



CANADA

BUDGET SPEECH

DELIVERED BY

HONOURABLE DONALD M. FLEMING

MINISTER OF FINANCE

MEMBER FOR EGLINTON

IN THE

HOUSE OF COMMONS

MARCH 31, 1960

THE QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1960



3 0145 00077590 5

I N D E X

	PAGE
Introduction	3
Governments Accounts 1959-60	9
Old Age Security	9
Debt Management	12
Government Accounts 1960-61	14
Tax Policy	16
Tax Changes	
Income Tax	17
Estate Tax	18
Sales and Excise Taxes	18
Customs Tariff	19
Summary and Conclusion	20
Resolutions	21
Budget Papers:	
Part I Economic Review of 1959	42
Part II Review of Government Accounts 1959-60	73

BUDGET SPEECH

DELIVERED BY

HON. DONALD M. FLEMING

MINISTER OF FINANCE

HOUSE OF COMMONS, THURSDAY, MARCH 31, 1960

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:

Monsieur l'Orateur, pour la troisième fois j'ai l'honneur et le privilège de présenter à la Chambre le budget annuel.

Quand j'ai présenté mon premier budget, le 17 juin 1958, j'ai signalé que jamais depuis la Confédération aucune partie de l'exposé budgétaire n'avait été présentée à la Chambre en français. Je me suis dit surpris que dans un Parlement où deux langues sont officielles et jouissent de la parfaite égalité, les exposés budgétaires aient toujours été présentés entièrement en anglais. Tout en reconnaissant mes imperfections en français, je me suis écarté de cette pratique en 1958, et de nouveau quand j'ai présenté mon deuxième budget il y a un an.

Ce soir, je fais un pas de plus: j'ouvre mon discours en disant quelques mots dans cette langue française qui ajoute tant de charme aux débats de la Chambre et dont la place au Parlement canadien est fermement assurée par la constitution.

Comme les deux dernières fois, je vais commencer par passer en revue la situation économique depuis un an, et par donner un aperçu des tendances auxquelles il y a lieu

de s'attendre, selon moi, durant la nouvelle année financière. Je vais faire rapport à la Chambre des comptes du gouvernement, des relations fédérales-provinciales et des mesures que nous avons prises pour la gestion de la dette. Je passerai ensuite à un examen de nos projets pour la nouvelle année financière et de la politique fiscale sur laquelle ils sont fondés. En dernier lieu, j'exposerai les propositions fiscales qui font l'objet des résolutions que je présente ce soir.

(Translation):

Mr. Speaker, for a third time it is my honour and privilege to present to the house the annual budget.

In presenting my first budget on June 17, 1958, I drew attention to the fact that never since confederation had any portion of the budget speech been delivered in this house in the French tongue. I expressed surprise that in a parliament with two official languages enjoying complete equality every portion of the budget speech had always been delivered in English. Within my acknowledged limitations I departed from that practice in 1958 and again in introducing my second budget a year ago.

Tonight I am going to take a step further and open my remarks in the French language which has so gracefully adorned the proceedings of this house and holds a secure constitutional position in the Canadian parliament.

As on the two previous occasions, I shall begin with a review of economic conditions

over the past year and an indication of what I regard as the likely trends to be expected during the new fiscal year. I shall report to the house on the government accounts, on dominion-provincial relations and on our debt management measures, then proceed to review our financial plans for the new fiscal year and the tax policy on which they are based. Finally I shall outline the tax proposals which are embodied in the resolutions which I am introducing this evening.

(Text):

Twelve months ago when I introduced the last budget we were emerging from a recession. Our fiscal and other related policies at that time were based upon an expectation of continued and accelerating recovery. In these circumstances we believed we should move in the direction of a balanced budget at a pace which would resist inflation and at the same time encourage a healthy rate of balanced growth. Looking back over the fiscal year which ends tonight, I think we can take satisfaction in the results. In spite of a period of credit strains and in spite of some unfortunately prolonged industrial stoppages both at home and abroad Canada has had a good year. A gratifying degree of price stability has been achieved, and employment, production, incomes and trade have all shown healthy increases. We can look forward optimistically to another year of solid expansion and balanced growth.

I shall not attempt a detailed review of economic developments of the past year; the budget white paper tabled yesterday covers these fully. Rather, I shall touch on some of the highlights and examine the prospects for 1960.

Last year we emerged from a recession which had been caused by a number of factors; capital expenditures by business, especially in industries producing raw materials for export, had declined; business investment in inventory holdings had fallen sharply from levels which had been high in relation to business sales; and export incomes, previously increasing, had levelled off for two years because of a reduction in demand in other parts of the world. The government had fought this recession by measures to sustain consumer demand, by stimulating housing, by increasing government investment, by augmenting transfer payments to other levels of government and by many other means.

The decline was reversed late in 1958 and gave way to expansion last year. Capital

[Mr. Fleming (Eglinton).]

expenditure by business, especially on machinery and equipment, increased throughout 1959 and in the last half of the year was running at a rate well above that of the low point of the recession. The survey of business intentions released by my colleague the Minister of Trade and Commerce a few weeks ago indicates that this upward trend will continue throughout 1960.

As business conditions improved, first in the United States and later on in western Europe, our exports began to increase and toward the end of the year accelerated sharply. In 1959 we exported more than \$5 billion worth of goods for the first time in our history. Exports to the United States showed the greatest absolute gains, but in the latter half of the year the most rapid rates of increase took place in exports to overseas countries. In the fourth quarter the rate of our total exports of goods, seasonally adjusted, was 12 per cent above the rate in the first quarter of 1959.

With rising exports and greater business investment, Canadian incomes increased. Consumer expenditures continued to grow and outlays on housing were very close to the record rate of the previous year. Expenditures by provincial and municipal governments on goods and services increased. The federal government slightly reduced its own outlays on goods and services, but increased its transfer payments to the other levels of government.

With the general improvement in business, there was no longer any liquidation of inventories, such as had taken place in 1958; instead businessmen added to their stocks to keep pace with rising sales. In 1958 the liquidation of business inventories had amounted to \$323 million, while last year there was a net accumulation of \$355 million, a reversal which increased demand by a total of \$678 million.

Reflecting all these and other influences, the gross national product in 1959, according to our present preliminary estimates, rose to \$34.6 billion compared with the estimate of \$34½ billion upon which I based last year's budget. Accompanying this rise in production was an increase in employment of 2.7 per cent over 1958. Hon. members have seen the recently published February employment figures. The number of persons with jobs was 116,000, or 2 per cent, higher than at the same date a year ago, but as the result

of an unusual increase in the number of persons estimated to be in the labour force, the estimate of the numbers without jobs and seeking work was 18,000 higher than a year ago. I am confident, however, that employment will rise as the coming of spring opens up new job opportunities and as the economy continues its upward trend.

The past year was notable for a welcome absence of speculative excesses in production, demand and inventories. I stress this because often in the past such excesses have provided a major cause of recession. Our economic growth has been orderly and balanced. New investment in plant and equipment has been broadly based. Increases in consumer expenditure have moved in line with personal disposable incomes and personal saving was maintained at the 1958 level.

Average per capita wages and salaries of workers in trade and industry reached a new record of \$3,773, an increase of 4 per cent over 1958 and of 10 per cent over 1956. Since the consumer price index was only 1 per cent higher than in 1958, there was a very satisfactory gain of 3 per cent in real income.

The balanced nature of our economic growth has contributed to price stability, and price stability in turn, to balanced growth. Like the consumer price index the wholesale price index for 1959 was about 1 per cent higher than in 1958.

In the financial sector 1959 was marked by some disturbances which had subsided by the end of the year. During the first eight months of the year there was an extraordinary increase in the demand for bank loans. In order to meet their customers' demands the banks were heavy sellers of government bonds. At the same time all levels of government continued to be net borrowers although demands for funds, especially by the federal government, were substantially lower. As a result of all these forces, combined with the effect on Canada of rising interest rates abroad, especially in the United States, bond prices declined and interest rates rose from January to August. Since then short term rates have declined substantially and longer term rates remained steady until recently when they showed a downward trend.

The general public, attracted by higher interest rates and increasingly confident in the determination and ability of the

government to combat inflation, provided the savings necessary to meet a large part of these and other demands for capital. Private savings, both personal and corporate, totalled some \$6.6 billion, \$260 million higher than in 1958 and more than \$500 million higher than in 1957.

The high level of Canadian savings has, however, been more than matched by the level of capital investment. During 1959 the equivalent of one quarter of our gross national production went into investment. This proportion is one of the highest among all western countries.

Our capital requirements in 1959, and over the past several years, have necessitated a substantial inflow of foreign capital to supplement our domestic savings. The initiative for this inflow has come in part from our own people who have borrowed abroad, and in part from foreign investors attracted by the nature and the diversity of our resources. This direct investment by foreign entrepreneurs, not only from the United States but also from the United Kingdom and from Europe, is a reflection of strong confidence in our economic prospects and brings into Canada not only capital funds, but also technical know-how, and often also brings with it an assurance of export markets. All told the net inflow amounted to \$1,460 million in 1959, about \$400 million higher than in 1958, and only slightly above the previous peak of 1957.

This increase in the inflow of capital was, of course, interrelated with the increase in our balance of payments deficit on current account. I wish to comment on this subject. Our current account can be divided into two parts; goods and services, and the movements of these two parts are quite different. In the goods sector our deficit amounted to about half the size of the record deficit of 1956. This improvement reflects the fact that imports were more affected by the intervening recession than were exports, while the recovery of 1959 saw sizeable increases in both. In contradistinction, our deficit on account of services has steadily increased, reflecting higher dividend payments on successful investments by non-residents in Canada, higher interest payments, business fees of one kind and another, and increased travel and expenditure by Canadians abroad. In 1959 this deficit exceeded one billion dollars.

Putting goods and services together, they add up to the total of \$1,460 million. This

deficit is reflected by, and is a reflection of substantial continuing imports of capital. I do not mean to say that we use all of the money we borrow abroad to import machinery and other forms of capital equipment. We produce domestically many of the goods and materials used in our investment program, and the composition of our imports reveals only a partial picture of that program. What is significant is the use we make of all our resources, including the product of our own labour and equipment, and what we obtain as a result of our foreign transactions. What is important is that a substantial portion of these resources should be put into new capital investment, rather than into consumption, and that this new investment should be of a character that will promote the efficiency and productivity of our country. Broadly speaking, I believe that these objectives are being attained.

However, as my colleague the Minister of Trade and Commerce has said, we must not be complacent. Basically our attention must be directed to our spending and investing habits. Our standard of living has increased to a level undreamed of a generation ago. Our people have demanded social security, services and facilities from all levels of government on an expanding scale. Along with our investment program, this scale of expenditures has required a heavy outlay of resources, both physical and financial. In spite of a rate of saving which is higher than that of almost any other country in the western world, we have not been able to supply all these resources ourselves. The inflow of capital and the accompanying balance of payments deficit reflect this underlying situation.

Any inflow of capital raises questions as to ownership and control of Canadian industry and resources, and also the question of the servicing of debt. As to ownership and control, this government's position is clear. We welcome capital into Canada if, when here, it is willing to act as if it were Canadian and not as if it were foreign. During the past two years there has been increasing evidence, in many quarters, that foreign capital in this country is becoming increasingly conscious of its Canadian responsibilities. This is a subject that has been vigorously brought to the attention of foreign investors by the Prime Minister and others. It would be better if the desired result were achieved by such persuasion than by legislation.

As to the servicing of external debt, I have already explained that a very large proportion of our national output consists of additions to our national stock of capital equipment which increases our total productivity. The inflow of capital has contributed to the growth of our gross national product. Over the years of our history economic growth has taken place at a faster rate than the additional net financial indebtedness to the outside world which has been incurred in the course of achieving it, and our ability to service this foreign debt has correspondingly improved.

From the mid-1920's to the outbreak of war in 1939 our net foreign indebtedness was equal to or exceed our gross national product. During the war years and in the immediate post-war years we made very large loans, amounting in total to more than \$2.5 billion, to our friends and allies overseas and to new international financial institutions. In the same years we had to defer much of the maintenance and most of the expansion of our social capital, while at the same time all levels of government in Canada were progressively paying off or buying back large amounts of foreign-held debt. As a result by 1950 our net foreign indebtedness was equal to less than one quarter of our gross national product.

Since 1950 we have been expanding very rapidly in resource development, in secondary industries, and in augmenting and modernizing our social capital, at rates considerably in excess of our domestic rate of saving. In this period the rate of increase in our net foreign indebtedness has exceeded the growth in national output, and the ratio of net foreign debt to gross national product is currently about 45 per cent. Thus in relation to our national product our net foreign indebtedness is today less than half what it was before the war and our ability to service it is correspondingly greater. The net cost of servicing our external debt in 1926-1930 represented more than 4 per cent of our gross national product; in 1950 it was just over 2 per cent, and in 1959 it was just under 1½ per cent. I do not anticipate that, if we manage our affairs prudently and properly, Canada will indefinitely continue to rely on capital from abroad as heavily as in the last few years. I expect that our need for capital from abroad, while fluctuating from year to year, will continue to decline in relation to our economic development and growth.

Admittedly, if a situation were to arise in which the economic environment or the

financial climate deteriorated rapidly and radically, there would indeed be problems associated with past capital inflows, but happily that is not the situation in Canada, today.

We have been following constructive and realistic policies in matters of trade and finance, policies appropriate to present and foreseeable circumstances. What are the alternatives to such policies? A program of government controls? The imposition and enforcement of import restrictions and quotas? Individual restraints upon Canadians desiring to travel abroad and on the amount of money they could take with them? The creation of a centralized capital issues committee which would dictate to provinces, municipalities and to private business as to where, when, on what terms and how much they could borrow? I have only to list a few of these questions to indicate the obvious reply. They may be justifiable in the midst of a national crisis. In peace and prosperity, in a free society, they are not warranted. Indeed, some of them would be unconstitutional. Moreover, I believe that some of these so-called remedies would actually cause the disease that they are supposed to prevent or cure. Government controls, by interfering with freedom, cause confidence to falter, initiative to freeze, and capital to take flight.

Canadians can increase their own domestic capital and make this country financially more self-reliant if they are prepared to practise increased efficiency, productivity and thrift. This responsibility falls on all levels of government, private business and individuals.

We must place emphasis on greater productivity and efficiency rather than on sheer size, on cost control rather than on price increases, on greater saving rather than on excessive consumption. I have every hope that in the mood of renewed confidence in the soundness of our currency, and in the absence of shortages of goods, both business and the public at large will be disposed to review more carefully their spending programs.

In saying this I am fully aware of the role of leadership that falls to the federal government. It is the responsibility of the government to try to establish the conditions of financial balance within which the endeavours of others can be carried out successfully. Let me assure hon. members

that the government is discharging this responsibility.

In the post-war years, in this country as in others, there has been a serious threat of inflation. Some people were actually led to suppose that chronic price increases were inevitable; others even suggested that they were desirable, or at least less undesirable than some imaginary alternatives. Let us give no quarter to such defeatist doctrines. Inflation acts like a drug on the economic system. Even small doses breed a craving for more.

One of the most serious effects of inflation is that, like other drugs, it erodes stamina and will power. The will to save, to build carefully and prudently for the future, lies at the heart of sound financial policy, whether it be the financial policy of the individual, the corporation or the government. Saving—voluntary, purposeful, constructive saving—is essential in an economic system dedicated to freedom and progress. Yet it is this sort of saving that inflation most insidiously undermines. As prices rise and stability disappears, the prizes of inflation go not to the worker but to the speculator, not to the saver but to the spendthrift.

To contain inflationary pressures the government has reduced its borrowing and has held a firm check on the expansion of government expenditure. The treasury board has painstakingly reviewed and revised spending programs. As a result of careful scrutiny we are reducing substantially the demands of the federal government on the financial markets and, through them, on the savings of the Canadian public.

If all of us, working and saving together, will increase the total amount of capital available for sound investment in Canada, we can reduce our reliance on foreign resources. In short, we have at our disposal the means to achieve in a positive way, the objectives which negative courses of action cannot hope to accomplish.

There is a related question upon which I should like to dwell for a moment. This is the question of our exchange rate. The external price of our Canadian dollar has been high for eight years now and is currently running about five per cent above the United States dollar. This situation has been brought about mainly as a result of an inflow of foreign capital and reflects the confidence of outsiders in the soundness of the management of our financial affairs. Admittedly it

lowers the prices received in Canadian dollars by those exporters who have to sell in world markets at world prices. It also means a lower price in Canadian dollars for many classes of Canadian imports. On the other hand, it lowers the cost of imported raw materials and semi-finished goods used by our manufacturers, and it has helped to keep down our cost of living and cost of producing.

I have said on many occasions and I repeat now that I would welcome the development of circumstances that would reduce the external price of our dollar provided this was brought about by means other than an arbitrary and artificial attempt by the government to work against basic economic forces.

I have seen some references to a demand that the government should deliberately "devalue the dollar". This kind of talk might have been appropriate when Canada was on the gold standard, or even when it maintained a fixed exchange rate. We have not been on the gold standard for half a century and we have not had a fixed exchange rate for a decade.

An attempt by the government artificially to lower the external price of the Canadian dollar would involve borrowing or raising by taxes very large sums of money with which to buy up foreign exchange. It might well be that the government could not reduce the inflow of funds sufficiently without imposing direct controls on capital movements and then on the movement of goods. Apart from the economic objections to such policies it would be a very difficult matter to work out effective technical means of control. Even then the controls would not be effective unless the objective were one which commanded the broad public support which is necessary for general compliance. In other words we would be embarking upon a gigantic financial speculation, with no assurance of success.

The exchange value of the Canadian dollar is determined by the free play of the forces of supply and demand. These forces have pushed the rate up, and at some time in the future market forces could drive the rate down. Many people would be happy about such a development, at least if it came about in an orderly manner. However, those who undertake commitments in terms of United States dollars or other external currencies expose themselves to the risk of having to repay at a time when the exchange rate for the Canadian dollar may be quite different from

[Mr. Fleming (Eglinton).]

what it is today. This is a risk which the borrower, whether personal, corporate, provincial or municipal must bear himself and is a danger which I clearly wish to stress.

I have referred to the improvement in our exports; we must look further ahead, however, and make every effort to preserve and improve our access to world markets so that Canada's exports, which will remain one of the foundations of our prosperity, can continue to expand.

In recent years the western European economy has been enjoying particularly rapid and substantial growth. More than one quarter of our exports go to western Europe including the United Kingdom. A prosperous, politically stable and expanding European economy will provide increasing opportunities for profitable Canadian trade. We have been concerned, however, with the possible political implications of economic disagreements within western Europe. We need also to take all practicable steps to ensure that our trading position is not adversely affected.

We have therefore been giving very close attention to the problems that are arising from the emergence of the two regional trading groups in Europe: the European economic community of six countries and the European free trade association of seven countries. We have been anxious that these arrangements should not lead to inward looking and discriminatory practices and should not weaken the world wide trading system which has been built up so patiently and so successfully in recent years. We are therefore seizing every opportunity to put forward the Canadian point of view at meetings with representatives of these groups and with our other trading partners. Moreover, we are participants with the European countries and the United States in discussions relating to, and have declared ourselves ready to become members of, a reconstituted organization for economic co-operation and consultation, O.E.C.C.; and further we will press that such organization shall subscribe not only to the principles of the international institutions governing trade and payments but also that members shall honour their obligations in these institutions. In particular, we are continuing to urge European countries to resist the growth of European tariff discrimination by extending their tariff reductions to other countries on a most favoured nation basis. We have found that our views are shared by many countries in other parts of the world,

and particularly by those in the commonwealth. The general tariff conference of the contracting parties to the GATT which is to be convened next September will provide an opportunity for a further reduction in world trade barriers and new opportunities for Canadian exporters.

I have dealt at some length on our external position because of the bearing which it has on our domestic situation. So long as our access to foreign markets is unimpaired and we are able to keep the costs and the quality of our products and services thoroughly competitive, we need have no fears for the future. The economic expansion which Canada is now experiencing is soundly based; incomes are rising and we have demonstrated a willingness to save; relative price stability seems reasonably assured; business confidence is high, and capital investment is expanding; our export prospects are bright. I expect that the forces of expansion will continue during 1960, and that the rates of increase we have experienced in 1959 should be maintained throughout the year. Within this framework I am basing my forecast of 1960-61 revenues on an increase in the gross national product in 1960 of about 6 per cent, or to a record level between \$36½ and \$37 billion dollars.

