-residents ¹	-679	-1,358	-1,402	-1,063
Residual error ²	14	-12	-49	27
Total.....	4,826	6,219	6,026	5,477

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

² See Tables 1 and 2.

The largest part of the nation's saving arises in the form of funds set aside by business enterprises for future expansion or re-equipment. In 1958 business saving declined by \$31 million to a level of \$4,488 million. Depreciation allowances, the largest item in this total, remained stable in 1958, but there was a further drop in undistributed corporate profits. This component of business saving declined by \$36 million in 1958 compared to a decrease of \$209 million in 1957. In both years the reduction in retained earnings showed the effects of a lower level of corporate profits. The moderation in the decline of undistributed corporate profits in 1958 was mainly related to changes in the amount of dividends paid out which rose by \$82 million in 1957 but fell by \$58 million in the following year.

In 1958 the deficit on Canada's international current account amounted to \$1,063 million, a decline of about 24 per cent from the record deficit in 1957. The imbalance on current account was more than matched by the inflow of capital from abroad and there was a sizeable increase in Canada's reserves of foreign exchange. The net inflow of capital in the form of direct investment and as a result of security transactions was smaller than in 1957 but remained at a relatively high level. As in the preceding two years, proceeds from security transactions were the most important source of external capital. These transactions are treated more fully in the section on the International Balance of Payments.

TABLE 7
CORPORATION PROFITS, TAXES AND DIVIDENDS

	1955	1956	1957	Prelim. 1958
	(Millions of Dollars)			
Corporation profits before taxes including dividends paid to non-residents ¹	2,884	3,246	3,009	2,820
Deduct: corporation income tax liabilities.....	-1,280	-1,430	-1,320	-1,225
Excess of tax liabilities over collections.....	170	58	240	120
Tax collections.....	1,110	1,372	1,560	1,345
Corporation profits after taxes.....	1,604	1,816	1,689	1,595
Deduct dividends paid out ²	-725	-804	-886	-828
Undistributed corporation profits ³	879	1,012	803	767

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

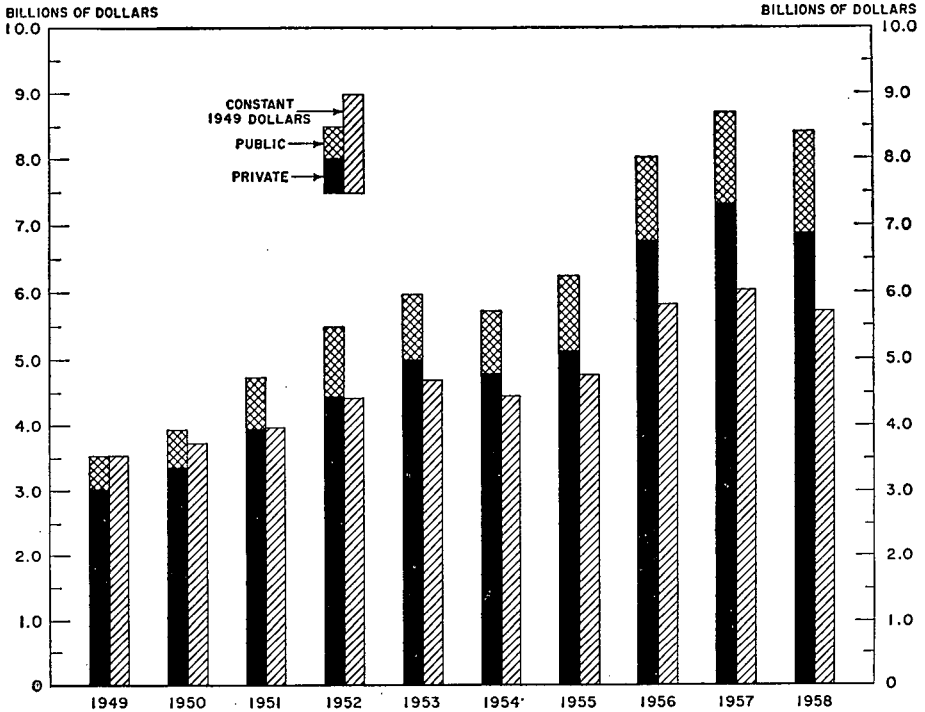
² Includes charitable contributions made by corporations (See Table 3).

³ See Table 5.

INVESTMENT AND CAPITAL EXPENDITURES

The rapid growth of capital investment during the postwar period was interrupted in 1954 and again in 1958. Although total private and public capital expenditures declined by \$300 million or more than 3 per cent in 1958, outlays were higher than in any other year except 1957. The total amounted to \$8,417 million, a level more than one-third larger than in 1955 when the extraordinary investment boom of recent years got under way. Between 1955 and 1956 total capital expenditures as a proportion of gross national expenditure rose from 23.1 per cent to 26.6 per cent, a significant increase in the importance of investment activities in the Canadian economy. In 1958 capital outlays undertaken in all sectors constituted 26.2 per cent of gross national expenditure and, measured by this ratio, investment expenditures continued to underpin overall demand with much the same strength as in 1956.

PUBLIC AND PRIVATE CAPITAL EXPENDITURE



The decline from 1957, when spending on capital facilities accounted for 27.8 per cent of total expenditures, was a result of diverse trends in the major components of capital investment. Business capital outlays fell by \$813 million or 14 per cent in 1958 in contrast to the advance of \$650 million or 13 per cent in the previous year. This downward movement reflects in part the completion of some of the large resource development projects undertaken in recent years. To some extent business investment intentions have also been affected by the existence of excess capacity, particularly in the forestry and mineral products industries, and by the slower growth in economic activity both at home and abroad. On the other hand, expenditures on social investment facilities including housing rose in 1958 by \$513 million or 17 per cent, a significant increase over 1957 when outlays in these sectors expanded by \$31 million or one per cent. The renewed strength in housing, which began to exert a pronounced effect on investment activity in the latter part of 1957, accounted in 1958 for about two-thirds of the growth in investment in these fields. In 1958 combined capital investment in housing and social facilities was equal to about 43 per cent of total capital spending compared with 35 per cent in 1957.

For the economy as a whole the changed pattern of capital outlays involved a further expansion in construction and a sharp fall in requirements for machinery and equipment. Expenditures on construction were \$171 million or 3 per cent higher than in 1957 while purchases of machinery and equipment were \$471 million or 16 per cent below the level in the previous year.

Except for agriculture and the service group, all major components of business capital investment were affected by the decline in outlays in 1958. In the primary sector, capital expenditures, which had remained approximately stable in 1957, fell by \$224 million or 21 per cent in 1958. Although the decline in forestry was somewhat more than offset by the expansion in agriculture, investment in this sector was substantially lower than in 1957 because of sharply

reduced spending on mining, oil and gas well exploration and development. The total for this group, which almost doubled between 1955 and 1957, dropped by \$244 million or 40 per cent in 1958.

The largest decline occurred in outlays for manufacturing and this accounted for almost one-half of the fall in total business capital investment in 1958. The decline was spread over a large number of industries but was particularly pronounced in the paper products industry as well as the metal and mineral groups. Notwithstanding some moderate increases in the food and tobacco industries and in the petroleum products group, total investment in manufacturing dropped by \$397 million or 27 per cent in 1958 in contrast to the advance of \$85 million or 6 per cent in 1957.

In 1957 the growth of \$546 million in investment outlays by utilities accounted for the major part of the expansion in total business capital investment. In 1958 expenditures in this field fell by \$173 million or 8 per cent to a level of \$2,135 million. Heavy declines occurred in outlays for the generation of electricity and for railway transportation. Extension of the telephone and gas distribution networks continued in 1958 and there were higher outlays for water transportation but the increase in expenditures for these purposes was relatively moderate.

TABLE 8
PRIVATE AND PUBLIC CAPITAL EXPENDITURE

	1955	1956	1957	Prelim. 1958
	(Millions of dollars)			
Agriculture and fishing.....	426	488	434	469
Forestry.....	63	76	48	33
Mining, quarrying and oil wells.....	336	542	606	362
Manufacturing.....	947	1,394	1,479	1,082
Electric power, gas and water works.....	515	769	947	861
Transportation, storage and communications.....	621	993	1,361	1,274
Construction industry.....	174	200	153	133
Trade, finance and commercial services.....	561	611	690	693
Institutions.....	408	402	454	490
Housing.....	1,397	1,547	1,430	1,781
Government departments.....	796	1,012	1,110	1,239
Total Capital Expenditure¹.....	6,244	8,034	8,717	8,417
Total Capital Expenditure as a percentage of Gross National Expenditure.....	23.1	26.6	27.8	26.2
Index of total Capital Expenditure in Constant Dollars.....	100.0	122.0	126.8	120.2

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

	1955	1956	1957	Prelim. 1958
	(Millions of dollars)			
PRIVATE AND PUBLIC CAPITAL EXPENDITURE—Table 8.....	6,244	8,034	8,717	8,417
DEDUCT:				
Provincial hospitals and schools, and municipal schools	213	222	246	255
Government housing excl. C.M.H.C. rental housing...	19	21	21	19
Direct government department outlays.....	796	1,012	1,110	1,239
Other.....	6	5	5	5
BUSINESS GROSS FIXED CAPITAL FORMATION IN HOUSING, PLANT AND EQUIPMENT—Table 2.....	5,210	6,774	7,335	6,899

In the service sector, total capital expenditures in 1958 remained at approximately the same level as in the previous year. Stability came about as a result of offsetting trends, with higher outlays for the financial and related groups on the one hand and lower capital spending by the wholesale and retail trades as well as commercial institutions on the other hand.

In 1958 the largest expansion in capital spending took place in housing and the increase in outlays amounted to \$351 million or 25 per cent. Investment in social capital facilities rose by \$162 million or 10 per cent in 1958, an increase comparable to the advance in 1957. The major part of this expansion in 1958 came about as a result of the growth of \$129 million in capital expenditures by government departments. Investment in this field increased faster than in 1957, whereas capital outlays by institutions, which rose by \$36 million in 1958, advanced at a somewhat slower pace than in the previous year. There were further and substantial additions to university facilities together with a fairly pronounced increase in investment expenditures for hospitals and moderately higher outlays for schools as well as churches.

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 1957 the adjustment was large and reduced revenues by \$240 million. In 1958 the adjustment was much smaller and reduced revenues by \$120 million. Exclusive of this adjustment which has no relevance from a cash standpoint, the surplus for all levels of government in 1957 actually amounted to \$292 million while the deficit in 1958 amounted to \$926 million. This shift from a substantial surplus to a large deficit, which began during 1957 and reached a peak in the second quarter of 1958, had a sharp impact on the economy and was a significant factor in support of economic recovery. The deficit in 1958 was equal to the addition of about 3 per cent to overall demand.

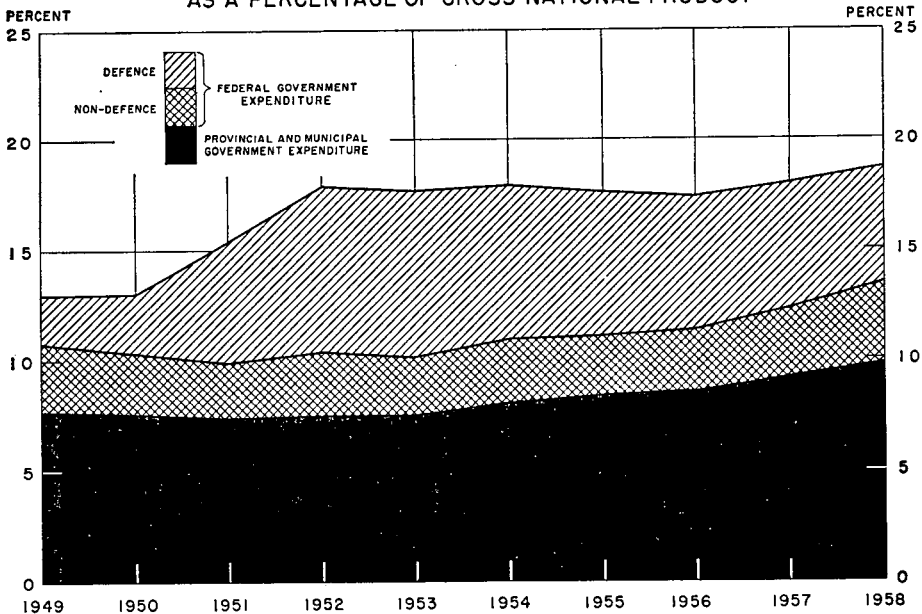
The greater part of the deficit arose in the federal accounts. In the calendar year 1958 federal expenditures increased by \$739 million or 14 per cent while federal receipts, exclusive of the adjustment for the accrual of corporation taxes mentioned above, declined by \$473 million or 8 per cent. As a result there was a deficit of \$745 million in contrast to the surplus of \$467 million in 1957. On the combined provincial and municipal levels, expenditures rose by \$401 million or 11 per cent while revenues increased by \$395 million or 11 per cent and the deficit amounted to \$181 million in 1958 compared with \$175 million in 1957.

The economic effects of fiscal operations are not determined solely by revenues and expenditures. The expansionary or restrictive influence of governmental operations depends in part on changes in loans and investments. In this sector the federal accounts in 1958 also exerted a substantial and positive impact on the economy since payments in respect of loans and investments exceeded receipts by a large margin.

Approximately 60 per cent of total expenditure at all three levels of government was made for purchases of goods and services in 1958. The expansion in total outlays on goods and services was about the same as in 1957 and amounted to \$382 million or 7 per cent. The increase in federal expenditures accounted for about 29 per cent of the overall growth. The fairly moderate advance in the federal share came about because of different trends in defence and non-defence outlays. Defence expenditures fell in 1958 by \$109 million or 6 per cent and this decline offset one-half of the substantial rise in federal civilian outlays. In the two years since 1956 defence expenditures have declined by 8 per cent and reached a level of \$1,659 million, the lowest since 1951, while total expenditures on all levels of government have risen by about 22 per cent to a high of \$10,199 million.

As a result defence costs played a progressively less important role in the budgetary structure and in 1958 absorbed 16 per cent of combined government expenditures compared with 22 per cent in 1956. Federal civilian outlays on goods and services rose rapidly in 1958 and the expansion of \$218 million or 23 per cent was more than double the growth in 1957. The total amounted to \$1,172 million in 1958 and accounted for about one-fifth of overall expenditures on goods and services by all governments. In 1958 the increase in outlays on goods and services by provincial and municipal governments was only slightly less than in the previous year and amounted to \$273 million or 9 per cent. The total accounted for about 53 per cent of overall expenditures on goods and services by all governments in 1958. At the federal level as well as the provincial and municipal levels, there was a marked growth in investment outlays in 1958 and this reflects the continuing backlog of demand for social capital facilities.

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



In the years since 1945 total expenditures for all governments combined rose by 96 per cent while transfer payments more than tripled during the same period. The expansion in this category of governmental outlays was particularly rapid in 1958 and the total advanced by \$596 million or 21 per cent compared with the increase of \$336 million or 14 per cent in 1957. The growth in federal transfer payments accounted for about three-quarters of the overall expansion in 1958. Federal outlays which began to rise significantly in 1957 expanded approximately twice as fast in 1958 and reached a level of \$2,440 million, about 24 per cent higher than in 1957. The legislative changes introduced in 1957 to bring about more generous social security benefits, including higher family allowances and larger old age pensions, were in effect for only part of that year but resulted in substantially increased payments for the full twelve months of 1958. The growth in the number of persons receiving the bulk of social security payments also contributed to the rise in total disbursements. In addition, a special acreage payment to Western grain farmers was made in 1958. However, higher unemployment was, as in the previous year, the most important factor in the expansion of federal transfer payments and led to significantly larger disbursements from the unemployment insurance fund.

TABLE 9

GOVERNMENT TRANSACTIONS RELATED TO THE NATIONAL ACCOUNTS

	1955	1956	1957	Prelim. 1958
	(Millions of Dollars)			
GOVERNMENT REVENUE—				
Direct Taxes—Persons.....	1,491	1,720	1,907	1,777
Income—				
Federal.....	1,269	1,461	1,652	1,509
Provincial and Municipal.....	28	34	38	45
Succession Duties—				
Federal.....	55	88	69	70
Provincial.....	72	58	58	54
Miscellaneous—				
Federal.....	1	1	1	1
Provincial and Municipal.....	66	78	89	98
Direct Taxes—Corporations.....	1,280	1,430	1,320	1,225
Income—				
Federal.....	1,218	1,353	1,106	980
Provincial.....	62	77	214	245
Other Direct Taxes—				
Withholding taxes—Federal.....	67	68	83	48
Indirect Taxes.....	3,317	3,722	3,910	3,957
Federal.....	1,744	1,972	1,990	1,912
Provincial and Municipal.....	1,573	1,750	1,920	2,045
Investment Income.....	742	819	824	920
Federal.....	267	315	268	294
Provincial and Municipal.....	475	504	556	626
Employer and Employee Contributions to Social Insurance and Government Pension Funds.....	449	490	547	568
Federal.....	310	347	376	378
Provincial and Municipal.....	139	143	171	190
Transfers from Other Governments—				
Provincial and Municipal.....	450	481	520	658
Total Revenue.....	7,796	8,730	9,111	9,153
Federal.....	4,931	5,605	5,545	5,192
Provincial and Municipal.....	2,865	3,125	3,566	3,961

TABLE 9—Concluded

GOVERNMENT TRANSACTIONS RELATED TO THE NATIONAL ACCOUNTS

	1955	1956	1957	Prelim. 1958
	(Millions of dollars)			
GOVERNMENT EXPENDITURE—				
Goods and Services.....	4,780	5,266	5,612	5,994
Federal—				
Defence.....	1,756	1,800	1,768	1,659
Non-defence.....	742	871	954	1,172
Provincial and Municipal.....	2,282	2,595	2,890	3,163
Transfer Payments.....	2,401	2,483	2,819	3,415
Federal.....	1,720	1,740	1,970	2,440
Provincial and Municipal.....	681	743	849	975
Subsidies.....	79	121	108	132
Federal.....	75	118	106	128
Provincial and Municipal.....	4	3	2	4
Transfers to Other Governments—				
Federal.....	450	481	520	658
Total Expenditure.....	7,710	8,351	9,059	10,199
Federal.....	4,743	5,010	5,318	6,057
Provincial and Municipal.....	2,967	3,341	3,741	4,142
Surplus (+) or Deficit (—).....	86	379	52	—1,046
Federal ¹	188	595	227	—865
Provincial and Municipal.....	—102	—216	—175	—181
Total Expenditure plus surplus (or minus deficit).....	7,796	8,730	9,111	9,153
Federal.....	4,931	5,605	5,545	5,192
Provincial and Municipal.....	2,865	3,125	3,566	3,961

¹ Reconciliation with Public Accounts Surplus or Deficit shown below.

	1955	1956	1957	Prelim. 1958
	(Millions of dollars)			
Federal Government calendar year surplus for national accounts purposes.....	+188	+595	+227	—865
Adjustments:				
Difference between calendar and fiscal year.....	—11	—305	+73	+409
Difference between corporation tax accruals and government receipts.....	—170	—58	+240	+120
Revenue items omitted.....	+21	+37	+68	+22
Reserves, write-offs and similar items omitted from expenditure.....	—110	—137	—249	—223
Shipment of military equipment to NATO countries less replacement.....	+2	+22	+32	+188
Extra-budgetary funds for pensions and social insurance (net).....	—30	—151	—69	+267
Adjustment to place debt interest on a "due date" basis.....	+7	+8	—12	—24
Other adjustments.....	—49	—44	—52	+68
Federal surplus for fiscal year as per public accounts.....	—152	—33	+258	—38
	(1954–55)	(1955–56)	(1956–57)	(1957–58)

In 1958 federal transfer payments accounted for about 40 per cent of total federal government expenditures compared with 37 per cent in 1957. At the provincial and municipal levels transfer expenditures are relatively less important and accounted for about 23 per cent of total outlays in each of the years 1957 and 1958. Disbursements by provinces and municipalities were \$126 million or 15 per cent higher than in 1957 and reached a level of \$975 million. Larger grants to private non-commercial institutions absorbed about one-half of the expansion in 1958.

The increase in federal subsidies in 1958 came about mainly because of the higher cost of the agricultural stabilization programme. Federal transfers to other governments rose sharply in 1958 and reached a level of \$658 million. The advance of 27 per cent compares with increases of 8 per cent in 1957 and 7 per cent in 1956. Several factors contributed to the rapid growth in 1958. There was a substantial increase in tax rental payments to the provinces. Moreover, the Atlantic Provinces' Adjustment Grant was instituted by the federal government in 1958. In addition, federal participation in provincial hospital insurance schemes began in 1958 and the federal share in the cost of this programme led to a sizeable expansion in payments to the provinces.

On the revenue side, taking into consideration all levels of government, the yield from direct taxes declined in 1958 and this was partially offset by the slight rise in receipts from indirect taxes, the continued expansion in investment income and the further growth in contributions to social funds. The drop in direct personal tax revenue was mainly due to lower payments under the federal personal income tax. Yields from this revenue source declined by \$143 million or 9 per cent in 1958 in contrast to the increase of \$191 million or 13 per cent in 1957. The difference in the trends for the two years was largely due to reductions in tax rates and came about notwithstanding the rise in personal incomes.

Federal cash receipts from corporation income taxes rose moderately in 1957 and reached a level of \$1,346 million. In 1958 federal revenues dropped sharply to a level of \$1,100 million. In both years there was a pronounced decline in corporate earnings but in 1957 revenues continued to expand and advanced by \$51 million whereas in 1958 federal receipts fell by \$246 million. The major factor underlying the diverse movements in the two years was the lag between corporate earnings on the one hand and corporate tax payments on the other hand. Thus, the drop in corporate earnings from the high level of 1956 was only gradually reflected in tax revenues received during the intervening period. In 1958 there was a rise of \$31 million or 15 per cent in revenues from the corporate income tax levied by Ontario and Quebec. The Ontario tax applied only for part of the calendar year 1957 but was in effect throughout 1958 and this was the main factor bringing about the growth in provincial revenues from this source in 1958.

Revenue from indirect taxes collected at all levels of government rose by \$47 million or one per cent in 1958 compared with the increase of \$188 million or 5 per cent in 1957. In both years combined provincial and municipal revenues were more buoyant than federal receipts from indirect taxes. The yield from these tax sources in the federal field remained relatively stable in 1957 and declined in 1958 by \$78 million or 4 per cent to a level of \$1,912 million. This came about mainly because receipts from customs duties and from excise taxes were lower in 1958 than in the previous year. The downward movement in collections from these major revenue sources was partly a reflection of prevailing economic conditions which led to a reduction in imports and was partly a result of further exemptions from sales tax introduced in 1957 and 1958. Provincial and municipal revenues from indirect taxes, although advancing at a slower rate than in recent years, continued to expand in 1958 and reached a level of \$2,045 million. About two-thirds of the growth of \$125 million in receipts was

due to the increased yield from the municipal real estate tax. Provincial collections from the gasoline tax, the retail sales tax and other miscellaneous taxes rose moderately in 1958.

Investment income of provincial and municipal governments rose by \$70 million or 13 per cent in 1958 compared with an increase of \$52 million or 10 per cent in the previous year. On the federal level, income from investment, following the decline of \$47 million or 15 per cent in 1957, recovered somewhat and expanded by \$26 million or 10 per cent in 1958. There were offsetting gains and declines in most of the individual components and total income advanced in 1958 mainly because the United Kingdom resumed payments on the loan made by Canada under the 1946 Canada-United Kingdom Financial Agreement.

BALANCE OF INTERNATIONAL PAYMENTS

For the year 1958 as a whole our sales and purchases abroad conformed to the pattern which began in 1957 when the change in the economic climate, both at home and in the world at large, had a pronounced effect on Canada's international transactions. Merchandise exports, which previously provided a strong stimulus to economic growth, rose only moderately in 1957 and remained approximately stable in 1958. Merchandise imports, following a period of striking expansion, declined in 1957 as a result of diminishing pressure on supplies. A further drop of 8 per cent took place in 1958. The average level of prices for commodity exports as well as for commodity imports remained substantially unchanged in 1958 so that there was little difference from the previous year in the terms of trade, that is, the ratio of export prices to import prices.

The marked decline in merchandise imports was instrumental in bringing about a reduction of roughly two-thirds in the commodity trade deficit in 1958. The deficit amounted to \$174 million compared with \$579 million in 1957 and a record level of \$728 million in 1956. However, the imbalance on non-merchandise transactions continued to grow in 1958 and this tended to offset, to some extent, the decrease in the trade deficit. As a result the current account deficit of 1958 was \$288 million below the level of 1957 and amounted to \$1,112 million.