GOVERNMENT ACCOUNTS 1959-60

The government's accounts for the fiscal year that ends today are set out in detail in the white paper tabled yesterday afternoon and I propose to refer to them only very briefly now. I should, however, remind hon. members that the figures I use tonight as well as those in the white paper are preliminary and subject to change. The final figures will not be available until next July or August after the accounts for the year have been closed and audited.

The house will recall that in my budget speech last April I budgeted for revenues of \$5,267 million, expenditures of \$5,660 million and a deficit of \$393 million. On the basis of figures in the white paper it is now estimated that our revenues for the fiscal year were \$5,301 million, our expenditures \$5,707 million and the deficit was \$406 million.

Revenues, expenditures and the total deficit all were very close to forecast. Revenues were \$34 million or two thirds of one per cent higher than last April's budget estimate; expenditures were up \$47 million or three fourths of one per cent more than forecast; and the deficit which was forecast at 7.5 per cent of revenues has turned out to be 7.7 per cent of revenues. Defence expenditures were

\$175 million less than forecast but this was more than offset by increases of \$87 million for higher charges for interest on the public debt, \$50 million for larger subsidy and tax-sharing payments to provinces, and approximately \$55 million for various payments in connection with our agricultural and farm assistance program.

Over and above these expenditures that are charged to the budgetary accounts we have under authority of parliament disbursed considerable sums for loans, advances and a number of other essential purposes. These included loans of \$325 million to Central Mortgage and Housing Corporation, \$233 million to the C.N.R.—which, however, repaid \$489 million on account of these and earlier loans from the proceeds of public issues of government guaranteed C.N.R. bonds—\$30 million to the farm credit corporation, \$23 million to the St. Lawrence seaway authority and \$21 million to the Northern Canada power commission. During the fiscal year these disbursements amounted in all to \$945 million. To meet these outlays \$942 million was available from the repayment of loans, net annuity insurance and pension receipts and other sources. Thus a net amount of \$3 million was required for all these non-budgetary transactions. This compares with a net cash requirement of \$664 million to finance our non-budgetary transactions in the previous fiscal year.

The budgetary deficit of \$406 million and the net amount of \$3 million required for non-budgetary transactions have been financed by an increase of \$333 million in the government's outstanding unmatured debt and by a decrease of \$76 million in our cash balances. Combining the net new issues of C.N.R. guaranteed bonds, the net new issues of direct government of Canada bonds and the reduction in our year-end cash balances, our total net cash requirements for the year have turned out to be \$900 million.

OLD AGE SECURITY

At this point I should like to report briefly on the old age security fund. As hon. members know, the Old Age Security Act provides a pension of \$55 a month to every eligible person 70 years of age or over. Prior to last year these payments were financed by contributions of 2 per cent on corporate and personal incomes, with a maximum contribution of \$60 on personal incomes, and a 2 per cent sales tax. Under last year's budget, these contributions were raised from 2 to 3 per cent to take effect January 1, 1959, for corporate incomes; July 1, 1959, for personal incomes, with a maximum contribution of \$90, and April 10, 1959, for the tax on sales.

During 1959-60, pension payments from the fund totalled \$574 million and revenues credited to the fund amounted to \$550 million. The deficit of \$24 million for the fiscal year was covered by a temporary loan.

May I insert in *Hansard* at this point, Mr. Speaker, table 1—showing the contributions

and pension payments under the Old Age Security Act for the last four years.

Mr. Speaker: Has the minister leave to have this table inserted at this time?

Some hon. Members: Agreed.

[Editor's note: The table referred to is as follows:]

TABLE 1
OLD AGE SECURITY FUND
(in millions of dollars)

	1956-57	1957-58	1958-59	1959-60
Contributions—				
Personal income tax.....	125.0	135.0	146.4	185.6
Corporate income tax.....	67.3	60.7	55.3	91.3
Sales tax.....	179.3	175.8	173.6	273.0
	371.6	371.5	375.3	549.9
Pension payments.....	379.1	473.9	559.3	574.0
Deficit.....	7.5 ⁽¹⁾	102.4 ⁽¹⁾	184.0 ⁽¹⁾	24.1 ⁽²⁾

(¹) Charged to budgetary expenditure under appropriation by Parliament.

(²) Temporary loan from the Minister of Finance.

M. Fleming (Eglinton): Au cours de l'année dernière, un certain nombre de modifications importantes sont survenues dans nos relations financières avec les provinces. Les 6 et 7 juillet 1959, le comité fédéral-provincial nouvellement institué des ministres des finances et des trésoriers provinciaux s'est réuni à Ottawa pour conférer sur des sujets très divers se rattachant à ces accords financiers et pour en assurer une étude méthodique. Le comité s'est réuni de nouveau à Ottawa les 15 et 16 octobre pour tenir d'autres entretiens. A la réunion d'octobre, j'ai annoncé aux ministres des finances et trésoriers provinciaux que le gouvernement avait l'intention de demander au Parlement à la présente session d'approuver une mesure législative visant à prolonger pour deux ans encore le relèvement à 13 p. 100, de 10, p. 100 qu'elle était, de la part de la province des recettes provenant de l'impôt sur le revenu des particuliers.

Comme le savent les honorables députés, la Chambre est actuellement saisie de cette mesure. Elle renferme aussi d'importantes dispositions relatives à la formation universitaire et à la collaboration fédérale-provinciale. Une résolution a été proposée qui tient compte de l'opposition que manifeste depuis longtemps la province de Québec au versement de subventions fédérales aux universités de cette province. La formule de échange, prévue à ce projet de loi, permettra à toute province de remplacer les subventions fédérales actuelles aux universités par des subventions provinciales supplémentaires, sans alourdir le fardeau de ses contribuables

[Mr. Fleming (Eglinton).]

et sans qu'il en coûte davantage au Trésor fédéral.

A la réunion d'octobre du Comité des ministres des finances et trésoriers provinciaux, j'ai aussi déclaré que le gouvernement avait l'intention de convoquer, à l'été de 1960, une conférence fédérale-provinciale des premiers ministres en vue d'étudier les relations financières entre le gouvernement fédéral et les gouvernements provinciaux pour la période qui suivra l'expiration de la période des accords actuels, soit le 31 mars 1962. Le 24 mars, les honorables députés le savent, le premier ministre du Canada a écrit à tous les premiers ministres provinciaux pour les inviter à une conférence plénière qui aura lieu à Ottawa cette année, du 25 au 27 juillet. Nous espérons que cette réunion contribuera encore beaucoup à établir des relations financières harmonieuses entre le gouvernement fédéral et les provinces.

(Translation):

During the past year there have been important developments in our financial relations with the provinces. On July 6 and 7, 1959, the newly created dominion-provincial committee of ministers of finance and provincial treasurers met in Ottawa to discuss a wide range of subjects connected with these financial arrangements and to make provision for their systematic study. This committee met again in Ottawa on October 15 and 16 for further discussions. At the October meeting I informed the provincial treasurers and ministers of finance that it was the intention of the government to ask parliament at this session to approve legislation continuing for

a further two years the increase from 10 per cent to 13 per cent in the provincial share of the yield from the personal income tax.

As hon. members are aware, this legislation is at present before the house. This measure also contains important provisions relating to university education and federal-provincial co-operation. A solution has been offered which takes into account the long-standing objection of the province of Quebec to payment of federal grants to the universities of that province. The alternative provided in the measure will enable any province to replace the present federal grants to universities by additional provincial grants without placing greater burdens on its taxpayers and without increasing the cost to the federal treasury.

At the October meeting of the committee of ministers of finance and provincial treasurers, I also stated that it would be the intention of this government to arrange for a dominion-provincial conference of prime ministers and premiers in mid-1960 to discuss federal-provincial financial relations for the period after the expiry of the present agreements March 31, 1962. As hon. members are aware, the Prime Minister on March 24,

wrote to all the provincial premiers inviting them to a plenary conference in Ottawa, July 25-27 of this year. We hope that this meeting will make a further major contribution to the achievement of harmonious fiscal relations between the dominion and the provinces.

(Text):

From a budgetary standpoint our fiscal relations with the provinces are extremely important since the amounts paid to or for the provinces absorb nearly one quarter of our total federal revenues. I should like to place on record table 2 showing the cost to the federal treasury in recent years of our fiscal arrangements with the provinces. This table includes unconditional payments and tax abatements as well as conditional grants and certain closely related payments, the grants to universities and the grants to municipalities in lieu of taxes. It will be seen that the total amounts paid or abated to the provinces have approximately doubled over the past four years.

Mr. Speaker: Has the minister leave to have this table inserted in *Hansard*?

Some hon. Members: Agreed.

[Editor's note: The table referred to is as follows:]

TABLE 2
FEDERAL CONTRIBUTIONS TO THE PROVINCES
(in millions of dollars)

	1956-57	1957-58	1958-59	1959-60 (preliminary)	1960-61 (estimated)
A. Unconditional Payments—					
1. Statutory subsidies.....	22.8	22.0	21.6	21.4	21.0
2. Tax abatements (estimated).....	157.4	275.6	275.1	299.6	335.8
3. Tax rentals.....	365.9	213.8	249.0	278.6	290.1
4. Equalization (including stabilization)		139.5	149.1	180.7	181.5
5. 50 per cent share of income tax on power utilities.....	6.6	7.4	8.7	9.0	9.0
6. Atlantic Provinces adjustment grant	—	—	25.0	25.0	25.0
7. Term 29 award (Newfoundland).....	—	—	13.6	7.3	7.7
Sub Total.....	552.7	658.3	742.1	821.6	870.1
B. Conditional Payments—					
8. Agriculture.....	.8	1.0	1.9	8.2	1.8
9. Health.....	36.4	34.6	46.1	46.0	40.2
10. Hospital insurance.....	—	—	54.7	149.8	167.0
11. Welfare.....	38.4	48.1	73.7	86.9	90.3
12. Vocational training.....	4.0	4.2	7.6	8.5	8.4
13. Highways and transportation.....	26.0	50.9	53.7	58.1	53.0
14. Resource development.....	2.9	4.4	8.7	16.0	12.4
15. Other.....	1.6	1.6	1.7	9.8	15.9
Sub Total.....	111.0	144.8	248.1	383.3	389.0
C. Payments for the benefit of provincial institutions—					
16. University grants.....	16.0	16.6	25.5	26.1	19.0
17. Grants to municipalities in lieu of taxes on federal government property.....	9.7	17.5	21.9	21.5	22.8
Sub Total.....	25.7	34.1	47.4	47.6	41.8
TOTAL.....	689.4	837.2	1,037.6	1,252.5	1,300.9

Mr. Fleming (Eglinton): The preliminary figure for the cost to the federal treasury of unconditional payments and tax abatements to the provinces in 1959-60 is \$822 million, an increase of \$80 million over the previous year and \$163 million higher than in 1957-58. It is estimated that there will be a further increase in cost for 1960-61 of \$48 million. Of the estimated increase of over \$200 million in unconditional payments and abatements between 1957-58 and the fiscal year 1960-61, more than one half is the result of new payments or changes in the basis of payment or abatement. The increase in the provincial share of the yield from the personal income tax from 10 per cent to 13 per cent, which has benefited the provinces by \$120 million in the past two years and it is estimated will mean a further \$68 million to them in 1960-61, by itself accounts for approximately one third of the total increase.

Conditional payments to the provinces were also substantially higher in 1959-60, increasing by \$135 million to a total of \$383 million. Seventy per cent of this large increase was the result of increased contributions under the Hospital Insurance and Diagnostic Services Act as more provinces participated in the scheme. There were, however, also large increases in grants for welfare and resource development. It is estimated that there will be a further increase of \$6 million in conditional payments in 1960-61.

DEBT MANAGEMENT

In reporting to the house a year ago on the management of our public debt I pointed out that the large conversion operations undertaken during the summer of 1958 had removed a source of heavy pressure on the bond market and that by substantially lengthening out the average term of our

debt a sound debt management policy could be developed and carried forward.

Public debt transactions during 1959-60 included the issue, refinancing and redemption of a large volume of government securities. However, as a result of the successful conversion loan operations undertaken during 1958 the volume of debt transactions in 1959-60 was considerably less than in the previous year.

During the year now ending we have sold \$1,048 million of new marketable bonds and we increased the outstanding issues of treasury bills by \$530 million. In the same period we paid off \$1,550 million of market issues so that the total volume of direct government of Canada marketable issues outstanding at the end of the year is only \$28 million higher than at the beginning. In addition we sold \$1,455 million of new Canada savings bonds and paid off or redeemed \$1,170 million of earlier Canada savings bonds.

After taking into account the net decrease of \$20 million in bonds held in our securities investment and sinking fund accounts, the unmatured direct debt held outside these government accounts was \$333 million higher at the end of the fiscal year than it was at the beginning. This compares with an increase of \$1,439 million during the previous year and is an indication of the progress we have made.

With the consent of the house, Mr. Speaker, may I insert here three tables showing the size, distribution, average term and total interest cost of our public debt over the past 10 years?

Mr. Speaker: Perhaps the house would give consent at this time to the insertion of such tables as the hon. minister proposes to use.

Some hon. Members: Agreed.

[Editor's note: The tables referred to are as follows:]

TABLE 3
GOVERNMENT OF CANADA
Gross and net direct 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	849	71.3
1951.....	15.0	16.9	11.4	816	63.5
1952.....	14.7	17.3	11.2	774	52.8
1953.....	14.8	17.9	11.2	752	46.5
1954.....	14.6	17.9	11.1	727	44.4
1955.....	14.5	18.0	11.3	717	45.3
1956.....	15.4	19.1	11.3	701	41.6
1957.....	14.4	18.3	11.0	664	36.0
1958.....	14.2	18.4	11.0	648	34.8
1959.....	15.6	20.2	11.7	669	35.8
1960.....	15.9	21.0	12.1	681	34.9

TABLE 4
GOVERNMENT OF CANADA
Interest Cost of Gross and Net Direct Debt

Year ending March 31	Interest paid on total debt	Interest and other earnings 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.....	606	221	385	3.30
1960.....	738	239	499	4.13

TABLE 5
GOVERNMENT OF CANADA
Maturity and Distribution of Direct and Guaranteed Debt

December 31	Average term of Debt* Years	Amount of Debt held by			P.C. held by Gen. Public
		Banks	Government Accounts	General Public	
		(\$ millions)			
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	9.5	5,488	929	10,720	62.6
1960 (Mar. 23)	9.4	5,487	840	10,990	63.5

* Excluding Canada Savings Bonds and Perpetuals.

Mr. Fleming (Eglinton): These tables show that at the end of the current fiscal year our net debt is \$12.1 billion, which is about \$400 million higher than it was at the beginning of the year. In per capita terms it was \$849 ten years ago, \$717 five years ago, and has now dropped to \$681. As a percentage of gross national product our net debt at 34.9 per cent now stands at a lower figure than for any previous year except 1958.

Last year I mentioned the decline in the holdings of Canada bonds by the general public that had been going on more or less steadily since the end of the war, but noted that since September 1958 there had been a sharp reversal of this trend. I am very pleased to report tonight that during the past year the general public's holdings of Canada bonds have continued to increase and that they are now \$1.5 billion more than at March 31, 1959, and \$3 billion more than on September 30, 1958. The latest figures show that the holdings of the general public are now 63.5 per cent of the total outstanding funded debt compared with 62.6 per cent at December 31, 1959, and 57.8 per cent at June 30, 1957.

Net interest payments over the whole year amounted to 4.13 per cent of our net debt at the end of the year, as compared with 3.30 per cent in the preceding year. This rather sharp increase is largely due to the fact that the net debt mounted rapidly during the latter part of 1958-59, and interest on the increased debt was paid for only part of that year. In 1959-60 interest on this increased debt was paid for a full year. The average interest rate on our total unmaturing debt stands today at 3.96 per cent compared with 3.54 per cent a year ago.

GOVERNMENT ACCOUNTS 1960-61

I turn now to the budget prospects for 1960-61. The main estimates for the fiscal year totalling \$5,740 million were tabled early in February. In addition there are bound as usual to be some supplementary estimates. Provision will have to be made for the C.N.R. deficit for 1960, although I expect this will be somewhat less than the 1959 deficit, and I must assume that there will be some payments under the agriculture stabilization act and also some additional statutory expenditures.

Offsetting these there will be some lapsings in appropriations although these are likely to be less than in previous years because of the very careful and exacting scrutiny of departmental estimates made by the treasury board this year. As I said on tabling the main estimates, although we have provided for sustaining and in some cases increasing

[Mr. Fleming (Eglinton).]

the expenditures relating directly to national development in such fields as atomic energy, exploration, scientific research, transportation and communication, controllable costs have been carefully scrutinized and sharply restrained.

There is, however, one substantial additional item of expenditure in prospect which I should report to the house and which relates to the review of salaries in the public service.

When I announced on October 13, 1959 that the government was unable to assume, during the 1959-60 fiscal year, the cost of carrying into effect the recommendations of the civil service commission for increases in the salaries of many classes of civil servants, I stated that:

The decision taken by the government, in the light of its financial position, will not preclude consideration being given to the special position of certain categories of civil servants as the government's financial circumstances permit.

In conformity with this undertaking, revisions of the salaries of the nursing classes where special conditions obtained were approved by the treasury board on October 15, 1959 and January 28, 1960.

It is now nearly three years since there has been a general increase in civil service salaries. The last general increase was authorized by the present government in July, 1957 and made retroactive to May 1, 1957. In July, 1958 the civil service commission reported that a general increase in salaries at that time was not warranted. A year later, in June 1959, the commission made recommendations to the government covering the great majority of classes in the civil service. This report recommended widely varying increases for several hundred classes of employees. For reasons which I made public last October the government decided that it could not implement those recommendations.

Our public service contains the widest range of jobs and positions, from unskilled labourers to research scientists. The relative pattern of wages and salaries for such diversified groups in a dynamic society changes with the passage of time and with shifts in the economic and social structure. It has seemed to me that instead of embarking upon periodic general wage and salary increases across the board, it would be a more sensible approach to develop a continuous cycle of reviews and recommendations. In this way the salaries of different groups or clusters of related classes of employees can be reviewed in successive months or quarters in the light of rates of pay prevailing in private employment and in the light of our demonstrated capacity to recruit and retain the right number and quality of public servants.

I have discussed this approach with the chairman of the civil service commission and I am given to understand that the commission agrees that there is merit in this suggestion.

We have an excellent public service in Canada. In terms of ability and integrity it compares very favourably with those of any other country. Now that up to date information on the current levels of salaries paid by private employers is becoming available in the form of preliminary reports by the pay research bureau, and as the budgetary situation now makes action possible, the government will accelerate its program of implementing recommendations from the civil service commission affecting a number of classes in the public service where the comparison with outside rates and the recruitment situation justify action.

I am happy to report that the treasury board, taking into consideration the degrees of disparity between civil service salary rates and those of private employers and the problems of recruitment and retention of qualified employees, has now approved recommendations from the civil service commission involving some 50,000 employees of the public service, principally in the clerical and stenographic classes, but also including some of the professional classes, such as meteorologists and veterinarians, where recruitment and retention of the essential number of qualified officers have become increasingly difficult. These revisions in salary ranges will be effective from tomorrow, April 1, 1960 and will involve an increase in expenditure during the fiscal year of about \$15 million. Details of these revisions will be made public as rapidly as possible over the period of the next ten days or two weeks.

With the same principles as criteria, a review of all other classes in the public service will be carried out by the civil

service commission forthwith and is expected to be completed before the end of the summer. As recommendations are received from the civil service commission, they will be promptly considered by the treasury board on a class by class basis.

After considering all the available data and taking into account our unrelenting efforts to effect further economies and efficiency in all government activities, I have concluded that our budgetary expenditures for the fiscal year ending March 31, 1961 will be approximately \$5,880 million.

This is \$173 million higher than our budgetary expenditures for the year now ending. Approximately one third of this increase is in defence expenditures. The other two thirds part is in our non-defence expenditures and is due to higher public debt charges, higher civil service salaries, higher social security and welfare payments reflecting the increase in our population, and increased outlays under the government's programs designed to promote national development.

Revenue forecasting, as I have observed on previous occasions, always presents formidable difficulties. However, on the basis of a projected gross national product of between \$36½ and \$37 billion for 1960 and in the light of our present information, I have concluded that our present tax structure, with no change in rates will yield \$5,892 million in 1960-61. This is \$591 million more than our revenues in the past year.

For the convenience of hon. members, may I insert in *Hansard* at this point a table showing my estimate of the past year's revenues and what we may expect to receive in the ensuing year from the present tax structure.

[Editor's note: The table referred to follows:]

TABLE 6
REVENUE FORECAST BEFORE TAX CHANGES
(In millions of dollars)

	Preliminary 1959-60	Forecast 1960-61
	\$	\$
Personal income tax.....	1,555	1,750
Corporation income tax.....	1,140	1,340
Non-resident tax.....	75	80
Estates tax.....	88	85
Customs duties.....	529	580
Sales tax.....	737	795
Other duties and taxes.....	626	670
Total taxes.....	4,750	5,300
Non-tax revenue.....	551	592
Total revenue.....	5,301	5,892

With revenues estimated at \$5,892 million and expenditures at \$5,880 million and assuming no change in our existing tax laws, I should expect a surplus of \$12 million for the coming year.

During the coming year I expect the old age security fund to show a small surplus of revenue over expenditure for the first time since the fund was inaugurated on January 1, 1951. Between January 1, 1951 and March 31, 1960, the old age security fund has experienced deficits totalling \$630 million. Of this amount over \$500 million has been paid off out of general tax revenues and about \$100 million was charged in 1954 to our balance sheet reserve against active assets. There remains outstanding now a deficit incurred during the past 12 months of \$24 million. Revenues to the fund from the current 3-3-3 formula in 1960-61 will be about \$630 million; pension payments after making provision for certain amendments forecast in the speech from the throne will exceed \$590 million. If these expectations are realized the prospective surplus will be sufficient to extinguish the presently remaining deficit in the fund.

Before proceeding to discuss the tax policy appropriate to our present and prospective circumstances, I should like to refer briefly to our non-budgetary transactions and our cash requirements for 1960-61. In addition to the expenditures for administrative and other governmental services that are included in our budgetary accounts, we pay out each year substantial amounts of cash as loans to or investments in a wide variety of essential public undertakings. These outlays are not considered as budgetary expenditures as the principal is usually repaid, and, in almost every case, they earn interest or produce revenue for the government.

Against this, we receive each year large amounts of cash that are not recorded as budgetary revenue. For the most part, these consist of repayments of loans made in previous years and moneys received by the government as net premiums, contributions and earnings in connection with annuities, insurance or pension funds.

During 1960-61 we shall probably require about \$290 million for housing loans, including new and existing commitments, about \$150 million for C.N.R. and T.C.A. capital investment and refunding, and perhaps as much as \$100 million for other non-budgetary

purposes such as the St. Lawrence seaway authority, the national harbours board, the farm credit corporation and other crown companies. Against this we shall probably have somewhat more than \$300 million available from the repayment of loans and from the transactions in our various annuity, insurance and superannuation accounts. Thus the net cash required for all these non-budgetary transactions, excluding the exchange fund requirements, which cannot be forecast, will be of the order of \$225 million. With a prospective budget surplus of \$12 million, our net cash requirements, including those of the C.N.R. will be about \$210 million as compared with \$900 million during the year just ended and \$1,273 million in 1958-59.

TAX POLICY

As I said a year ago, and as I have repeated in this house and elsewhere on a number of subsequent occasions, sound budget policies must be flexible and adapted to changing economic conditions. The onset of the 1957 recession called for lower taxes, higher expenditures and heavier capital commitments in order to offset the downward trends in the private sector of the economy and the decline in the external demand for some of our basic products; and I put such proposals before the house in December, 1957 and again in June, 1958.

The fiscal policies we followed during our first year in office had a major influence in reducing both the depth and the duration of the recession, and by the third quarter of 1958 the low point of the recession had been passed and the forces of expansion began to gather momentum. By the spring of 1959 recovery was well on the way, and in my budget speech a year ago I recommended to this house policies which were designed to bring us back to a position of budgetary balance as soon as the economy had recovered the losses of the recession and was moving firmly forward and upward to new record achievements in production, employment and investment.

The position we have now reached, with its sound prospect of a fully balanced budget, represents the fruits of carefully designed policies carried forward over the past 18 months. This is not something that has just happened. It is the result of considered aims and efforts. It began with the great conversion loan of the summer of 1958 which made possible a policy of sound debt management

[Mr. Fleming (Eglinton).]

which in turn restored public confidence in government credit and in our determination to control the powerful forces of inflation. It was continued in the expenditure controls and the tax changes of 1959, and is reinforced in this year's program of reduced controllable expenditures balanced by the continued promotion of constructive national development.

I am happy to say that we have reached this goal of a balanced budget without the necessity of recommending any further increases in taxation, indeed at a level of taxation which in relation to gross national product will be lower than in any year between 1950 and 1958.

Another fruit of our policies over the past year and a half is that during the coming year we shall be making very modest claims upon the capital market. Our net new borrowings, as I have already indicated, will be about \$210 million. This will greatly ease the problems of provincial and municipal governments and also of private industry in meeting their essential financial requirements in the domestic market. If other levels of government follow similar policies of prudent financial management they too should experience less difficulty than in any recent years in meeting their basic financial needs.

As I said in my opening review of economic conditions, we are anticipating a year of solid expansion and balanced growth. The main forces of inflation are quiescent. We still have, however, some slack in certain sectors of our productive capacity, though I expect to see these diminish as the year progresses. While I look forward to the day when we can undertake a measure of orderly reduction in our public debt, present circumstances do not, in my judgment, warrant an increase in tax rates in order to expedite the retirement of debt.

In the light of all these facts and prospects I am proposing no major tax changes in any fields this year. I shall, however, be recommending to the house a number of technical amendments to our taxing statutes, all of them designed either to remedy certain anomalies that have developed or to close certain loopholes for tax avoidance that have been discovered, or to meet certain other special circumstances.

INCOME TAX

In the income tax field there will be quite a number of technical amendments but I

shall refer now only to those of general interest.

I am proposing an increase in the maximum amount of medical expenses that can be deducted in calculating taxable income. The existing limits have remained unchanged for some years, at the levels of \$1,500 for a taxpayer of single status, \$2,000 for a taxpayer of married status, and \$500 for each dependant but not exceeding \$2,000 in respect of these dependants. Over a period of years increases have taken place in the costs of medical care and in the accepted standards of medical care. The maximum limits that were once considered appropriate are increasingly found to impose hardships upon people of moderate means. The new limits I am recommending are \$2,500 for a taxpayer who is single, \$3,000 for a taxpayer of married status, and \$750 for each dependant but not exceeding \$3,000 in respect of dependants.

I shall also bring forward an amendment to provide a deduction from certain items of income, such as superannuation, pension or death benefits, on account of the estate tax that has been paid on the asset corresponding to that income. This measure is being introduced to alleviate a problem that sometimes affects the financial resources of the widow and the children of a deceased taxpayer. The purpose is to provide relief in certain cases from the so-called double impact of estate tax and income tax, which may deplete unduly the resources of the surviving family.

I am proposing to provide for the appointment of an additional member of the tax appeal board. Concern exists about delays encountered in connection with appeals. The enlargement of the board will implement a proposal set forth in the report of May 8, 1959 by the standing committee on estimates.

I am also bringing forward an amendment to deal with the problems of associated corporations to which I drew attention last year. At that time I said that perhaps it was becoming too easy to divide a corporation into a number of smaller components, each of which may qualify for the low rate of tax on its first \$25,000 of income. I indicated that consideration was being given to the possible necessity of introducing some appropriate measure to deal with this method of tax avoidance. In the meantime further study has indicated an amendment of this kind to be necessary.

There are two other highly complex issues relating to the income tax law to which much study has been devoted but in respect of which I am not yet ready to make specific recommendations. I am, however, proposing two separate courses of action.

The first is the question of the application of the income tax law to employees' profit sharing plans. In various parts of the country increasing use is being made of plans by which employers share a portion of the annual profits with employees, thus providing a source of funds to assist the individual to plan for his eventual retirement. Special tax rules for profit sharing plans have been in existence for some time. These rules, however, do not permit employees to defer taxes on amounts contributed to these plans on their behalf. Largely for this reason they have been criticized as being insufficient to allow the fulfilment of the potential social usefulness of profit sharing plans.

My intention in this matter is to follow the precedent established some years ago in connection with the Income Tax Act and more recently with the Estate Tax Act. I propose to introduce toward the end of this session a separate bill which will incorporate a new approach to the taxation of the several components of employees' profit sharing plans. I shall invite the house to give this bill first reading but to proceed no further at this session. This will provide full opportunity for all interested citizens and organizations to study the bill and make their views known to the government. Consideration will then be given to the incorporation of this new approach into the Income Tax Act next year.

The improved facilities to be made available for employees' profit sharing plans will constitute an important piece of social legislation within the framework of the Income Tax Act. In its distinctive way, this will supplement the growing body of social security measures that have been sponsored by the government. It may be that the medium of profit sharing will provide fresh opportunities for capital, labour and management to work out new forms of co-operation amongst themselves in various instances. Neither expense nor obligation will be imposed, however, upon groups and organizations that do not choose to assume them.

The second complex question that requires fresh study and consideration pertains to the
[Mr. Fleming (Eglinton).]

designation of surplus under section 28(2) of the act. The central issue is the taxation, as personal income or otherwise, of earnings that are distributed or are available for distribution in various forms by corporations. We shall be undertaking a comprehensive study of these matters during the coming year. I shall welcome considered expressions of view from all interested persons and organizations.

ESTATE TAX

The new Estate Tax Act has been in force since January 1, 1959. It has received general public approval. At the same time experience has indicated a number of points at which it can be improved, and I shall place before the house a number of amendments for this purpose. Most of these will be of a technical nature and on balance they will benefit the taxpayer.

An amendment of general interest will provide for the reopening of the assessment of an estate within a fixed period of years and the refunding of estate tax when, for example, a life annuity is terminated prematurely. It sometimes happens that an important asset in an estate is an annuity to the surviving widow. This annuity may come to an end if she dies or if she marries again. It is nevertheless valued for purposes of estate tax on the basis of the prescribed mortality tables. The proposed amendment will provide that where certain classes of income rights are terminated or altered within four years of the death of the testator, the assessment may be reopened on request and appropriate adjustment made.

SALES AND EXCISE TAXES

I am placing before the house a small number of amendments which will affect the application of the Excise Tax Act.

I am proposing that electric heating equipment designed to be permanently installed as part of a building heating system should be exempt from sales tax. The effect will be to permit this method of household heating to compete for the market on the same terms as other methods of heating.

I am proposing that manufacturers of doors, windows and window frames should be required to pay sales tax on the hardware attached to or sold with doors, windows and window frames unless such hardware is specifically exempt under schedule III of the act. The standard items of hardware

that are used with doors and windows are, in fact, listed in schedule III. The purpose of the amendment is to remove some uncertainty that has existed with respect to some special items of hardware. The result will be that the whole group of manufacturers concerned will be more fairly and equitably treated as amongst themselves.

In order to avoid the possibility of misunderstanding I shall mention a comparatively minor amendment intended to prevent private individuals who purchase yachts from avoiding the imposition of sales tax in respect of the materials that are included. This will not affect the commercial shipyards, which will continue as before to purchase materials for the construction of ships free of sales tax under licence.

CUSTOMS TARIFF

I turn now to matters relating to our Customs Tariff. I have six resolutions to place before the house and I shall also be mentioning some new references to the tariff board.

Four resolutions relate to textiles and contain the results of tariff negotiations with other countries designed to give effect to reports received from the tariff board. The reports in question are those relating specifically to cotton and cotton products, to silk, man-made fibres and their products, to textile wastes, slivers, rovings and yarns, and also to wool fabrics other than those covered by tariff items 554b on which action has already been taken.

I should perhaps add that, as the house knows, I received from the tariff board a few weeks ago one further report on textiles relating to hosiery and knitted goods, and within the textile field the tariff board has still to report on a miscellaneous group of products including woollen clothing, hats and caps, coated fabrics, laces and embroideries. Negotiations on these products will be undertaken in due course. Negotiations will also be undertaken in relation to the tariff on record changers on which I have also received a report from the board recently.

The negotiations related to the textile tariff changes proposed tonight were undertaken with seven of the other contracting parties to the general agreement on tariffs and trade, specifically the United States, the United Kingdom, France, Italy, Benelux, Japan and Peru. In addition, consultations with other

countries were required under GATT procedures. I am happy to be able to announce that all the necessary negotiations and consultations with all of these countries have been successfully completed.

As the house is already aware, tariff board recommendations often, perhaps usually, include proposals for both increases and decreases in rates of duty. Sometimes it is found in the subsequent negotiations that the other countries concerned are ready to accept the proposed decreases as full compensation for the proposed increases in our tariffs against them. However, in the case of the particular group of textile tariff items negotiated on this occasion, it was found that the increases, of which the most important relates to coloured cotton fabrics, somewhat over-balanced the decreases. Hence, in order to conclude negotiations, we found it necessary to reduce about a score of Canadian tariff rates on items outside the textile field. The implication of this is that the Canadian textile industry is receiving some additional protection, as proposed by the tariff board, but that this is being matched by some reductions of tariffs in other fields. Some of these reductions were requested by Canadian industry while others involve quite small reductions from relatively high rates of duty which should not damage the industries affected.

I mentioned earlier that there were four resolutions relating to textiles and textile negotiations. Much the most important of these covers the substance of our textile negotiations including the additional items outside the textile field to which I have just referred. A second contains changes that are merely matters of form. A third provides for a much-needed definition of "man-made fibres"; this is a technical proposal put forward by the tariff board. A fourth resolution amends an existing drawback item relating to textiles. I should also add that, again in conformity with the board's recommendations, some temporary items established in past years by order in council are being revoked forthwith, while others will be permitted to expire on June 30 of this year.

Two further resolutions cover miscellaneous tariff changes, of which there are 15. This is an unusually small number and I should explain that this year, in considering requests for tariff alterations, we had very much in mind the fact that in the autumn an important round of tariff negotiations under GATT will be initiated. In a good many

cases we decided that it would be imprudent to take action on the Canadian tariff in advance of these negotiations. Many of the proposals that have been put to us during the past year for changes in tariff rates may find some place in the forthcoming negotiations.

In these two resolutions covering miscellaneous changes, the only alterations to which I might call attention are those relating to instant potatoes and seismograph bits. Production in Canada of both these items has only recently commenced, and it is proposed to provide for modest rates of duty.

The six resolutions together propose changes in 123 tariff items. Of these changes 20 are purely formal; they simply involve the renumbering of existing items as a matter of convenience. A further 49 involve changes in nomenclature without alteration in the rates of duty. Sixteen involve increases in the rates of duty that will be payable, while 38 involve decreases. As on earlier occasions, I should warn that these bare statistics are not very revealing or conclusive, but they do serve to indicate the general balance and moderation with which this government is approaching tariff matters.

As I said earlier, I am planning some new references to the tariff board. In doing so it is of course necessary to take into account the work which is already before the board. This includes, in addition to a substantial number of appeals, the remaining parts of the textile reference, a reference respecting electronic items and, most important, the very substantial reference embracing virtually the whole field of chemicals. Obviously, with such an agenda already before it, we cannot ask the board to take on much more. However, there is one section of the tariff which, on the basis of representations that have been made to me, I am convinced requires the attention of the board at a fairly early date. This is a series made up of so-called end use items which provide special rates of duty for machinery and equipment in certain specified uses such as the mining industry and the oil and gas industries. We have here, mainly in items numbered from 410a to 410z, a mixed bag of rates which were intended, when they were introduced, to give concessions to the industries named but some of which, due to the change of other tariff rates, now act in fact as obstacles. Accordingly I shall be asking the tariff board to review this particular group of tariff items.

[Mr. Fleming (Eglinton).]

In addition I shall also be assigning three tasks of much smaller dimensions, but of some urgency and difficulty, to the board. One relates to a small group of rates of special concern to the few firms in Canada which undertake the decoration of chinaware and glassware. The Department of Finance has had substantial correspondence on this subject over several years and, since we have not been able to work out a solution that is acceptable to all parties, a reference will be directed to the board.

Second, I am asking the board to review the tariff items under which plans, drawings and blueprints come into this country, some duty-free and others dutiable. The standing committee on estimates last year drew attention to the problems involved and I now propose to refer the matter to the tariff board.

Finally, certain producers have drawn attention to the substantial and rapidly rising imports of nails and to certain anomalies in the duties applicable to these imports. Accordingly, I shall be asking the board to review and report on the tariff items relating to this product.

SUMMARY AND CONCLUSION

The net effect of all the amendments I am proposing to our taxing statutes will be to make no measurable change in the estimate of total revenues for 1960-61, which I presented to the house earlier this evening. The amount of tax relief accorded by some amendments will be approximately balanced by the increased revenues from others. The total loss of revenue from the relieving amendments could add up to as much as \$2 million, and the increased revenues from blocked loopholes and clarified definitions are likely to be of about the same amount. While these changes on balance do not affect total revenues they nevertheless represent significant improvements in the fairness of our tax structure.

Une extraordinaire reprise de vigueur économique a favorisé l'Occident au cours de la dernière année, et le Canada a amplement participé à ce progrès remarquable. Notre pays est aujourd'hui plus fort, plus avancé et plus uni que jamais.

Le but ultime de notre politique fiscale est de maintenir un rythme de progrès raisonnable pour ce qui est de l'emploi et de la mise en valeur des ressources, en plus d'assurer la stabilité de notre dollar. A

mon avis, le budget de cette année, qui a été préparé pour répondre aux circonstances et aux besoins de 1960, tend efficacement vers l'objectif dont je viens de parler. Ce budget équilibré renforcera, j'espère, l'économie et les finances du Canada, apportera aux Canadiens un regain de confiance en leur avenir et imprimera un nouvel élan à l'esprit d'entreprise et d'initiative de notre population. Armés de courage, de discipline et de confiance en eux-mêmes, les Canadiens seront à la hauteur de la tâche que leur réserve la prochaine décennie.

(Translation):

The past year has witnessed an extraordinary resurgence in the economic strength of the western world. Canada has shared generously in this remarkable progress. Today she is stronger, more developed and more united than ever before.

The abiding goal of our fiscal policy is the maintenance of a sustainable rate of growth in terms of employment, development of resources, and a sound dollar. This year's budget, devised to meet the conditions and needs of 1960, will, I believe, effectively serve this goal. It is my hope that this balanced budget will strengthen the economic and financial structure of Canada, impart renewed confidence to Canadians in their future, and give fresh impetus to the enterprise and initiative of our people. With courage, self-discipline and self-reliance Canadians will meet the challenges of the new decade.

(Text):

RESOLUTIONS

INCOME TAX ACT

Resolved that it is expedient to introduce a measure to amend the Income Tax Act to make provision in respect of a new class of profit sharing plans under which

(a) amounts allocated by the trustee shall not be included in the income of an individual who is a beneficiary under the plan until the year in which they are received,

(b) no tax shall be payable by the trustee under the plan on the taxable income of the trust,

(c) an employer may deduct in computing income for the year an amount which when added to his contribution, if any, under a

registered pension fund or plan does not exceed \$1,500 per employee.

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 the increase from 10 per cent to 13 per cent in the deduction from tax granted to taxpayers in a province which imposes an income tax on individuals be continued for the 1960 and 1961 taxation years.

(2) That for the 1960 and 1961 taxation years the deduction from tax allowed to corporations in respect of income earned in a province which imposes an income tax on corporations and in which arrangements exist for the replacement of federal grants to universities by additional provincial grants in accordance with the proposed amendments to the Federal-Provincial Tax-Sharing Arrangements Act be increased from 9 per cent to 10 per cent in respect of income earned after December 31, 1959.