BALANCE OF INTERNATIONAL PAYMENTS

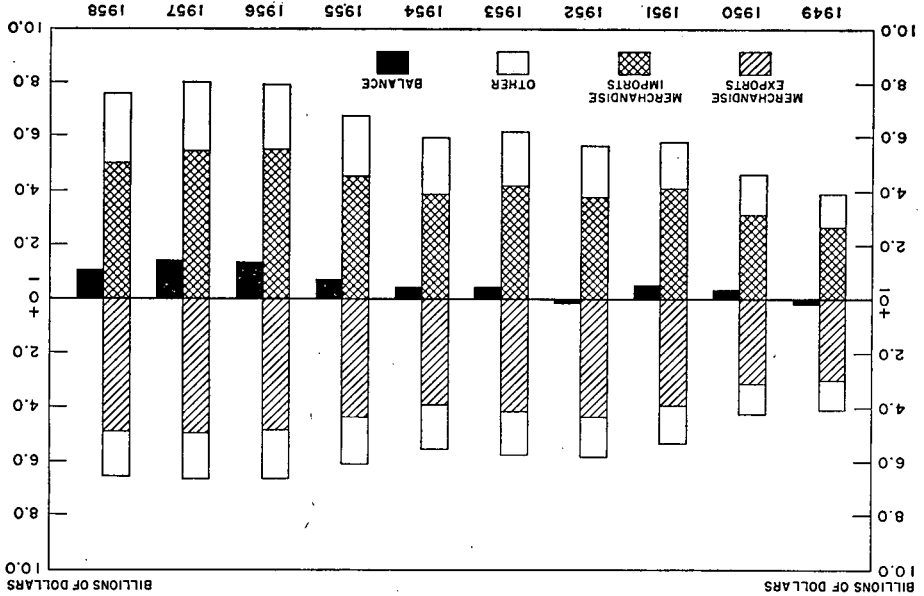


TABLE 10
INTERNATIONAL PAYMENTS: CURRENT ACCOUNT

	1955	1956	1957	Prelim. 1958
	(Millions of dollars)			
CURRENT RECEIPTS—				
Merchandise exports (adjusted) ¹	4,332	4,837	4,909	4,890
Gold available for export.....	155	150	147	160
Travel expenditures.....	328	337	363	352
Interest and dividends.....	160	142	149	161
Freight and shipping.....	398	457	431	389
Inheritances and immigrants' funds.....	86	99	124	91
Other current receipts.....	391	442	395	337
Total Current Receipts.....	5,850	6,464	6,518	6,380
CURRENT PAYMENTS—				
Merchandise imports (adjusted).....	4,543	5,565	5,488	5,004
Travel expenditures.....	449	498	525	544
Interest and dividends.....	483	523	593	594
Freight and shipping.....	415	502	506	447
Inheritances and emigrants' funds.....	105	115	122	131
Other current payments.....	553	627	684	712
Total Current Payments.....	6,548	7,830	7,918	7,492
Balance on Merchandise Trade.....	-211	-728	-579	-174
Balance on other Transactions.....	-487	-638	-821	-938
Current Account Balance.....	-698	-1,366	-1,400	-1,112

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

ESTIMATED GEOGRAPHICAL DISTRIBUTION OF THE NET BALANCE ON CURRENT ACCOUNT

	1955	1956	1957	Prelim. 1958
	(Millions of dollars)			
Between Canada and—				
United States.....	-1,035	-1,639	-1,551	-1,204
United Kingdom.....	330	252	142	130
Rest of the Sterling Area.....	60	48	9	66
Other OEEC Countries.....	24	17	29	50
Other Countries.....	-77	-44	-29	-154
All Countries.....	-698	-1,366	-1,400	-1,112

It is interesting to note that for the first three-quarters of 1958 the trade deficit actually amounted on the average to \$104 million, seasonally adjusted at annual rates. In the fourth quarter of 1958, commodity exports rose by about 5 per cent but commodity imports increased at a significantly faster rate and expanded by 9 per cent. These developments in the latter part of the year led to a widening of the imbalance on trading account. As a result the merchandise deficit in the fourth quarter of 1958 amounted to \$384 million, at seasonally adjusted annual rates.

The value of merchandise exports in 1958 amounted to \$4,890 million compared with \$4,909 million in 1957. There were widespread declines in Canadian sales abroad for some commodities as well as substantial gains for others. The drop in exports was particularly pronounced for products such as

petroleum, iron-ore, copper, nickel, primary and semi-finished steel as well as for pulp and newsprint. Offsetting movements took place in a number of other commodities and large increases occurred in shipments of uranium, aircraft, wheat, beef cattle, farm implements and natural gas.

The value of merchandise imports fell from \$5,488 million in 1957 to \$5,064 million in 1958, a drop of \$424 million. The downward movement in purchases from abroad was associated with the lower level of business investment in Canada and this was particularly felt in reduced imports of machinery and equipment as well as iron and steel products. There was also a notable decline in imports of petroleum and other fuels. However, the further growth in consumption in 1958 was reflected in a somewhat higher level of imports of consumer goods.

The excess of payments over receipts on non-merchandise transactions rose from \$821 million in 1957 to \$938 million in 1958. The increase of \$117 million in the deficit was almost entirely the result of a 7 per cent decline in non-merchandise receipts since total payments scarcely differed from the level in the previous year. A number of factors contributed to the lower level of Canadian earnings from invisibles. There was a substantial drop in receipts from freight and shipping partly due to the decrease in exports of bulk commodities and partly because of a fall in shipping rates. The sharp drop in immigration in 1958 was accompanied by a reduction in funds brought in by immigrants. United States expenditures in Canada on defence installations were also lower than in 1957. The relative stability in total non-merchandise payments was a reflection of offsetting movements in the individual components. There was a sharp decline in the cost of freight and shipping mainly as a result of lower imports and this was balanced by higher expenditures on all other major accounts.

The trend in our commodity trade with the United States was the most significant factor in the reduction of Canada's overall current account deficit in 1958. Although merchandise exports to the United States fell by one per cent, merchandise imports declined much more drastically and the drop actually amounted to 12 per cent. As a result the imbalance in our commodity trade was substantially reduced and the deficit fell by \$413 million to a level of \$534 million in 1958. Although the deficit with the United States on non-merchandise transactions rose by \$66 million, most of the shift on commodity trade was reflected in the overall current account balance and the total deficit declined from \$1,551 million in 1957 to \$1,204 million in 1958.

Both exports to and imports from the United Kingdom rose by \$19 million in 1958 and the balance on trade remained unchanged. However, there was some increase in our deficit on non-merchandise transactions. As a result the current account surplus with the United Kingdom was somewhat smaller than in the previous year.

Exports to other Commonwealth countries increased by about 22 per cent in 1958 mainly because of a pronounced expansion in shipments to India. Imports however declined by 12 per cent. These developments brought about a substantial increase in the current account surplus with other Commonwealth countries.

The moderate increase in Canadian sales to Europe was more than offset by a lower level of shipments to Latin America as well as to Japan and exports to all other countries fell by 7 per cent in 1958. At the same time imports rose by about 2 per cent and these changes, together with an increase in the deficit on non-merchandise transactions, led to a sizeable current account deficit in 1958. This was markedly different from 1957 when an approximate balance prevailed in our transactions with all other countries.

TABLE 11
INTERNATIONAL PAYMENTS: CAPITAL MOVEMENTS

	1955	1956	1957	Prelim. 1958
	(Millions of dollars)			
Direct investment in Canada.....	417	583	520	400
Direct investment abroad.....	-74	-104	-65	-15
Canadian securities—				
Trade in outstanding issues.....	-27	199	94	89
New issues.....	166	667	790	666
Retirements.....	-184	-141	-137	-104
Foreign securities.....	-6	2	19	29
Loans by Gov't of Canada—Drawings.....				-34
Repayments.....	69	69	50	64
Canadian dollar holdings of foreigners.....	89	-24	-34	105
Official holdings of gold and foreign exchange (increase, -).....	44	-33	105	-109
Other capital movements.....	204	148	58	21
Net capital movement financing current account balance.....	698	1,366	1,400	1,112

In 1958 special loans and grants were made to a number of Commonwealth Colombo Plan countries. As a result, there was a substantial increase in exports financed from aid funds and the major part of this increase consisted of wheat shipments.

In 1958 the net inflow of capital into Canada was smaller than in 1957 but the total remained at a high level. Direct investment from abroad declined by \$120 million but at the same time Canadian direct investment in other countries fell by \$50 million. The net capital import through international security transactions amounted to \$680 million in 1958 or \$86 million less than in the previous year. Sales of new Canadian issues to non-residents were lower by \$124 million but, as in the two preceding years, remained the most important single source of external capital. Net sales abroad of outstanding Canadian issues declined by \$5 million while the net inflow of capital from transactions in foreign securities rose by \$10 million. At the same time, redemptions of foreign-held Canadian securities were \$33 million lower than in 1957. There was also a decline in 1958 in the net inflow of funds on account of all other capital movements. None the less, total net capital imports were sufficient to finance our deficit on current account and Canada's foreign exchange reserves rose in 1958. At December 31, 1958, our reserves amounted to \$1,939 million, expressed in U.S. funds, compared with \$1,828 million at the same date in 1957.

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

	1955	1956	1957	1958
	(Millions of U.S. Dollars)			
Exchange Fund Account and Bank of Canada—				
Gold.....	1,133.9	1,103.3	1,100.3	1,078.1
U.S. Dollars.....	692.0	798.0	691.5	794.1
Other Government of Canada Accounts.....	74.9	34.9	36.5	66.9
Total Gold and U.S. Dollars.....	1,900.8	1,936.2	1,828.3	1,939.1

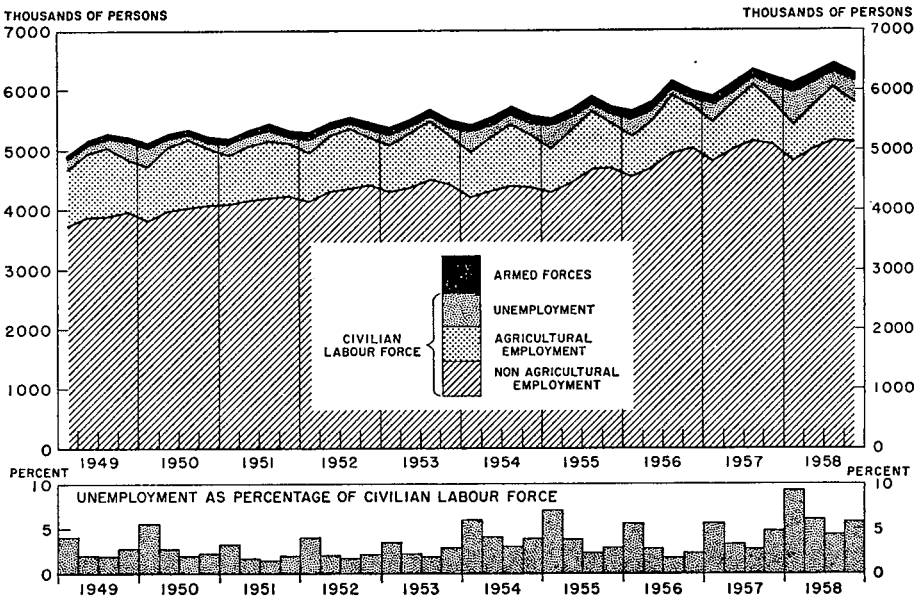
Apart from some interruption in the late summer of 1958, the exchange value of the Canadian dollar rose during the year. For December, 1958, the average rate of exchange for the United States dollar was 96.46 compared with 97.74 for December, 1957. The upward trend was reversed in early 1959 and there was some decline in the exchange value of the Canadian dollar.

EMPLOYMENT AND EARNINGS

In the absence of any marked change in output, total employment in 1958 remained relatively stable. The average number of persons with jobs in 1958 amounted to 5,722,000 or 24,000 persons below the level reached in the previous year. This decline of less than one-half per cent, although quite moderate, contrasted with the expansion in employment of 2.6 per cent in 1957 and 4.2 per cent in 1956. The labour force participation rate in 1958 was substantially the same as in the previous year but the pronounced drop in immigration was more than offset by population growth in the active age groups and as a result there was a further expansion in the labour force. It is estimated that 124,000 persons entered the labour market in 1958, a rise of 2.1 per cent compared with the expansion of 3.8 per cent in 1957 and 3.1 per cent in 1956. This increase in the labour force accompanied by the lack of additional employment opportunities resulted in a substantial growth in unemployment. However, apart from seasonal movements, unemployment ceased to rise after mid-1958 and began to decline in January, 1959.

In 1958 agricultural employment fell by 4 per cent, a reduction of 32,000 in the number of persons with jobs in this industry. The major part of the decline was a reflection of the movement from rural to urban occupations which has been evident throughout the postwar period. It is estimated that in 1958 some 26,000 persons left the agricultural labour force compared with 30,000 persons in 1957 and 44,000 persons in 1956.

THE LABOUR FORCE



In 1958 there was a further rise in the number of persons with jobs in non-agricultural occupations but the increase was quite small and averaged 8,000 persons. The fractional growth of less than one-half per cent in non-agricultural

employment compares with a gain of 176,000 persons or 3.6 per cent in the previous year. On a seasonally adjusted basis, non-agricultural employment reached a peak in September, 1957, and subsequently declined by 1.4 per cent to a low point in February, 1958. This was followed by irregular gains and in December, 1958, non-agricultural employment was only slightly below the high point reached 15 months earlier.

The pattern of employment for the main industrial groups reflected, on the one hand, a declining trend in the goods producing sector, and on the other hand, a continued upward movement in the service industries. A sharp fall in employment occurred in the forestry industry. There were also declines in mining, manufacturing and construction. Except for transportation, storage and communication, gains in employment continued in all the service industries although the expansion was smaller than in 1957.

For the year 1958 there were on the average 405,000 persons without jobs and seeking work compared with 257,000 persons in 1957 and 180,000 persons in 1956. Unemployment in 1958 as a proportion of the labour force was higher than in any other postwar year and amounted to 6.6 per cent compared with 4.3 per cent in 1957 and 3.1 per cent in 1956. At the seasonal peak of unemployment in 1958 the increase over the previous year amounted to 252,000 persons without jobs and seeking work. At the seasonal low point the increase over 1957 numbered 107,000 unemployed persons. At the end of 1958 the gap had narrowed to 48,000 persons. In contrast to 1957 when unemployment at the end of the year was larger than at the start of the year, there was a slackening in the growth of unemployment during 1958, and the number of persons without jobs in December was lower than at the beginning of the year. In February, 1959, the number of persons without jobs and seeking work was virtually unchanged from the previous month and on a year-over-year comparison there was a decline in unemployment.

TABLE 13.
THE CIVILIAN LABOUR FORCE
ANNUAL AVERAGES

	1955	1956	1957	Prelim. 1958
	(Thousands of persons)			
Civilian Labour Force.....	5,610	5,782	6,003	6,127
Male.....	4,341	4,436	4,570	4,634
Female.....	1,269	1,346	1,433	1,493
Non-Agricultural.....	4,785	5,001	5,252	5,402
Agricultural.....	825	781	751	725
Persons without jobs seeking work.....	232	180	257	405
Persons with jobs.....	5,378	5,602	5,746	5,722
In Non-Agricultural Industries.....	4,560	4,826	5,002	5,010
Paid Workers.....	4,041	4,303	4,460	4,481
Employers, own account workers and unpaid family workers.....	519	523	542	529
In Agriculture.....	819	776	744	712
Paid Workers.....	106	102	96	97
Employers, own account workers and unpaid family workers.....	713	674	648	615

After a long period of steady growth, labour income, on a seasonally adjusted basis, began to fall in September, 1957, but the decline was moderate and the expansion in wage and salary payments was resumed in February, 1958. Labour

income rose with few interruptions and stood at a new high in December, 1958, about 5 per cent above the low point reached 11 months earlier. For 1958 as a whole total wage and salary payments rose by 2 per cent compared with increases of $7\frac{1}{2}$ per cent in 1957 and 11 per cent in 1956. As in previous years, the higher level of labour income was shared by a larger number of paid workers. In 1958 there was a rise of 22,000 in the number of paid workers and average annual earnings on a per capita basis amounted to \$3,534, a gain of \$61 or 1.8 per cent compared to the increase of \$132 or 4 per cent in 1957. Higher rates of pay were instrumental in bringing about the improvement in per capita earnings in 1958 since there was some decline from the previous year in the average number of hours worked per week. In manufacturing average hourly earnings rose by 3.6 per cent compared with 5.6 per cent in 1957 and this trend is indicative of the slow-up in pay rate increases over a wide area of the economy. The advance in per capita earnings in 1958 failed to keep pace with the rise in consumer prices and there was a slight decline in real income.

In 1958 higher earnings in the form of salary and wage payments were concentrated in the service industries. In this sector of the economy labour income rose by about 6 per cent compared with the advance of 10 per cent in 1957. The growth in labour income for public utilities, governments, finance and related groups was somewhat more buoyant than for the service sector as a whole. There was a decline in wages and salaries paid out in the major goods producing industries, except in agriculture. Labour income in the forestry industry was about one-fifth lower than in 1957. Earnings in construction fell by 5 per cent whereas the drop in labour income for manufacturing and mining was less pronounced and ranged between one and 2 per cent.

MONETARY AND CREDIT DEVELOPMENTS

In Canada as well as in the United States, the change from economic recession to recovery during 1958, and the excess of government expenditures over government revenues, had important effects on monetary and credit conditions. The attitude of the investing public in both countries underwent a significant change towards the middle of the year and there was a fall in bond prices in North American capital markets notwithstanding the substantial increase in the money supply which took place. The course of events in Canada was influenced, to a large extent, by developments in the United States.

The Canada Conversion Loan 1958 was an important event in Canadian financial developments during the year. The sale of longer-term bonds to the public in exchange for their holdings of shorter-term Victory Loan issues was the largest financial operation ever undertaken in Canada and brought about the conversion of over 90 per cent of the \$6,416 million of eligible issues. The Conversion Loan, which was announced in July and concluded in September, had the effect of lengthening the term to maturity of outstanding Government of Canada issues from just over six years to somewhat more than ten years. This reorganization of the government debt structure was designed to provide an improved base for future government financing operations and to assist in the orderly development of the Canadian money market.

Following the decline from the levels reached in the summer of 1957, interest rates in Canada increased again in the second half of 1958. The upward trend in yields for three-month treasury bills was particularly pronounced and rates rose from a low of less than one per cent in July to 3.56 per cent in December, 1958. During the succeeding two months, yields remained relatively stable but rose again in the latter half of February, 1959. The change in rates for medium-term Government of Canada bonds followed a similar pattern. The yield on the $2\frac{3}{4}$ per cent issue of June, 1967-68 stood at 4.48 per cent in

TABLE 14
YIELDS ON GOVERNMENT SECURITIES
CANADA AND THE UNITED STATES

	Government Securities Selected Issues						3 Month Treasury Bills ³			Bank Rate	
	Canada U.S. Spread ¹			Canada U.S. Spread ²			Canada U.S. Spread			Canada	U.S.
1955—											
March.....	3.14	2.84	.30	2.84	2.65	.19	1.20	1.29	— .09	1.50	1.50
June.....	3.14	2.83	.31	2.87	2.75	.12	1.34	1.51	— .17	1.50	1.75
September.....	3.27	2.99	.28	3.08	2.90	.18	1.78	2.10	— .32	2.00	2.25
December.....	3.44	2.94	.50	3.42	2.86	.56	2.60	2.59	.01	2.75	2.50
1956—											
March.....	3.37	2.94	.43	3.30	2.88	.42	2.62	2.37	.25	2.75	2.50
June.....	3.38	2.94	.44	3.40	2.90	.50	2.67	2.58	.09	3.00	2.75
September.....	3.76	3.28	.48	3.81	3.33	.48	3.05	2.77	.28	3.25	3.00
December.....	3.88	3.34	.54	4.00	3.39	.61	3.59	3.27	.32	3.84	3.00
1957—											
March.....	3.92	3.27	.65	4.06	3.35	.71	3.73	3.24	.49	3.98	3.00
June.....	4.16	3.52	.64	4.49	3.70	.79	3.79	3.26	.53	4.04	3.00
September.....	4.33	3.67	.66	4.71	3.82	.89	3.93	3.63	.30	4.18	3.50
December.....	3.79	3.27	.52	3.66	3.04	.62	3.64	3.14	.50	3.89	3.00
1958—											
March.....	3.83	3.28	.55	3.56	2.87	.69	2.42	1.53	.89	2.67	2.25
June.....	3.81	3.22	.59	3.39	2.81	.58	1.78	0.95	.83	2.03	1.75
September.....	4.09	3.79	.30	3.67	3.62	.05	2.17	2.61	— .44	2.42	2.00
December.....	4.42	3.81	.61	4.48	3.83	.65	3.56	2.90	.66	3.81	2.50

¹Canada 3½%, Oct. 1/79. U.S. 3½% June 15/78-83. Wednesday nearest 15th of month.

²Canada 2½% June 15/67-68. U.S. 2½% Dec. 15/63-68. Wednesday nearest 15th of month.

³Average tender nearest 15th of month.

December, 1958, compared with 3.39 per cent in June, 1958. There were further increases in 1959 and in early March the yield rose to 4.79 per cent. Relatively more stability prevailed in the market for long-term government bonds and the yield of the 3½ per cent issue of October, 1979, had reached in December, 1958, a level somewhat above the previous peak reached in 1957. The yield rose further in 1959. The Bank of Canada discount rate, which is set on the basis of one-quarter per cent above the average tender rate for treasury bills, increased to 3.81 per cent in December, 1958. At the beginning of April, 1959, the Bank of Canada discount rate stood at 4.58 per cent.

Interest rates for provincial, municipal and industrial bonds, following the decline from the levels reached in the third quarter of 1957, also increased during the latter part of 1958 and early 1959. In February, 1958, the prime commercial rate charged by the chartered banks was lowered to 5¼ per cent and remained at this level until March, 1959.

The decline from the peak in 1957 was more pronounced for Canadian medium- and long-term interest rates than for comparable United States rates so that spreads between Canadian and United States rates narrowed somewhat. The upturn of interest rates after mid-1958 was at first much sharper in the United States and the differential was substantially reduced. The situation was reversed in the fourth quarter of 1958 and in general the spreads in December were wider than at the same time in 1957. Some further widening in spreads occurred in February, 1959.

The amount of funds obtained by provinces and municipalities from net new bond issues at home and abroad increased by \$163 million in 1958 but this was more than offset by the reduction in corporate borrowing. As a result total

net bond issues of provinces, municipalities and corporations declined by \$168 million to a level of \$1,602 million compared with \$1,770 million in 1957 and \$1,570 million in 1956. Net issues of corporate stocks, which reached a peak of \$688 million in 1956, continued to decline for the second successive year and amounted to \$290 million in 1958. Corporate bond issues were concentrated in the first half of 1958, whereas equity funds played a larger role in corporate financing during the latter part of the year and about one-half of total new stock issues were placed in the fourth quarter.

For all levels of government, the amount of new bond issues sold abroad rose above the 1957 level. As in the previous year, the proportion of funds raised in foreign markets was particularly large in the case of municipal borrowing. On the other hand, new corporate bond issues sold to non-residents declined sharply in 1958 and accounted for about one-third of corporate net bond issues compared to one-half of corporate net borrowing in 1957. As a result of these trends, total net new bond issues sold abroad declined in 1958 by \$77 million. Total net new bond issues sold to non-residents amounted to \$538 million and less than one-third of total sales took place in the second half of 1958.

Action by the Bank of Canada led to a substantial increase in the cash reserves of the chartered banks in 1958. The increase in cash reserves of the banks was reflected in the expansion of \$1,277 million in total bank assets and over two-thirds of this increase took the form of additional purchases of government securities. The total of other liquid assets rose only moderately since the increase in some categories was partly offset by lower holdings of day-to-day loans, call loans and net foreign assets. About one-fourth of the growth in

TABLE 15
CHARTERED BANK ASSETS
(month-end figures)

	As at Dec. 31 1958	Changes ¹			
		Calendar Years			
		1955	1956	1957	1958
(Millions of dollars)					
Bank of Canada notes and deposits.....	1,001	49	42	-16	135
Day-to-day loans.....	123	13	-7	136	-87
Treasury bills.....	950	67	313	65	145
Sub-total.....	2,074	129	348	185	193
Government bonds.....	2,562	-321	-957	44	727
Call loans.....	116	36	-20	35	-75
Net foreign assets ²	88	-41	6	41	-55
Total of foregoing assets.....	4,840	-197	-623	305	790
Canadian loans (other than day-to-day and call loans).....	5,296	759	532	114	82
Insured mortgages.....	790	220	199	93	204
Non-Government securities.....	1,164	228	-58	-8	202
Total of above assets.....	12,089	1,009	50	504	1,277

¹To 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.

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

total bank assets was accounted for by increased investment in insured mortgages and in non-government securities.

For the year 1958 as a whole, the demand for loans rose only moderately and bank loans other than day-to-day and call loans increased by \$82 million compared with the expansion of \$114 million in 1957 and the growth of \$532 million and \$759 million in 1956 and 1955 respectively. There was approximate stability in combined lending to provincial and municipal governments but loans to grain dealers declined by \$61 million. Instalment finance companies increased their bank indebtedness but this was more than offset by a decline in the outstanding amount of commercial paper issued by these institutions. In the latter part of 1958, general loans rose above the level in the previous year and in December, 1958, the total amounted to \$4,138 million or \$75 million higher than at the same date in 1957. Personal loans expanded throughout 1958 and for the year as a whole the increase amounted to \$173 million. Loans to farmers and to financial as well as social institutions also rose whereas bank advances to industry, to merchandizers and to some of the service industries declined in 1958.