(3) That for the 1960 and subsequent taxation years the maximum amount deductible from income on account of medical expenses be increased to \$3,000 for taxpayers who are entitled to claim the deduction for married status and \$2,500 for other taxpayers (not exceeding \$3,000 for husband and wife together) plus \$750 in respect of each dependant of the taxpayer up to a maximum of \$3,000 in respect of dependants.

(4) That for the 1960 and subsequent taxation years, where a person who formerly carried on a business in Canada the income from which was computed by the cash method has ceased to be a resident of Canada, there shall be included in computing his income from the business for the last year in which he resided in Canada the value of the accounts receivable and inventory at the time he ceased to reside in Canada.

(5) That with respect to any amalgamation after March 31, 1960 any share other than a common share of a new corporation resulting from an amalgamation shall be deemed to be a liability of the new corporation for purposes of section 105C of the act.

(6) That for the 1960 and subsequent taxation years no deduction shall be made as an allowance in respect of an oil or gas

well or a mine in computing the income of a non-resident-owned investment corporation.

(7) That for the 1960 and subsequent taxation years, for purposes of calculating the amount of the credit a taxpayer may claim in respect of taxes paid to a foreign country, the limitation at present computed by reference to the tax paid to the foreign country on that part of his income from sources in the foreign country that is also subject to tax in Canada be amended so as to be computed by reference to the income tax (other than income tax on dividends which are deductible by the taxpayer) paid to the foreign country.

(8) That for the 1960 and subsequent taxation years the rules for determining income from a source be amended to specify the deductions that shall be made in computing the income of a non-resident person from a business or employment in Canada and in computing income from sources outside Canada for the purpose of calculating the foreign tax credit allowed to a person resident in Canada.

(9) That for the 1961 and subsequent taxation years for purposes of the provision that only one of a group of associated corporations shall receive the benefit of the lower rate of tax on the first \$25,000 of taxable income the present rule for determining whether one corporation is associated with another, which is based on ownership of shares, be replaced by a rule related to control of the corporations.

(10) That the four-year period, after which the minister may not make a re-assessment of the tax payable for a taxation year unless there has been fraud or misrepresentation by the taxpayer or the person filing the return, shall commence with the date of mailing by the minister to the taxpayer of the original assessment or of a notification that no tax was payable for the year.

(11) That the four year time limit, after which the minister may not make a re-assessment unless there has been fraud or misrepresentation by the taxpayer or person filing the return, may be waived by the taxpayer by notice to the minister.

(12) That for the 1960 and subsequent taxation years the present rule in section 36 of the act for determining the tax on certain lump sum payments which the taxpayer may elect not to include with other income be

changed to provide that in determining the tax the following rates shall apply:

(a) 10 per cent of the amount taxable if the amount taxable does not exceed \$1,000,

(b) \$100 plus 20 per cent of the amount by which the amount taxable exceeds \$1,000 if the amount taxable exceeds \$1,000 and does not exceed \$5,000.

(c) \$900 plus 30 per cent of the amount by which the amount taxable exceeds \$5,000 if the amount taxable exceeds \$5,000 and does not exceed \$10,000.

(d) \$2,400 plus 40 per cent of the amount by which the amount taxable exceeds \$10,000.

(13) That for the 1960 and subsequent taxation years a corporation whose principal business is production or marketing of sodium chloride or whose business includes extraction of sodium chloride from halite deposits may deduct in computing its income drilling and exploration expenses incurred by it in the year in exploring or drilling for halite.

(14) That for the 1960 and subsequent taxation years an individual who receives a superannuation, pension or death benefit or a benefit under a registered retirement savings plan in respect of which any tax under the Estate Tax Act or succession duty imposed by a province was payable in respect of a death occurring after December 31, 1958 may deduct in computing his income for the year a portion of the benefit received by him determined by reference to the tax or duty applicable to the benefit.

EXCISE TAX ACT

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

1. That the sales tax on electric heating equipment, designed for use on a system using 230 volts or greater, for permanent installation as part of an electric heating system for buildings, be repealed, but not including electric wiring or other materials leading to or connecting such equipment to the electric power supply.

2. That ducts for warm air systems for heating buildings, but not including materials used in their manufacture, be exempt from sales tax.

3. That the sales tax on laryngeal speaking aids and parts therefor, including batteries specifically designed for use therewith, be repealed.

4. That the sales tax on prepared surgical sutures be repealed.

5. That the sales tax on goods enumerated in Customs Tariff Item 692a, that is, "articles presented from abroad in recognition of the saving of human life", be repealed.

6. That the sales tax on perlite be repealed.

7. That portrait photographs of individuals be exempt from sales tax.

8. That the exemption from sales tax for, "perforated bituminized fibre pipe for drainage purposes not exceeding four inches in inside diameter" be changed to read "perforated pipe for drainage purposes not exceeding four inches in inside diameter".

9. That the exemption from sales tax for feeds and feed supplements be extended to include feed supplements for addition to feeds for fur-bearing animals, and materials to be used exclusively in the manufacture thereof.

10. That hardware for doors and sash not specifically mentioned in schedule III be excluded from the sales tax exemption for articles and materials to be used in the manufacture of building materials.

11. That the exemption from sales tax for "septic tanks" be changed to read, "septic tanks and grease traps therefor".

12. That the exemption from sales tax for, "Usual coverings to be used exclusively for covering goods not subject to the consumption or sales tax and materials to be used exclusively in the manufacture of such coverings" be changed to read, "Usual coverings or containers to be used exclusively for covering or containing goods not subject to the consumption or sales tax and to be delivered and sold with the goods, and materials to be used exclusively in the manufacture of such coverings or containers".

13. That the exemption from sales tax for, "Materials for use only in the construction, equipment and repair of ships over ten tons net registered tonnage" be changed to read, "Materials for use only in the equipment and repair of ships over ten tons net register tonnage".

14. That the security required under the Excise Tax Act include bonds or other securities of or guaranteed by the government of Canada.

15. That any enactment founded upon this resolution be deemed to have come into force on the 1st day of April 1960.

ESTATE TAX ACT

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

(1) That the deduction from aggregate net value allowed for the value of any gift made to a charitable organization in Canada be extended to the value of a gift made to a charitable foundation in Canada.

(2) That the Canada Council be deemed to be a charitable organization for purposes of the act.

(3) That there be included in computing the aggregate net value of the property passing on death any amount payable under a policy of insurance effected on the life of the deceased for the benefit of the family of the deceased, where such policy, immediately prior to the death, was owned by the employer of the deceased.

(4) That where the property passing on the death of a person includes property the value of which was determined as of the date of death of that person according to prescribed tables of present values of annuities, and within four years of the date of death there occurs an event, such as a death or change in marital status of a beneficiary, that allows the value of the property to be determined having regard to the occurrence of that event, the property shall, on application made in accordance with prescribed conditions, be revalued and the difference in tax refunded.

(5) That the four-year limit, after which the minister may not make a re-assessment unless there has been fraud, misrepresentation or failure to disclose by the person filing the return, may be waived by the executor by notice to the minister.

(6) That any enactment founded on paragraphs (1) (2) and (4) shall apply in respect of deaths occurring after December 31, 1958, and any enactment founded on paragraph (3) shall apply in respect of deaths occurring after March 31, 1960.

THE CUSTOMS TARIFF

1. Resolved, that subsection (1) of section 2 of the Customs Tariff be amended by adding thereto the following definitions:

"man-made fibre" means a staple fibre or filament produced by manufacturing processes, wholly or in part of organic polymers, but does not include rubber; and

"sliver" means fibres in a continuous strand, combed or not, not twisted and not exceeding twelve inches in length, and includes tops.

2. Resolved,

that Schedule A to the *Customs Tariff* be amended by striking out tariff items 160(a), 236, 343, 414a, 414e, 463a, 520(1), 520(2), 520a, 520b, 520c, 521, 522, 522a, 522b, 522c(1), 522c(3), 522d, 522e, 522f, 522g(1), 522g(2), 523, 523a, 523b(1), 523b(2), 523b(3), 523b(4), 523c, 523d, 523e, 523f, 523g, 523h, 523i, 523j, 523k, 523l, 523n(1), 523n(2), 524, 524a, 532, 532a, 532b, 532c, 532e, 535b, 535c, 535d, 535f, 549, 549a, 549b(1), 549b(2), 549b(3), 550, 550a, 550b, 550c, 550d, 551, 551a, 551b, 551c, 551d, 551f, 553(1), 554, 554a, 554c, 554g, 557, 557a, 557b, 557c, 558, 558a, 558b(a), 558b(b), 558c(i), 558c(ii), 558d(a), 558d(b), 558e, 558f, 559, 560, 560a, 560b, 560c, 561, 561d, 563, 564, 564a, 567, 567a, 567b(1), 567b(2), 573, 586, 663f, 802(b) and 818; and the enumerations of goods and the rates of duty set opposite each of these 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
66b Pretzels.....	Free	15 p.c.	30 p.c.	Free	20 p.c.	30 p.c.
142 (b) N.o.p.: (iii) <i>Unstemmed, when imported by cigar manufacturers for use as wrappers in the manufacture of cigars in their own factories..... per pound</i>	10 cts.	10 cts.	40 cts.	12½ cts.	12½ cts.	40 cts.
160 Alcoholic perfumes: (a) When in bottles or flasks containing not more than four ounces each.....	20 p.c.	20 p.c.	90 p.c.	22½ p.c.	22½ p.c.	90 p.c.
187e Sensitized negative film, sixteen millimetres in width for exposure in motion picture cameras.....	Free	15 p.c.	30 p.c.	Free	20 p.c.	30 p.c.
199m Woven paper fabrics, open mesh, not less than nine feet in width, for use in the manufacture of carpets.....	15 p.c.	22½ p.c.	35 p.c.	17½ p.c.	25 p.c.	35 p.c.
225c Sugar cane wax.....	Free	Free	10 p.c.	5 p.c.	7½ p.c.	10 p.c.
236 Surgical dressings, antiseptic or aseptic, including absorbent cotton, lint, lamb's wool, tow, jute, oakum, whether imported singly or in combination one with another, but not stitched or otherwise manufactured; surgical trusses and suspensory bandages of all kinds; sanitary napkins, and abdominal supports.....	10 p.c.	20 p.c.	35 p.c.	10 p.c.	20 p.c.	35 p.c.
343 Tin, in blocks, pigs, bars, or granular form.....	Free	Free	Free	Free	5 p.c.	5 p.c.
347e Electrolytic manganese metal for alloying purposes.....	Free	5 p.c.	20 p.c.	Free 15 p.c.	15 p.c. 20 p.c.	20 p.c. 25 p.c.
410o (iii) <i>Mine roof and wall supports and support systems, of metal, including yielding props or chocks, for use underground in mines; parts of the foregoing.....</i>	Free	12½ p.c.	35 p.c.	10 p.c.	22½ p.c.	35 p.c.
414a Parts of typewriters.....	Free	7½ p.c.	25 p.c.	Free	15 p.c.	25 p.c.

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
414e	Parts of adding machines.....	Free	10 p.c.	25 p.c.	Free 10 p.c.	12½ p.c. 22½ p.c.	25 p.c. 35 p.c.
463a	Motion picture projectors, arc lamps for motion picture work, motion picture or theatrical spot lights, light effect machines, portable motion picture projectors with or without sound equipment; electric rectifiers or generators designed for use with motion picture projectors; parts of all the foregoing, not including electric light bulbs, tubes, or exciter lamps.....	Free	15 p.c.	35 p.c.	Free	15 p.c.	35 p.c.
463c	Motion and still picture screens.....	Free	10 p.c.	35 p.c.	Free	15 p.c.	35 p.c.
465a	Signs or indicating markers of material other than paper with radioisotope activated light source.....	7½ p.c.	17½ p.c.	30 p.c.	10 p.c.	20 p.c.	30 p.c.
465b	Radioisotope activated self-luminous standards for calibration purposes.....	10 p.c.	15 p.c.	25 p.c.	15 p.c.	20 p.c.	25 p.c.
505f	Southern yellow pine lumber, not further manufactured than planed on two sides, for use in the manufacture of flooring for motor trucks.....	Free	Free	25 p.c.	10 p.c.	10 p.c.	25 p.c.
520a	Raw cotton and cotton linters not further manufactured than ginned.....	Free	Free	Free	Free	Free	Free
520b	Cotton fibres, n.o.p., and carded sliver, wholly of cotton....	5 p.c.	10 p.c.	12½ p.c.	Free 5 p.c.	10 p.c. 10 p.c.	12½ p.c. 12½ p.c.
521	Yarns and rovings, including threads, cords and twines, wholly of cotton: (1) Singles.....	12½ p.c.	17½ p.c.	22½ p.c.	12½ p.c. 12½ p.c. Free	15 p.c. and 3 cts. per lb. 15 p.c. 20 p.c.	22½ p.c. and 4 cts per lb. 22½ p.c. 25 p.c.
	(2) Of count 40 or finer, when imported by manufacturers of mercerized yarns for use in the manufacture of mercerized cotton yarns.....	Free	15 p.c.	20 p.c.	Free	15 p.c.	15 p.c.

(3) When imported by manufacturers for use in the manufacture of cotton sewing thread or of crochet, knitting, darning or embroidery cottons:						
(a) Singles.....	Free	10 p.c.	15 p.c.	7½ p.c.	15 p.c.	20 p.c.
(b) Plyed.....	5 p.c.	10 p.c.	20 p.c.	Free 5 p.c.	10 p.c. 10 p.c.	15 p.c. 20 p.c.
(4) Of count 70 or finer, when imported by manufacturers for use in the manufacture of levers' lace.....	Free	Free	25 p.c.	Free	Free	25 p.c.
(5) Other, n.o.p.....	15 p.c.	20 p.c.	30 p.c.	15 p.c. 15 p.c.	17½ p.c. and 3 cts. per lb. 20 p.c.	25 p.c. and 4 cts. per lb. 25 p.c. and 4 cts. per lb.
52 Woven fabrics, wholly of cotton:						
(1) Not bleached, mercerized nor coloured, n.o.p.	15 p.c.	20 p.c.	30 p.c.	15 p.c. Various	15 p.c. and 3 cts. per lb. Various	25 p.c. and 4 cts. per lb. Various
(2) Bleached or mercerized, not coloured, n.o.p.	17½ p.c.	22½ p.c.	30 p.c.	17½ p.c. Various	17½ p.c. and 3 cts. per lb. Various	27½ p.c. and 4 cts. per lb. Various
(3) Coloured, n.o.p.	17½ p.c.	22½ p.c.	35 p.c.	17½ p.c. Various	17½ p.c. and 3 cts. per lb. Various	32½ p.c. and 4 cts. per lb. Various
(4) Composed of yarns of counts of 100 or more, including all such fabrics in which the average of the count of warp and weft yarns is 100 or more.....	Free	25 p.c.	35 p.c.	Free	27½ p.c.	32½ p.c. and 4 cts. per lb.
(5) With cut pile.....	10 p.c.	25 p.c.	35 p.c.	15 p.c. 5 p.c.	22½ p.c. and 3½ cts. per lb. 25 p.c. and 3½ cts. per lb.	32½ p.c. and 4 cts. per lb. 32½ p.c. and 4 cts. per lb.
(6) For use in the manufacture of sails for boats or ships.....	Free	20 p.c.	30 p.c.	Free	20 p.c. and 3½ cts. per lb.	25 p.c. and 4 cts. per lb.
(7) Bleached, when imported by manufacturers of handkerchiefs for use in the manufacture of handkerchiefs wholly of cotton.....	Free	20 p.c.	27½ p.c.	Free	22½ p.c.	27½ p.c.
(8) Weighing not more than 7½ pounds per 100 square yards, not bleached nor coloured.....	Free	Free	30 p.c.	Free 15 p.c.	Free 15 p.c. and 3 cts. per lb.	25 p.c. and 4 cts. per lb. 25 p.c. and 4 cts. per lb.

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
522 (cont.)	(9) Not coloured, for use in the manufacture of ribbons for typewriters, calculators, or other office appliances.	Free	12½ p.c.	15 p.c.	Free various	12½ p.c. various	15 p.c. various
523a	Clothing, wearing apparel and other articles, made from woven fabrics wholly of cotton; all textile manufactures, wholly or partially manufactured, the component fibre of which is wholly cotton, n.o.p.	25 p.c.	25 p.c.	35 p.c.	25 p.c. 22½ p.c. Various	25 p.c. 22½ p.c. Various	35 p.c. and 4 cts. per lb. 35 p.c. and 4 cts. per lb. Various
523b	Handkerchiefs, wholly of cotton	12½ p.c.	27½ p.c.	35 p.c.	12½ p.c.	27½ p.c.	35 p.c. and 4 cts. per lb.
524	Woven fabrics, open mesh, wholly or in chief part by weight of cotton, imported for use in the manufacture of fruit or vegetable bags	Free	Free	Free	Free	Free	Free
530a	Wool and wool noils, not further prepared than scoured or carbonized	Free	Free	Free	Free	Free	Free
530b	Slivers, wholly or in part of wool, not containing man-made fibres or glass fibres, per pound	Free	10 cts.	15 cts.	Free	10 cts.	15 cts.
530c	Hair and hair noils; slivers, 50 p.c. or more, by weight, of hair; horsehair not further manufactured than dipped or dyed	Free	Free	Free	Free Free	Free Free	15 cts. per lb. Free
530d	Hair, curled or dyed, n.o.p.	12½ p.c.	15 p.c.	20 p.c.	12½ p.c.	15 p.c.	20 p.c.
531a	Rovings and yarns, 50 p.c. or more, by weight of hair, and, per pound	Free	10 p.c.	20 p.c. 17½ cts.	7½ p.c. 5 cts. Various	12½ p.c. 15 cts. Various	20 p.c. 17½ cts. Various
531b	Rovings and yarns, wholly or in part of wool, n.o.p., and, per pound	7½ p.c. 7 cts.	12½ p.c. 17 cts.	22½ p.c. 22½ cts.	7½ p.c. 5 cts.	12½ p.c. 15 cts.	20 p.c. 17½ cts.
531c	Rovings and yarns, wholly or in part of wool or hair in measured skeins or balls, and, per pound	7½ p.c. 10 cts.	12½ p.c. 20 cts.	22½ p.c. 22½ cts.	7½ p.c. 5 cts.	12½ p.c. 15 cts.	22½ p.c. 22½ cts.