TABLE 16
GENERAL PUBLIC¹ HOLDINGS OF CURRENCY, BANK DEPOSITS, AND
GOVERNMENT OF CANADA SECURITIES AS AT DECEMBER 31

	1955	1956	1957	1958
	(Millions of dollars)			
Currency—notes and coin.....	1,550	1,605	1,667	1,781
Bank deposits—				
Deposits other than personal savings deposits ²	3,697	3,580	3,725	4,303
Personal savings deposits ²	5,633	6,007	6,108	6,844
Total bank deposits.....	9,330	9,587	9,833	11,147
Government Securities—				
Market securities.....	6,536	6,225	6,045	6,073
Non-market securities.....	2,433	2,541	2,649	2,895
Total government securities.....	8,969	8,766	8,693	8,968
Total liquid assets.....	19,849	19,958	20,193	21,895

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

² The deposit balances of religious, educational and welfare institutions and personal accounts used mainly for business purposes were reclassified from "personal savings deposits" to "other notice deposits" as at September 30, 1957 in the returns of the banks to the Department of Finance. The figures prior to September 30, 1957 are thus not comparable with those since that date. The amount of deposits reclassified was approximately \$140 million.

Holdings by the public of currency, bank deposits and Government of Canada securities expanded in 1958 by \$1,702 million compared with the advance of \$235 million in 1957. Holdings for all the main classes of liquid assets rose in 1958. The growth of \$1,314 million in bank deposits accounted for the major part of the overall increase. Holdings of government securities at the end of 1958 were \$274 million higher than at the same date in the previous year. Substantially larger holdings of Canada Savings Bonds were mainly responsible for the upward movement in the amount of government securities held by the public. However, the relatively moderate advance of \$28 million in holdings of market issues hides substantial fluctuations which occurred during the course of 1958. There was a decline of \$482 million for the first nine months of 1958 and this was followed in the fourth quarter by the addition of \$509 million to the holdings of market securities by the public.

The total amount of Federal Government direct and guaranteed securities outstanding increased by \$1,251 million in 1958. Comparing holdings at the end of 1958 with holdings at the same date in the previous year, there was an increase of \$1,086 million in the amount of this debt held by the banking system and an expansion of \$274 million in the amount held by the general public. This was partly offset by a decrease of \$109 million in government accounts.

PRICE TRENDS

The upward movement in the consumer price index which began in mid-1956 continued with few interruptions in 1958. In the fourth quarter of 1958 consumer prices were 2.4 per cent higher than in the same period a year earlier. This compares with an advance of 2.6 per cent for the twelve-month period ending in the fourth quarter of 1957. For the year 1958 as a whole the average level of consumer prices increased by 2.6 per cent or less than in 1957 when a rise of 3.2 per cent occurred. The upswing in retail prices during 1958 was accompanied by a more or less stable trend in wholesale prices for the first nine months of the year. This was followed by some rise in the wholesale index beginning in the fourth quarter of 1958 and in February, 1959, wholesale prices were 1.4 per cent higher than a year earlier, 7.7 per cent above the low point of recent years reached in October, 1954, but were 5.3 per cent below the high point of the post-war years reached in mid-1951. In both years, 1958 as well as 1957, there was only a fractional increase in the average annual level of wholesale prices.

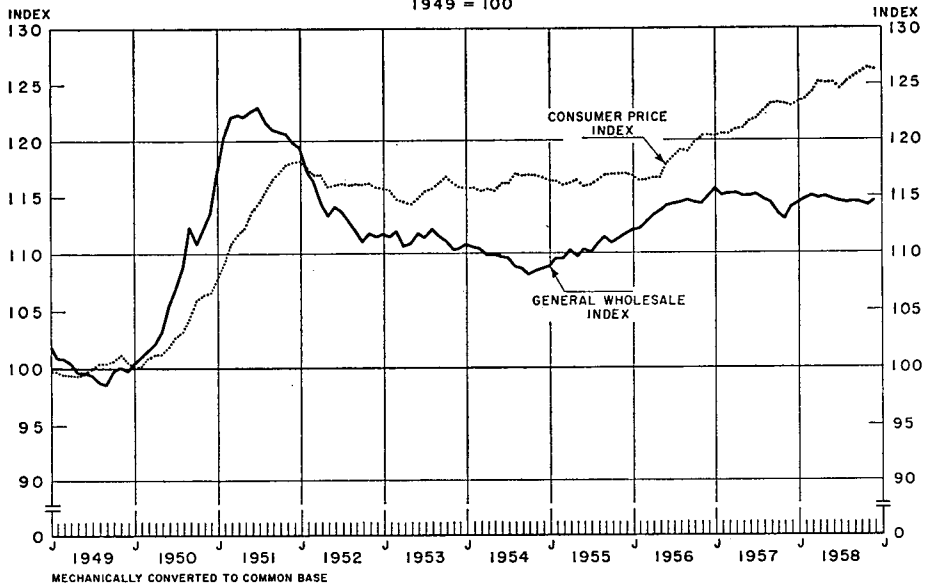
TABLE 17
CONSUMER PRICE INDEXES
1949=100

	Total	Food
1955.....	116.4	112.1
1956.....	118.1	113.4
1957.....	121.9	118.6
1958.....	125.1	122.1
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
June.....	125.1	122.7
July.....	124.7	121.4
August.....	125.2	122.6
September.....	125.6	122.9
October.....	126.0	123.4
November.....	126.3	123.2
December.....	126.2	122.2
1959—January.....	126.1	122.3
February.....	125.7	121.2
March.....	125.5	120.0

The consumer price index rose during the first four months of 1958 from 123.4 in January to 125.2 in April. There was a decline in the succeeding three months and the index stood at 124.7 in July. The upward movement was resumed in August and consumer prices reached a high of 126.3 in November. Slight declines occurred in the next four months to 125.5 in March, 1959, which left the index at a level one per cent higher than in the same period a year earlier. For 1958 all major components of the index followed an upward trend.

CANADIAN WHOLESALE AND CONSUMER PRICE INDEXES

1949 = 100



The largest increase occurred in the cost of services where prices rose by close to 4 per cent. The average level of food prices in 1958 was up 3 per cent compared to the advance of 4.6 per cent in 1957. However, in March, 1959, food prices were 1.1 per cent lower than a year earlier. Canadians had to pay more for shelter in 1958 and the index rose by 2.6 per cent. More moderate increases took place in the other two components, clothing and household operations.

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

	General Wholesale Prices	Fully and Chiefly Manu- factured Goods	Canadian Farm Products
1955.....	218.9	224.5	212.6
1956.....	225.6	231.5	214.2
1957.....	227.4	237.9	210.8
1958.....	227.6	238.3	216.5
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
May.....	228.1	238.4	223.1
June.....	227.4	238.0	221.1
July.....	227.0	237.8	219.4
August.....	226.8	238.0	215.9
September.....	227.1	238.3	211.1
October.....	226.9	238.0	211.8
November.....	228.5	238.6	212.1
December.....	229.1	239.4	217.6
1959—January.....	229.7	240.6	217.7
February.....	230.8	241.3	215.4

NOTE: 1958 indexes are preliminary. The Canadian Farm Products index is fully revised only up to July 1957 and does not reflect final payments on all grains for subsequent months.

The United States consumer price index also reflected the continued upward trend in prices. The index registered an average increase of 2.7 per cent for the year 1958, an advance comparable to the movement in Canadian consumer prices. Food prices in the United States levelled out in the second half of 1958 but for the year as a whole the index was 4.2 per cent above 1957.

During the twelve-month period to December, 1958, wholesale prices rose by 1.3 per cent whereas for the year 1958 as a whole the general index remained practically unchanged from the level in 1957. This difference came about mainly because of the strengthening in wholesale prices which occurred in the fourth quarter of 1958 in contrast to the decline in the same period of 1957. A pattern similar to the trend in the general index prevailed in the broad industrial categories of wholesale prices. In a year-over-year comparison prices fell in 1958 except for manufactured products. The decline was particularly pronounced for industrial materials and metals. However, in the latter part of 1958, the indexes for all the major industrial classifications stood at a higher level than a year earlier. The sharpest recovery occurred in prices for non-ferrous metals and raw materials. In 1958 there was also a substantial advance in prices for Canadian farm products.

PART II

REVIEW OF GOVERNMENT ACCOUNTS 1958-59

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PART II
REVIEW OF GOVERNMENT ACCOUNTS
1958-59

1. INTRODUCTION

The figures presented in this Part for the fiscal year 1958-59 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 1958-59. 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 1958-59

The following table summarizes the financial operations of the government for the fiscal year and indicates how the budgetary and non-budgetary transactions, together with changes in the unmatured debt, affected the government's cash balances. In the sections entitled "The Budgetary Accounts" and "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	
	1959 (estimated)	1958
Budgetary transactions—		
Revenues—		
Tax.....	4,274	4,623
Non-tax.....	496	426
	4,770	5,049
Expenditures—		
Defence.....	-1,437	-1,687
Non-defence.....	-3,950	-3,400
	-5,387	-5,087
Deficit (-).....	-617	-38
Non-budgetary transactions—		
Receipts and credits (excluding unmatured debt transactions)—		
Repayments of loans, investments and working capital advances	103	119
Net government annuities account receipts.....	58	58
Net insurance and pension account receipts.....	523	221
Net sales of investments of unemployment insurance fund.....	238	135
Other non-budgetary receipts.....	192	33
	1,114	566
Disbursements and charges (excluding unmatured debt transactions)—		
Loans, investments and working capital advances.....	-882	-351
Net payments from the unemployment insurance fund.....	-242	-131
Net payments from special defence accounts.....	-218	- 8
Other non-budgetary disbursements.....	-418	-203
	-1,760	-693
Net amount required for (-) non-budgetary transactions.....	-646	-127
Overall cash requirements (-) to be financed by an increase in debt or decrease in cash balances.....	-1,263	-165
Net increase in unmatured debt outstanding in the hands of the public..	1,429	(1)
Net increase or decrease (-) in Receiver General bank balances.....	166	-165

(1) Less than \$500,000.

Budgetary transactions

Revenues of the government for the fiscal year ended March 31, 1959 amounted to \$4,770 million. This was \$120 million or about 3 per cent more than last year's budget forecast as revised on August 13, 1958 to \$4,650 million and \$278 million or 6 per cent less than the total of \$5,048 million collected in 1957-58.

Expenditures amounted to \$5,387 million and were \$37 million or less than 1 per cent more than the budget forecast as revised on September 6, 1958 to \$5,350 million to take into account the special wheat acreage payments and other commitments arising out of the further supplementary estimates, and \$300 million or 6 per cent more than the total spent in 1957-58.

On the basis of these figures the deficit for the fiscal year was \$617 million compared with the Minister's revised forecast on September 6, 1958 of a deficit of \$700 million and a deficit of \$38 million for 1957-58.

On the revenue side of the government's budgetary operations collections have shown a decline from the previous year. This was due partly to the fact that the general level of activity and production in the economy was somewhat less than in 1957-58 and partly to the tax reductions announced in December, 1957 and June, 1958. Although receipts from excise and succession duties and non-tax revenues exceeded those of the previous year, these increases were more than offset by reductions in the receipts from personal, corporation and non-resident income taxes, excise taxes and customs import duties.

On the expenditure side defence was again the most significant feature in the government's programme. In 1958-59 defence expenditures amounted to \$1,437 million, a decrease of \$250 million or 15 per cent from the preceding year and represented 27 per cent of the government's total budgetary outlay. For the most part this decrease is due to the policy announced in the budget speech of June 17, 1958 of liquidating the balance in the national defence equipment account during the fiscal year. Equipment purchases totalling \$212 million were charged to the account during 1958-59 compared with \$24 million in the previous year. In 1957-58 defence expenditures amounted to \$1,687 million and constituted 33 per cent of the total.

Non-budgetary transactions

Although the budgetary deficit for 1958-59 was \$617 million, the government's bank balances at the end of the fiscal year were \$166 million greater than a year ago. This increase in cash balances was the net result of budgetary requirements of \$617 million, requirements of \$882 million for loans, investments and working capital advances and of \$878 million for other non-budgetary disbursements offset by non-budgetary receipts and credits of \$1,114 million from repayments of loans and investments, annuity, insurance and pension accounts receipts and other non-budgetary sources and an increase of \$1,429 million in outstanding unmatured debt.

Old age security fund

Pension payments from the old age security fund amounted to \$560 million and tax receipts credited to the fund totalled \$376 million, and the deficit of

\$184 million for the fiscal year was covered by a temporary loan by the Minister of Finance to the fund. During 1957-58 pension payments amounted to \$474 million and tax receipts credited to the fund to \$372 million resulting in an excess of pension payments over tax receipts of \$102 million which together with the remainder of the 1956-57 deficit of \$2 million was charged to expenditures in 1957-58 under the authority of a vote of parliament. Parliament has authorized the writing-off to expenditure in 1958-59 temporary loans of \$184 million outstanding at March 31, 1959.

Debt transactions

During 1958-59, the government issued securities amounting to \$9,286 million (excluding the refunding of treasury bills which mature periodically) and redeemed or converted issues in the amount of \$7,973 million, resulting in an increase of \$1,313 million in unmatured debt. As other liabilities increased by \$488 million the government's gross public debt increased by \$1,801 million to \$20,220 million at March 31, 1959. During the fiscal year the government's net assets increased by \$1,161 million to \$8,534 million. As a result the government's net debt at March 31, 1959 was \$11,686 million, the increase of \$640 million reflecting the budgetary deficit for the fiscal year of \$617 million plus an adjustment of \$23 million in respect of prior years transactions.

Cash position

Receiver General bank balances increased \$166 million during the fiscal year as net budgetary and non-budgetary requirements totalled \$1,263 million and outstanding unmatured debt (after taking into account transactions in the securities investment and sinking fund accounts) increased by \$1,429 million.

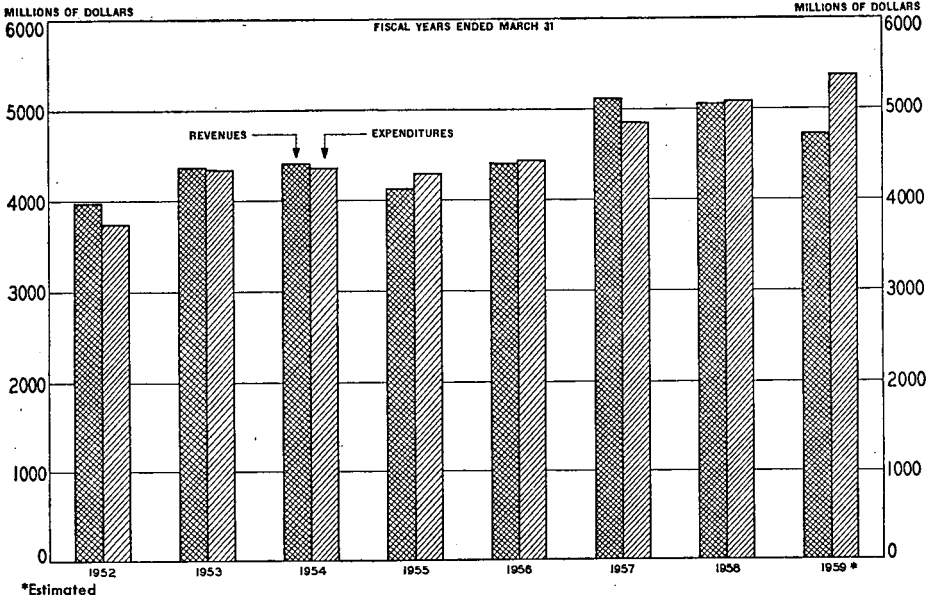
3. THE BUDGETARY ACCOUNTS

Total revenues, amounting to \$4,770 million for 1958-59, were \$278 million less than the total for the previous year. Total expenditures were \$5,387 million, an increase of \$300 million over the total for 1957-58. The deficit for the fiscal year was \$617 million compared with \$38 million for the previous year.

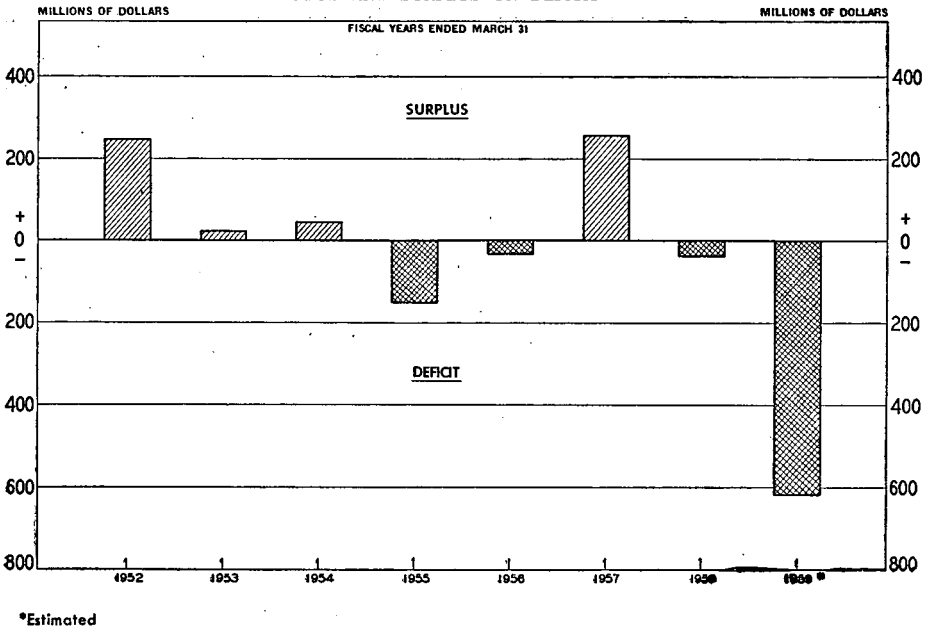
TABLE 2
BUDGETARY REVENUES, EXPENDITURES AND SURPLUS OR DEFICIT
(in millions of dollars)

Fiscal year ended March 31	Budgetary revenues	Budgetary expenditures	Surplus or deficit (—)
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.....	5,048.8	5,087.4	—38.6
1959 (estimated).....	4,770.8	5,387.4	—616.6

BUDGETARY REVENUES AND EXPENDITURES



BUDGETARY SURPLUS OR DEFICIT



A. REVENUES

Budgetary revenues were \$4,770 million in the fiscal year 1958-59. This was \$278 million or 6 per cent less than in the previous year. Of the total revenues for the year, \$4,274 million, or 90 per cent, was derived from taxes and \$496 million or 10 per cent from non-tax revenues.

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

Source	Fiscal year ended March 31				Increase or decrease (—)	
	1959 (estimated)		1958			
	Amount	Per cent	Amount	Per cent	Amount	Per cent
Tax revenues—						
Income tax—						
Personal ⁽¹⁾	1,371.0	28.8	1,499.8	29.7	—128.8	— 8.6
Corporation ⁽¹⁾	1,029.0	21.6	1,234.8	24.5	—205.8	—16.7
On dividends, interest, etc., going abroad.....	60.0	1.3	64.3	1.3	— 4.3	— 6.7
Excise taxes—						
Sales ⁽¹⁾	694.0	14.5	703.2	14.0	— 9.2	— 1.3
Other.....	242.4	5.1	249.4	4.9	— 7.0	— 2.8
Customs import duties.....	486.0	10.2	498.1	9.9	— 12.1	— 2.4
Excise duties.....	317.6	6.6	300.1	5.9	17.5	5.8
Succession duties.....	73.0	1.5	71.6	1.4	1.4	2.0
Other taxes.....	1.2	.....	1.5	.....	— 0.3	—20.0
	4,274.2	89.6	4,622.8	91.6	—348.6	— 7.5
Non-tax revenues—						
Return on investments.....	224.6	4.7	169.4	3.4	55.2	32.6
Post office.....	156.0	3.3	152.9	3.0	3.1	2.0
Other non-tax revenues.....	116.0	2.4	103.7	2.0	12.3	11.9
	496.6	10.4	426.0	8.4	70.6	16.6
Total revenues.....	4,770.8	100.0	5,048.8	100.0	—278.0	— 5.5

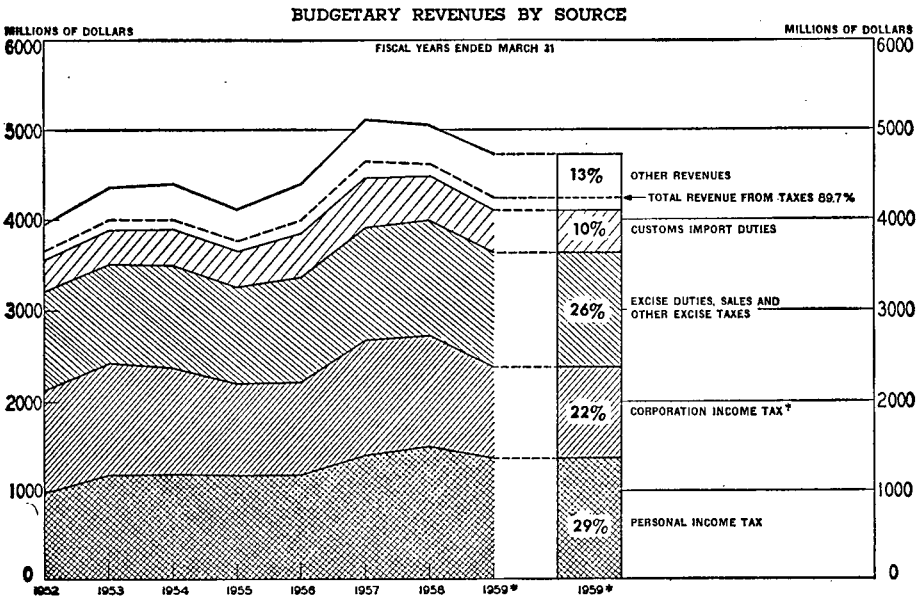
	1958-59 (estimated)	1957-58
⁽¹⁾ Excluding tax credited to the old age security fund—		
2% personal income tax.....	148.0	135.0
2% corporation income tax.....	55.0	60.7
2% sales tax.....	173.0	175.8
	376.0	371.5

(1) TAX REVENUES

Tax on personal incomes

The personal income tax was again in 1958-59 the largest source of government revenue, the yield (excluding the old age security tax) being \$1,371 million. The decrease of \$129 million or 9 per cent from the previous year was more than accounted for by the reduction in rates and the increase in exemptions for dependents which became effective in 1958.

In addition the 2 per cent tax on personal incomes levied under the Old Age Security Act yielded \$148 million. The maximum tax is \$60 per person. This revenue was credited to the old age security fund.



*Includes excess profits tax for the year 1952.

*Estimated

Corporation income tax

The corporation income tax (excluding the old age security tax) yielded \$1,029 million in 1958-59 and was the second largest revenue producer. The decrease of \$206 million or 17 per cent from the previous year was largely due to lower corporate profits in 1958. It is estimated that \$12 million of the decrease resulted from the tax change announced in December, 1957 which increased the first bracket subject to the lower rate of tax from \$20 thousand to \$25 thousand.

In addition the 2 per cent tax on incomes of corporations under the Old Age Security Act yielded \$55 million which was 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 decrease of \$4 million from the previous year reflected lower corporate profits in 1958 and because some large refunds were made to adjust overpayments of tax in previous years.

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.

The most important tax levied under the Excise Tax Act from a revenue standpoint is the sales tax. The decrease of \$9 million or 1 per cent in receipts (excluding the 2 per cent old age security tax) from the previous year reflected the new exemptions announced in the 1958 Budget which it is estimated reduced revenue by \$7 million.

The 2 per cent tax on sales levied under the Old Age Security Act and credited to the old age security fund yielded \$173 million compared to \$176 million in the previous year.

Excise taxes other than the general sales tax were \$7 million or 3 per cent less than in the previous year.

The reduction in the tax on automobiles from 10 per cent to 7½ per cent on December 6, 1957 and reduced sales of automobiles during the year resulted in revenue from this source declining \$12 million. In addition refunds increased by \$3 million over the previous year largely as a result of refunds made to automobile dealers on account of automobiles on hand at the time of the tax reduction in December 1957.

These declines in revenue were partly offset by increases of \$7 million from the taxes on tobacco products and \$2 million from the taxes on television sets, radios, tubes and phonographs.

Customs import duties

The decrease of \$12 million or 2 per cent in customs import duties reflects the decrease in the volume and value of imports during the year.

Excise duties

Excise duties are levied only on alcoholic beverages and tobacco products. (Additional taxes on tobacco products are levied under the Excise Tax Act referred to above.) The collections from the taxes on alcoholic beverages, before deducting refunds, were \$181 million, an increase of \$9 million over the previous year. The gross receipts from the taxes on tobacco products amounted to \$141 million, an increase of \$9 million.

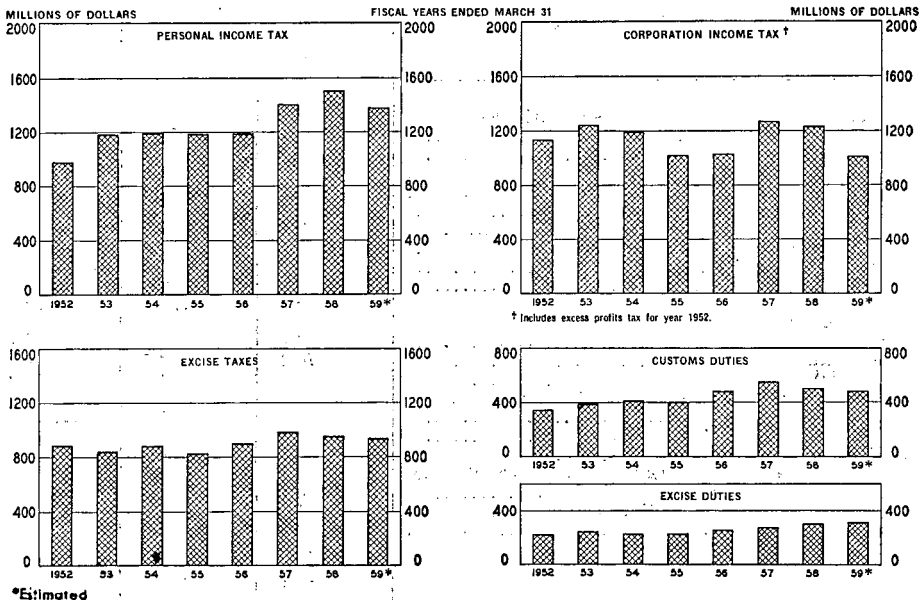
Succession duties

The revenue from this source for the year amounted to \$73 million and as for the previous year was affected by collections from two unusually large estates.

Other taxes

Most of the revenue under this heading was received from the special taxes on the export of electrical energy from Canada, but a small amount was also received from the tax on the export of furs from the Northwest Territories.

PRINCIPAL SOURCES OF TAX REVENUES



(2) NON-TAX REVENUES

Non-tax revenues for 1958-59 were \$497 million, \$71 million or 17 per cent more than the 1957-58 total of \$426 million.

TABLE 4
(in millions of dollars)

NON-TAX REVENUES	Fiscal year ended March 31		Increase or decrease (—)	
	1959 (estimated)	1958	Amount	Per cent
Return on investments.....	224.6	169.4	55.2	32.6
Post office.....	156.0	152.9	3.1	2.0
Refunds of previous years' expenditures.....	32.9	28.1	4.8	17.1
Services and service fees.....	25.7	22.6	3.1	13.7
Proceeds from sales.....	21.1	22.3	-1.2	-5.4
Privileges, licences and permits.....	26.1	19.3	6.8	26.1
Bullion and coinage.....	4.6	5.0	-0.4	-8.0
Premium, discount and exchange.....	2.0	1.3	0.7	53.8
Other.....	3.6	5.1	-1.5	-29.4
	496.6	426.0	70.6	16.6

Return on investments

Payments from Crown corporations were \$38 million more than in the preceding year due largely to an increase of \$20 million in the profits of the Bank of Canada for 1958 transferred to the Receiver General over those for 1957 and an increase of \$12 million in interest payments received from Central Mortgage and Housing Corporation.

TABLE 5
(in millions of dollars)

RETURN ON INVESTMENTS	Fiscal year ended March 31		Increase or decrease (—)
	1959 (estimated)	1958	
Loans to, and investments in, Crown corporations—			
Bank of Canada—profits.....	88.6	68.7	19.9
Canadian Farm Loan Board.....	1.8	1.6	0.2
Canadian National Railways.....	16.4	12.5	3.9
Central Mortgage and Housing Corporation.....	30.1	18.2	11.9
Eldorado Mining and Refining Limited.....	3.5	3.5	.....
National Harbours Board.....	3.2	3.4	-0.2
Northern Ontario Pipe Line Crown Corporation.....	3.0	0.6	2.4
Polymer Corporation Limited.....	4.0	4.0	.....
Miscellaneous.....	2.0	2.0	.....
	152.6	114.6	38.1
Other loans and investments—			
United Kingdom.....	22.8	0.4	22.4
Other national governments.....	10.1	9.7	0.4
Provincial governments.....	0.8	0.9	-0.1
Soldier and general land settlement loans and veterans land act advances.....	5.0	5.0	.....
Exchange fund account.....	18.6	22.9	-4.3
Securities investment account.....	1.5	1.4	0.1
Sinking fund and other investments held for retirement of unmatured debt.....	5.5	5.9	-0.4
Interest-bearing deposits with chartered banks.....	4.5	5.3	-0.8
Miscellaneous.....	3.2	3.4	-0.2
	72.0	64.9	17.1
	224.6	169.4	55.2

The main receipts from other loans and investments were \$23 million in interest received on the 1946 loan to the United Kingdom and \$19 million representing exchange fund profits. The former included annual interest of \$22 million (the interest payment due December 31, 1957 was deferred) and \$1 million in interest on deferred principal and interest payments.

Post office

Gross post office receipts totalled \$182 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., amounting to \$26 million, brought the net revenue to \$156 million. Last year gross receipts amounted to \$178 million and authorized disbursements totalled \$25 million.

As costs of operating the post office during 1958-59 (excluding the \$26 million charged to revenue) were \$158 million, net expenditure exceeded net revenue by \$2 million. However, in making this comparison, it is to be noted that the total shown for post office revenue does not reflect any payment for the franking privilege covering parliamentary and departmental mail or for certain miscellaneous services provided for other government departments and agencies, nor does the total shown for operating expenses reflect any charges for premises occupied by the Post Office Department or for certain accounting and miscellaneous services provided by other departments.

Refunds of previous years' expenditures

Refunds in the current fiscal year of expenditures made in prior years totalled \$33 million, \$5 million more than in 1957-58. These refunds included \$20 million received by the Department of National Defence, of which \$9 million was on contracts with the United States Government for the supply of engines, aircraft and other defence equipment under an arrangement that when Canada places contracts with the Government of the United States, payments of the estimated costs are made to the United States Treasury and if these estimated costs are revised, or if there are reductions in the contracts, the United States Government refunds the overpayments. In addition \$5 million was received by the Department of Finance (of which \$4 million was a repayment by the Province of Ontario in connection with succession duty payments under the tax-rental agreements), \$2 million by the Department of Veterans Affairs and \$6 million by other departments.

Services and service fees

Sums totalling \$25 million were collected during 1958-59 by various government departments for services and service fees, \$3 million more than the total collected in the previous year.

Revenue from this source 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; \$9 million received by the Royal Canadian Mounted Police, mainly for police services to provinces and municipalities; and \$4 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.

Proceeds from sales

Receipts from proceeds from sales were \$19 million for 1958-59, \$3 million less than the total received in 1957-58.

Receipts under this category 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), \$3 million under agreements of sale and \$6 million from Central Mortgage and Housing Corporation representing the proceeds from the sale of wartime housing properties and including amounts available as the result of the reversal of the provision for depreciation set aside by the corporation in previous years on properties that have now been sold.

Privileges, licences and permits

Revenues of \$26 million were received during the fiscal year on account of privileges, licences and permits compared with \$19 million received last year.

Included in these revenues is an amount of \$9 million collected by the Department of Transport, mainly on account of aircraft landing fees, rentals of hangar accommodation, and other miscellaneous rental charges, and \$6 million by the Department of Northern Affairs and National Resources for oil leases in the Northwest Territories.

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.

Premium, discount and exchange

Under this heading is recorded the premiums and discounts incurred in the purchase of foreign currencies. Transactions in the current fiscal year resulted in a net credit of \$2 million to revenues compared with \$1 million in the previous year.

Other non-tax revenues

Revenues from this source amounted to \$4 million, compared with \$5 million in 1957-58.

(3) COMPARISON OF ACTUAL REVENUES WITH FORECAST

The Budget Speech on June 17, 1958 forecast that budgetary revenues for the fiscal year 1958-59 would be \$4,652 million. On August 13, 1958 the Minister of Finance stated that as a result of further sales tax exemptions provided in the amendments to the Excise Tax Act the revenue forecast for the year would be changed to \$4,650 million.

It is now estimated that budgetary revenues for the fiscal year will be \$4,770 million or \$120 million more than forecast. This increase of about 3 per cent over the budget forecast reflects the fact that economic conditions for the year, as measured by the G.N.P., were slightly better than those on which the forecast of revenues was based.

The following table shows the extent to which actual revenues for 1958-59, as now estimated, differ from the budget forecast.

TABLE 6

COMPARISON OF FORECAST WITH ACTUAL REVENUES FOR FISCAL YEAR ENDED MARCH 31, 1959

(in millions of dollars)

SOURCE OF REVENUES	Budget forecast of revenues ⁽¹⁾	Revenues (estimated)	Increase or decrease (—) compared with budget forecast	
			Amount	Per cent
Personal income tax.....	1,369	1,371	2	0.1
Non-resident income tax.....	70	60	-10	-14.3
Corporation income tax.....	1,019	1,029	10	1.0
Succession duties.....	65	73	8	12.3
Customs import duties.....	450	486	36	7.4
Sales tax (net).....	698	694	- 4	- 0.6
Excise duties and excise taxes other than sales tax.....	549	560	11	2.0
Miscellaneous taxes.....	2	1	- 1	-50.0
Total tax revenues.....	4,222	4,274	52	1.2
Non-tax revenues.....	428	496	68	13.9
Total budgetary revenues.....	4,650	4,770	120	2.5

⁽¹⁾ As amended August 13, 1958.

As the above table shows, the actual revenue from a number of sources is expected to be very close to the amount forecast. The revenue sources which showed a significant difference from the amount forecast are the non-resident income tax, succession duties, customs import duties and non-tax revenues.

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 were made to adjust overpayments of tax in previous years.

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

The revenue from customs duties exceeded the forecast reflecting the fact that imports in the year did not decline as much as expected.

Non-tax revenues were \$68 million above the forecast, due to larger than expected profits from the Bank of Canada and the Central Mortgage and Housing Corporation, and other returns on investments.

B. EXPENDITURES

Budgetary expenditures for 1958-59 amounted to \$5,387 million, an increase of \$300 million over the 1957-58 total of \$5,087 million.

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

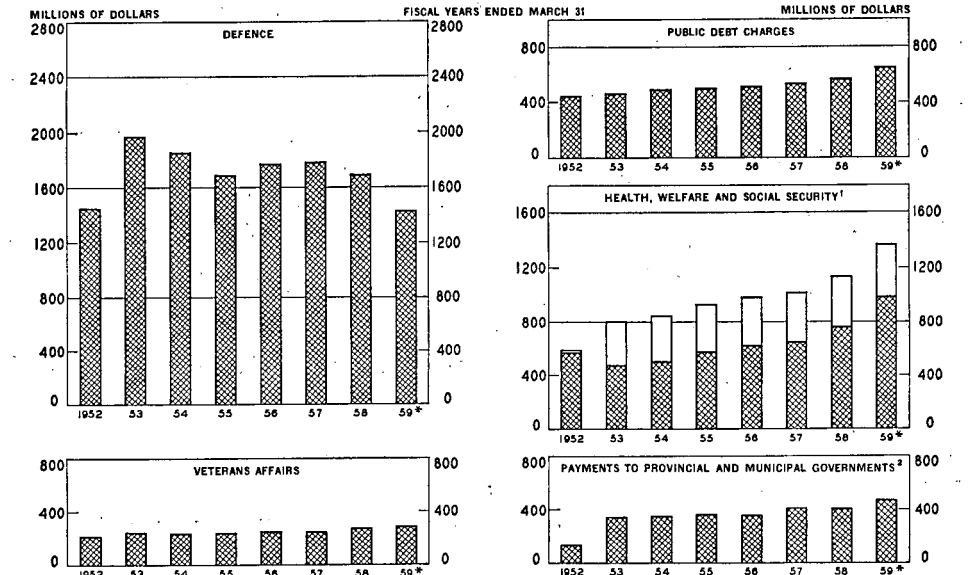
	Fiscal year ended March 31				Increase or decrease (—)	
	1959 (estimated)		1958			
	Amount	Per cent	Amount	Per cent	Amount	Per cent
Defence expenditures—						
National Defence.....	1,418.0	26.3	1,668.4	32.8	—250.4	—15.0
Defence Production.....	14.4	0.3	15.0	0.3	— 0.6	— 4.0
Civil defence.....	4.8	0.1	4.0	0.1	0.8	20.0
	1,437.2	26.7	1,687.4	33.2	—250.2	—14.8
Non-defence expenditures—						
Public debt charges.....	644.4	12.0	567.4	11.2	77.0	13.6
Provincial subsidies and tax-sharing payments (including transitional and additional grants to Newfoundland)	467.2	8.7	382.6	7.5	84.6	22.1
Family allowances.....	474.9	8.8	437.9	8.6	37.0	8.4
Grant to Canada Council.....			100.0	2.0	—100.0	—100.0
Reduction in the amount of temporary loans to the old age security fund...	184.0	3.4	103.9	2.0	80.1	77.1
Unemployment Insurance Act—administration and government's contribution.....	73.3	1.4	70.3	1.4	3.0	4.3
Government contribution with respect to the superannuation account.....	37.6	0.7	78.1	1.5	—40.5	—51.9
Government contributions under the Hospital and Diagnostic Services Act.....	57.8	1.1			57.8	
Agriculture.....	166.5	3.1	94.7	1.9	71.8	75.8
Atomic Energy.....	26.1	0.5	21.6	0.4	4.5	20.8
Canadian Broadcasting Corporation..	62.1	1.1	43.0	0.9	19.1	44.4
Citizenship and Immigration.....	54.0	1.0	52.4	1.0	1.6	3.1
External Affairs.....	76.1	1.4	60.2	1.2	15.9	26.4
Finance.....	76.2	1.4	59.2	1.1	17.0	28.7
Mines and Technical Surveys.....	45.7	0.8	36.1	0.7	9.6	26.6
National Health and Welfare.....	155.9	2.9	117.0	2.3	38.9	33.2
National Research Council.....	25.5	0.5	21.6	0.4	3.9	18.1
National Revenue.....	69.5	1.3	67.7	1.3	1.8	2.7
Northern Affairs and National Resources.....	75.0	1.4	49.1	1.0	25.9	52.7
Post Office.....	157.9	2.9	153.3	3.0	4.6	3.0
Public Works.....	211.9	3.9	206.0	4.1	5.9	2.9
Royal Canadian Mounted Police.....	52.8	1.0	47.4	0.9	5.4	11.4
Trade and Commerce.....	64.9	1.2	56.9	1.1	8.0	14.1
Transport.....	300.0	5.6	206.7	4.1	93.3	45.1
Veterans Affairs.....	290.8	5.4	277.2	5.4	13.6	4.9
Other departments.....	100.1	1.8	89.7	1.8	10.4	11.6
	3,950.2	73.3	3,400.0	66.8	550.2	16.2
Total budgetary expenditures...	5,387.4	100.0	5,087.4	100.0	300.0	5.9

Defence expenditures

Defence expenditures which consist of expenditures of the Departments of National Defence and Defence Production and outlays for the civil defence programme were again the largest category of government budgetary expenditures. The total of \$1,437 million for 1958-59 was approximately 27 per cent of the aggregate budgetary expenditures of the government and was \$250 million, or about 15 per cent, less than the total of \$1,687 million for 1957-58 when defence expenditures were 33 per cent of aggregate budgetary expenditures.

Expenditures of the Department of National Defence were \$1,418 million, those of the Department of Defence Production were \$14 million and outlays for the civil defence programme were \$5 million. In 1957-58, expenditures were \$1,668 million, \$15 million and \$4 million respectively.

PRINCIPAL CLASSES OF BUDGETARY EXPENDITURES



¹ 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 expenditures in the year in which they were paid.

² Does not include those payments to provincial and municipal governments for specific purposes.

*Estimated

TABLE 8
(in millions of dollars)

DEFENCE EXPENDITURE	Fiscal year ended March 31		Increase or decrease (-)
	1959 (estimated)	1958	
Department of National Defence—			
Army services.....	370.1	378.7	- 8.6
Naval services.....	208.8	262.6	- 53.8
Air services.....	593.3	760.1	-166.8
	1,172.2	1,401.4	-229.2
Defence research and development.....	78.0	78.7	- 0.7
Mutual aid to NATO countries including contributions towards military costs of NATO.....	97.0	118.4	- 21.4
Government contribution to the permanent services pension account.....	49.5	49.7	- 0.2
Administration and general.....	21.3	20.2	1.1
	1,418.0	1,668.4	-250.4
Department of Defence Production—			
Capital assistance.....	2.1	4.8	- 2.7
Administration and general.....	12.3	10.2	2.1
	14.4	15.0	- 0.6
Civil defence programme.....	4.8	4.0	0.8
	1,437.2	1,687.4	-250.2

Expenditures for army, naval and air services totalled \$1,172 million, \$229 million less than the 1957-58 total. The outlay for army services decreased by \$8 million, for naval services by \$54 million and for air services by \$167 million from the previous year's totals. This decrease of \$229 million in budgetary

expenditures was due mainly to the policy followed this year of liquidating the balance in the national defence equipment account by charging defence equipment purchases to that account.

Mutual aid to NATO countries and contributions towards the military costs of NATO were \$21 million less than in the previous year. Under the provisions of section 3 of the Defence Appropriation Act the Governor in Council may authorize the transfer of defence equipment or supplies and the provision of services or facilities for defence purposes to other parties to the North Atlantic Treaty. The expenditures of \$97 million for 1958-59 included \$75 million for the transfer of equipment and supplies, \$10 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 and \$12 million for Canada's share of the NATO military budgets and infrastructure costs.

Outlays for defence research and development were \$78 million compared with \$79 million in 1957-58.

The government's contribution to the permanent services pension account of an amount equal to $1\frac{2}{3}$ times the contributions by permanent services personnel was \$50 million, the same as in 1957-58:

Administration and general costs increased by \$1 million in 1958-59 over the 1957-58 total.

The total expenditure of \$14 million for the Department of Defence Production was \$1 million less than in 1957-58. A decrease of \$3 million 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 was partly offset by an increase of \$2 million in administration and general costs.

Civil defence expenditures of \$5 million were \$1 million higher than comparable costs in 1957-58.

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.

For several years the estimated replacement value of equipment and supplies acquired by the Department of National Defence prior to March 31, 1950, and later transferred as mutual aid to NATO countries, was credited to the national defence equipment account, to be used subsequently for the purchase of equipment or supplies for the army, naval or air services thereby involving cash outlays which were not reflected as budgetary expenditures. Since 1956 no credits have been made to this account, instead 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. In accordance with the policy outlined in the budget speech of June 17, 1958, the balance remaining in the national defence equipment account has been liquidated in 1958-59. Total charges of \$212 million were made to the account in 1958-59 compared with \$24 million in 1957-58.

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 cash outlays from this account during 1958-59 were \$6 million leaving a balance of \$12 million at March 31, 1959.

The Department of Defence Production also 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 1958-59 the assets of the fund were reduced by \$21 million leaving a balance of \$34 million in the account at March 31, 1959.

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 (—)
	1959 (estimated)	1958	
Budgetary expenditures—			
Department of National Defence.....	1,418.0	1,668.4	—250.4
Department of Defence Production.....	14.4	15.0	— 0.6
Civil defence programme.....	4.8	4.0	0.8
	1,437.2	1,687.4	—250.2
Disbursements from—			
National defence equipment account ⁽¹⁾	211.8	24.3	187.5
Replacement of materiel account—sec. 11, National Defence Act (net).....	6.2	—16.6	22.8
Defence production revolving fund (net).....	—20.5	— 1.8	— 18.7
	197.5	5.9	191.6
Net cash outlay for defence.....	1,634.7	1,693.3	— 58.6

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

Public debt charges

In 1958-59 public debt charges were again the second largest item of budgetary expenditures. These charges, which consist of interest on public debt, the annual amortization of bond discounts and commissions, the cost of issuing new loans and other costs incurred in servicing the public debt amounted to \$644 million in 1958-59 or 12 per cent of all budgetary expenditures compared with \$567 million or 11 per cent in 1957-58.

Interest on public debt was \$604 million in 1958-59 an increase of \$65 million over the 1957-58 total of \$539 million. Interest of \$483 million on unmatured debt was \$45 million higher due to an increase in unmatured debt and the general rise in interest rates; interest of \$121 million on other liabilities was \$20 million higher mainly due to increases of \$14 million in respect of the permanent services pension account, \$4 million in respect of the superannuation account and \$2 million in respect of the government annuities account. The increase in respect of the permanent services pension account was mainly due to the fact that the account balance was adjusted upwards by \$326 million on April 1, 1958 to reflect an actuarial revaluation of the liability.

The increase of \$12 million in other public debt charges was due to new loans issued during the fiscal year.

TABLE 10
(in millions of dollars)

INTEREST AND OTHER PUBLIC DEBT CHARGES	Fiscal year ended March 31		Increase or decrease (—)
	1959 (estimated)	1958	
Interest on public debt—			
Unmatured debt and treasury bills—			
Payable in Canada.....	473.8	428.0	45.8
Payable in London.....	1.6	1.5	0.1
Payable in New York.....	7.9	8.6	—0.7
	483.3	438.1	45.2
Other liabilities—			
Deposit and trust accounts.....	3.6	3.4	0.2
Annuity, insurance and pension accounts.....	117.5	97.7	19.8
	121.1	101.1	20.0
Total interest on public debt.....	604.4	539.2	65.2
Other public debt charges—			
Annual amortization of bond discounts and commissions.....	35.6	26.4	9.2
Cost of issuing new loans.....	3.7	1.2	2.5
Servicing of public debt.....	0.7	0.6	0.1
	40.0	28.2	11.8
	644.4	567.4	77.0

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 1958-59 this income was \$225 million as shown in the preceding section on revenue. This amount deducted from the gross total of \$604 million for interest as shown in the above table leaves a net annual interest charge of \$379 million compared with a net of \$370 million in 1957-58.

Subsidies and tax-sharing payments to provinces

Payments to the provinces during 1958-59 for statutory subsidies, rentals under the tax-sharing arrangements act, the transitional and additional grants to Newfoundland, and the transfer of a portion of income tax receipts from certain public utility companies amounted to \$467 million compared with \$383 million in 1957-58.

Charges to budgetary expenditures in 1958-59 under the Federal-Provincial tax-sharing arrangements, including adjustments made on account of the previous year, were \$70 million more than in 1957-58. The increase occurred despite a decrease in individual income tax collections and corporation taxable income from the preceding year. The increase was occasioned by the introduction of Atlantic Provinces Adjustment Grants of \$25 million of which \$7½ million was paid to each of the Provinces of Nova Scotia, New Brunswick and Newfoundland and \$2½ million to Prince Edward Island, and the increase of the standard tax rate for individual income from 10% to 13%. An adjustment was required by the tax-sharing arrangements act to compensate for the 1958 reduction in the federal individual income tax rate.

Payments to the provinces under the Federal-Provincial tax-sharing arrangements in 1958-59 were adjusted by deducting a total of \$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-rental 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.

TABLE 11
(in millions of dollars)

SUBSIDIES AND TAX-SHARING PAYMENTS TO PROVINCES	Fiscal year ended March 31		Increase or decrease (-)
	1959 (estimated)	1958	
Payments under Federal-Provincial Tax-Sharing Arrangements Act, c. 29, Statutes of 1956, as amended, c. 29, Statutes of 1957-58.....	423.2	353.3	69.9
Statutory subsidies.....	20.6	20.6	.....
Transitional grant to Newfoundland.....	1.1	1.4	-0.3
Additional grants to Newfoundland.....	13.6	.....	13.6
Transfer of certain public utility tax receipts Sec. 6, c. 49, Statutes of 1952.....	8.7	7.4	1.3
	467.2	382.7	84.5

Under the proposed Newfoundland Additional Grants Act, pursuant to the report of the Royal Commission on Newfoundland Finances appointed under clause 29 of the Terms of Union, Newfoundland is to receive additional grants for the fiscal years 1957-58 to 1961-62 inclusive. The additional grants for the first two fiscal years, which are payable in 1958-59, amount to \$13½ million.

Statutory subsidies at \$21 million in 1958-59 were unchanged from the previous year.

A summary of payments, by provinces, during 1958-59 is given in the following table:

TABLE 12
(in millions of dollars)

SUBSIDIES AND TAX-SHARING PAYMENTS TO PROVINCES	Fiscal year ended March 31, 1959 (estimated)				
	Statutory subsidies	Payments under tax-sharing arrangements	Transitional and additional grants	Transfer of certain public utility tax receipts	Total
Newfoundland.....	1.6	24.4	14.7	0.3	41.0
Prince Edward Island.....	0.7	6.8	.....	.....	7.5
Nova Scotia.....	2.0	34.9	.....	0.5	37.4
New Brunswick.....	1.7	29.8	.....	0.2	31.7
Quebec.....	3.3	55.0	.....	2.3	60.6
Ontario.....	3.6	93.3	.....	1.6	98.5
Manitoba.....	2.0	33.6	.....	.....	35.6
Saskatchewan.....	2.1	34.3	.....	0.1	36.5
Alberta.....	2.3	46.3	.....	2.2	50.8
British Columbia.....	1.3	64.8	.....	1.5	67.6
	20.6	423.2	14.7	8.7	467.2

The amount of public utility tax receipts transferred to the provinces in 1958-59 amounted to \$9 million or \$1 million more than in the previous year. Section 6 of the Tax Rental Agreements Act, 1952, authorized the payment to the provinces, whether participating in an agreement or not, of a portion of the income tax collected from corporations whose main business was the distribution to, or the generation for distribution to, the public of electrical energy, gas or steam. The 1958-59 payment represents the transferrable portion of the income tax from the above corporations for the taxation year 1956. This payment is the last transfer authorized under the 1952 Tax Rental Agreements Act.