531d	Yarns and warps, spun on the worsted system, composed wholly of wool or in part of wool or hair, imported by manufacturers for use in their own factories in the manufacture of woven fabrics in chief part by weight of wool or hair and not exceeding six ounces to the square yard, when in the gray or unfinished condition, under such regulations as may be prescribed by the minister.....	Free	15 p.c.	20 p.c.	Free	15 p.c.	20 p.c.
		.....	15 cts.	17½ cts.	.....	15 cts.	17½ cts.
532d	Woven fabrics, composed wholly or in chief part by weight of yarns of wool or hair, not exceeding in weight four ounces to the square yard, when imported in the gray or unfinished condition, for the purpose of being dyed or finished in Canada.....	Free	20 p.c.	30 p.c.	Free	20 p.c.	30 p.c.
		.....	15 cts.	20 cts.	.....	15 cts.	20 cts.
532e	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, but not including such fabrics for use as interlining.....	Free	15 p.c.	40 p.c.	Free	15 p.c.	40 p.c.
		.....		40 cts.	.....		40 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	.....		\$1.10	.....
550	Silk cocoons.....	Free	Free	Free	Free	Free	Free
551a	Yarns and rovings, wholly of silk, degummed or not:						
	(1) Not thrown or spun.....	Free	Free	Free	Free	Free	Free
	(2) Not further advanced than thrown or spun.....	Free	7½ p.c.	10 p.c.	10 p.c. Free	12½ p.c. 7½ p.c.	15 p.c. 10 p.c.
	(3) N.o.p., including threads, cords or twines.....	12½ p.c.	20 p.c.	25 p.c.	12½ p.c.	20 p.c.	25 p.c.
551b	Yarns and rovings of silk and vegetable fibres.....	12½ p.c.	20 p.c.	25 p.c.	12½ p.c.	20 p.c.	25 p.c.
552a	Woven fabrics, more than 50 p.c. by weight, of silk, not containing wool or hair.....	12½ p.c.	22½ p. c.	45 p.c.	17½ p.c.	25 p.c. and 5 cts. per lineal yard	45 p.c. and 10 cts. per lineal yard
					Various	Various	Various
552b	Woven fabrics of silk and vegetable fibres, n.o.p.....	12½ p.c.	22½ p.c.	45 p.c.	17½ p.c.	25 p.c. and 5 cts. per lineal yard	25 p.c. and 5 cts. per lineal yard

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
553 The following, when the textile component thereof is more than 50 p.c., by weight, of silk:						
(1) Handkerchiefs, made from woven fabric	20 p.c.	22½ p.c.	45 p.c.	27½ p.c.	30 p.c.	45 p.c. and 7 cts. per lb.
(2) Headsquares, scarves or mufflers, made from woven fabrics	20 p.c.	22½ p.c.	45 p.c.	27½ p.c.	30 p.c.	45 p.c. and 7 cts. per lb.
(3) Clothing, wearing apparel and articles, made from woven fabrics, and all textile manufactures, wholly or partially manufactured	27½ p.c.	30 p.c.	45 p.c.	27½ p.c.	30 p.c.	45 p.c. and 7 cts. per lb.
559a Rags and wastes, whether or not cleaned, dusted, willowed, picked or pulled, unfit for use without further manufacture; used textile manufactures or waste portions of unused yarns or of unused fabrics, imported for disintegrating or for the manufacture of wiping rags; none of the foregoing to include remnants or mill ends	Free	Free	Free	Free 7½ p.c.	Free 10 p.c.	Free 12½ p.c.
559b Waste portions of unused fabrics, n.o.p., not to include remnants or mill ends	7½ p.c.	10 p.c.	20 p.c.	7½ p.c. Free	10 p.c. 7½ p.c.	12½ p.c. 10 p.c.
559c Garnetted material, obtained by disintegrating yarns or fabrics, wholly of wool or hair, in the natural colour of the fleece or the hair	Free	Free	Free	Free	Free	Free
559d Garnetted material, obtained by disintegrating yarns or fabrics, n.o.p.	7½ p.c.	10 p.c.	20 p.c.	7½ p.c.	10 p.c.	12½ p.c.
559e Nubs, slugs, slubs, neps or kemps	Free	Free	Free	Various	Various	Various
559f Washed wiping rags, trimmed or untrimmed; machine wiping wastes or machined journal-box packing wastes	7½ p.c.	10 p.c.	20 p.c.	7½ p.c.	10 p.c.	12½ p.c.
560a Man-made fibres or glass fibres, not exceeding 12 inches in length	5 p.c.	12½ p.c.	15 p.c.	Free	7½ p.c.	10 p.c.

560b	Sliver, wholly or in part of man-made fibres or of glass fibres.....	5 p.c.	12½ p.c.	15 p.c.	Free	7½ p.c.	10 p.c.
560c	Man-made filaments or glass filaments imported for converting into lengths not exceeding 12 inches, for use in the manufacture of:						
	(1) Textile yarns or flock.....	5 p.c.	12½ p.c.	15 p.c.	Free	7½ p.c.	10 p.c.
	(2) Cigarette filter tips.....	5 p.c.	12½ p.c.	15 p.c.	5 p.c.	12½ p.c.	35 p.c. but not less than 28 cts. per lb.
560d	Man-made fibres, not exceeding 12 inches in length, for use in the manufacture of carpets.....	2½ p.c.	10 p.c.	15 p.c.	Free	7½ p.c.	10 p.c.
561a	Yarns and rovings, wholly of man-made fibres or filaments or of glass fibres or filaments, not more advanced than singles, not coloured, with not more than seven turns to the inch.....	20 p.c.	22½ p.c.	35 p.c.	20 p.c.	22½ p.c. but not less than 22 cts. per lb.	35 p.c. but not less than 28 cts. per lb.
	but not less than, per pound		22 cts.	28 cts.	5 p.c.	22½ p.c. but not less than 22 cts. per lb.	35 p.c. but not less than 28 cts. per lb.
561b	Yarns and rovings, wholly or in part of man-made fibres or filaments or of glass fibres or filaments, including threads, cords or twines, not containing wool or hair.....	22½ p.c.	22½ p.c.	35 p.c.	22½ p.c.	22½ p.c. but not less than 22 cts. per lb.	35 p.c. but not less than 28 cts. per lb.
	but not less than, per pound		22 cts.	28 cts.	7½ p.c.	22½ p.c. but not less than 22 cts. per lb.	35 p.c. but not less than 28 cts. per lb.
561c	Yarns, wholly of man-made fibres or filaments, not more advanced than singles, not coloured, with not more than seven turns to the inch, for use in the manufacture of woven cord tire fabric.....	7½ p.c.	12½ p.c.	35 p.c.	7½ p.c.	12½ p.c.	35 p.c.
	but not less than, per pound		11 cts.	28 cts.		11 cts.	28 cts.
561d	Yarns and rovings, including threads, cords or twines, wholly or in part of man-made fibres or filaments, not containing silk, wool or hair, for use in the manufacture of fabrics for conveyor or transmission belts or belting containing rubber.....	12½ p.c.	22½ p.c.	35 p.c.	Various	Various	Various
561e	Yarns and rovings composed of hair combined with man-made fibres or filaments, for use in the manufacture of tailors' canvas interfacing.....	Free	7½ p.c.	20 p.c.	Free	7½ p.c.	20 p.c.
	and, per pound		10 cts.	17½ cts.		10 cts.	17½ cts.
562a	Woven fabrics, wholly or in part of man-made fibres or filaments or of glass fibres or filaments, not containing wool or hair, not including fabrics more than 50 p.c., by weight, of silk.....	22½ p.c.	30 p.c.	45 p.c.	22½ p.c.	25 p.c.	45 p.c.
	and, per pound		20 cts.	40 cts.	Various	30 cts.	40 cts.
						Various	Various

Tariff Item	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget		Tariff
				British Preferential Tariff	Most-Favoured-Nation Tariff	
562a (cont.) Woven fabrics containing five per cent or less, by weight, of man-made fibres or filaments or of glass fibres or filaments shall not be dutiable under this item but shall be dutiable as though composed wholly of the remaining constituents.						
562b Woven fabrics with cut-pile, wholly or in part of man-made fibres or filaments or of glass fibres or filaments, not containing wool or hair.....	20 p.c.	30 p.c.	45 p.c.	17½ p.c.	25 p.c.	35 p.c.
562c Woven fabrics with leno-edged strips, not less than 40 inches in width, wholly of man-made fibres or filaments, imported in the unfinished condition by manufacturers of metalline ribbons, for use in the manufacture of such ribbons.....	Free	5 p.c.	45 p.c.	Free	5 p.c.	45 p.c.
562d Umbrella-covering fabrics, impregnated or not, with or without hemmed edges, in lengths of not less than 10 yards, for use in the manufacture of umbrellas having a rib length of not more than 27 inches.....	Free	Free	Free	Free	Free	20 p.c.
562e Woven fabrics, wholly or in part of silk or of man-made fibres or filaments, imported in lengths of not less than five yards, by manufacturers of neckties, for use in the manufacture of neckties, but not including such fabrics for use as inter-lining.....	15 p.c.	15 p.c.	45 p.c.	15 p.c. Various	15 p.c. Various	45 p.c. and 40 cts. per lb. Various
562f Woven cord tire fabric, wholly or in chief part, by weight, of man-made fibres or filaments, not to contain silk or wool, for use in the manufacture of pneumatic tires, n.o.p..... and, per pound	7½ p.c.	7½ p.c. 7½ cts.	45 p.c. 40 cts.	7½ p.c.	7½ p.c. 7½ cts.	45 p.c. 40 cts.
562g Woven cord tire fabric, wholly or in chief part, by weight, of man-made fibres or filaments, not to contain silk or wool, coated with a rubber composition, when imported by manufacturers of rubber tires, to be incorporated by them in pneumatic tires, in their own factories.....	Free	15 p.c.	45 p.c.	Free	15 p.c.	25 p.c. and 4 cts. per lb.

562h	Woven fabrics, wholly or in part of man-made fibres or filaments, not containing silk, wool or hair, whether or not coated or impregnated, when imported by manufacturers of conveyor or transmission belts or belting containing rubber, for use in the manufacture of such belts or belting.....	15 p.c.	27½ p.c.	45 p.c.	22½ p.c.	25 p.c. and 30 cts. per lb.	45 p.c. and 40 cts. per lb.
563	Clothing, wearing apparel and articles made from woven fabrics, and all textile manufactures, wholly or partially manufactured, the textile component of which is 50 p.c. or more, by weight, of man-made fibres or filaments or of glass fibres or filaments, not containing wool or hair.....	20 p.c.	27½ p.c.	50 p.c.	20 p.c. Various	27½ p.c. Various	50 p.c. and 7 cts. per lb. Various
564	Church vestments, prayer shawls, prayer shawl fringes and prayer shawl bags.....	10 p.c.	10 p.c.	20 p.c.	10 p.c.	10 p.c.	20 p.c.
565	Saris of any material.....	20 p.c.	22½ p.c.	50 p.c.	20 p.c.	22½ p.c.	45 p.c. and 7 cts. per lb.
573	Enamelled carriage, shelf and table oilcloth, and cork matting or carpets..... and, per pound	15 p.c.	27½ p.c.	35 p.c. 4 cts.	15 p.c.	27½ p.c.	35 p.c. and 4 cts. per lb.
573a	Linoleum; felt base floor covering not including such materials in which are incorporated synthetic resin sheets or cellulose plastic sheets..... and, per pound	15 p.c.	25 p.c.	35 p.c. 4 cts.	15 p.c.	27½ p.c.	35 p.c. and 4 cts. per lb.
586	Anthracite coal; anthracite coal screenings and dust. per ton	Free	Free	50 cts.	Free 35 cts. per ton	Free 50 cts. per ton	50 cts. per ton 75 cts. per ton
624a	(5) Toy electric train sets, transformers, parts and accessories for use therewith.....	5 p.c.	20 p.c.	40 p.c.	Various	Various	Various
663f	Iodized mineral salts, for use in the feeding of animals..	Free	10 p.c.	25 p.c.	Free	15 p.c.	25 p.c.

3. Resolved,

that Schedule A to the *Customs Tariff* be amended by striking out tariff items 552c(2), 530, 531, 532d, 552, 552a, 553(2), 553(3), 553a, 554b(1), 554b(2), 554b(3), 561a(i), 561a(ii), 562, 562a, 565, 566 and 567b(3), 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:

532a	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.	38 cts.	40 cts.
	The total duty leviable shall not be in excess of.....per pound	60 cts.	.....	.....	60 cts.	.....	.....

Tariff Item		British Preferential Tariff	Most- Favoured- Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget		
					British Preferential Tariff	Most- Favoured-Nation Tariff	General Tariff
532b	Woven fabrics composed wholly or in part of yarns of wool or hair and weighing not less than twelve ounces to the square yard..... and, per pound	20 p.c. 15 cts.	27½ p.c. 33 cts.	40 p.c. 40 cts.	20 p.c. 15 cts.	27½ p.c. 33 cts.	40 p.c. 40 cts.
	The total duty leviable shall not be in excess of..... per pound	55 cts.	.....	.....	55 cts.	.....	.....
532c	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..... and, per pound	20 p.c. 20 cts.	27½ p.c. 38 cts.	40 p.c. 40 cts.	20 p.c. 20 cts.	27½ p.c. 38 cts.	40 p.c. 40 cts.
	The total duty leviable shall not be in excess of..... per pound	60 cts.	\$1.10	.....	60 cts.	\$1.10	.....
538a	Cotton yarns, wholly covered with a double layer of metallic strip in single strand only, when imported by manufacturers for use exclusively in the manufacture of electrical conductors, in their own factories and, per pound	10 p.c.	10 p.c.	25 p.c. 4 cts.	10 p.c.	10 p.c.	25 p.c. 4 cts.
538b	Lace and embroideries, wholly of cotton, coloured, when imported for use exclusively by manufacturers in the manufacture of clothing, in their own factories and, per pound	7½ p.c.	15 p.c.	30 p.c. 4 cts.	7½ p.c.	15 p.c.	30 p.c. 4 cts.
538c	Knitted fabric wholly of cotton, in the web, imported by manufacturers of rubber boots and shoes for use exclusively in the manufacture of such articles in their own factories.....	10 p.c.	20 p.c.	25 p.c.	10 p.c.	20 p.c.	25 p.c.
538d	Fabrics wholly of cotton, coated or impregnated, n.o.p. and, per pound.....	20 p.c.	25 p.c.	35 p.c. 4 cts.	20 p.c.	25 p.c.	35 p.c. 4 cts.
538e	Felt, pressed, of all kinds, in the web, not consisting of or in combination with any woven, knitted or other fabric or material..... and, per pound.....	12½ p.c.	17½ p.c. 12½ cts.	25 p.c. 20 cts.	12½ p.c.	17½ p.c. 12½ cts.	25 p.c. 20 cts.
538f	Felt, splint, for use in making moulded splints for medicinal purposes.....	Free	10 p.c.	25 p.c.	Free	10 p.c.	25 p.c.

538g	Blankets of any material, not to include automobile rugs, steamer rugs, or similar articles:					
	(1) Blankets, wholly or in part of wool or hair.....	20 p.c.	25 p.c.	35 p.c.	20 p.c.	25 p.c.
	and, per pound	5 cts.	20 cts.	30 cts.	5 cts.	20 cts.
	(2) Blankets, n.o.p.....	20 p.c.	25 p.c.	35 p.c.	20 p.c.	25 p.c.
	and, per pound	5 cts.	20 cts.	30 cts.	5 cts.	20 cts.
538h	Stereotypers' and typecasters' blankets or blanketing and press blankets or blanketing used for printing presses, of a class or kind not made in Canada.....	Free	5 p.c.	10 p.c.	Free	5 p.c.
538i	Fabrics, coated or impregnated, n.o.p.:					
	(1) Composed wholly or in part of silk.....	27½ p.c.	30 p.c.	45 p.c.	27½ p.c.	30 p.c.
	(2) Composed wholly or in part of synthetic textile fibres or filaments, but not containing silk.....	30 p.c.	35 p.c.	50 p.c.	30 p.c.	35 p.c.
538j	Woven fabrics not exceeding twelve inches in width generally known as "ribbons", whether with cut pile or not, wholly or in part of silk but not containing wool.....	22½ p.c.	25 p.c.	35 p.c.	22½ p.c.	25 p.c.
538k	Woven fabrics not exceeding twelve inches in width, generally known as "ribbons", whether with cut pile or not, wholly or in part of synthetic textile fibres or filaments, but not containing silk nor wool.....	22½ p.c.	25 p.c.	35 p.c.	22½ p.c.	25 p.c.
538m	Embroideries, lace, braids, cords, chenille, gimp, fringes and tassels, whether containing tinsel or not, nets, nettings and bobinet, n.o.p.....	17½ p.c.	22½ p.c.	35 p.c.	17½ p.c.	22½ p.c.
538n	Plaited or braided lines and cords, non-elastic, whether of tubular or of solid construction, not exceeding one inch in circumference, wholly or in chief part by weight of vegetable fibres.....	15 p.c.	30 p.c.	35 p.c.	15 p.c.	30 p.c.
538p	Woven fabrics, containing figured designs, not exceeding twelve inches in width, laces, embroideries, emblems and medallions, for use in the manufacture of church vestments.....	10 p.c.	10 p.c.	20 p.c.	10 p.c.	20 p.c.

4. Resolved,
that Schedule B to the *Customs Tariff* be amended by striking out items 1030(a) and 1030(b) and the enumerations of goods and the rates of drawback of duty set opposite each of those items, and by inserting the following item, enumeration of goods and rate of drawback of duty:

Item No.	Goods	When Subject to Drawback	Portion of Duty (not including Special Duty or Dumping Duty) Payable as Drawback
1013	Materials	When used in the manufacture of articles enumerated in tariff item 236.....	50 p.c.

5. Resolved,
that Schedule A to the *Customs Tariff* be amended by striking out tariff items 124b, 180a, 237a, 399a, 403(c), 409e(1), 437b, 433f(1) and (2), 438g, 440m and 440n, 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
90e Potatoes, pre-cooked, without admixture beyond the addition of preservatives, in powder, flake or granular form.....	17½ p.c.	17½ p.c.	25 p.c.	Free	Free	2½ cts. per lb.
124b Squid, octopus and cuttlefish.....	Free	Free	Free	Free 12½ p.c.	Free 17½ p.c.	Free 25 p.c.
180a Photographs, negatives and exposed film, for use only as news illustrations.....	Free	Free	Free	Free	Free	Free
237a Deuterium oxide or heavy water; uranium in the form of pigs, ingots, billets or bars..... <i>On and after July 1, 1962</i>	Free Free	Free 15 p.c.	25 p.c. 25 p.c.	Free Free	Free 15 p.c. (On and after July 1, 1960)	25 p.c. 25 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; <i>seismograph drilling bits, in sizes three and one-half inches to four and three-quarter inches inclusive</i> ; 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
403 Wire, of steel: (c) Valued at not less than two and three-quarter cents per pound for use in the manufacture of wire rope.....	Free	5 p.c.	7½ p.c.	Free 10 p.c.	5 p.c. 20 p.c.	7½ p.c. 20 p.c.
409e (1) Spraying and dusting machines and attachments therefor, including hand sprayers, for agricultural or horticultural purposes; apparatus for the destruction of predatory animals by the discharge of poisonous cartridges and poisonous cartridges for such apparatus; automatic explosive bird-scaring devices; apparatus specially designed for sterilizing bulbs; pressure testing apparatus for determining maturity of fruit; pruning hooks; pruning shears; dehorning instruments; magnets for veterinary use; parts of the foregoing.....	Free	Free	Free	Free 15 p.c.	Free 22½ p.c.	Free 30 p.c.

437b	Diesel 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	Free	35 p.c.
438f	Parts, n.o.p., electro-plated or not, whether finished or not, for automobiles, motor vehicles, electric trackless trolley buses, fire fighting vehicles, ambulances and hearses, or chassis enumerated in tariff items 424 and 438a, including engines, but not including ball or roller bearings, wireless receiving sets, die castings of zinc, electric storage batteries, parts of wood, tires and tubes or parts of which the component material of chief value is rubber.....	Free	25 p.c.	35 p.c.	Free	25 p.c.	35 p.c.
438g	Brake linings and clutch facings, whether or not including metallic wires or threads, for automobiles, motor vehicles, electric trackless trolley buses, fire fighting vehicles, ambulances and hearses, or chassis enumerated in tariff items 424 and 438a:						
	(1) When made wholly or in part from crude asbestos of British Commonwealth origin.....	Free	25 p.c.	35 p.c.	Free	25 p.c.	35 p.c.
	(2) When made wholly or in part from crude asbestos, n.o.p.....	15 p.c.	25 p.c.	35 p.c.	15 p.c.	25 p.c.	35 p.c.
438h	Motor cycles or side cars therefor, and parts of the foregoing.....	Free	17½ p.c.	30 p.c.	Free	17½ p.c.	30 p.c.
440m	Aircraft, not including engines, under such regulations as the Minister may prescribe:						
	1. When of types or sizes not made in Canada.....	Free	Free	27½ p.c.	Free	Free	27½ p.c.
	On and after July 1, 1962	Free	15 p.c.	27½ p.c.	Free	15 p.c.	27½ p.c.
						(On and after July 1, 1960)	
	2. When of types and sizes made in Canada.....	Free	15 p.c.	27½ p.c.	Free	15 p.c.	27½ p.c.
440n	Aircraft engines, when imported for use in the equipment of aircraft:						
	1. When of types or sizes not made in Canada.....	Free	Free	27½ p.c.	Free	Free	27½ p.c.
	On and after July 1, 1962	Free	15 p.c.	27½ p.c.	Free	15 p.c.	27½ p.c.
						(On and after July 1, 1960)	
	2. When of types and sizes made in Canada.....	Free	15 p.c.	27½ p.c.	Free	15 p.c.	27½ p.c.