Family allowances

Family allowances are payable in respect of all children under sixteen resident in Canada, with minor exceptions such as in the case of children of immigrants who must reside in Canada a year before an allowance is payable. The monthly allowance is \$6 if the child is under 10 years and \$8 in the age group 10 to 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 of \$475 million represented 9 per cent of total expenditures. The increase of \$37 million over the previous year reflected the increase in the number of children in the eligible age groups and the increase in the monthly allowances effective September 1, 1957.

TABLE 13
(in millions of dollars)

FAMILY ALLOWANCE PAYMENTS BY PROVINCES	Fiscal year ended March 31		Increase
	1959 (estimated)	1958	
Newfoundland.....	15.2	14.1	1.1
Nova Scotia.....	20.6	19.4	1.2
Prince Edward Island.....	3.0	2.8	0.2
New Brunswick.....	18.2	17.1	1.1
Quebec.....	146.3	136.1	10.2
Ontario.....	150.2	136.7	13.5
Manitoba.....	23.1	21.5	1.6
Saskatchewan.....	24.8	23.3	1.5
Alberta.....	34.1	31.0	3.1
British Columbia.....	38.4	35.0	3.4
Northwest and Yukon Territories.....	1.0	0.9	0.1
	474.9	437.9	37.0

Reduction in the amount of temporary loans to the old age security fund

In 1958-59 payments of \$560 million out of the fund exceeded receipts of \$376 million by \$184 million. Parliament has authorized the charging of this amount to budgetary expenditures in 1958-59 leaving a nil balance in the fund at March 31, 1959.

Unemployment Insurance Act administration and government's contribution

Expenditures in 1958-59 relating to the Act (excluding the government's payment as an employer) amounted to \$73 million compared with \$70 million in 1957-58.

Unemployment insurance benefit payments are not charged directly to budgetary expenditures but are paid from the unemployment insurance fund which is financed by equal 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 employee-employer contributions.

The government's contribution to the fund for 1958-59 was \$38 million and administration costs were \$35 million; the corresponding amounts for 1957-58 were \$38 million and \$32 million.

Government contribution with respect to the superannuation account

In 1958-59 the government contributed \$38 million to the superannuation account compared with \$78 million in 1957-58. The decrease was due to the fact that there was no charge in 1958-59 comparable to the \$44 million in 1957-58 covering the additional liability created by the general salary increase of May 1, 1957.

Hospital insurance and diagnostic services

The Hospital Insurance and Diagnostic Services Act, Statutes of 1957, authorizes contributions by Canada in respect of programmes administered by the provinces, providing hospital insurance and laboratory and other services in aid of diagnosis. Payments of \$58 million were made in 1958-59.

As may be noted in the following table seven provinces had entered into agreements during the year. The effective date of each agreement is as follows:—July 1, 1958 for Newfoundland, Manitoba, Saskatchewan, Alberta and British Columbia and January 1, 1959 for Nova Scotia and Ontario.

TABLE 14
(in millions of dollars)

HOSPITAL INSURANCE AND DIAGNOSTIC SERVICES	Fiscal year ended March 31 1959 (estimated)
Newfoundland.....	2.8
Nova Scotia.....	2.0
Ontario.....	15.6
Manitoba.....	7.3
Saskatchewan.....	8.5
Alberta.....	9.3
British Columbia.....	12.3
	57.8

Agriculture

Expenditures of the Department of Agriculture totalled \$167 million for 1958-59 compared with \$95 million in 1957-58.

The principal changes in the expenditures of this department were in the payments to western grain producers, the operating losses of the agricultural stabilization board and the deficit in the prairie farm emergency fund.

The Western Grain Producers Acreage Payment Regulations were set up by Order-in-Council, P.C. 1958-1442 dated October 16, 1958, whereby payment of \$1 was authorized for each acre of cultivated acreage as set forth in the permit book, issued by the Canadian Wheat Board to each wheat grower, recording the seeded acreage of his lands. The maximum payment to each permit holder was not to exceed \$200. The Canadian Wheat Board was authorized to act as the agent of the Minister of Agriculture under these regulations and made payments aggregating \$41 million.

With the authority of parliament the \$15 million operating losses of the Agricultural Stabilization Board for 1958-59 that had been credited to the agricultural commodities stabilization account were charged to budgetary expenditures in 1958-59.

Advances of \$15 million made by the Minister of Finance to the prairie farm emergency fund to cover the year's deficit were charged to expenditure in the accounts for the fiscal year.

TABLE 15
(in millions of dollars)

AGRICULTURE	Fiscal year ended March 31		Increase or decrease (—)
	1959 (estimated)	1958	
Experimental farms service.....	15.5	13.8	1.7
Freight assistance on western feed grains.....	20.0	17.5	2.5
Marketing service.....	8.0	7.3	0.7
Operating losses of the agricultural stabilization board.....	15.0	6.0	9.0
Payments to western grain producers.....	41.3	.....	41.3
Prairie farm emergency fund—deficit.....	15.0	5.9	9.1
Premium on hog carcasses including administrative costs.....	6.8	5.5	1.3
Production service.....	17.0	14.3	2.7
Rehabilitation and reclamation projects.....	14.7	12.5	2.2
Science service.....	11.7	10.6	1.1
Administration and general.....	1.5	1.3	0.2
	166.5	94.7	71.8

Atomic Energy

Expenditures of the Atomic Energy Control Board and payments to Atomic Energy of Canada Limited totalled \$26 million compared with \$22 million in 1957-58 an increase of \$4 million.

Administration expenses of the Atomic Energy Control Board and grants for research and investigations with respect to atomic energy were \$0.5 million, the same as the 1957-58 expenditure.

During the fiscal year \$25 million was paid to Atomic Energy of Canada Limited for its research programme, \$4 million more than in the previous year. Of the total, \$18 million was for current operations and maintenance and \$7 million for the construction and acquisition of buildings, land, works and equipment.

In addition, advances of \$3 million were made to Atomic Energy of Canada Limited during the year, for the construction or acquisition of buildings and equipment at Chalk River and Deep River and for the commercial products division at Ottawa. This brought the total of advances covered, or to be covered, by obligations or shares of the company to \$59 million at March 31, 1959.

Canadian Broadcasting Corporation

Expenditures of \$62 million were made by the government on account of the Canadian Broadcasting Corporation during 1958-59 compared with \$43 million in 1957-58. The increase of \$19 million was the result of an increase of \$26 million in grants for radio and television services offset in part by a decrease of \$7 million in the payments to the corporation of amounts equal to the collection of the 15 per cent special tax imposed on radio and television sets and equipment. These latter payments were discontinued under the provisions of the

Broadcasting Act which came into force on November 10, 1958. The corporation received, however, under the authority of Vote 701, \$2 million to make up the deficiency between the estimated amount that would have been received from the tax during the fiscal year and the amount actually received to the date the new Act was proclaimed.

TABLE 16
(in millions of dollars)

CANADIAN BROADCASTING CORPORATION	Fiscal year ended March 31				
	1955	1956	1957	1958	1959 (estimated)
Grants to the Canadian Broadcasting Corporation by the Government of Canada—					
Amounts equal to tax collected under the					
Excise Tax Act in respect of radio and					
television sets and equipment.....	20.8	23.1	19.3	16.8	9.8
Radio broadcasting and television services..	6.3	6.3	18.3	24.4	50.4
International shortwave broadcasting service....	2.1	1.8	1.7	1.8	1.9
	29.2	31.2	39.3	43.0	62.1

The Broadcasting Act which came into force on November 10, 1958, stipulated that the corporation shall pay to the Receiver General such part of the working capital of the corporation as in the opinion of the Minister of Finance was in excess of \$6 million, to be applied in the reduction of its indebtedness to the government. The remainder of the loans outstanding when the new Act came into force were to be cancelled and an equivalent amount credited to a proprietor's equity account. The excess of working capital amounting to \$4 million was repaid by the corporation and an amount of \$23 million representing the balance of the loans outstanding was cancelled and transferred to net debt.

Citizenship and Immigration

Expenditures of the Department of Citizenship and Immigration were \$54 million in 1958-59 an increase of \$2 million over the total for 1957-58.

The principal changes in the expenditures of this department were a reduction of \$7 million in immigration expenditures due to lower immigration, a reduction in the expenditures in connection with movements of Hungarian refugees and an increase of \$9 million in Indian affairs including an increase of \$5 million for Indian education and \$3 million for Indian welfare.

TABLE 17
(in millions of dollars)

CITIZENSHIP AND IMMIGRATION	Fiscal year ended March 31		Increase or decrease (—)
	1959 (estimated)	1958	
Citizenship and citizenship registration.....	1.4	1.3	0.1
Immigration.....	15.5	22.0	—6.5
Indian affairs.....	36.4	27.9	8.5
Administration and general.....	0.7	0.6	0.1
	54.0	51.8	2.2

External Affairs

Expenditures of the Department of External Affairs totalled \$76 million in 1958-59, an increase of \$16 million over the previous year.

The increase of \$13 million in assistance to other countries was due to increases of \$11 million for the purchase of wheat and flour to be given to India, Pakistan and Ceylon to relieve food shortages and \$2 million for the purchase of flour to be given to the United Nations Relief and Works Agency for Palestine Refugees in the Near East.

TABLE 18
(in millions of dollars)

EXTERNAL AFFAIRS	Fiscal year ended March 31		Increase or decrease (—)
	1959 (estimated)	1958	
Assistance to other countries.....	14.5	2.0	12.5
Canada's assessment for membership in international or com- monwealth organizations.....	4.1	3.4	0.7
Contributions to international organizations.....	4.8	4.6	0.2
Grant to Colombo plan fund.....	35.0	34.4	0.6
Representation abroad.....	9.7	9.3	0.4
Administration and general.....	8.0	6.5	1.5
	76.1	60.2	15.9

Finance

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

Other expenditures totalled \$76 million for 1958-59, an increase of \$17 million over the expenditures for 1957-58.

The increase in other expenditures was mainly due to increased payments to the National Conference of Canadian Universities for the purpose of making grants to institutions of higher learning and to higher grants to municipalities in lieu of taxes on federal property.

TABLE 19
(in millions of dollars)

FINANCE	Fiscal year ended March 31		Increase or decrease (—)
	1959 (estimated)	1958	
Grants to municipalities in lieu of taxes on federal property....	22.1	17.5	4.6
Grants to universities.....	25.6	16.6	9.0
Government contribution as an employer to the unemployment insurance fund.....	0.9	0.8	0.1
Office of the Comptroller of the Treasury—administration expenses.....	18.0	17.5	0.5
Administration and general.....	9.6	6.8	2.8
	76.2	59.2	17.0

Mines and Technical Surveys

Expenditures of the Department of Mines and Technical Surveys totalled \$46 million for 1958-59, an increase of \$10 million over the total for 1957-58.

The increase of \$10 million was mainly due to an increase of \$3 million in emergency gold mining assistance, \$2 million by the Dominion Coal Board for coal subventions under the Atlantic Provinces Power Development Act and \$2 million for aerial photography.

TABLE 20
(in millions of dollars)

MINES AND TECHNICAL SURVEYS	Fiscal year ended March 31		Increase or decrease (—)
	1959 (estimated)	1958	
Emergency gold mining assistance.....	11.6	8.6	3.0
Dominion Coal Board.....	11.1	8.9	2.2
Surveys and mapping including aerial photography.....	13.4	10.5	2.9
Mines branch.....	3.5	3.3	0.2
Geological survey of Canada.....	3.2	2.7	0.5
Administration and general.....	2.9	2.1	0.8
	45.7	36.1	9.6

National Health and Welfare

Family allowance payments amounting to \$475 million, the reduction in the amount of temporary loans to the old age security fund amounting to \$184 million and contributions under the Hospital Insurance and Diagnostic Services Act amounting to \$58 million constituted the main items of expenditure for this department and have been dealt with under separate headings in preceding paragraphs. Civil defence expenditures, amounting to \$5 million, have been dealt with under the heading "Defence expenditures".

Other expenditures of the department in 1958-59 totalled \$156 million, an increase of \$39 million over the previous year.

The following table presents a distribution of these payments to provinces for 1958-59:

TABLE 21
(in millions of dollars)

NATIONAL HEALTH AND WELFARE	Fiscal year ended March 31		Increase or decrease (—)
	1959 (estimated)	1958	
Blind persons allowances.....	4.2	3.6	0.6
Disabled persons allowances.....	15.6	11.1	4.5
General health grants.....	46.0	34.6	11.4
Indian and Eskimo health services.....	19.9	19.3	0.1
Old age assistance.....	30.6	25.1	5.5
Other health services.....	12.4	10.0	2.4
Unemployment Assistance Act.....	22.3	8.2	14.1
Administration and general.....	4.9	4.6	0.3
	155.9	117.0	38.9

General health grants to the provinces for assistance in hospital construction, general health services and the control of diseases increased by \$11 million over the previous year.

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 nine provinces have signed agreements with the federal government. There was an increase of \$14 million in these contributions over those for the previous year.

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. In 1958-59 increases in payments to the old age assistance were \$6 million, to blind persons \$1 million and to disabled persons \$5 million.

TABLE 22
(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, 1959 (estimated)				
	General health grants	Old age assistance	Disabled persons allowances	Blind persons allowances	Unemployment assistance
Newfoundland.....	1.7	1.7	0.3	0.2	3.1
Nova Scotia.....	2.9	1.6	0.7	0.4	0.4
Prince Edward Island.....	0.6	0.2	0.2	(1)	0.1
New Brunswick.....	2.1	1.8	0.6	0.4	0.2
Quebec.....	12.3	10.7	8.5	1.5	.....
Ontario.....	12.4	6.9	3.5	0.9	9.2
Manitoba.....	2.7	1.6	0.4	0.2	1.6
Saskatchewan.....	3.3	1.8	0.4	0.2	1.4
Alberta.....	3.5	1.9	0.5	0.2	1.7
British Columbia.....	4.4	2.3	0.5	0.2	4.6
Northwest and Yukon Territories.....	0.1	0.1	(1)	(1)	.....
	46.0	30.6	15.6	4.2	22.3

(1) Less than \$50,000.

National Research Council

Expenditures amounted to \$26 million, \$4 million higher than for 1957-58. Salaries and other expenses amounting to \$23 million accounted for the increase. The costs of construction or acquisition of buildings, works, land and new equipment totalling \$3 million were approximately the same as in the previous year.

National Revenue

Expenditures of the Department of National Revenue were \$70 million in 1958-59 compared with \$68 million in 1957-58, an increase of \$2 million.

The increase in the customs and excise division was due principally to increased expenditures in the operation and maintenance of ports and in the taxation division mainly to increased expenditures in the district offices.

TABLE 23
(in millions of dollars)

NATIONAL REVENUE	Fiscal year ended March 31		Increase or decrease (—)
	1959 (estimated)	1958	
Customs and excise division.....	37.4	36.5	0.9
Taxation division.....	31.9	31.0	0.9
Income tax appeal board.....	0.2	0.2	.....
	69.5	67.7	1.8

Northern Affairs and National Resources

Expenditures of the Department of Northern Affairs and National Resources in the fiscal year were \$75 million, an increase of \$26 million over the total for 1957-58.

The main increases in expenditures of this department were in the national parks and northern administration and lands branches. The increase of \$7 million in the national parks branch was due to \$6 million for construction and \$1 million for administration. The increase of \$15 million in the northern administration and lands branch was due mainly to \$7 million for construction and \$2 million for operation and maintenance in the Northwest Territories, \$2 million for construction in the Yukon Territory and \$3 million for access roads leading to resources.

TABLE 24
(in millions of dollars)

NORTHERN AFFAIRS AND NATIONAL RESOURCES	Fiscal year ended March 31		Increase or decrease (—)
	1959 (estimated)	1958	
National parks branch.....	25.1	17.8	7.3
Water resources branch.....	2.5	1.9	0.6
Northern administration and lands branch.....	33.2	18.6	14.6
Forestry branch.....	8.0	7.2	0.8
Canadian government travel bureau.....	2.2	1.9	0.3
Administration and general.....	4.0	1.7	2.3
	75.0	49.1	25.9

Post Office

Gross expenditures of the Post Office Department for 1958-59 were \$184 million, an increase of \$6 million over the 1957-58 outlay of \$178 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 \$184 million, amounted to \$26 million, compared with \$25 million in 1957-58.

TABLE 25

(in millions of dollars)

POST OFFICE	Fiscal year ended March 31		Increase or decrease (—)
	1959 (estimated)	1958	
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.	98.2	94.7	3.5
Transportation—movement of mail by land, air and water.	55.2	54.1	1.1
Financial services.	2.7	2.6	0.1
Administration and general.	1.8	1.9	—0.1
	157.9	153.3	4.6
Charged to revenue—			
Operations—salaries of postmasters and staffs at revenue and semi-staff offices, commissions paid at sub-offices and other disbursements.	25.8	24.6	1.2
	183.7	177.9	5.8

Public Works

Expenditures of the Department of Public Works for 1958-59 amounted to \$212 million, compared with \$206 million for 1957-58, an increase of \$6 million.

The increase of \$1 million in the public buildings construction and services branch was due to an increase of \$3 million for the acquisition, construction and improvements of public buildings in Ottawa offset by a decrease of \$2 million for the acquisition, construction and improvements of public buildings other than in Ottawa. The increase of \$4 million in the harbours and rivers engineering services was due mainly to the acquisition, construction and improvements of harbour and river works in Ontario. The decrease of \$2 million in the development engineering services branch was due to lower costs in connection with the trans-Canada highway through national parks.

TABLE 26
(in millions of dollars)

PUBLIC WORKS	Fiscal year ended March 31		Increase or decrease (—)
	1959 (estimated)	1958	
Public buildings—construction and services—			
Acquisition, construction and improvements of public buildings—			
Ottawa.....	19.8	16.9	2.9
Other centres in Canada.....	34.1	36.3	—2.2
Outside Canada.....		0.1	—0.1
Maintenance and operation.....	41.0	41.4	—0.4
Furniture and furnishings.....	2.0	2.3	—0.3
General.....	4.0	3.4	0.6
	100.9	100.4	0.5
Harbours and rivers engineering services—			
Acquisition, construction and improvements of harbour and river works.....	27.3	24.1	3.2
Dredging.....	3.3	3.8	—0.5
General.....	5.2	4.3	0.9
	35.8	32.2	3.6
Development engineering services—			
Trans-Canada highway division—			
Contributions to the provinces under the terms of the Trans-Canada Highway Act.....	50.0	49.4	0.6
Trans-Canada highway through national parks.....	10.0	12.6	—2.6
General.....	1.9	1.4	0.5
	61.9	63.4	—1.5
Housing.....	5.0	2.7	2.3
Administration and general.....	8.3	7.3	1.0
	211.9	206.0	5.9

Royal Canadian Mounted Police

Expenditures for the Royal Canadian Mounted Police amounted to \$53 million for 1958-59, \$5 million more than the total spent in 1957-58.

Payments as shown in the table represent gross expenditures; payments received from the provinces and municipalities for police services amounting to \$9 million were credited to revenue.

The increase of \$5 million in the land and air services was due to increases of \$2 million in operation and maintenance and \$3 million in construction or acquisition of buildings, works, land and equipment.

TABLE 27
(in millions of dollars)

ROYAL CANADIAN MOUNTED POLICE	Fiscal year ended March 31		Increase or decrease (—)
	1959 (estimated)	1958	
Land and air services.....	36.8	31.4	5.4
Marine services.....	2.8	3.2	—0.4
Government contribution to the Royal Canadian Mounted Police pension account.....	1.6	1.5	0.1
Pensions and other benefits.....	2.7	2.5	0.2
Headquarters administration and general.....	8.9	8.8	0.1
	52.8	47.4	5.4

Trade and Commerce

Expenditures for the Department of Trade and Commerce totalled \$65 million for 1958-59, an increase of \$8 million over the previous year.

The main items in the net increase of \$8 million in the expenditures of this department were \$5 million on payment of carrying costs of temporary wheat reserves and \$2 million due to the Canadian Wheat Board loss on oats for the crop year 1956-57.

TABLE 28
(in millions of dollars)

TRADE AND COMMERCE	Fiscal year ended March 31		Increase or decrease (-)
	1959 (estimated)	1958	
Assistance re storage costs of grain.....	38.4	33.3	5.1
Canada Grain Act.....	6.2	6.2	.....
Canadian Wheat Board—loss re oats.....	2.1	.....	2.1
Dominion Bureau of Statistics.....	8.3	7.5	0.8
Standards branch.....	2.3	2.2	0.1
Trade commissioners service.....	3.5	3.3	0.2
Administration and general.....	4.1	4.4	-0.3
	64.9	56.9	8.0

Transport

Expenditures of the Department of Transport for 1958-59 amounted to \$300 million, an increase of \$93 million over the total of \$207 million in 1957-58.

Of the \$37 million increase in expenditures for air services, \$31 million was for the civil aviation division of which \$26 million was for the construction and acquisition of buildings, works, lands and new equipment including construction work on municipal airports and \$4 million was for operation and maintenance of airways and airports.

The increase of \$19 million in expenditures for marine services included \$11 million for the construction or acquisition of steamers, \$5 million for the operation and maintenance of steamers and \$1 million for construction or acquisition of buildings, works, lands and equipment for aids to navigation.

The increase in the outlays of the Board of Transport Commissioners was due entirely to a special contribution of \$10 million to the railway grade crossing fund.

During 1958-59, \$61 million was paid to cover the net operating deficits of certain Crown corporations compared with \$31 million in 1957-58. The increase of \$30 million was due mainly to the reimbursement to the Canadian National Railways on account of its 1958 deficit, which was \$52 million compared with the 1957 deficit of \$22 million.

TABLE 29
(in millions of dollars)

TRANSPORT	Fiscal year ended March 31		Increase or decrease (—)
	1959 (estimated)	1958	
Air services—			
Civil aviation division.....	83.9	53.2	30.7
Meteorological division.....	12.3	10.7	1.6
Telecommunications division.....	27.3	24.0	3.3
Administration.....	3.3	2.4	0.9
	126.8	90.3	36.5
Canal services.....	9.3	8.6	0.7
Marine services.....	51.3	32.8	18.5
Railway and steamship services—			
Maritime Freight Rates Act—			
Difference between tariff and normal tolls.....	13.5	12.6	0.9
Strait of Canso causeway.....	(1) 0.1	0.1	—0.1
Construction and acquisition of auto-ferries.....	0.3	1.5	—1.2
Other.....	1.7	4.1	—2.4
	15.5	18.3	—2.8
Board of Transport Commissioners—			
Maintenance of trackage.....	7.0	7.0	.....
Railway grade crossing fund.....	15.0	5.0	10.0
Administration and general.....	1.1	1.1	.....
	23.1	13.1	10.0
Canadian Maritime Commission.....	6.0	5.3	0.7
Crown Corporations—			
Net income deficits—			
Canadian National Railways.....	51.6	22.1	29.5
Other.....	8.9	8.9	.....
Non-active advances—National Harbours Board.....	4.5	4.8	—0.3
	65.0	35.8	29.2
Administration and general.....	3.0	2.5	0.5
	300.0	206.7	93.3

(1) Less than \$50,000.

Veterans Affairs

Expenditures of the Department of Veterans Affairs were \$291 million in 1958-59 compared with expenditures of \$277 million in 1957-58.

The net increase of \$14 million in the outlays of this department included increases of \$6 million for pensions for disability or death and \$8 million in war veterans allowances due to legislation authorizing increases in monthly payments of pensions and allowances effective July 1 and November 1, 1957.

TABLE 30
(in millions of dollars)

VETERANS AFFAIRS	Fiscal year ended March 31		Increase or decrease (—)
	1959 (estimated)	1958	
Pensions for disability or death.....	151.1	145.6	5.5
Treatment and welfare services.....	60.8	59.7	1.1
War veterans allowances and other benefits.....	60.7	53.2	7.5
War service gratuities and re-establishment credits.....	2.0	1.8	0.2
Soldier Settlement and Veterans Land Acts—			
Administration and general.....	5.6	5.5	0.1
Provision for reserve for conditional benefits, Veterans Land Act.....	4.3	5.2	—0.9
Departmental, district and pensions administration and miscellaneous payments.....	6.3	6.2	0.1
	290.8	277.2	13.6

All other departments

Expenditures of the departments not dealt with in preceding sections amounted to \$100 million for 1958-59, an increase of \$10 million over the total for 1957-58.

The main changes were a decrease of \$10 million in the expenses of the Chief Electoral Officer, due to the previous year's expenditures having included the costs of the June 1957 and March 1958 federal elections; an increase of \$9 million in expenditures of the Department of Labour due to payments of \$5 million under the winter works programme for which there was no comparable expenditure last year, and an increase of \$4 million in payments to provinces to provide financial assistance to vocational schools and training under youth training programmes; and \$4 million in the expenditures of the Office of the Commissioner of Penitentiaries of which \$3 million was for the construction, improving and equipping of penitentiaries.