6. Resolved,

that Schedule A to the *Customs Tariff* be amended as follows:

1. by adding to the enumeration of goods in tariff item 438c the following:

"Door opening weatherseal retainers;
Reclining seat mechanisms;
Swivel seat mechanisms;"

2. by deleting from tariff item 438d the words "Internal combustion engines of 349 cubic inches and over in displacement;" and substituting therefor the words "Internal combustion engines over 348 cubic inches in displacement;"

3. by adding to the enumeration of goods in tariff item 438*d* the following:

"Air cleaners;

Cast aluminum road wheels for tube type tires using rim sizes larger than twenty inches by eight inches and for tubeless type tires using rim sizes larger than twenty two and one half inches by eight and one quarter inches;"

7. Resolved,

that any enactment founded upon the foregoing resolutions shall be deemed to have come into force on the 1st day of April, 1960, and to have applied to all goods mentioned in the said resolutions imported or taken out of warehouse for consumption on or after that day, and to have applied to goods previously imported for which no entry for consumption was made before that day.

BUDGET PAPERS

presented by

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

for the information of Parliament

in connection with the Budget of 1960-61

FOREWORD

The purpose of these Papers is twofold:

1. to present a general economic review of 1959, 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, 1960.

PART I
ECONOMIC REVIEW OF 1959

	PAGE
1. National Accounts—	
National Income and Product.....	43
National Expenditure.....	45
Personal Income and its Disposition.....	48
Source and Disposition of Saving.....	50
Investment and Capital Expenditure.....	51
Revenue and Expenditure of All Governments.....	54
2. Balance of International Payments.....	58
3. Employment and Earnings.....	64
4. Financial Developments.....	66
5. Price Trends.....	70

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 1959 estimates are preliminary and subject to revision.

THE NATIONAL ACCOUNTS

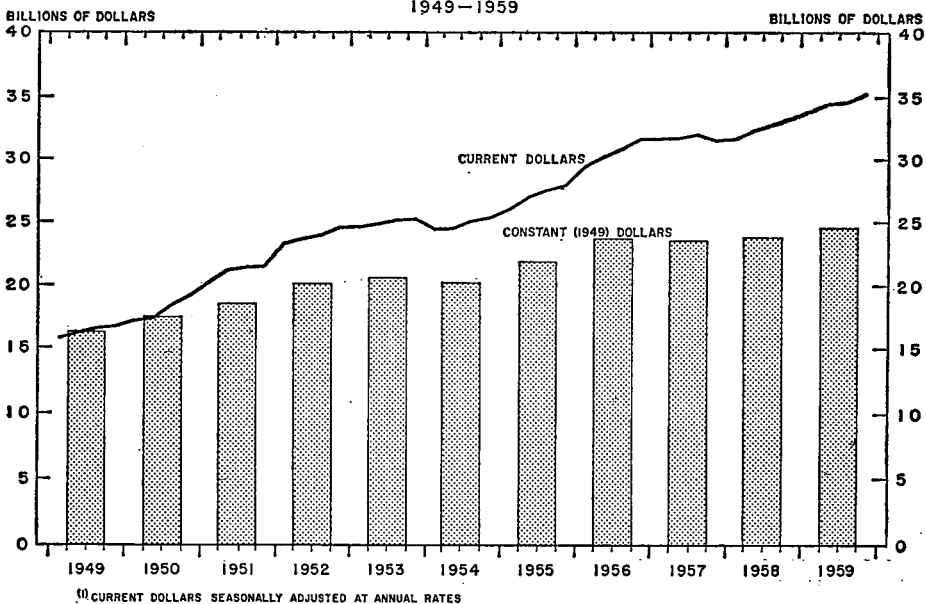
NATIONAL INCOME AND PRODUCT

Gross National Product in 1959, according to preliminary estimates, amounted to \$34.6 billion, more than 6 per cent above that of 1958. Most of the increase represented gains in the volume of production; the rise in prices was about 2 per cent.

The increase in the volume of production in 1959 was the first significant gain in real output since 1956 and compares with a postwar average of about 4 per cent. The rise in output had been underway since mid-1958, but 1959 was the first full year to feel the impact of the current expansion. The expansion proceeded until the third quarter of 1959 when there was a temporary pause, caused in part by the effects of some major labour disputes. By the fourth quarter of the year, however, the upswing had been resumed, and the final quarter annual rate of Gross National Product of \$35.3 billion was 2 per cent above the average of 1959 as a whole.

It is also possible to measure changes in real output on an industrial basis. While official statistics do not completely cover all sectors of production, there are indications that the rise in total real output, as measured this way, may have been more than $4\frac{1}{2}$ per cent. The gain in output was widespread among industrial groups, with both goods-producing and service industries higher by that amount. The largest gains were registered in mining and forestry (which reflected the pickup in demand from abroad for Canadian wood and metal products) and in public utilities and durable and non-durable goods manufacturing. By year end the pace of the upswing had brought total industrial output to a level 8 per cent above the previous peak at the beginning of 1957. Output in durable manufacturing, which had generally declined from the beginning of 1957 to the autumn of 1958, rose substantially throughout 1959 and by October had almost reached the previous peak. There was little change in the

GROSS NATIONAL EXPENDITURE
IN CURRENT AND CONSTANT (1949) DOLLARS⁽¹⁾
1949-1959



level of agricultural production. Output in construction and in fishing and trapping was somewhat below the level of 1958. The decline in construction activity was the result of a slightly smaller level of housebuilding and a moderately lower level of private non-residential building for the year as a whole. In the last half of 1959, however, private business construction was increasing.

There was a substantial increase in employment during the year as the increase in production opened up new job opportunities. Total employment rose by 156,000 persons from 1958 to 1959. At the same time the growth in the labour force was 101,000 persons so that the number without jobs and seeking work fell from an average of 405,000 in 1958 to 350,000 for the year 1959. This represented 5.6 per cent of the labour force in 1959 compared with 6.6 per cent in 1958.

Increased production and employment provided the basis for a rise in income in 1959; national income was up 6.4 per cent. Most major income groups showed gains over the preceding year. As is typical of periods of economic expansion, corporation profits rose more than other elements of the national income, increasing by 14 per cent over 1958 and almost reaching the 1956 peak. Labour income rose throughout the year reaching a record level of \$17.7 billion, almost 8 per cent above the previous year. The number of paid workers increased by 3.7 per cent; average hours worked in manufacturing were up from 40.2 hours to 40.7 hours per week, and average hourly earnings increased by 4 per cent. Consumer prices rose only about 1 per cent in 1959 so that there was a substantial increase in total real income. After allowing for the increase in population, there was a considerable gain in real income per capita.

Corporations increased their profits almost to the level of the previous record of 1956 as output was higher and costs remained relatively stable. Corporation profits amounted to \$2,836 million in 1959, up from \$2,483 million in 1958. Profits had risen sharply in the final quarter of 1958 and remained at this higher level throughout 1959, increasing only moderately throughout the year.

TABLE 1
NATIONAL INCOME AND GROSS NATIONAL PRODUCT

	1956	1957	1958	Prelim. 1959
	(Millions of dollars)			
1. Wages, salaries, and supplementary labour income	14,890	15,996	16,434	17,717
2. Military pay and allowances.....	424	476	491	496
3. Corporation profits before taxes.....	2,908	2,547	2,483	2,836
4. Rent, interest, and miscellaneous investment income.....	1,767	1,905	2,015	2,094
5. Accrued net income of farm operators from farm production ¹	1,450	996	1,193	1,108
6. Net income of non-farm unincorporated business..	1,965	2,011	2,119	2,150
7. Inventory valuation adjustment ²	-238	-71	-33	-120
8. National Income (1+2+3+4+5+6+7).....	23,166	23,860	24,702	26,281
9. Indirect taxes less subsidies.....	3,636	3,848	3,883	4,220
10. Capital consumption allowances and miscellaneous valuation adjustments.....	3,642	3,994	3,923	4,131
11. Residual error of estimate.....	141	71	98	-39
12. Gross National Product at Market Prices (8+9+10+11).....	30,585	31,773	32,606	34,593
13. Index of G.N.P. in Constant Dollars.....	100.0	99.7	100.5	104.0

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

² See footnote 2, Table 2.

Rent, interest and miscellaneous investment income increased by almost 4 per cent.

Farm output remained high and cash income was at about the 1958 level of \$2.8 billion, 3 per cent below the 1952 record. The farm labour force declined a further 3 per cent during the year to a level almost one-quarter below that of 1952, and per capita farm cash income continued to increase. Accrued net farm income amounted to \$1,108 million in 1959, 7 per cent below that of the previous year. The 1959 grain crop was larger than that of 1958 and marketings were about the same. In both years marketings exceeded production and stocks were drawn down. Income from the sale of livestock was almost unchanged in the year; a decline in marketings of cattle and calves, associated with lower exports to the United States, was mostly offset by higher income from hogs.

Net income of unincorporated business amounted to \$2,150 million in 1959, 1.5 per cent above the level of the preceding year. The major gains in this sector were accounted for by service industries and transportation. Net income in forestry also rose, in line with higher levels of operations in the woods industries.

NATIONAL EXPENDITURE

The strength of domestic demand which had sustained the Canadian economy in 1958 provided impetus to the expansion of production in 1959. Consumer expenditure, supported by higher levels of income, provided the main stimulus to demand in dollar terms. The increase in government expenditure on goods and services was also a significant element in the expansion of domestic demand. Private investment was almost unchanged from the 1958 level. Expenditures on new housing declined very slightly from the record of the previous year, while non-residential construction was 8 per cent below 1958. On the other hand, business investment in machinery and equipment was 9 per cent above 1958, and was decidedly stronger in the second half of the year. Exports responded to the rising tempo of economic activity abroad and reached a record level. The rising level of total demand prompted a buildup in inventories, in contrast to 1958 when there had been a liquidation of inventories. About three-quarters of the increased demand was met by means of higher domestic production, and the remaining one-quarter by higher imports. It should be noted that the movement of imports has been considerably more volatile than that of total Canadian demand; in periods of slackening demand, imports tend to decline more rapidly than other components of Gross National Expenditure so that the decline in domestic production is mitigated. Conversely, in periods of expanding demand, imports tend to increase more rapidly than other components.

The average consumer increased his volume of real spending on consumer goods and services by more than 2 per cent in 1959. The value of consumer expenditure on goods and services rose by 6 per cent and amounted to \$22.3 billion. Expenditures rose steadily throughout the year and by the fourth quarter of the year had reached a seasonally adjusted annual rate of \$22.8 billion. Almost all of the rise in value represented a gain in volume. Average prices of consumer goods and services in 1959 were only one per cent above the average of 1958, while average prices in 1958 had been $2\frac{1}{2}$ per cent above those of 1957. The gain of almost 5 per cent in the volume of consumer expenditure contrasts with a population increase of about $2\frac{1}{2}$ per cent.

In 1959 expenditure by all levels of government on goods and services amounted to \$6,437 million, $4\frac{1}{2}$ per cent above 1958. This is in contrast to increases of 7 per cent in both 1957 and 1958. All of the gain in 1959 was at the provincial and municipal levels; total federal expenditure on goods and services declined slightly, with an increase in federal non-defence spending not quite offsetting a decline of about 6 per cent in defence expenditure. About

three-quarters of the net increase in total government spending was accounted for by capital expenditures which rose by 15 per cent to a level of \$1,600 million. Other government non-defence expenditure on goods and services in 1959 was about 5 per cent above the level of 1958.

Private capital expenditures, including housing, moved upward strongly during 1959 and the fourth-quarter rate was 5 per cent above that for the beginning of the year. For the year as a whole, private capital expenditure amounted to \$6,961 million, about equal to 1958 and 5 per cent below the 1957 record of \$7,335 million. Since prices of capital goods increased somewhat during 1959, the volume of capital expenditures declined about 3 per cent from that of the previous year.

The pattern of investment expenditure in 1959 was somewhat different from that of 1958. In the latter year there had been declines in spending on business plant and machinery, offset to some extent by a sharp increase in housing expenditure. In 1959 housebuilding activity was at almost the record level set in 1958 and, while business expenditure on plant was lower, there was a significant recovery in investment in machinery and equipment.

TABLE 2
GROSS NATIONAL EXPENDITURE

	1956	1957	1958	Prelim. 1959
(Millions of dollars)				
1. Personal expenditure on consumer goods and services.....	18,833	19,964	21,035	22,261
2. Government expenditure on goods and services....	5,386	5,738	6,161	6,437
current expenditure.....	4,126	4,356	4,772	4,837
gross fixed capital formation.....	1,260	1,382	1,389	1,600
3. Business gross fixed capital formation ¹	6,774	7,335	6,975	6,961
new residential construction.....	1,526	1,409	1,763	1,743
new non-residential construction.....	2,589	3,103	2,811	2,592
new machinery and equipment.....	2,659	2,823	2,401	2,626
4. Value of physical change in inventories—total ²	1,084	210	-435	300
non-farm business inventories.....	808	311	-323	355
farm inventories.....	241	-152	-79	-67
grain in commercial channels.....	35	51	-33	12
5. Exports of goods and services ³	6,365	6,394	6,332	6,657
6. Imports of goods and services ³	-7,715	-7,796	-7,363	-8,062
7. Residual error of estimate.....	-142	-72	-99	39
8. Gross National Expenditure at Market Prices (1+2+3+4+5+6+7).....	30,585	31,773	32,606	34,593
9. Index of G.N.E. in Constant Dollars.....	100.0	99.7	100.5	104.0

¹ Includes private businesses and institutions, and publicly owned business enterprises.

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, 1956 to 1959", Dominion Bureau of Statistics, to achieve consistency with the other component series.

Housebuilding in 1959 was at a level of \$1,743 million compared with the \$1,763 million spent in 1958. After allowing for a rise in building costs, the volume of housebuilding activity was about 5 per cent below that of 1958. In terms of physical activity 145,671 housing units were completed in 1959, almost equal to the 1958 record of 146,688 units; at the same time 141,345 starts were recorded, as against 164,632 in the preceding year. At year end, there were 81,905 units still under construction; at the same period a year previously 88,162

units were under construction. As in 1958, government action played an important role in the financing of housebuilding; there were about 34,000 mortgages financed directly by government funds.

Outlays in private non-residential construction were \$2,592 million in 1959, 8 per cent below the 1958 level and 16 per cent below the record year 1957. The declines reflect the completion of large projects begun in 1956 and 1957, years of an extraordinary capital goods boom. By 1958 the major work had been completed on large projects such as the St. Lawrence Seaway, and work done in 1959 represented a greater emphasis on a large number of smaller projects throughout all sectors of the economy. There was a decided strengthening of private non-residential construction throughout 1959 and the fourth-quarter rate was 2 per cent above the year as a whole. Prices were about $2\frac{1}{2}$ per cent higher than in 1958.

Investment in machinery and equipment, which includes outlays both for the equipment of new plant and the modernization of existing plant, rose more than 9 per cent in 1959 to a level of \$2,626 million. Prices of machinery and equipment were about $2\frac{1}{2}$ per cent above those of 1958 so that there was a significant gain in the volume of investment for the year. The peak in expenditures on machinery and equipment was reached at the beginning of 1957 and there had been a decline until the middle of 1958 when the current-upswing began. Outlays in 1959 were the third highest on record, being exceeded only by the extraordinary years of 1956 and 1957. In the last half of 1959, expenditures on machinery and equipment were at a rate 17 per cent above the low point in 1958.

The accumulation of inventories was a major source of expansion for the economy in 1959 and bore a more reasonable relationship to current sales than the excessive accumulation of some earlier periods. The buildup of inventories amounted to \$300 million, in contrast to a decline of \$435 million in 1958. This reversal increased demand for investment in inventories by \$735 million or more than one-quarter of the increase in total demand.

Farm inventories and grain in commercial channels decreased by \$55 million in 1959; there had been a larger liquidation amounting to \$112 million in 1958. In the latter year, the grain crop was below average and sales were met out of inventories; there had also been an unusually high level of exports of cattle to the United States. In 1959 total marketings were about the same as in the previous year, while the grain crop was larger and there was no repetition of the unusually high cattle sales abroad.

All of the inventory accumulation occurred in the non-farm sectors. The liquidation in 1958 had come to a halt by the fourth quarter of 1958 when a slight accumulation took place. This was followed by a strong accumulation throughout the entire year 1959. For the year as a whole, the business inventory accumulation amounted to \$355 million; stocks increased in the manufacturing, retail and wholesale sectors. In total, the percentage rise in inventory holdings was in line with the rate of increase in shipments and sales.

Exports of goods and services set a record in 1959 and totalled \$6.7 billion, 5 per cent above 1958 and 4.6 per cent above the 1956 level. This increase reflected a strong pickup in foreign demand. While exports rose generally throughout the year, the fourth-quarter movement showed particular strength. Imports of goods and services rose in 1959 to \$8.1 billion, $9\frac{1}{2}$ per cent above 1958 and 4.5 per cent above the 1956 level. The upswing in imports began in the fourth quarter of 1958 and there was a gradual increase throughout 1959. The 1959 total of imports was $4\frac{1}{2}$ per cent above the rate of the fourth quarter of 1958.

PERSONAL INCOME AND ITS DISPOSITION

Personal income in 1959 increased by 6.1 per cent over the preceding year and totalled \$25,940 million*. Almost all components showed an increase. The gain over 1958 was fractionally less than that of national income, in contrast to the experience of the preceding two years. There were two main reasons for this difference in movement. Corporation profits rose more rapidly than did the other items in national income, as is typical of a period of upswing and, as noted, corporation profits are excluded from personal income. Transfer payments from government rose only 5 per cent in 1959 in contrast to sharp increases in the two previous years. In part, this movement reflected the decline in unemployment insurance payments in 1959 as the level of unemployment declined considerably. The decline in unemployment insurance payments was more than offset by the increase in payments under the hospital insurance scheme; the scheme came into effect on July 1, 1958 and 1959 was the first full year of operation.

TABLE 3
SOURCES OF PERSONAL INCOME

	1956	1957	1958	Prelim. 1959
	(Millions of dollars)			
1. Wages, salaries and supplementary labour income... Deduct: Employer and employee contributions to social insurance and government pension funds.....	14,890 -532	15,996 -589	16,434 -614	17,717 -664
2. Military pay and allowances.....	424	476	491	496
3. Net income received by farm operators from farm production ¹	1,430	1,002	1,197	1,116
4. Net income of non-farm unincorporated business...	1,965	2,011	2,119	2,150
5. Interest, dividends and net rental income of persons ²	1,908	2,013	2,120	2,300
6. Transfer payments to persons (excluding interest)— (a) from government..... (b) charitable contributions made by corpora- tions.....	1,766 34	2,079 36	2,657 36	2,785 40
7. Personal Income (1+2+3+4+5+6).....	21,885	23,024	24,440	25,940

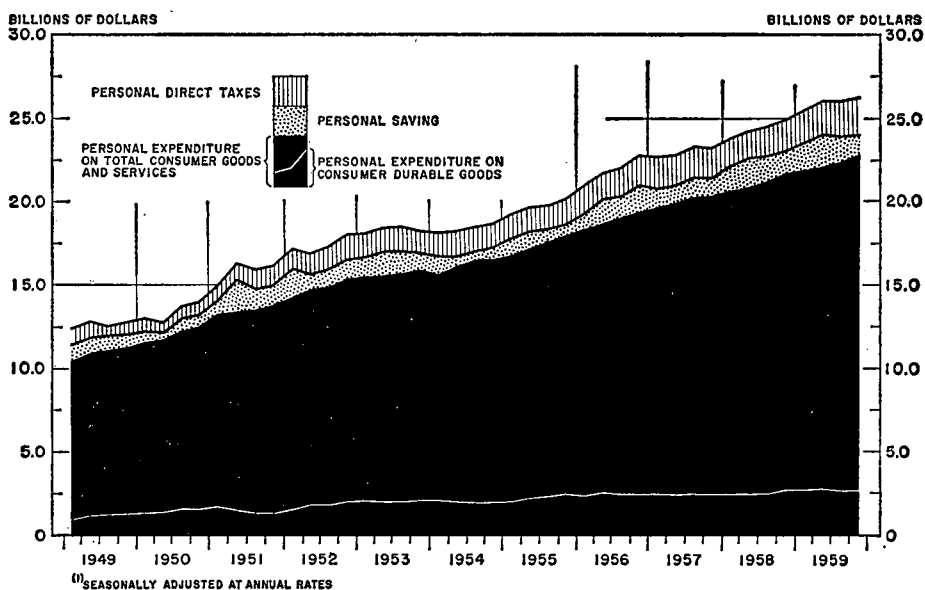
¹ Excludes undistributed profits of the Wheat Board and an inventory valuation adjustment on a calendar year basis for grain held by the Wheat Board.