TABLE 31
(in millions of dollars)

ALL OTHER DEPARTMENTS	Fiscal year ended March 31		Increase or decrease (-)
	1959 (estimated)	1958	
Auditor General.....	0.8	0.8	.....
Board of Broadcast Governors.....	0.1	.....	0.1
Chief Electoral Officer.....	3.2	13.6	-10.4
Civil Service Commission.....	3.5	3.2	0.3
Fisheries.....	18.4	16.4	2.0
Governor General and Lieutenant-Governors.....	0.4	0.4	.....
Insurance.....	1.2	1.2	.....
Justice.....	7.7	7.2	0.5
Office of the Commissioner of Penitentiaries.....	16.6	12.7	3.9
Labour.....	20.6	11.4	9.2
Legislation.....	7.7	6.9	0.8
National Film Board.....	4.3	4.0	0.3
National Gallery.....	0.7	0.6	0.1
Privy Council including National Capital Commission.....	6.0	3.9	2.1
Public Archives and National Library.....	0.8	0.7	0.1
Public Printing and Stationery.....	3.6	3.3	0.3
Secretary of State.....	4.5	4.0	0.5
	100.1	90.3	9.8

4. SUMMARY OF ASSETS AND LIABILITIES OF CANADA AT MARCH 31, 1959

The balances of the asset and liability accounts at March 31, 1959, the comparable balances at March 31, 1958, and the changes in each category during 1958-59 are shown in the following table:

TABLE 32
SUMMARY OF ASSETS AND LIABILITIES OF CANADA
(in millions of dollars)

	Balance at March 31		Increase or decrease (—)
	1959 (estimated)	1958	
LIABILITIES			
Current and demand liabilities.....	958.4	874.9	83.5
Deposit and trust accounts.....	228.7	187.0	41.7
Annuity, insurance and pension accounts.....	3,289.4	2,712.8	576.6
Undisbursed balances of appropriations to special accounts.....	77.9	285.4	—207.5
Deferred credits.....	81.9	76.9	5.0
Suspense accounts.....	25.5	36.4	—10.9
Unmatured debt.....	15,557.7	14,245.1	1,312.6
Total liabilities.....	20,219.5	18,418.5	1,801.0
ASSETS			
Current assets.....	855.7	696.8	158.9
Advances to exchange fund account.....	1,995.0	1,975.0	20.0
Sinking fund and other investments held for retirement of un- matured debt.....	82.7	211.7	—129.0
Loans to, and investments in, Crown corporations.....	3,289.0	2,554.3	734.7
Loans to national governments.....	1,449.3	1,488.0	—38.7
Other loans and investments.....	681.7	662.8	18.9
Securities held in trust.....	19.6	22.6	—3.0
Deferred charges.....	149.6	77.5	72.1
Unamortized portion of actuarial deficiencies— Permanent services pension account.....	326.3		326.3
Superannuation account.....	139.0	139.0	
Suspense accounts.....	(1)	(1)	
Capital assets.....	(2)	(2)	
Inactive loans and investments.....	92.2	90.9	1.3
Total assets.....	9,080.1	7,918.6	1,161.5
Less reserve for losses on realization of assets.....	—546.4	—546.4	
Net assets.....	8,533.7	7,372.2	1,161.5
Net debt (excess of liabilities over net assets).....	11,685.8	11,046.3	(2) 639.5

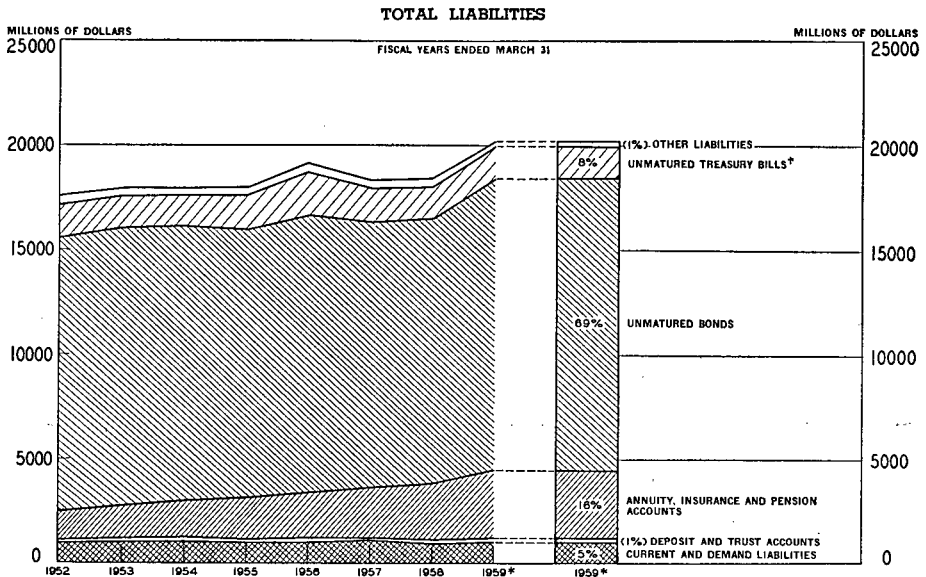
(1) Less than \$50,000.

(2) Shown at nominal value of \$1.

(?) Reflecting the budgetary deficit of 616.6 million plus an adjustment of \$22.9 million in respect of prior years transactions.

A. CHANGES IN PRINCIPAL LIABILITY CLASSIFICATIONS DURING 1958-59

The gross liabilities of the government increased by \$1,801 million during the fiscal year. The main changes were increases of \$1,313 million in unmaturing debt and \$577 million in annuity, insurance and pension accounts and a decrease of \$207 million in undisbursed balances of appropriations to special accounts.



†Also includes treasury notes for the fiscal years ending 1952-1956 inclusive.

*Estimated

Current and demand liabilities

This category consists of obligations of the government payable currently or on demand. The principal changes were an increase of \$53 million in accounts payable (which records the net liability of the government for accounts paid in April which are applicable and charged to the previous fiscal year) and \$32 million in outstanding treasury cheques.

TABLE 33
(in millions of dollars)

CURRENT AND DEMAND LIABILITIES	Balance at March 31		Increase or decrease (—)
	1959 (estimated)	1958	
Outstanding treasury cheques.....	265.2	232.9	32.3
Accounts payable.....	254.3	201.4	52.9
Non-interest bearing notes payable to the international monetary fund and the international bank for reconstruction and development.....	201.8	203.8	—2.0
Matured debt outstanding.....	29.5	23.5	6.0
Interest due and outstanding.....	57.1	57.1	.....
Interest accrued.....	121.0	129.1	—8.1
Post Office (net liability for money orders, etc.).....	29.0	26.7	2.3
Other current liabilities.....	0.5	0.4	0.1
	958.4	874.9	83.5

Deposit and trust accounts

In these accounts are recorded sundry funds deposited with the Receiver General of Canada or held in trust for various purposes. The net increase of \$42 million was due to an increase of \$43 million in the account "United States—S.A.C. bases", which records funds received from the United States Government for the purpose of facilitating the placing of contracts by the R.C.A.F. on behalf of the U.S.A.F. in respect of Strategic Air Command bases, offset in part by decreases in other accounts.

TABLE 34
(in millions of dollars)

DEPOSIT AND TRUST ACCOUNTS	Balance at March 31		Increase or decrease (—)
	1959 (estimated)	1958	
Army benevolent fund.....	7.2	7.5	—0.3
Canadian Pension Commission—administration trust fund.....	9.1	8.2	0.9
Contractors holdbacks.....	17.1	16.2	0.9
Contractors securities—sundry departments—			
Cash.....	18.7	18.7	.....
Bonds.....	11.3	11.5	—0.2
Certified cheques.....	1.3	1.2	0.1
	51.3	51.4	—0.1
Crown corporation deposits.....	9.5	9.6	—0.1
Emergency gold mining assistance—holdbacks.....	2.1	1.7	0.4
Indian trust funds.....	28.6	29.0	—0.4
Korean operations pool.....	7.4	8.1	—0.7
National Harbours Board—special accounts.....	5.7	5.3	0.4
Post office savings bank.....	34.2	34.9	—0.7
Soldier settlement and veterans land act trust account—general..	3.1	2.7	0.4
United States—S.A.C. bases.....	43.5	0.5	43.0
War claims fund—world war 2.....	5.0	8.2	—3.2
Other.....	24.9	23.7	1.2
	228.7	187.0	41.7

Annuity, insurance and pension accounts

This category records the amounts to the credit of the various annuity, insurance and pension accounts.

TABLE 35
(in millions of dollars)

ANNUITY, INSURANCE AND PENSION ACCOUNTS	Balance at March 31		Increase or decrease (—)
	1959 (estimated)	1958	
Unemployment insurance fund.....	512.6	754.8	—242.2
Less investment in bonds and accrued interest.....	—501.6	—739.8	238.2
	11.0	15.0	—4.0
Government annuities.....	1,105.3	1,047.6	57.7
Superannuation account.....	1,134.6	1,045.8	88.8
Permanent services pension account.....	942.1	513.9	428.2
Other.....	96.4	90.5	5.9
	3,289.4	2,712.8	576.6

The decrease of \$242 million in the unemployment insurance fund represents the amount by which benefit payments totalling \$483 million exceeded contributions by employers and employees of \$182 million, contributions by the government of \$38 million, income of investments of \$20 million and other miscellaneous revenue credited to the fund. Benefit payments were \$98 million higher than the \$385 million paid out in 1957-58.

The government annuities account increased by \$58 million reflecting the amount by which premium receipts of \$62 million, interest credited to the account by the government of \$40 million and the amount of \$1 million required to maintain the reserve exceed payments of \$46 million to annuitants and beneficiaries.

The increase of \$89 million in the superannuation account was due mainly to the government's contribution of \$37 million equal to the estimated current and prior service payments of individuals in 1957-58 and \$44 million interest credited to the account. The remainder of the increase was due to the excess of employees' current and prior service contributions of \$41 million and miscellaneous receipts of \$1 million over benefit payments of \$34 million.

The permanent services pension account increased by \$428 million. The major part of the increase was due to a credit of \$326 million to record in the account the full actuarial liability as at March 31, 1958 as calculated by the Department of Insurance. The balance of the increase reflected 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 \$32 million, and contributions of \$30 million by permanent services personnel for current and prior years service less payments of \$10 million from the account.

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. Payments from the fund during the fiscal year were \$560 million while credits to the fund from 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 \$376 million. Temporary loans amounting to \$184 million were required to cover the deficit resulting from these transactions during 1958-59. Parliament has authorized the writing-off to expenditure in 1958-59 the deficit of \$184 million.

TABLE 36
(in millions of dollars)

OLD AGE SECURITY FUND	Fiscal year ended March 31				
	1955	1956	1957	1958	1959 (estimated)
Tax receipts—					
2 per cent sales tax.....	143.1	160.4	179.3	175.8	173.0
2 per cent personal income tax.....	100.9	102.5	125.0	135.0	148.0
2 per cent corporation income tax.....	46.0	53.3	67.3	60.7	55.0
Total tax receipts.....	290.0	316.2	371.6	371.5	376.0
Pension payments.....	-353.3	-366.2	-379.1	-473.9	-560.0
Excess of payments over receipts.....	-63.3	-50.0	-7.5	-102.4	-184.0
Previous deficit brought forward.....	-45.8	-63.3	-50.0	-1.5	.....
Appropriation by Parliament—					
Charged to budgetary expenditure.....	45.8	63.3	56.0	103.9	184.0
Deficit in fund covered by temporary loan from the Minister of Finance.....	-63.3	-50.0	-1.5	.....	.....

TABLE 37
(in millions of dollars)

OLD AGE SECURITY PAYMENTS BY PROVINCES	Fiscal year ended March 31		Increase or decrease (—)
	1959 (estimated)	1958	
Newfoundland.....	11.0	9.5	1.5
Nova Scotia.....	26.8	23.0	3.8
Prince Edward Island.....	4.8	4.1	0.7
New Brunswick.....	19.6	16.8	2.8
Quebec.....	117.1	99.5	17.6
Ontario.....	203.7	172.8	30.9
Manitoba.....	34.1	28.6	5.5
Saskatchewan.....	35.1	29.4	5.7
Alberta.....	36.6	30.5	6.1
British Columbia.....	70.8	59.4	11.4
Northwest and Yukon Territories.....	0.4	0.3	0.1
	560.0	473.9	86.1

Undisbursed balances of appropriations to special accounts

This category records 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.

TABLE 38
(in millions of dollars)

UNDISBURSED BALANCES OF APPROPRIATIONS TO SPECIAL ACCOUNTS	Balance at March 31		Increase or decrease (—)
	1959 (estimated)	1958	
National defence equipment account (section 3, Defence Appropriation Act, 1950).....		211.8	—211.8
Colombo plan fund.....	55.4	60.4	—5.0
National capital fund.....	0.4	0.5	—0.1
Railway grade crossing fund.....	22.0	12.6	9.4
Other.....	0.1	0.1	.....
	77.9	285.4	—207.5

The national defence equipment account 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, could be credited to the account and these credits could be used in subsequent years to purchase equipment or supplies for the naval, army or air services of the Canadian forces. This account which totalled \$212 million at the beginning of the year was liquidated during 1958-59 in accordance with the announcement by the Minister of Finance in his budget speech of June 17, 1958.

The decrease of \$5 million in the Colombo plan fund represented the amount by which disbursements from the fund of \$40 million exceeded the \$35 million credited to the fund out of moneys voted by parliament for assistance to countries in south and south-east Asia.

The increase of \$9 million in the railway grade crossing fund represented the amount by which the \$15 million credited to this account and charged to expenditure exceeded disbursements of \$6 million.

Deferred credits

This is a new category set up to record the amounts of deferred interest on loans and advances to certain Crown corporations and national governments and other deferred payments due the government. These are contra accounts to corresponding items under "Loans to, and investments in, Crown corporations," "Loans to national governments" and "Other loans and investments." Further explanations are given under these categories.

TABLE 39
(in millions of dollars)

DEFERRED CREDITS	Balance at March 31		Increase or decrease (—)
	1959 (estimated)	1958	
Agreements of sale of Crown assets.....	16.3	19.0	—2.7
Crown Assets Disposal Corporation.....	6.0	5.8	0.2
Deferred interest—			
The St. Lawrence Seaway Authority.....	12.8	4.7	8.1
United Kingdom Financial Agreement Act, 1946.....	44.2	44.2	.....
Other.....	2.6	3.2	—0.6
	81.9	76.9	5.0

Suspense accounts

These accounts consist of balances where some uncertainty as to disposition exists.

TABLE 40
(in millions of dollars)

SUSPENSE ACCOUNTS	Balance at March 31		Increase or decrease (—)
	1959 (estimated)	1958	
International monetary fund—revaluation of Canadian dollar balance.....	0.1	5.1	—5.0
Paylist deductions.....	6.4	6.3	0.1
Replacement of materiel, sec. 11, National Defence Act.....	12.0	18.2	—6.2
Unclaimed cheques.....	4.0	4.0	.....
Other.....	3.0	2.8	0.2
	25.5	36.4	—10.9

The decrease of \$5 million in the "International monetary fund—revaluation of Canadian dollar balance" account represents adjustments occasioned by the increased value in terms of Canadian dollars of Canada's subscription to the fund.

"Paylist deductions" are for Canada savings bonds, income tax, etc., and are credited to this account pending transmittal to the Department of Finance or to the department concerned.

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 1958-59 disbursements exceeded credits to the account by \$6 million.

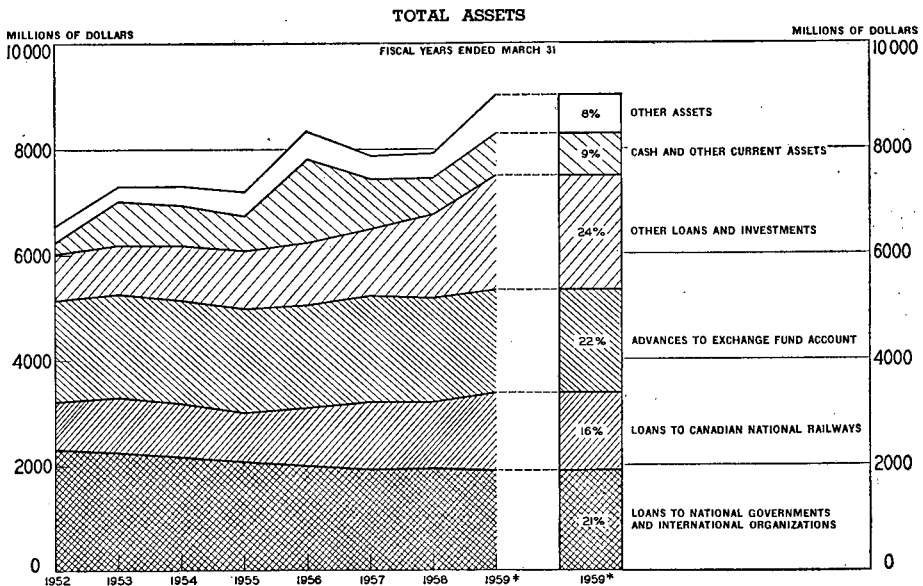
Unmatured debt

The unmatured debt of Canada at the close of 1958-59 amounted to \$15,558 million compared with \$14,245 million at the close of the previous fiscal year. Debt payable in Canada increased by \$1,463 million partly offset by a decrease of \$150 million in debt payable in New York. There was no change in debt payable in London.

In the year under review, unmatured debt obligations payable in foreign currencies have been stated in Canadian dollars converted at the rate of \$2.80 for the pound sterling and par for the U.S. dollar.

B. CHANGES IN PRINCIPAL ASSET CLASSIFICATIONS DURING 1958-59

The total of assets increased during 1958-59 by \$1,161 million. The principal changes were increases of \$735 million in loans to Crown corporations, \$326 million in the unamortized portion of the actuarial deficiency in the permanent services pension account, \$159 million in current assets, \$72 million in deferred charges, \$19 million in other loans and investments and \$20 million in advances to the exchange fund, and decreases of \$129 million in sinking fund and other investments held for retirement of unmatured debt and \$39 million in loans to national governments.



Current assets

There was an increase of \$159 million in this category during the fiscal year, mainly due to increases of \$121 million in the cash accounts, \$24 million in working capital advances and \$13 million in the securities investment account.

TABLE 41
(in millions of dollars)

CURRENT ASSETS	Balance at March 31		Increase or decrease (—)
	1959 (estimated)	1958	
Cash in current and special deposits	473.0	307.5	165.5
Cash in hands of collectors and in transit	120.0	160.5	—40.5
Departmental working capital advances and revolving funds—			
Agricultural commodities stabilization account	68.8	26.5	42.3
Defence production revolving fund	34.1	54.6	—20.5
Miscellaneous departmental imprest and advance accounts ..	22.0	21.2	0.8
Other	29.8	27.8	2.0
	154.7	130.1	24.6
Securities investment account	93.0	79.8	13.2
Other current assets—moneys received after March 31 but applicable to the current year	15.0	18.9	—3.9
	855.7	696.8	158.9

Cash in current and special deposits increased by \$166 million but this increase was partly offset by decreases of \$41 million in cash in hands of collectors and \$4 million in moneys received after March 31, 1959.

The increase of \$24 million in working capital advances was due to increases of \$42 million in the agricultural commodities stabilization account and \$3 million in other accounts offset by a decrease of \$21 million in the defence production revolving fund.

Advances to the exchange fund

Advances during the year to the exchange fund account to finance the purchase of gold and foreign exchange amounted to \$225 million and repayments were \$205 million, increasing outstanding advances to \$1,995 million at March 31, 1959.

Sinking fund and other investments held for retirement of unmatured debt

There was a decrease of \$129 million in this category during the fiscal year due to a reduction in the government's investment in its own New York bond issues. On February 1, 1959 the government called for redemption the 1948-56/63, 3% New York issue of which it held \$129 million in this account.

Loans to, and investments in, Crown corporations

These loans and investments increased by \$735 million during 1958-59 bringing the balance in this category to \$3,289 million at March 31, 1959.

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

TABLE 42

(in millions of dollars)

LOANS TO, AND INVESTMENTS IN, CROWN CORPORATIONS	Balance at March 31		Increase or decrease (—)
	1959 (estimated)	1958	
Atomic Energy of Canada Limited.....	59.0	56.0	3.0
Bank of Canada.....	5.9	5.9	.....
Canadian Arsenals Limited.....	7.5	7.5	.....
Canadian Broadcasting Corporation.....	.....	27.0	-27.0
Canadian Commercial Corporation.....	4.0	4.0	.....
Canadian Farm Loan Board.....	87.6	65.2	22.4
Canadian National Railways.....	1,473.4	1,266.1	207.3
Canadian National (West Indies) Steamships Limited.....	0.2	3.1	-2.9
Canadian Overseas Telecommunication Corporation.....	14.1	12.6	1.5
Central Mortgage and Housing Corporation.....	1,003.9	668.0	335.9
Eldorado Mining and Refining Limited.....	8.2	8.2	.....
Export Credits Insurance Corporation.....	10.0	10.0	.....
National Capital Commission.....	7.1	2.1	5.0
National Harbours Board.....	146.2	125.4	20.8
Northern Canada Power Commission.....	34.1	14.4	19.7
Northern Ontario Pipe Line Crown Corporation.....	112.8	70.8	42.0
Polymer Corporation Limited.....	30.0	30.0	.....
The St. Lawrence Seaway Authority—loans.....	271.0	172.0	99.0
deferred interest.....	12.8	4.7	8.1
Other Crown Corporations.....	1.2	1.3	-0.1
	3,289.0	2,554.3	734.7

Under the provisions of the Broadcasting Act which came into force on November 10, 1958, the Canadian Broadcasting Corporation repaid \$4 million, (that portion of the working capital of the corporation in excess of \$6 million). The remainder of its indebtedness of \$23 million to the government was cancelled and this amount, plus the capital surplus of the corporation at the coming into force of the Act, was credited to a proprietor's equity account and transferred to net debt.

Loans to the Canadian Farm Loan Board amounted to \$22 million during the year while repayments by the board were \$253 thousand bringing the total advances to \$88 million at March 31, 1959.

Loans to Central Mortgage and Housing during the year amounted to \$373 million, of which \$350 million was for direct loans by the corporation, \$22 million for federal-provincial housing projects and \$1 million for advances for house construction. Repayments totalled \$37 million of which \$33 million was for direct loans, \$1 million was for loans for federal-provincial housing projects and \$3 million for loans for house construction. The net increase for the year of \$336 million brought the total loans to the corporation to \$1,004 million at March 31, 1959.

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 \$42 million in 1958-59. There were no repayments during the year.

Advances to The St. Lawrence Seaway Authority amounted to \$99 million bringing the total loans to \$271 million. In addition deferred interest on these loans was increased by \$8 million being the amount of interest due on December 31, 1958. A contra item for this amount is included in the liability category 'Deferred credits'.

In the fiscal year ended March 31, 1959, the government made advances of \$205 million to the Canadian National Railway Company for capital purposes and retirement of debt in the hands of the public. Repayment of current and prior years' advances during the year ended March 31, 1959 was \$11 million.

In addition, to assist the company to finance further capital expenditures in the year ended March 31, 1959, the government purchased an amount of \$21 million of four per cent preferred stock of the Canadian National Railway Company. This stock is issued under the authority of the Canadian National Railways Capital Revision Act, 1952, in an amount equal to three per cent of the gross revenue of the company.

Further, in the year ended March 31, 1959, the government provided the company with temporary loans of \$34 million to cover, in part, the 1958 income deficit and \$14 million to cover, in part, the 1959 income deficit. Since in the year ended March 31, 1958, the government made temporary loans of \$22 million to cover, in part, the 1958 deficit, the total loans on the 1958 deficit were \$56 million. However, an amount of \$4 million was repaid prior to the end of the current fiscal year and the outstanding balance of \$52 million was charged to expenditure.

In summary, the total amount which was made available to the company during the year was \$274 million, repayments and write-off amounted to \$67 million, resulting in a net increase of \$207 million in the amount outstanding at the end of the fiscal year.

Other changes in loans and investments included increases of \$21 million to the National Harbours Board, \$20 million to the Northern Canada Power Commission, \$2 million to the Canadian Overseas Telecommunication Corporation and a decrease of \$3 million in loans to the Canadian National (West Indies) Steamships Limited.

Loans to national governments

These loans totalled \$1,449 million at March 31, 1959, a decrease of \$39 million during the fiscal year.

TABLE 43
(in millions of dollars)

LOANS TO NATIONAL GOVERNMENTS	Balance at March 31		Increase or decrease (—)
	1959 (estimated)	1958	
Loans to United Kingdom—			
The War Appropriation (United Kingdom Financing) Act, 1942.....		22.5	—22.5
The United Kingdom Financial Agreement Act, 1946.....	1,080.5	1,096.6	—16.1
Deferred interest.....	44.2	44.2	.....
	1,124.7	1,163.3	—38.6
Loans under the Export Credits Insurance Act, Part II—			
Belgium.....	41.5	43.8	—2.3
France.....	159.0	167.4	—8.4
Netherlands.....	82.6	87.2	—4.6
Norway.....	2.6	5.3	—2.7
	285.7	303.7	—18.0
Miscellaneous loans and advances—			
France—interim credit—consolidated interest.....	1.6	1.6	.....
Special loans to finance the purchase of wheat and flour from Canada.....	35.0	16.2	18.8
Netherlands—military relief and currency credits settlement.....	1.7	2.3	—0.6
Miscellaneous.....	0.6	0.9	—0.3
	38.9	21.0	17.9
	1,449.3	1,488.0	—38.7

During the fiscal year the United Kingdom government repaid all of the outstanding balance of \$23 million of the \$700 million interest-free loan granted under the provisions of the War Appropriation (United Kingdom Financing) Act, 1942. In addition a \$16 million repayment was made on the \$1,185 million loan made under the \$1,250 million credit authorized by the United Kingdom Financial Agreement Act, 1946, reducing the principal outstanding at March 31, 1959 to \$1,081 million.

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 \$18 million during the year reducing the balance at March 31, 1959 to \$286 million.

Miscellaneous loans and advances to foreign governments increased by \$18 million due to an increase of \$19 million in special loans to finance the purchase of wheat and flour from Canada. These special loans amounted to \$35 million at March 31, 1959, of which \$33 million was made to India and \$2 million to Ceylon.

Other loans and investments

There was an increase of \$19 million in this category during the year bringing the balance to \$682 million at March 31, 1959.

Canada's subscription to the capital of the international monetary fund was reduced by \$3 million during the year. The accounts of the fund are maintained in terms of United States dollars therefore in order to keep Canada'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 decrease of \$3 million reflected the settlement at April 30, 1958 and subsequent adjustments due to the quarterly revaluations.

Loans to provincial governments increased by \$27 million due to a loan of \$30 million to the Province of New Brunswick in respect of the Beechwood Power Project partly offset by regular annual payments of \$3 million in respect of loans to other provinces.

Overpayments to certain provinces arising out of 1952 tax-rental agreements were reduced by \$1 million during the year.

Advances under the Veterans Land Act decreased by \$9 million, however as the reserve for conditional benefits under the Act was reduced by \$6 million, the net decrease was \$3 million.

Miscellaneous loans and investments decreased by \$1 million during the year. Increases of \$6 million being more than offset by decreases of \$7 million.

TABLE 44
(in millions of dollars)

OTHER LOANS AND INVESTMENTS	Balance at March 31		Increase or decrease (—)
	1959 (estimated)	1958	
Subscriptions to capital of, working capital advances and loans to, international organizations—			
Canada's subscription to capital of—			
International monetary fund.....	292.9	295.9	—3.0
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	2.3	—0.1
	\$69.5	\$72.6	—3.1
Loans to provincial governments—			
Alberta.....	8.8	9.2	—0.4
British Columbia.....	17.1	17.9	—0.8
Manitoba.....	14.4	15.0	—0.6
New Brunswick.....	29.5	.....	29.5
Nova Scotia.....	0.1	0.1	.....
Prince Edward Island.....	0.1	0.1	.....
Saskatchewan.....	23.3	24.4	—1.1
	93.3	66.7	26.6
Overpayments to provinces arising out of 1952 tax-rental agreements—			
Manitoba.....	0.6	0.9	—0.3
New Brunswick.....	0.6	0.7	—0.1
Newfoundland.....	0.3	0.4	—0.1
Prince Edward Island.....	0.7	0.9	—0.2
Saskatchewan.....	0.9	1.2	—0.3
	3.1	4.1	—1.0
Veterans Land Act advances.....	193.0	201.7	—8.7
Less reserve for conditional benefits—Veterans Land Act, 1942	—42.1	—47.7	5.6
	150.9	154.0	—3.1
Miscellaneous—			
Acquisition of land to control properties in the vicinity of main terminal airports.....	4.5	6.7	—2.2
Assisted passage scheme (section 69, Immigration Act, R.S. 1952).....	5.2	7.1	—1.9
Balances receivable under agreements of sale of Crown assets.....	19.1	22.0	—2.9
Construction of dock and rail facilities for Steep Rock Iron Mines Limited.....	2.1	2.2	—0.1
Crown Assets Disposal Corporation—government equity in agency account.....	6.0	5.8	0.2
Dominion Coal Company Limited.....	5.7	5.2	0.5
Municipal Improvements Assistance Act, 1938.....	2.1	2.4	—0.3
New Westminster Harbour Commission.....	2.4	2.4	.....
Town of Oromocto, N.B.....	4.5	1.5	3.0
Other.....	13.3	10.1	3.2
	64.9	65.4	—0.5
	681.7	662.8	18.9

Securities held in trust

This category records the security holdings of various liability accounts. There was a decrease in this account of \$3 million, the balance at March 31, 1959 being \$20 million.

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 expenditures.

The balance in the account at March 31, 1959 of \$150 million reflects an increase of \$72 million during the fiscal year. Costs of new loans issued in 1958-59 and charged to the account were \$108 million, of which \$67 million was in respect of the 1958 conversion loan and \$6 million in respect of treasury bill discounts which will be charged to interest on public debt in 1959-60. Credited

to the account was \$36 million of which \$31 million was charged to annual amortization costs and \$5 million representing discount on treasury bills sold in 1957-58 was charged to interest on public debt in the 1958-59 budgetary expenditure accounts.

Unamortized portion of actuarial deficiencies

In 1958-59 \$326 million was credited to the permanent services pension account to bring that account into line with an actuarial evaluation as at March 31, 1958 and an equivalent amount was set up as the unamortized portion of the actuarial deficiency.

There was no change in the unamortized portion of the actuarial deficiency in the superannuation account. The balance remained at \$139 million.

Suspense accounts

There was no change in the balance in this category during the fiscal year.

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 loans and advances which are not currently revenue-producing or realizable. Included are the loan of \$49 million to China under the Export Credits Insurance Act, loans of \$24 million and \$7 million made to Roumania and Greece in 1919-20 and 1920-21 and advances of \$12 million in respect of the implementation of guarantees (Ming Sung Industrial Company Limited), an increase of \$1 million over 1958-59.

Reserve for losses on realization of assets

There was no change in this reserve during the year. The balance at March 31, 1959 remained at \$546 million.

C. INCREASE IN NET DEBT

The budgetary deficit of \$617 million for the fiscal year 1958-59 plus an adjustment of \$23 million in respect of prior years transactions resulted in an increase of \$640 million in the net debt of Canada from \$11,046 million at March 31, 1958 to \$11,686 million at March 31, 1959.

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 an estimated budgetary deficit of \$617 million in 1958-59, the government's bank balances increased by \$166 million during the same period. This increase was the net result of the budgetary deficit of \$617 million, a cash requirement of \$646 million for non-budgetary transactions and an increase of \$1,429 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 1958-59 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 1957-58 are also shown.

TABLE 45
(in millions of dollars)

CHANGES IN CASH POSITION	Fiscal year ended March 31	
	1959 (estimated)	1958
NON-BUDGETARY RECEIPTS AND CREDITS (excluding unmatured debt transactions)—		
Repayment of loans, investments and working capital advances (net)—		
Canadian Broadcasting Corporation.....	4.1	0.3
Defence production revolving fund.....	20.5	1.8
United Kingdom (1942 loan).....	22.5	30.0
United Kingdom (1946 loan).....	16.1	.....
Other national governments (Export Credits Insurance Act).....	18.0	19.9
Veterans Land Act.....	3.1	3.2
Other.....	18.3	7.2
	<i>102.6</i>	<i>62.4</i>
Net government annuities account receipts—		
Premium receipts less payments to beneficiaries.....	16.1	18.7
Government contribution to maintain reserve.....	1.0	1.2
Interest paid by government.....	40.6	38.4
	<i>57.7</i>	<i>58.3</i>
Net insurance and pension account receipts—		
Employee contributions less payments to beneficiaries.....	30.3	32.0
Government contributions.....	89.4	129.8
Actuarial deficiency in permanent services pension account.....	326.3	.....
Interest paid by government.....	76.9	59.3
	<i>522.9</i>	<i>221.1</i>
Net sales of investments of unemployment insurance fund.....	238.2	135.3
Net increase in current and demand liabilities.....	83.5	-128.0
Net receipts on account of Strategic Air Command bases (in trust).....	43.0	.....
Net receipts in railway grade crossing fund.....	9.4	3.1
Net decrease in cash in hands of collectors and in transit.....	40.5	-28.5
Net receipts in sundry other accounts.....	15.8	38.7
	<i>1,113.6</i>	<i>362.4</i>
NON-BUDGETARY DISBURSEMENTS AND CHARGES (excluding unmatured debt transactions)—		
Loans, investments and working capital advances (net)—		
Agricultural commodities stabilization account.....	42.3	5.8
Atomic Energy of Canada Limited.....	3.0	3.2
Canadian Farm Loan Board.....	22.4	14.3
Canadian National Railways.....	207.3	-10.7
Central Mortgage and Housing Corporation.....	335.9	107.5
Exchange fund.....	20.0	-46.0
Governments of India and Ceylon.....	18.8	16.2
National Harbours Board.....	20.8	11.1
Northern Canada Power Commission.....	19.7	6.7
Northern Ontario Pipe Line Crown Corporation.....	42.0	70.5
The St. Lawrence Seaway Authority.....	99.0	94.5
Provincial governments.....	25.6	1.0
Other.....	25.3	26.1
	<i>882.1</i>	<i>300.2</i>
Net payments from unemployment insurance fund.....	242.2	130.9
Net payments from special defence accounts.....	218.0	7.7
Net increase in unamortized loan flotation costs.....	72.1	13.6
Net payments from Colombo Plan fund.....	5.0	5.5
Unamortized portion of actuarial deficiency in permanent services pension account.....	326.3	.....
Net disbursements from sundry other accounts.....	14.2	30.8
	<i>1,759.9</i>	<i>488.7</i>
Net amount required for (—) non-budgetary transactions.....	-646.3	-126.3
Budgetary deficit.....	-616.6	-38.6
Overall cash requirements to be financed by increase in debt or decrease in cash balances (—).....	-1,262.9	-164.9
Net increase in unmatured debt outstanding in the hands of the public—		
Unmatured debt.....	1,312.6	-123.3
Securities investment account.....	-13.2	124.4
Sinking funds and other investments.....	129.0	-0.9
	<i>1,428.4</i>	<i>0.2</i>
Net increase or decrease (—) in Receiver General bank balances.....	165.5	-164.7

As the table shows, non-budgetary receipts and credits for 1958-59 (excluding unmatured debt transactions) totalled \$1,114 million while non-budgetary disbursements and charges (also excluding unmatured debt transactions) amounted to \$1,760 million, resulting in a net amount of \$646 million required for non-budgetary transactions. As there was a budgetary deficit of \$617 million, \$1,263

million had to be financed by an increase in unmatured debt or a decrease in cash balances. In 1957-58 there was a requirement of \$127 million for non-budgetary transactions and this together with the budgetary deficit of \$38 million resulted in \$165 million having to be financed by an increase in unmatured debt or a decrease in cash balances.

Non-budgetary receipts and credits, as already indicated, totalled \$1,114 million in 1958-59. Repayments of loans, investments and working capital advances were \$103 million and included \$4 million from the Canadian Broadcasting Corporation, \$39 million from the United Kingdom Government on account of the War Appropriation Act, 1942 and the Financial Agreement Act, 1946 and \$18 million from other national governments on loans under Part II of the Export Credits Insurance Act. Net government annuities account receipts were \$58 million and net insurance and pension account receipts were \$523 million including \$326 million representing the actuarial deficiency in the permanent services pension account as at March 31, 1958 which was credited to the account during the fiscal year. The net proceeds of the sale of investments of the unemployment insurance fund to finance payments out of the fund amounted to \$238 million, and net receipts and credits in various other accounts amounted to \$192 million including \$84 million for the net increase in current and demand liabilities (such as outstanding cheques), \$43 million on account of Strategic Air Command bases (in trust) and \$41 million representing the net decrease in cash in the hands of collectors and in transit (which cash represents moneys received by public officers on or before March 31, 1959 but not deposited to the credit of the Receiver General until after that date).

Non-budgetary disbursements and charges amounted to \$1,760 million. Loans, investments and working capital advances were \$882 million and included net advances of \$42 million to the agricultural commodities stabilization account in connection with the purchase and sale of commodities after allowing for a charge of \$15 million to budgetary expenditures in respect of losses in operations during 1958-59, \$22 million to the Canadian Farm Loan Board for the purpose of making loans to farmers, \$207 million to the Canadian National Railways for additions and betterments, the acquisition of rolling stock and equipment and the retirement of maturing debt after allowing for a charge of \$52 million to expenditures in respect of the company's operating deficit for 1958, \$336 million to Central Mortgage and Housing Corporation for the purpose of making housing loans, \$19 million to the Governments of India and Ceylon for the purchase of Canadian wheat, \$21 million to National Harbours Board for reconstruction and capital expenditures, \$20 million to Northern Canada Power Commission for power plant construction in Northern Canada and assistance under the Atlantic Provinces Power Development Act, \$42 million to the Northern Ontario Pipe Line Crown Corporation for financing the Northern Ontario section of the natural gas pipe line, \$99 million to The St. Lawrence Seaway Authority for dredging and construction of the seaway, and net payments of \$26 million to provincial governments (\$30 million having been advanced to the Province of New Brunswick in respect of the Beechwood Power Project). Net payments from the unemployment insurance fund were \$242 million (sales of investments amounted to \$238 million). Net disbursements from the special defence accounts were \$218 million reflecting the decision to liquidate the national defence equipment account. Other non budgetary disbursements and charges amounted to \$417 million and included \$72 million in respect of loan flotation costs not yet amortized and \$326 million in respect of the unamortized portion of the actuarial deficiency in the permanent services pension account.

In summary, as budgetary and non-budgetary transactions during 1958-59 required financing in the amount of \$1,263 million, and unmatured debt outstanding in the hands of the public (after taking into account transactions in the securities investment and sinking fund accounts) increased by \$1,429 million, more than sufficient to meet the requirement, cash balances on deposit with the banks increased by \$166 million.

6. THE PUBLIC DEBT

Gross and net debt

During the fiscal year ended March 31, 1959, the gross public debt increased by \$1,801 million to \$20,220 million. This increase was made up of increases of \$1,313 million in unmatured debt and \$488 million in other liabilities. During the year the government's recorded net assets increased by \$1,161 million. The net debt thus increased by \$640 million to \$11,686 million.

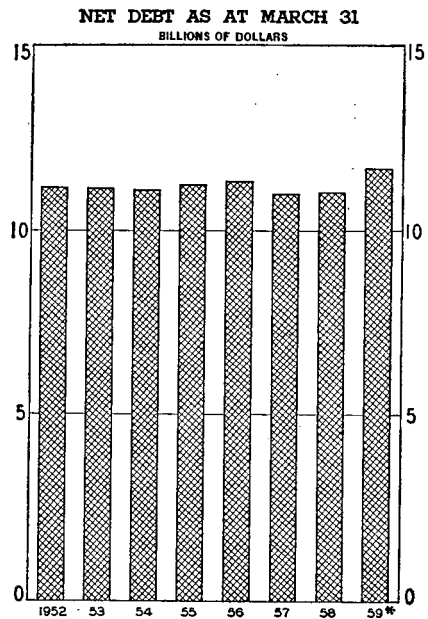
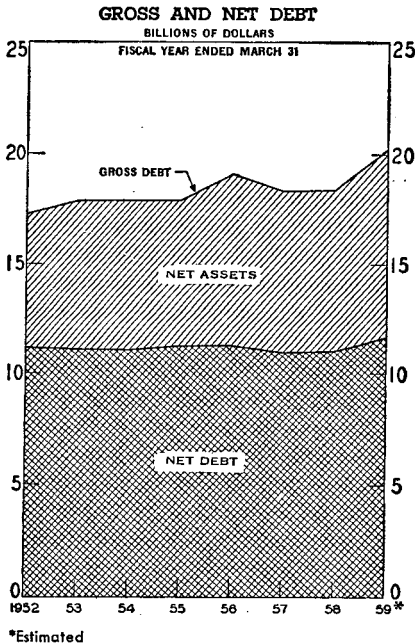


TABLE 46

STATEMENT OF PUBLIC DEBT, UNMATURED DEBT, RECORDED NET 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			
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	3,967.3	18,335.7	7,328.0	11,007.7	-272.7
1958.....	14,245.1	4,173.4	18,418.5	7,372.2	11,046.3	38.6
1959.....	15,557.7	4,661.8	20,219.5	8,533.7	11,685.8	639.5

Unmatured debt

The total unmatured debt of Canada at March 31, 1959 was \$15,558 million. This was \$1,313 million more than the total at the end of the previous fiscal year. During the fiscal year the government's holdings of its own securities in the sinking fund decreased by \$129 million and in the securities investment account increased by \$13 million. The net increase in the amount of outstanding unmatured debt in the hands of the public was \$1,429 million.

Summary of securities issued and redemptions during the year

During the year ended March 31, 1959, the government issued securities payable in Canadian dollars in the principal amount of \$9,286 million (exclud-

ing the refunding of treasury bills which mature periodically but including the increase in the issue of treasury bills in the amount of \$70 million) and redeemed or converted issues in the amount of \$7,973 million. Of the amount redeemed or converted \$150 million was payable in U.S. dollars; the balance was payable in Canadian dollars.

Redemptions were financed as follows:

(in millions of dollars)

By proceeds of new issues:		
Canada savings bonds 1958 series (net).....	860	
Other new bond issues.....	1,550	
Increase in treasury bills.....	70	
		2,480
By refunding or conversion.....		6,806
		9,286
Increase in unmatured debt.....		-1,313
Applied towards redemptions.....		7,973

At March 31, 1959, the outstanding unmatured debt payable in U.S. dollars was \$150 million compared with \$300 million on March 31, 1958 due to the call of the 1948-58/63 loan on February 1, 1959. The amount payable in sterling was \$52 million, unchanged from the previous year.

In July the government announced the conversion loan campaign which was the largest debt operation ever carried out in Canada. In order to lengthen out the term of the debt, by selling to the public longer term bonds in exchange for the shorter term victory loan bonds, it offered to convert all unmatured 3 per cent victory loan bonds into new $4\frac{1}{2}$ per cent bonds due September 1, 1983, $4\frac{1}{4}$ per cent bonds due September 1, 1972, $3\frac{3}{4}$ per cent bonds due September 1, 1965 or 3 per cent bonds due December 1, 1961, providing the term of the new bonds was not less than that of the victory loan bonds converted. In all, \$6,416 million of the victory loans was outstanding and of this total \$5,806 million, or approximately 90 per cent, was converted into the new issues.

Net sales of Canada savings bonds, 1958 series, as at March 31, 1959, amounted to \$860 million and redemptions of Canada savings bonds series 3 to 12 (of which series 3 matured on November 1, 1958) were \$575 million. The net increase during the year for all series was \$285 million and the amount outstanding at March 31, 1959 was \$2,832 million.

The issue of treasury bills was increased by \$70 million during the fiscal year and the amount outstanding at March 31, 1959 was \$1,595 million.

TABLE 47
REDEMPTION OF DEBT DURING YEAR ENDED MARCH 31, 1959

MATURITY	Interest rate	Where payable	Amount
	per cent		\$
May 1, 1958.....	3	Canada	124,522,000
May 1, 1958.....	2	Canada	475,478,000
October 1, 1958.....	3	Canada	400,000,000
December 1, 1958.....	2½	Canada	400,000,000
January 1, 1959 ⁽¹⁾	3	Canada	947,324,750
June 1, 1960 ⁽²⁾	3	Canada	1,118,711,700
February 1, 1962 ⁽²⁾	3	Canada	1,262,166,050
October 1, 1963 ⁽²⁾	3	Canada	1,072,799,150
September 1, 1966 ⁽²⁾	3	Canada	1,446,594,500
August 1, 1963.....	3	U.S.	150,000,000
Canada savings bonds series 3 to 12.....	various	Canada	575,292,350
			7,972,888,500

⁽¹⁾ \$905,248,450 converted to Canada Conversion Loan 1958; balance matured January 1, 1959.

⁽²⁾ Converted to Canada Conversion Loan 1958 in amount shown.

TABLE 48

NEW SECURITIES ISSUED DURING YEAR ENDED MARCH 31, 1959

DESCRIPTION	Price to government	Yield at price to government	Total amount issued	Renewals or conversions included in amount issued	Amount issued for cash
			\$	\$	\$
Issued to general public—					
Bonds 2½% May 1/58—July 1/59.....	99.35	3.07	200,000,000	600,000,000	350,000,000
Bonds 3% May 1/58—May 1/61.....	98.75	3.44	400,000,000		
Bonds 3½% May 1/58—May 1/70.....	97.50	3.76	200,000,000		
Bonds 3½% May 1/58—Jan. 15/78.....	95.75	4.07	150,000,000		
Bonds 3% Sept. 1/58—Dec. 1/61.....	(1)	.....	1,020,514,000	1,020,514,000	.....
Bonds 3½% Sept. 1/58—Sept. 1/65.....	(2)	.....	1,266,723,100	1,266,723,100	.....
Bonds 4½% Sept. 1/58—Sept. 1/72.....	(3)	.....	1,366,733,800	1,366,733,800	.....
Bonds 4½% Sept. 1/58—Sept. 1/83.....	(4)	.....	2,151,548,950	2,151,548,950	.....
Bonds 2½% Oct. 1/58—July 1/59.....	99.68	2.93	300,000,000	400,000,000	200,000,000
Bonds 2½% Oct. 1/58—April 1/60.....	99.50	3.09	300,000,000		
Bonds 3% Dec. 15/58—Dec. 15/59.....	99.15	3.87	300,000,000	.....	300,000,000
Bonds 4% Jan. 1/59—Jan. 1/63.....	98.50	4.41	100,000,000	.....	100,000,000
Bonds 2½% March 1/59—April 1/60.....	97.80	4.86	85,000,000	.....	85,000,000
Bonds 3% March 1/59—Dec. 15/60.....	96.50	5.06	115,000,000	.....	115,000,000
Canada savings bonds, 1958 series					
3½% to 4½% Nov. 1/58—Nov. 1/73	99.00	4.28	860,000,000	.....	860,000,000
Increase in treasury bills.....	various	.....	70,000,000	.....	70,000,000
Issued to chartered banks—					
Bonds 2½% July 15/58—Dec. 15/58...	100.00	2.50	360,000,000	.....	360,000,000
Issued to Bank of Canada—					
Bonds 2½% July 15/58—Dec. 15/58...	100.00	2.50	40,000,000	.....	40,000,000
			9,285,519,850	6,805,519,850	2,480,000,000

(1) Issued at par in conversion of 5th and 6th victory loan bonds. Cash adjustments of \$15.00 and \$12.50 respectively (inclusive of accrued interest to Sept. 1, 1958) per \$1,000 were paid on conversion.

(2) Issued at par in conversion of 5th, 6th and 7th victory loan bonds. Cash adjustments of \$25.00, \$22.50 and \$12.50 respectively (inclusive of accrued interest to Sept. 1, 1958) per \$1,000 were paid on conversion.

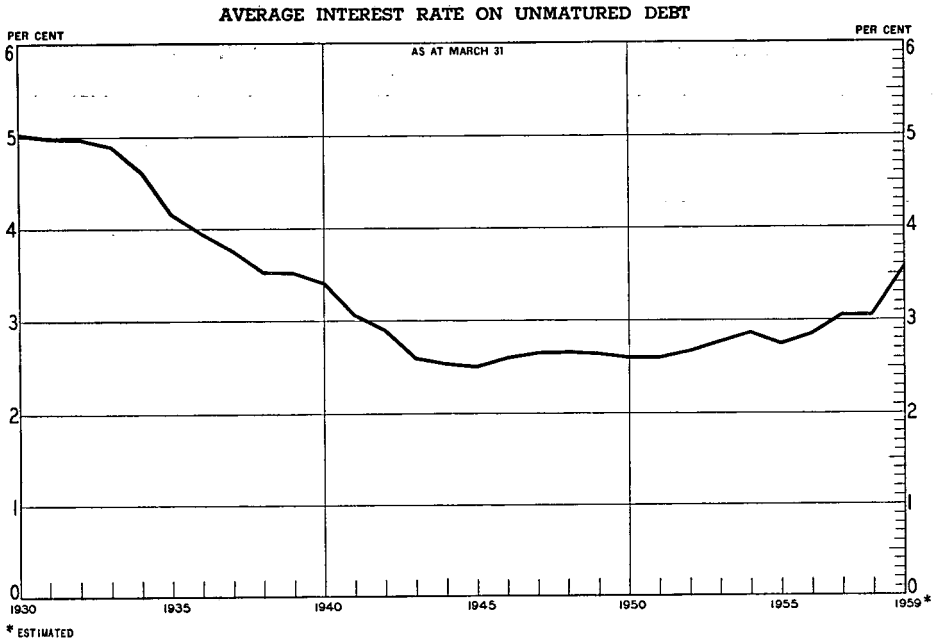
(3) Issued at par in conversion of 5th, 6th, 7th, 8th and 9th victory loan bonds. Cash adjustments of \$25.00, \$22.50, \$12.50, \$17.50 and \$15.00 respectively (inclusive of accrued interest to Sept. 1, 1958) per \$1,000 were paid on conversion.

(4) Issued at par in conversion of 5th, 6th, 7th, 8th and 9th victory loan bonds. Cash adjustments paid as in (3) above.

Interest rates

During the first four months of the year interest rates generally continued the downward trend from their peak reached in August, 1957. Subsequently rates reversed their trend and continued to rise gradually. The average interest rate on the government's unmatured debt at March 31, 1959 was 3.60 per cent compared with 3.05 per cent at the end of the previous fiscal year and 2.74 per cent at March 31, 1955.

Treasury bill yields reflected a trend similar to that of general interest rates. The yield on three-month bills on April 3, 1958 was 1.83 per cent. On August 1, 1958, the yield dropped to a low for the year of 0.87 per cent and was 4.30 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 of three-month bills for the fiscal years ended March 31, 1955 to 1959 inclusive.