² Includes all government debt interest paid to persons.

Personal direct tax payments increased by 16 per cent in 1959 reflecting a higher level of wages and salaries, slightly higher rates of taxation in the upper income brackets and a sharp rise in miscellaneous taxes, representing mainly the premiums paid under the hospital insurance scheme. Income tax collections amounted to \$1,747 million in 1959, 12 per cent above the previous year. Succession duties were up slightly at \$130 million while payments of miscellaneous direct taxes almost doubled to \$211 million.

After deducting direct taxes from personal income, the residual, or personal disposable income, totalled \$23,852 million, 5.3 per cent more than in 1958.

* 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 of persons, whether from production or from transfers. For example, personal income includes all wages and salaries, but only that part of corporation profits which is actually received by Canadian persons as dividends. Personal income also includes transfer payments such as family allowances, old age pensions, veterans' benefits and charitable contributions of corporations, although these are not payments for services and do not, therefore, form part of national income.

DISPOSITION OF PERSONAL INCOME⁽¹⁾

Personal saving rose to \$1,591 million and was 6.7 per cent of disposable income in 1959 compared with the 7.1 per cent achieved in 1958. This contrasts to an average savings ratio of 6.5 per cent over the ten-year period 1949-1958. Personal saving is represented by changes in the assets and liabilities of persons and would include, for example, changes in holdings of liquid assets, life insurance, outstanding consumer debt and mortgage debt and the value of changes in inventories of unincorporated business and farmers.

TABLE 4
DISPOSITION OF PERSONAL INCOME

	1956	1957	1958	Prelim. 1959
(Millions of dollars)				
1. Personal direct taxes—				
(a) income taxes.....	1,496	1,693	1,555	1,747
(b) succession duties.....	146	126	126	130
(c) miscellaneous taxes.....	90	98	113	211
Total direct taxes.....	1,732	1,917	1,794	2,088
2. Personal expenditure on consumer goods and services—				
Goods—				
(a) non-durable.....	9,736	10,357	10,853	11,400
(b) durable.....	2,431	2,431	2,500	2,658
Services.....	6,666	7,176	7,682	8,203
Total consumer expenditure.....	18,833	19,964	21,035	22,261
3. Personal saving—				
(a) personal saving excluding farm inventories..	1,079	1,295	1,690	1,658
(b) change in farm inventories.....	241	-152	-79	-67
Total personal saving.....	1,320	1,143	1,611	1,591
4. Personal Income (1+2+3).....	21,885	23,024	24,440	25,940

At the same time that consumers maintained their savings they also spent more on durable goods, non-durable goods and services. Outlays on consumer durable goods rose by more than 6 per cent. The largest increase, both in percentage and in dollar terms, was in the purchase of new cars, which rose by almost 10 per cent. Purchases of household appliances and home furnishings also increased significantly during the year. Prices of durable goods rose by $1\frac{1}{2}$ per cent in 1959 so that the gain in volume was of the order of 5 per cent. Purchases of non-durable goods, including clothing, food, tobacco and gasoline were up by 5 per cent. All of this increase in value represented a real gain since prices of non-durable goods were unchanged in 1959 over the preceding year. Outlays on services rose by about 7 per cent, continuing the long-run increase in this sector. Prices of services were 3 per cent higher than in 1958.

SOURCE AND DISPOSITION OF SAVING

In 1959 there was a sharp increase in total saving over the preceding year. Saving totalled \$5,895 million, 9 per cent above the level of 1958. Personal saving was maintained. Business saving increased while there was a smaller deficit (i.e., negative saving) for all levels of government so that governments as a whole drew less upon the saving of persons and businesses. In 1959 the deficit* of all governments combined was sharply down to \$617 million from a level of \$1,037 million in the preceding year. The decline in the total deficit was mostly accounted for by the federal government; the deficit of provincial and municipal governments was slightly lower than in 1958.

TABLE 5
SOURCES OF SAVING

	1956	1957	1958	Prelim. 1959
	(Millions of dollars)			
Personal saving ¹	1,320	1,143	1,611	1,591
Business gross saving—total.....	4,793	4,858	4,771	5,080
(a) Undistributed corporation profits ²	1,131	870	852	957
(b) Depreciation allowances.....	3,642	3,994	3,923	4,131
(c) Adjustment on grain transactions ³	20	-6	-4	-8
Inventory valuation adjustment.....	-238	-71	-33	-120
Adjusted government surplus (+) or deficit (-) ⁴	350	70	-1,037	-617
Residual error of estimate ⁵	141	71	98	-39
Total.....	6,366	6,071	5,410	5,895

¹ See Table 4.

² See Table 7.

³ Accrued earnings arising out of operations of the Canadian Wheat Board.

⁴ See Table 9.

⁵ See Tables 1 and 2.

Business saving increased substantially in 1959 to \$5,080 million and provided the major part of total Canadian saving. Depreciation allowances, the largest item in the total, rose by \$208 million to \$4,131 million. Undistributed corporation profits increased from \$852 million to \$957 million as the sharp rise in corporation profits was only partly offset by higher dividend payments.

* Government saving would be represented by the excess of revenue over expenditure for all three levels of government combined. Revenues are computed on an accrual basis, in accordance with national accounts convention and differ from revenues on a cash basis.

TABLE 6
DISPOSITION OF SAVING

	1956	1957	1958	Prelim. 1959
	(Millions of dollars)			
Business gross fixed capital formation.....	6,774	7,335	6,975	6,961
Value of physical change in inventories.....	1,084	210	-435	300
Surplus (+) or deficit (-) on current account with non-residents ¹	-1,350	-1,402	-1,031	-1,405
Residual error ²	-142	-72	-99	39
Total.....	6,366	6,071	5,410	5,895

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

² See Tables 1 and 2.

In 1959 the deficit on international current account, on the national accounts basis, amounted to \$1,405 million, up from the 1958 level and about the same as in 1957. The deficit on current account was matched by an inflow of foreign capital; the main items in this inflow were direct investment from abroad and new security transactions. The capital inflow served to supplement the flow of Canadian saving.

TABLE 7
CORPORATION PROFITS, TAXES AND DIVIDENDS

	1956	1957	1958	Prelim. 1959
	(Millions of dollars)			
Corporation profits before taxes including dividends paid to non-residents ¹	3,345	3,027	2,930	3,326
Deduct: corporation income tax liabilities....	1,413	1,326	1,280	1,506
Excess of tax liabilities over collections.....	40	-225	-53	69
Tax collections.....	1,373	1,551	1,333	1,437
Corporation profits after taxes.....	1,932	1,701	1,650	1,820
Deduct: dividends paid out ²	-801	-831	-798	-863
Undistributed corporation profits ³	1,131	870	852	957

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

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

³ See Table 5.

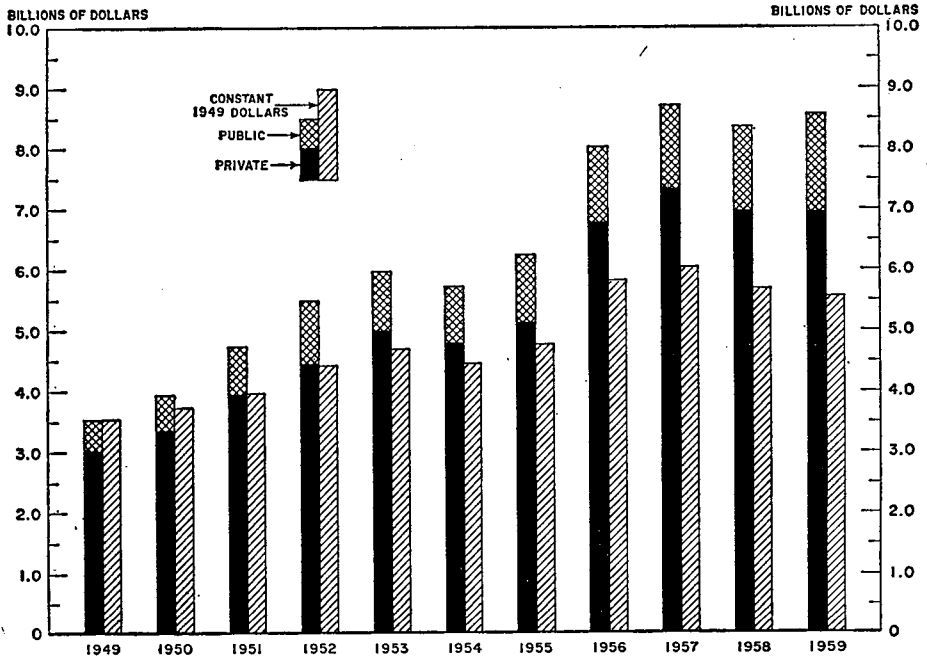
INVESTMENT AND CAPITAL EXPENDITURE

The value of capital investment increased slightly in 1959 after having declined the previous year from the extraordinary levels achieved in 1957. Private and public spending on capital goods totalled \$8,411 million or 24.3 per cent of Gross National Expenditure. This ratio is lower than those achieved from 1956 to 1958, but higher than all other postwar years.

Trends in capital expenditure in the past three years have reflected in large part the completion of major large-scale resource projects and a greater emphasis on a wide variety of investment, including social capital. The enormous amounts of capital invested during the resource boom of 1955-1957 provided for an expansion of basic facilities in mining and basic manufacturing for some time in advance—

the "lumpy" nature of such investment implied a cessation of investment, once the facilities were in place, until the expansion of export and domestic markets was sufficient to induce additional investment. The completion of the Seaway, some major pipelines and power projects in 1958 explains the lower level of investment in the utilities and transportation sectors in 1959. This reduction was more than offset by the expansion in investment in primary industries, service industries, and social capital both public and private. Investment in manufacturing, mining and housing was relatively unchanged from the year before.

PUBLIC AND PRIVATE CAPITAL EXPENDITURE



In 1959 there was a considerable expansion in investment in farms and forests. The rise in farm investment was associated particularly with the acquisition of machinery which increases farm productivity and which has permitted farm production to remain at the high levels previously reached in the face of the continuing decline in the number of persons engaged in agriculture. The increase in forestry investment was related to the expansion in demand for wood products. In the past few years emphasis had been given to investment in the wood-using industries rather than woods operations.

Capital expenditures in mining were almost unchanged from the level of the previous year and totalled \$344 million. Outlays in manufacturing amounting to \$1,074 million compared well with expenditures of \$1,095 million in 1958. Both mining and manufacturing had declined sharply in 1958 from the boom levels of 1956 and 1957.

Outlays in electric power, gas and water and in the transportation, storage and communications groups continued to decline from the 1957 peak. Expenditures for these groups were 14 per cent below the levels of 1958 and 20 per cent below 1957, a measure of the extent to which basic undertakings had been completed.

TABLE 8
PRIVATE AND PUBLIC CAPITAL EXPENDITURE

	1956	1957	1958	Prelim. 1959
	(Millions of dollars)			
Agriculture and fishing.....	488	434	465	555
Forestry.....	76	48	33	46
Mining, quarrying and oil wells.....	542	606	342	344
Manufacturing.....	1,394	1,479	1,095	1,074
Electric power, gas and water works.....	769	947	845	799
Transportation, storage and communications.....	993	1,361	1,308	1,049
Construction industry.....	200	158	157	183
Trade, finance and commercial services.....	611	690	705	759
Institutions.....	402	454	514	531
Housing.....	1,547	1,430	1,782	1,759
Government departments.....	1,012	1,110	1,118	1,312
Total Capital Expenditure¹.....	8,034	8,717	8,364	8,411
Total Capital Expenditure as a percentage of Gross National Expenditure.....	26.3	27.4	25.7	24.3
Index of total Capital Expenditure in Constant Dollars.....	100.0	104.0	97.8	95.7

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

	1956	1957	1958	Prelim. 1959
PRIVATE AND PUBLIC CAPITAL EXPENDITURE—Table 8.....	8,034	8,717	8,364	8,411
DEDUCT:				
Provincial hospitals and schools, and municipal schools.....	-222	-246	-247	-266
Government housing excl. C.M.H.C. rental housing.....	-21	-21	-19	-16
Direct government department outlays.....	-1,012	-1,110	-1,118	-1,312
Other.....	-5	-5	-5	-6
ADD:				+150
Unallocated Adjustment ²				
Business Gross Fixed Capital Formation in Housing, Plant and Equipment—Table 2.....	6,774	7,335	6,975	6,961

² This figure represents an upward revision to data given in "Public and Private Investment in Canada, Outlook 1960", Department of Trade and Commerce, to take account of later available information.

Capital outlays in the service and trade sectors increased from \$705 million to \$759 million reflecting the continued growth in these industries. Investments by institutions also increased by \$17 million.

The largest increase in capital spending was by government departments. There was a gain of \$194 million over 1958. The gain was accounted for by higher provincial and municipal spending on capital facilities including roads, water services and sewers.

Outlays on housing, private and public, were almost maintained at the record 1958 levels and amounted to \$1,759 million. Housing, government departments and institutional capital expenditures in 1959 were 43 per cent of total private and public investment compared with 41 per cent in 1958 and 34 per cent in 1957.

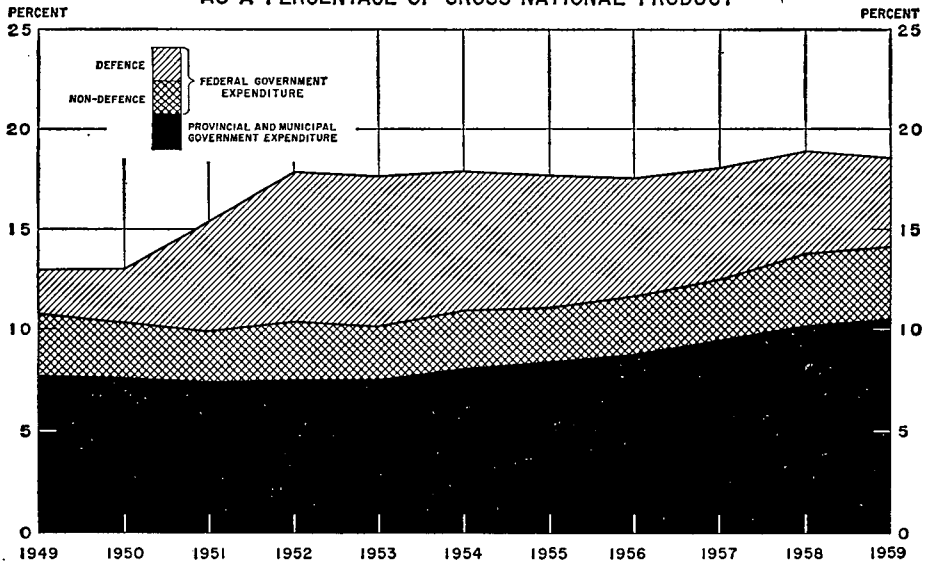
REVENUE AND EXPENDITURE OF ALL GOVERNMENTS

The deficit on an accrual basis for all levels of government in 1958 was \$1,037 million and in 1959, \$617 million.* The smaller deficit in 1959 reflects a growth in government revenues which more than offset the increases in expenditures over those in 1958.

Almost all of the reduction in the deficit in 1959 arose from the federal accounts; the deficits of provincial and municipal governments combined were only slightly reduced. Federal expenditures in 1959 increased by \$258 million or 4 per cent. However, federal revenues registered an increase of \$662 million, or 12½ per cent, more than double the growth in expenditures. As a result, the deficit of the federal government declined from \$803 million in 1958 to \$399 million in 1959. In the case of provincial and municipal governments, the growth in expenditures amounted to \$568 million, an increase of 13 per cent. Provincial and municipal revenues exceeded this increase slightly, rising by \$584 million or 14 per cent. Thus, the deficit for these levels of government was \$218 million in 1959 in contrast to \$234 million in 1958.

The 1959 expenditure on goods and services by all three levels of government was greater by \$276 million than in 1958. The overall increase was composed of divergent movements at the various levels of government. While provincial and municipal expenditures in this category increased in 1959, federal outlays showed a decline due to the fall in defence expenditures. In 1959, defence expenditures declined by \$101 million, or 6 per cent, following the decrease of \$104 million in 1958. As a result, defence outlays comprised 24 per cent of combined government expenditures on goods and services as compared with a proportion of 27 per cent in 1958. The decrease in defence spending was partially offset by an increase in federal civilian outlays of \$70 million or 6 per cent. The expansion here was

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



* The following section discusses only those government transactions relevant to the National Accounts. As a result, the figures used may not agree with those shown in other Public Accounts. Table 9 indicates the reconciliation between federal deficit or surplus for purposes of the National Accounts and the comparable figures appearing in the Public Accounts. In particular, federal corporate taxes have been adjusted to an accrual basis to make this item consistent with other components of the National Accounts. In 1958 this adjustment decreased revenues by \$53 million, and in 1959 increased revenues by \$69 million.

considerably less than in 1958, when these expenditures increased by \$226 million. At the 1959 level of \$1,258 million, federal expenditures on goods and services for civilian purposes were approximately one-fifth of combined government expenditures in this category, about the same proportion as in 1958. For provincial and municipal governments, expenditures in 1959 on goods and services rose by \$307 million, or 9 per cent, to a level where their combined outlays comprised 56 per cent of the total at all levels of government for this purpose. While growth in the cost to governments of wages and salaries accounted for some of the increases for goods and services, a higher level of investment expenditures also contributed to the increase.

While government expenditure on goods and services is the only government outlay included in the gross national expenditure account, it is necessary to discuss other government expenditures in order to arrive at the figure for government surplus or deficit appearing in the saving and investment account. Total expenditures at all levels of government combined were \$11,230 million in 1959, an increase of \$826 million, or 8 per cent, over 1958. The expenditure on goods and services made up 57 per cent of the 1959 total, a proportion slightly below that of 1958. Transfer payments to persons, interest on the public debt, subsidies and transfers to other levels of government accounted for the remainder of total government outlays. Expenditure on transfer payments to persons was much the largest of these four items, comprising in 1959, 25 per cent of all government expenditures, roughly the same proportion as in 1958.

There was a continuation during 1959 of the postwar trend towards increased expenditures on government transfer payments to persons. Taking all levels of government combined, the increase in 1959 was considerably less than in 1958 when these payments rose rapidly. In the federal sector in 1959 there was a decline of \$109 million, or 6 per cent, from the level of 1958. There were diverging trends within this total movement. Family allowance and old age pension payments increased moderately due to a larger number of eligible recipients. These increases were offset by a substantial decline in outlays from the unemployment insurance fund as unemployment levels dropped in 1959. In addition, miscellaneous transfer payments declined by comparison with 1958 when a special acreage payment was made to western grain farmers. There was an increase in payments on the public debt. At the provincial and municipal levels the growth in transfer payments was substantial. Payments at these levels rose by \$237 million, or 32 per cent, largely due to increased payments under provincial hospital insurance plans. The calendar year 1959 was the first full year of operation of the federal-provincial hospital insurance arrangements and the first year when the majority of provinces participated.

Federal subsidies rose by \$49 million in 1959, due almost entirely to the increased cost of the agricultural stabilization program. In the case of federal transfers to other levels of government, 1959 saw a further substantial increase in these payments. In 1958, transfers to provincial and municipal governments had increased by \$146 million or 28 per cent. The 1959 increase exceeded this, the transfers in 1959 being greater by \$215 million, or 32 per cent, than in 1958. While increased tax rental payments to the provinces accounted for some of this growth, the major portion was due to the effect of the first full year's operation of the federal-provincial agreements on hospital insurance.