TABLE 49
TREASURY BILL YIELDS

Fiscal year ended March 31	Three-month bills		
	High	Low	Last issue
	per cent	per cent	per cent
1955.....	1.62	0.78	1.13
1956.....	2.64	1.08	2.64
1957.....	3.81	2.40	3.70
1958.....	4.08	2.27	2.27
1959.....	4.30	0.87	4.30

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 \$2,059 million at December 31, 1958, compared with \$1,398 million at December 31, 1957.

TABLE 50

BONDS AND DEBENTURE STOCKS GUARANTEED BY THE GOVERNMENT AS AT
MARCH 31, 1959

Date of maturity	Issue	Interest rate	Estimated amount outstanding
		per cent	\$
May 4, 1960.....	Canadian Northern Alberta.....	3½	316,856
May 19, 1961.....	Canadian Northern Ontario.....	3½	2,069,805
January 1, 1962.....	Grand Trunk Pacific.....	3	26,465,130
January 1, 1962.....	Grand Trunk Pacific.....	4	7,999,074
February 1, 1963.....	Canadian National.....	2½	250,000,000
January 3, 1966.....	Canadian National.....	3	35,000,000
January 2, 1967.....	Canadian National.....	2½	50,000,000
September 15, 1969.....	Canadian National.....	2½	70,000,000
January 16, 1971.....	Canadian National.....	2½	40,000,000
February 1, 1974.....	Canadian National.....	3½	200,000,000
June 15, 1975.....	Canadian National.....	2½	6,000,000
February 1, 1981.....	Canadian National.....	4	300,000,000
Perpetual.....	Grand Trunk debenture stock.....	5	51,190
Perpetual.....	Grand Trunk debenture stock.....	4	5,054
			987,907,109

TABLE 51

OTHER OUTSTANDING GUARANTEES AND CONTINGENT LIABILITIES At March 31, 1959	Amount outstanding (estimated)
	\$
Deposits maintained by the chartered banks in the Bank of Canada.....	629,024,600
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.....	4,980,094
Insured loans made by approved lenders under the National Housing Act, 1954.....	2,054,319,234
Guarantees to owners of returns from moderate rental housing projects.....	Indeterminate
Guarantees under the Export Credits Insurance Act Part I.....	42,000,000
Guarantees under the Exports Credits Insurance Act Part II.....	2,550,000
Loans made by chartered banks under the Farm Improvement Loans Act.....	33,600,000
Loans made by chartered banks under The Veterans' Business and Professional Loans Act.....	500,000
Loans made by chartered banks under the Prairie Grain Producers' Interim Financing Act, 1956.....	100,000
Loans made by chartered banks and credit unions under the Fisheries Improvement Loans Act.....	84,000
Loans made by chartered banks to Canadian Wheat Board.....	107,000,000
Loans made by chartered banks under the Prairie Grain Advance Payment Act.....	17,300,000

7. SUPPLEMENTARY DETAILED TABLES

REVENUES

EXPENDITURES

ANNUAL CHANGES IN LOANS AND INVESTMENTS

UNMATURED DEBT

STATEMENT OF REVENUES FOR LAST FIVE FISCAL YEARS
(in millions of dollars)

	1954-55	1955-56	1956-57	1957-58	Estimated 1958-59
	\$	\$	\$	\$	\$
TAX REVENUES—					
Income tax—					
Personal ⁽¹⁾	1,183.4	1,185.6	1,400.5	1,499.8	1,371.0
Corporation ⁽¹⁾	1,020.6	1,027.7	1,268.3	1,234.8	1,029.0
On dividends, interest, etc. going abroad.....	61.3	66.2	76.4	64.3	60.0
	<i>2,265.3</i>	<i>2,279.5</i>	<i>2,745.2</i>	<i>2,798.9</i>	<i>2,460.0</i>
Excise taxes—					
Sales tax ^{(1) (2)}	572.2	641.5	717.1	703.2	694.0
Other excise taxes—					
Automobiles.....	73.2	76.2	79.7	72.3	60.4
Beverages (soft drinks).....	8.2	8.7	9.0	0.6	.....
Candy and chewing gum.....	9.9	9.2	9.8	0.7	.....
Cigarettes, cigars and tobacco.....	114.5	126.9	132.3	142.4	150.0
Electrical appliances.....	0.4	.....	.....	.....	.....
Furs.....	0.1	.....	.....	.....	.....
Jewellery, watches, ornaments, etc.....	4.8	5.0	6.1	5.3	5.6
Matches and lighters.....	0.9	0.9	0.8	0.9	0.9
Television sets, radios, tubes and phonographs.....	21.5	22.8	19.0	16.9	17.5
Tires and tubes.....	8.6	0.8	.....	.....	.....
Toilet preparations.....	5.2	5.6	6.1	6.3	6.7
Trunks, bags, luggage, etc.....	0.4	.....	.....	.....	.....
Wines.....	2.4	2.5	2.6	2.7	3.1
Sundry commodities.....	2.3	2.1	2.3	1.4	1.2
Licences, interest and miscellaneous.....	0.4	0.4	0.5	0.6	0.5
Less refunds.....	-0.8	-0.4	-1.1	-0.7	-3.5
	<i>252.0</i>	<i>260.7</i>	<i>267.1</i>	<i>249.4</i>	<i>242.4</i>
Customs duties.....	397.2	481.2	549.1	498.1	486.0
Excise duties—					
Spirits, malt and beer.....	130.1	141.9	153.4	171.9	180.8
Cigarettes, cigars and tobacco.....	100.8	110.4	121.1	131.7	141.0
Less refunds.....	-4.4	-2.9	-3.1	-3.5	-4.2
	<i>226.5</i>	<i>249.4</i>	<i>271.4</i>	<i>300.1</i>	<i>317.6</i>
Succession duties.....	44.8	66.6	79.7	71.6	73.0
Tax on insurance premiums.....	14.5	15.5	16.7	.....	.....
Miscellaneous tax revenue.....	1.0	1.3	1.6	1.5	1.2
Total tax revenues.....	3,773.5	3,995.7	4,647.9	4,622.8	4,274.2
NON-TAX REVENUES—					
Post office—net postal revenue.....	131.3	137.4	145.8	152.9	156.0
Return on investments.....	134.0	149.3	206.6	169.4	224.6
Other.....	84.7	117.6	106.2	103.7	116.0
Total non-tax revenues.....	350.0	404.3	458.6	426.0	496.6
TOTAL REVENUES.....	4,123.5	4,400.0	5,106.5	5,048.8	4,770.8

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

	1954-55	1955-56	1956-57	1957-58	Estimated 1958-59
2% personal income tax.....	100.9	102.5	125.0	135.0	148.0
2% corporation income tax.....	46.0	53.3	67.3	60.7	55.0
2% sales tax.....	143.1	160.4	179.3	175.8	173.0

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

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

(in millions of dollars)

	1954-55	1955-56	1956-57	1957-58	Estimated 1958-59
	\$	\$	\$	\$	\$
AGRICULTURE—					
Administration and general.....	1.5	1.0	1.3	1.3	1.5
Agricultural commodities stabilization account—net operating loss.....	3.1	5.8	5.0	6.0	15.0
Experimental farms service.....	9.6	10.6	11.9	13.8	15.5
Freight assistance on western feed grains.....	19.0	16.0	17.5	17.5	20.0
Marketing service.....	10.3	7.8	6.6	7.3	8.0
Payments to western grain producers.....					41.3
Prairie farm emergency fund—deficit.....		8.4		5.9	15.0
Premium on hog carcasses suitable for export to United Kingdom.....	5.1	5.9	5.7	5.5	6.8
Production service.....	12.1	12.2	13.2	14.3	17.0
Rehabilitation and reclamation projects.....	12.6	11.9	13.6	12.5	14.7
Science service.....	8.5	8.6	9.8	10.6	11.7
	81.8	88.2	84.6	94.7	166.5
ATOMIC ENERGY.....	15.0	19.0	21.9	21.6	26.1
AUDITOR GENERAL'S OFFICE.....	0.7	0.7	0.7	0.8	0.8
BOARD OF BROADCAST GOVERNORS.....					0.1
CANADIAN BROADCASTING CORPORATION—					
Grant towards the anticipated operating deficit and capital expenditures of the radio broadcasting and television services.....	6.3	6.3	18.3	24.4	50.4
International service.....	2.1	1.8	1.7	1.8	1.9
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.....	20.8	23.1	19.3	16.8	9.8
	29.2	31.2	39.3	43.0	62.1
OFFICE OF THE CHIEF ELECTORAL OFFICER.....	0.3	0.4	0.2	13.6	3.2
CITIZENSHIP AND IMMIGRATION—					
Administration and general.....	1.3	1.5	1.8	1.9	2.1
Immigration branch.....	8.3	8.0	18.6	22.1	15.5
Indian affairs branch.....	18.0	21.5	23.7	27.8	36.4
	27.6	31.0	44.1	51.8	54.0
CIVIL SERVICE COMMISSION.....	2.3	2.4	2.7	3.2	3.5
DEFENCE PRODUCTION—					
Administration and general.....	9.2	9.6	10.5	10.2	12.3
Capital assistance to defence industry.....	9.7	6.5	10.0	4.8	2.1
	18.9	16.1	20.5	15.0	14.4
EXTERNAL AFFAIRS.....	11.7	13.0	14.4	15.8	17.0
Assistance to other countries and international organizations.....	29.0	28.8	40.0	40.1	54.6
Membership in commonwealth and international organizations.....	3.1	3.1	5.8	4.3	4.5
	43.8	44.9	60.2	60.2	76.1
FINANCE—					
Administration and general.....	6.2	6.7	8.0	7.6	10.5
Office of the Comptroller of the Treasury.....	14.9	14.9	16.0	17.5	18.0
Commodity Prices Stabilization Corporation Limited.....	0.1				
Grants to Canada Council.....				100.0	
Grants to municipalities in lieu of taxes on federal property.....	3.1	7.0	9.5	17.5	22.1
Grants to universities.....	5.4	5.5	16.0	16.6	25.6
Government contributions with respect to the superannuation account—					
General.....	37.4	31.5	31.6	33.8	37.6
Special.....			40.8	44.3	
Implementation of guarantees (Ming Sung Industrial Co. Ltd.).....	1.5				

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

(in millions of dollars)

	1954-55	1955-56	1956-57	1957-58	Estimated 1958-59
	\$	\$	\$	\$	\$
FINANCE—concluded					
Payments to provinces—					
Subsidies.....	20.4	20.3	20.6	20.6	20.6
Tax-rental agreements, 1952 act.....	327.4	319.6	365.9		
Tax-sharing arrangements, 1956 act.....				353.3	423.2
Transfer of certain public utility tax receipts under tax-rental agreements.....	7.3	7.9	6.6	7.4	8.7
Transitional grant to Newfoundland.....	3.9	3.1	2.3	1.4	1.1
Additional grants to Newfoundland.....					13.6
Premium, discount and exchange.....	3.8		1.4		
Provision for reserve for losses on realization of assets.....			50.0		
Public debt charges—					
Interest on public debt.....	477.9	492.6	520.2	539.2	604.4
Cost of issuing new loans and annual amorti- zation of bond discounts and commissions.....	23.6	21.1	13.4	27.7	39.3
Servicing of public debt.....	0.8	0.6	0.5	0.5	0.7
Reduction in actuarial deficiency in the super- annuation account.....			50.0		
Relief re Hurricane Hazel.....	0.3	0.4			
	934.0	931.2	1,152.8	1,187.4	1,225.4
FISHERIES.....	11.2	12.4	13.8	16.4	18.4
GOVERNOR GENERAL AND LIEUTENANT- GOVERNORS.....	0.4	0.4	0.4	0.4	0.4
INSURANCE.....	0.5	0.5	0.5	1.2	1.2
JUSTICE.....	5.9	6.6	7.0	7.2	7.7
Office of the Commissioner of Penitentiaries.....	10.5	10.7	12.0	12.7	16.6
	16.4	17.3	19.0	19.9	24.3
LABOUR.....	9.4	9.0	9.5	10.2	19.6
Government annuities—amount required to maintain reserve.....	0.4			1.2	1.0
Unemployment Insurance Act, 1940—					
Administration and general.....	28.3	26.6	29.0	32.5	35.8
Government contribution.....	31.7	33.9	37.4	37.8	37.5
	69.8	69.5	75.9	81.7	93.9
LEGISLATION—					
House of Commons.....	5.0	5.1	5.4	5.0	5.6
Library of Parliament.....	0.3	0.3	0.3	0.3	0.4
Senate.....	1.4	1.4	1.5	1.5	1.7
	6.7	6.8	7.2	6.8	7.7
MINES AND TECHNICAL SURVEYS.....	16.4	17.6	17.5	18.7	23.0
Dominion Coal Board.....	11.8	11.3	9.7	8.8	11.1
Emergency gold mining assistance.....	15.5	9.3	8.7	8.6	11.6
	43.7	38.2	35.9	36.1	45.7
NATIONAL DEFENCE—					
Defence forces, Army, Navy and Air services.....	1,313.8	1,464.9	1,504.1	1,415.0	1,186.1
Defence research and development.....	50.0	64.3	69.3	78.7	78.0
Government contributions with respect to permanent services pension account.....	36.7	40.1	46.3	49.7	49.5
Mutual aid to NATO countries.....	260.0	175.0	133.6	118.5	97.0
Pensions—payments under defence services pension act.....	5.2	5.3	5.6	5.8	6.0
Other.....	0.3	0.4	0.5	0.8	1.4
	1,666.0	1,750.0	1,759.4	1,668.5	1,418.0
NATIONAL FILM BOARD.....	3.4	4.1	5.0	4.0	4.3
NATIONAL GALLERY.....	0.4	1.3	0.4	0.6	0.7
NATIONAL HEALTH AND WELFARE.....	28.6	29.1	33.5	38.4	42.0
Contributions under the Hospital Insurance and Diagnostic Services Act.....					57.8
Family allowances.....	366.5	382.5	397.5	437.9	474.9
General health grants.....	31.6	33.5	36.3	34.6	46.0

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

(in millions of dollars)

	1954-55	1955-56	1956-57	1957-58	Estimated 1958-59
	\$	\$	\$	\$	\$
NATIONAL HEALTH AND WELFARE—concluded					
Old age assistance, blind persons and disabled persons allowances.....	24.2	29.5	30.5	39.7	50.4
Old age security fund—deficit.....	45.8	63.3	56.0	103.9	184.0
Unemployment assistance.....			7.9	8.2	22.3
	496.7	537.9	561.7	669.7	877.4
NATIONAL RESEARCH COUNCIL.....	15.7	16.1	19.0	21.6	25.5
NATIONAL REVENUE.....	55.0	56.1	61.8	67.7	69.5
NORTHERN AFFAIRS AND NATIONAL RESOURCES..	20.2	24.7	37.0	49.1	75.0
POST OFFICE.....	123.6	127.4	140.0	153.3	157.9
PRIVY COUNCIL including Prime Minister's Office	3.8	3.9	3.9	3.9	6.0
PUBLIC ARCHIVES AND NATIONAL LIBRARY.....	0.4	0.5	0.6	0.7	0.8
PUBLIC PRINTING AND STATIONERY.....	2.1	2.2	3.2	3.3	3.6
PUBLIC WORKS.....	112.7	126.0	140.5	156.6	161.9
Trans-Canada highway contributions.....	18.1	16.1	24.8	49.4	50.0
	190.8	142.1	165.3	206.0	211.9
ROYAL CANADIAN MOUNTED POLICE.....	35.5	36.6	43.4	47.4	52.8
SECRETARY OF STATE.....	2.7	3.0	3.5	4.0	4.5
TRADE AND COMMERCE.....	17.5	17.6	23.6	23.6	26.5
Assistance re storage costs on grain.....		18.9	31.8	33.3	38.4
	17.5	36.5	55.4	56.9	64.9
TRANSPORT—					
Administration and general.....	3.6	3.1	3.3	3.7	4.1
Air services.....	44.7	57.3	70.5	90.3	126.8
Canadian Maritime Commission.....	4.2	4.3	5.0	5.2	6.0
Canal services.....	7.8	8.3	8.2	8.6	9.3
Marine services.....	21.3	20.6	26.9	32.8	51.3
Non-active assets—					
National Harbours Board.....	3.9	3.0	4.1	4.8	4.5
Railway and steamship services.....	26.7	15.3	15.2	12.7	9.0
Deficits—					
Canadian National Railways.....	28.8			22.1	51.6
Canadian National (West Indies) Steamships Limited.....	0.6	0.1		0.6	1.0
North Sydney—Port-aux-Basques ferry and terminals.....	2.2	2.4	5.4	6.0	5.8
Prince Edward Island car ferry and terminals.....	1.5	1.6	1.8	2.0	1.9
Yarmouth—Bar Harbour ferry.....			0.3	0.3	0.2
Maritime freight rates act.....	10.5	11.0	12.5	12.6	13.5
Railway grade crossing fund.....	3.4	5.0	5.0	5.0	15.0
	159.2	132.0	158.2	206.7	300.0
VETERANS AFFAIRS—					
Administration and general.....	5.0	4.9	5.4	6.2	6.4
Hospital accommodation, additions, alterations and improvements.....	3.9	3.5	4.6	3.3	3.4
Pensions.....	128.8	130.7	130.3	145.6	151.1
Soldier settlement and veterans land acts.....	5.4	5.4	5.4	5.6	5.6
Provision for reserve for conditional benefits.	8.9	8.8	6.8	5.2	4.3
Treatment and welfare services.....	47.9	47.6	50.8	56.4	57.3
Veterans allowances, treatment allowances and other benefits.....	34.2	44.0	45.8	53.1	60.7
War service gratuities and re-establishment credits.....	6.0	3.6	2.4	1.8	2.0
	240.1	248.5	251.5	277.2	290.8
TOTAL EXPENDITURES.....	4,275.4	4,433.1	4,849.0	5,087.4	5,387.4

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

(in millions of dollars)

	1954-55	1955-56	1956-57	1957-58	Estimated 1958-59
	\$	\$	\$	\$	\$
Loans to, and investments in, Crown corporations—					
Atomic Energy of Canada Limited.....	16.0	11.7	9.1	3.2	3.0
Canadian Broadcasting Corporation.....	3.0	8.4	-0.1	-0.3	-27.0
Canadian Commercial Corporation.....		-4.0	-2.0		
Canadian Farm Loan Board.....	4.4	4.7	9.3	14.3	22.4
Canadian National Railways.....	-93.4	170.7	172.1	-10.7	207.3
Canadian National (West Indies) Steamships Limited.....	3.6	-0.2	-0.3	-0.2	-2.9
Canadian Overseas Telecommunication Corpo- ration.....	0.3	4.0	4.3	0.3	1.5
Central Mortgage and Housing Corporation...	43.7	-10.4	-4.1	107.5	335.9
National Capital Commission.....				2.1	5.0
National Harbours Board.....	1.0	-0.1	7.2	11.1	20.8
Northern Canada Power Commission.....	-0.4	-0.4	0.3	6.7	19.7
Northern Ontario Pipe Line Crown Corporation			0.3	70.5	42.0
Polymer Corporation Limited.....	-4.0				
The St. Lawrence Seaway Authority.....	1.3	20.2	56.0	(1)99.2	(1)107.1
Other.....	0.4	0.4	-0.1	0.1	-0.1
	-24.1	205.0	252.0	303.8	734.7
Loans to national governments—					
United Kingdom—					
The War Appropriation (U.K. Financing) Act, 1942.....	-30.0	-30.0	-30.0	-30.0	-22.5
The United Kingdom Financial Agreement Act, 1946.....	-14.8	-15.2	-15.5	(2)44.2	-16.1
Export Credits Insurance Act.....	-23.6	-22.4	-21.9	-19.9	-18.0
Special loans to Colombo Plan countries to finance the purchase of wheat and flour from Canada.....				16.2	18.8
Other.....	-2.9	-3.4	-3.8	-1.1	-0.9
	-71.3	-71.0	-71.2	9.4	-38.7
Other loans and investments—					
Subscriptions to capital of, working capital ad- vances and loans to, international organi- zations—					
Canada's subscription to capital of—					
International monetary fund.....	-29.1	6.3	-8.8	5.0	-3.0
International finance corporation.....			3.5		
Working capital advances and loans to inter- national organizations.....	1.7		0.8	-0.2	-0.1
Loans to provincial governments.....	-3.4	-3.6	-3.4	(3)1.0	25.6
Balances receivable under agreements of sale of Crown assets.....	-8.0	11.8	7.8	-4.4	-2.9
Veterans land act advances.....	0.9	-0.6	-3.8	-3.2	-3.1
Other.....	3.6	2.2	2.8	9.4	2.4
	-34.3	16.1	-1.1	7.6	18.9
Sinking fund and other investments held for retirement of unmatured debt.....	89.0	20.0		0.9	-129.0
Net total of changes in loans and investments..	-40.7	170.1	179.7	321.7	585.9

(1) Includes deferred interest.

(2) Deferred interest.

(3) \$4 million in overpayments to provinces arising out of 1952 tax-rental agreements offset in part by repayments of \$3 million.

UNMATURED DEBT AND TREASURY BILLS AS AT MARCH 31, 1959 AND THE ANNUAL INTEREST THEREON

Date of maturity	Description	Rate per cent	Where payable	Amount of loan	Annual interest charges
				\$	\$
1959, July 1...	Loan of 1958..... T.30	2½	Canada	300,000,000	7,500,000
July 1...	Loan of 1958..... T.22	2½	Canada	200,000,000	5,000,000
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⁾ 16,378,000	450,395
Dec. 15...	Loan of 1958..... T.32	3	Canada	300,000,000	9,000,000
1960, Apr. 1...	Loan of 1958 and 1959..... T.31	2½	Canada	385,000,000	10,587,500
June 1...	Sixth victory loan..... L. 9	3	Canada	46,588,650	1,397,660
Nov. 1...	Canada savings bonds 1950.. S. 5	2½	Canada	⁽¹⁾ 15,043,000	413,683
Dec. 15...	Loan of 1957 and 1959..... T.21	3	Canada	515,000,000	15,450,000
1961, May 1...	Loan of 1958..... T.23	3	Canada	400,000,000	12,000,000
Dec. 1...	Conversion loan of 1958..... T.26	3	Canada	1,020,514,000	30,615,420
1962, Feb. 1...	Seventh victory loan..... P. 3	3	Canada	53,473,150	1,604,195
Aug. 1...	Canada savings bonds 1951... S. 6	3½	Canada	⁽¹⁾ 59,846,000	2,094,610
1963, Jan. 1...	Loan of 1959..... T.33	4	Canada	100,000,000	4,000,000
July 1...	Loan of 1933/43.....	3	London	⁽²⁾ 49,833,091	1,494,993
July 1...	Loan of 1938.....	3½	London	⁽²⁾ 1,978,362	64,297
Aug. 1...	Canada savings bonds 1952... S. 7	3½	Canada	⁽¹⁾ 72,534,000	2,720,025
Oct. 1...	Eighth victory loan..... P. 5	3	Canada	223,020,200	6,690,606
1965, Sept. 1...	Conversion loan of 1958..... T.27	3½	Canada	1,266,723,100	47,502,116
Nov. 1...	Canada savings bonds 1953... S. 8	3½	Canada	⁽¹⁾ 284,448,000	10,666,800
1966, Sept. 1...	Ninth victory loan..... P. 7	3	Canada	245,202,200	7,356,066
Nov. 1...	Canada savings bonds 1954... S. 9	3½	Canada	⁽¹⁾ 136,768,000	4,444,960
1967, Nov. 1...	Canada savings bonds 1955... S.10	3½	Canada	⁽¹⁾ 141,448,000	4,597,060
1968, June 15...	Refunding loan of 1950..... P. 9	2½	Canada	350,000,000	9,625,000
1969, May 1...	Canada savings bonds 1956... S.11	3½	Canada	⁽¹⁾ 264,305,000	9,250,675
1970, May 1...	Loan of 1958..... T.24	3½	Canada	200,000,000	7,000,000
Nov. 1...	Canada savings bonds 1957... S.12	3½	Canada	⁽¹⁾ 981,353,000	31,893,973
1972, Sept. 1...	Conversion loan of 1958..... T.28	4½	Canada	1,366,733,800	58,086,187
1973, Nov. 1...	Canada savings bonds 1958.....	3½	Canada	⁽¹⁾ 860,000,000	30,100,000
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
Jan. 15...	Loan of 1958..... T. 5	3½	Canada	150,000,000	5,625,000
1979, Oct. 1...	Loan of 1954..... T.13	3½	Canada	400,000,000	13,000,000
1983, Sept. 1...	Conversion loan of 1958..... T.29	4½	Canada	2,151,548,950	96,819,703
1998, Mar. 15...	Conversion 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.....	various	Canada	1,595,000,000	⁽⁴⁾ 68,585,000
				15,557,738,503	560,785,924
	Payable in Canada.....			15,355,927,050	555,101,634
	Payable in London.....			51,811,453	1,559,290
	Payable in New York.....			150,000,000	4,125,000
				15,557,738,503	560,785,924

⁽¹⁾ Estimated.

⁽²⁾ Conversion rate \$2.80 = £1.

⁽³⁾ Conversion rate \$1 Can. = \$1. U.S.

⁽⁴⁾ Calculated on basis of 4-30 per cent being rate of discount on bills sold March 26, 1959.