Total revenues of all levels of government showed increases in 1959 as compared with 1958. Approximately two-thirds of the increase in the yield from direct personal taxes was accounted for by the rise of \$183 million, or 12 per cent, in the revenues from federal personal income taxes. This growth was due to increased personal income and the slightly higher federal tax rates introduced for the last half of 1959 on upper income brackets. At the provincial and municipal level, the most significant increase was in the revenue from miscellaneous

TABLE 9

GOVERNMENT TRANSACTIONS RELATED TO THE NATIONAL ACCOUNTS

	1956	1957	1958	Prelim. 1959
	(Millions of dollars)			
GOVERNMENT REVENUE—				
Direct Taxes—Persons.....	1,732	1,917	1,794	2,088
Income—				
Federal.....	1,461	1,652	1,509	1,692
Provincial and Municipal.....	35	41	46	55
Succession Duties—				
Federal.....	88	69	70	76
Provincial.....	58	57	56	54
Miscellaneous—				
Federal.....	1	2	2	2
Provincial and Municipal.....	89	96	111	209
Direct Taxes—Corporations.....	1,413	1,326	1,280	1,506
Income—				
Federal.....	1,334	1,120	1,047	1,248
Provincial.....	79	206	233	258
Other Direct Taxes—				
Withholding taxes—Federal.....	69	83	48	72
Indirect Taxes.....	3,759	3,964	4,022	4,410
Federal.....	1,972	1,990	1,912	2,131
Provincial and Municipal.....	1,787	1,974	2,110	2,279
Investment Income.....	834	865	943	992
Federal.....	296	276	319	326
Provincial and Municipal.....	538	589	624	666
Employer and Employee Contributions to Social Insurance and Government Pension Funds.....	532	589	614	664
Federal.....	357	384	391	413
Provincial and Municipal.....	175	205	223	251
Transfers from Other Governments—				
Provincial and Municipal.....	485	520	666	881
Total Revenue.....	8,824	9,264	9,367	10,613
Federal.....	5,578	5,576	5,298	5,960
Provincial and Municipal.....	3,246	3,688	4,069	4,653

TABLE 9—Concluded
GOVERNMENT TRANSACTIONS RELATED TO THE NATIONAL ACCOUNTS

	1956	1957	1958	Prelim. 1959
	(Millions of dollars)			
GOVERNMENT EXPENDITURE—				
Goods and Services.....	5,386	5,738	6,161	6,437
Federal—				
Defence.....	1,802	1,765	1,661	1,560
Non-defence.....	881	962	1,188	1,258
Provincial and Municipal.....	2,703	3,011	3,312	3,619
Transfer Payments to Persons.....	1,766	2,079	2,657	2,785
Federal.....	1,224	1,463	1,910	1,801
Provincial and Municipal.....	542	616	747	984
Interest on Public Debt.....	714	741	781	937
Federal.....	524	519	544	678
Provincial and Municipal.....	190	222	237	259
Subsidies.....	123	116	139	190
Federal.....	118	108	132	181
Provincial and Municipal.....	5	8	7	9
Transfers to Other Governments—				
Federal.....	485	520	666	881
Total Expenditure.....	8,474	9,194	10,404	11,230
Federal.....	5,034	5,337	6,101	6,359
Provincial and Municipal.....	3,440	3,857	4,303	4,871
Deficit (–) or Surplus (+).....	350	70	–1,037	–617
Federal ¹	544	239	–803	–399
Provincial and Municipal.....	–194	–169	–234	–218
Total Expenditure minus deficit or plus surplus.....	8,824	9,264	9,367	10,613
Federal.....	5,578	5,576	5,298	5,960
Provincial and Municipal.....	3,246	3,688	4,069	4,653

¹ Reconciliation with Public Accounts Surplus or Deficit shown below.

	1956	1957	1958	Prelim. 1959
	(Millions of dollars)			
Federal Government calendar year surplus or deficit for national accounts purposes.....	544	239	–803	–399
Adjustments:				
Difference between calendar and fiscal year.....	–305	73	409	–34
Difference between corporation tax accruals and government receipts.....	–40	225	53	–69
Revenue items omitted.....	37	68	22	23
Reserves, write-offs and similar items omitted from expenditure.....	–118	–247	–219	–253
Shipment of military equipment to NATO countries less replacement.....	22	32	188	36
Extra-budgetary funds for pensions and social insurance (net).....	–157	–72	249	41
Adjustment to place debt interest on a “due date” basis.....	8	–12	–24	–55
Other adjustments.....	–24	–48	87	101
Federal surplus for fiscal year as per public accounts	–33	258	–38	–609
	(1955–56)	(1956–57)	(1957–58)	(1958–59)

taxes where yields rose by \$98 million. The growth in revenues from the direct taxes used by the provinces to cover their share of hospital insurance costs contributed almost all of this increase.

Federal revenues from corporate income taxes (on the National Accounts accrual basis) increased sharply in 1959, reversing the sharp drop in revenues from this source in 1958. Rising corporate income, as well as increased tax rates, resulted in an increase of \$201 million, or 19 per cent, in 1959 in corporate tax revenues. For the governments of Ontario and Québec, the receipts from the corporate taxes levied in these provinces continued to grow in 1959 showing an increase of \$25 million. This expansion was not as great as during 1958 when application of the Ontario tax for the first full year was the main factor contributing to increased revenues.

For all levels of government combined, receipts from indirect taxes rose by \$388 million or nearly 10 per cent. The federal share of this increase was \$219 million. While growing economic activity contributed to this increase, the higher sales tax rate in 1959 was also a factor. In addition, increased receipts from customs duties resulted from the greater volume of imports during 1959. Provincial and municipal revenues from indirect taxes showed a growth of \$169 million or 8 per cent. As in 1958, the component mainly responsible for this increase was the revenue from municipal taxes on real and personal property. Provincial collections from the gasoline tax and retail sales taxes rose by moderate amounts in 1959.

Investment income for all levels of government includes three main components; interest on government-held public funds, interest on loans and advances and the net profits of government business enterprises. At the combined provincial and municipal levels, this income increased by \$42 million, or 7 per cent, in 1959 as compared with a rise of \$35 million, or 6 per cent, in 1958. In the federal sector investment income in total was relatively stable, showing an increase of \$7 million, or 2 per cent, in 1959. The moderate increase in 1959 resulted from a rise in receipts from federal government loans and investments offset partially by a small decrease in the combined trading profits of government business enterprises.

BALANCE OF INTERNATIONAL PAYMENTS

Canada's international transactions for the year 1959 reflected the expansion in economic activity at home and abroad which began late in 1958. Merchandise exports rose by more than 5 per cent after relative stability for the years 1957 and 1958. For the year 1959, merchandise imports increased by 9 per cent over the preceding year; following a two-year decline this increase did not quite bring imports to the 1956 level. The merchandise trade deficit increased to \$386 million, more than double the deficit incurred in 1958 but well below the deficits of 1956 and 1957. At the same time, the deficit on non-merchandise transactions rose from \$915 million in 1958 to \$1,074 million in 1959. As a result, the total current account deficit amounted to \$1,460 million in 1959 compared with \$1,085 million in 1958, \$375 million higher than 1958 and slightly above the 1957 figure.

The average level of prices for commodity exports was moderately higher while that of commodity imports was slightly lower. Consequently, the terms of trade, that is the ratio of export prices to import prices, moved in Canada's favour in 1959.

The trade results for the year as a whole obscure an interesting development which occurred in the latter part of the year. On a seasonally adjusted basis, merchandise imports began to rise strongly in the fourth quarter of 1958. The

TABLE 10
INTERNATIONAL PAYMENTS: CURRENT ACCOUNT

	1956	1957	1958	Prelim. 1959
	(Millions of dollars)			
CURRENT RECEIPTS—				
Merchandise exports (adjusted) ¹	4,837	4,909	4,890	5,152
Gold available for export.....	150	147	160	147
Travel expenditures.....	337	363	349	397
Interest and dividends.....	142	154	166	170
Freight and shipping.....	457	445	401	411
Inheritances and immigrants' funds.....	99	124	91	100
Other current receipts.....	442	388	366	380
Total Current Receipts².....	6,464	6,530	6,423	6,757
CURRENT PAYMENTS—				
Merchandise imports (adjusted).....	5,565	5,488	5,060	5,538
Travel expenditures.....	498	525	542	589
Interest and dividends.....	523	587	586	656
Freight and shipping.....	502	515	460	506
Inheritances and emigrants' funds.....	115	157	145	155
Other current payments.....	627	682	715	773
Total Current Payments².....	7,830	7,954	7,508	8,217
Balance on Merchandise Trade.....	-728	-579	-170	-386
Balance on other Transactions.....	-638	-845	-915	-1,074
Current Account Balance.....	-1,366	-1,424	-1,085	-1,460

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

² See footnote 3 to table 2.

ESTIMATED GEOGRAPHICAL DISTRIBUTION OF THE NET BALANCE ON CURRENT ACCOUNT

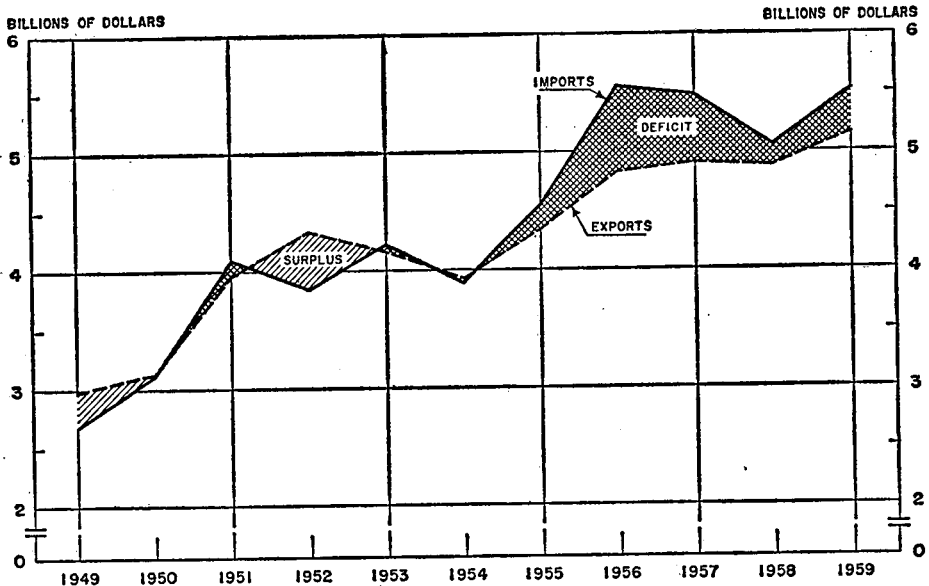
	1956	1957	1958	Prelim. 1959
Between Canada and—				
United States.....	-1,639	-1,568	-1,134	-1,236
United Kingdom.....	+252	+138	+108	+52
Rest of the Sterling Area.....	+48	+9	+65	+12
Other OEEC Countries.....	+17	+21	+13	-149
Other Countries.....	-44	-24	-137	-139
All Countries.....	-1,366	-1,424	-1,085	-1,460

upward trend continued until the third quarter of 1959 and was replaced by a decline in the fourth quarter. By contrast, merchandise exports, seasonally adjusted, showed minor irregular gains until the fourth quarter of 1959 when they increased sharply and were running 12 per cent above the first-quarter rate and 7 per cent higher than the average for the year as a whole. There was a sharp increase in exports to overseas countries as well as a substantial rise in sales to the United States. As a result of the fourth-quarter trend, the trade deficit narrowed in the final months of 1959 and the overall current account deficit, seasonally adjusted at annual rates, declined to about \$1.3 billion.

The value of merchandise exports in 1959 amounted to \$5,152 million compared with \$4,890 million in the previous year. The increase in exports was widespread and the most significant gains occurred in exports of iron-ore, primary

and semi-finished steel, uranium, forest products, copper, asbestos and farm implements and machinery. The largest declines took place in exports of aircraft, beef cattle and meat; in 1958 these items had shown large increases because of special circumstances.

IMPORTS AND EXPORTS OF MERCHANDISE



The value of merchandise imports rose from \$5,060 million in 1958 to \$5,538 million in 1959. The increase in imports was also widespread. There was a large increase in importations of automobiles, trucks and parts and substantial increases in purchases of farm and other machinery, electrical equipment and iron and steel products. Declines, where they occurred, were moderate.

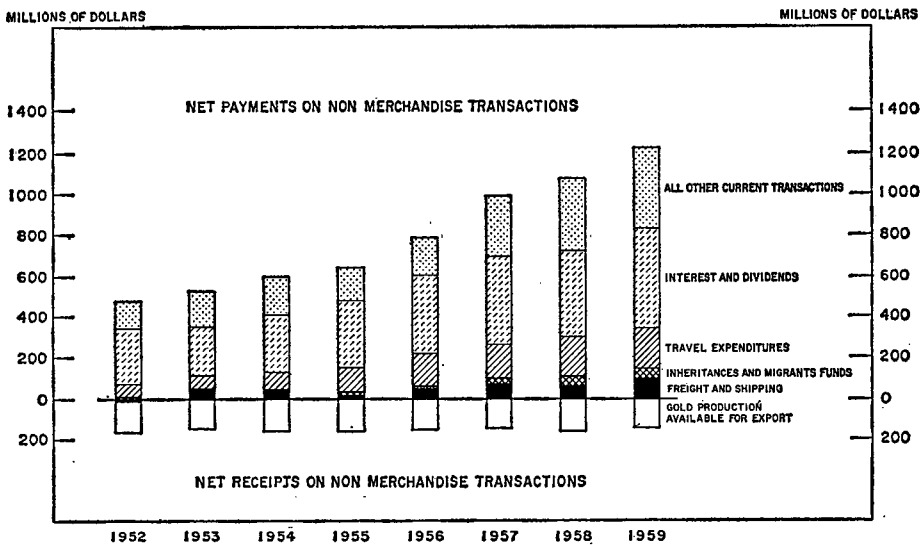
There were some important changes in Canada's pattern of trade in 1959. Exports to the United States increased by 10 per cent while imports from that country rose by 8 per cent. Sales to the United Kingdom rose by about 2 per cent and exports to other Commonwealth countries fell by 3 per cent. On the other hand, purchases from the Commonwealth, including the United Kingdom, increased by 12 per cent. The value of merchandise exports to continental OEEC countries and their dependencies declined by over 13 per cent while imports of goods from this source rose by 22 per cent. The decline in exports to this group was largely due to large non-recurring sales of military aircraft to European NATO countries in 1958. Sales to all other countries increased by 9 per cent while imports rose by 7 per cent.

The result of these developments was a slight decline in 1959 in our trade deficit with the United States while our trade surplus with all other countries was reduced by more than 60 per cent. The proportion of imports originating in the United States fell from 67.9 per cent in 1958 to 67.0 per cent in 1959. The proportion of purchases made in the Commonwealth rose slightly while those from OEEC countries increased to 7.6 per cent compared with 6.8 per cent in the previous year. While the proportion of total exports to the United States increased for 1959 as a whole to 62.0 per cent from 59.5 per cent in 1958, this movement was reversed during the latter part of the year when the sharp increase in exports to overseas countries took place.

The reduction in the trade surplus with overseas countries was the major factor in the emergence in 1959 of a current account deficit with those countries. Within the total, a small current account surplus with the United Kingdom and other Commonwealth countries was more than offset by a greatly enlarged deficit with all other countries.

Canada's surplus with overseas countries began to decline in 1953. This was the result of a decline in the trade surplus on the one hand and a growth in the deficit on non-merchandise transactions on the other. To a large extent, this trend was a reflection of the recovery and subsequent expansion in production in western Europe and the greater participation of other overseas countries in world multilateral trade. At the same time, currency and trade restrictions which, until recently, were widespread had a limiting effect on purchases of Canadian goods. The increase in the deficit on non-merchandise account reflected growing expenditures on travel, freight and shipping and the servicing of foreign investment.

BALANCE ON NON MERCHANDISE TRANSACTIONS



The increase of \$159 million in Canada's deficit on non-merchandise transactions in 1959 was the result of a 9 per cent increase in Canadian payments and a 5 per cent increase in receipts. Payments for interest and dividends, freight and shipping, and for miscellaneous items were the largest elements in the increase in the deficit. A lower level of gold sales was an additional factor. The balance on travel and the inheritances and immigrants-emigrants funds component showed little change since the increase in receipts matched the increase in payments.

Canada's balance on merchandise trade has usually fluctuated sharply in response to changes in demand at home and abroad. By contrast, the traditional deficit on non-merchandise transactions has grown continuously since 1953. With the exception of gold sales, every component of the non-merchandise account has contributed to the growing deficit, since in every case the increase in payments exceeded the increase in receipts. To a large extent the increase in the deficit is a reflection of the rapid economic growth in western industrialized countries. The strong world market for raw materials fostered rapid Canadian resource development and substantial imports of investment goods and capital.

The import of capital led to a rising volume of interest payments to non-residents and, where past investment has proven profitable in terms of increased production and exports, to an increasing level of dividend payments. Accompanying the inflow of capital has been an inflow of technical "know-how" and this has resulted in a variety of payments abroad for business services, including patents, royalties and similar items. The growth in imports carried with it a higher level of freight and shipping and other business charges. In addition, a rising standard of living greatly increased spending by Canadians on travel abroad. Further, Canada's contributions to underdeveloped countries have increased.

The net inflow of long-term capital into Canada in 1959 was slightly larger than in 1958. These net long-term inflows of capital in the form of direct investment, security transactions and official transactions, were equivalent to about 70 per cent of the 1959 deficit on current account compared with more than 90 per cent of the smaller 1958 deficit.

Net direct investment in Canada, after declining in 1957 and 1958, rose in 1959. Compared with 1958 direct investment in Canada was higher by \$80 million while Canadians increased the level of their direct investments abroad by \$12 million. The net capital import through international security transactions amounted to \$627 million compared with \$610 million in 1958. Proceeds from new Canadian issues of bonds and stocks to non-residents declined for the third successive year but remained the largest single source of external capital. Net sales abroad of outstanding Canadian issues increased by \$120 million while there was a net outflow of \$21 million from transactions in foreign securities. At the same time, redemptions of foreign-held Canadian securities were \$64 million higher than in 1958. There was a net inflow of \$44 million from official transactions in 1959.

There was a substantial increase in all other net capital movements, mainly of a short-term character. In 1959 these amounted to \$349 million compared with \$182 million in 1958. Movements in Canadian dollar holdings of foreigners

TABLE 11
INTERNATIONAL PAYMENTS: CAPITAL MOVEMENTS

	1956	1957	1958	Prelim. 1959
	(Millions of dollars)			
Direct investment in Canada.....	+583	+514	+420	+500
Direct investment abroad.....	-104	-68	-48	-60
Canadian securities—				
Trade in outstanding issues.....	+199	+92	+88	+208
New issues.....	+667	+798	+677	+662
Retirements.....	-141	-133	-158	-222
Foreign securities.....	+2	+6	+3	-21
Loans by Gov't of Canada—Drawings.....			-34	-1
Repayments.....	+69	+50	+64	+34
Subscriptions to IMF, IFC in Gold and U.S. dollars.....	-4			-59
Canadian dollar holdings of foreigners.....	-24	-35	+106	+13
Official holdings of gold and foreign exchange (increase, —).....	-33	+105	-109	+70
Other capital movements.....	+152	+95	+76	+336
Net capital movement financing current account balances.....	1,366	+1,424	+1,085	+1,460

added \$13 million to the capital inflow for the year as a whole but there were significant variations in this category during the year. In the period January to August, non-residents added nearly \$90 million to their holdings of Canadian treasury bills because Canadian yields were sufficiently higher than those in the United States to allow for the cost of exchange protection through forward transactions. The differential narrowed somewhat in the latter part of August and the employment of United States funds in Canadian treasury bills became less attractive. By the end of December, non-resident holdings of Canadian treasury issues were only slightly above the value held a year earlier.

The balance in the miscellaneous group showed a net inflow of \$336 million in 1959 compared with \$76 million in 1958. This group includes, among other things, short-term commercial payables and receivables, miscellaneous borrowings by Canadians and private Canadian holdings of foreign exchange.

At December 31, 1959, Canada's official exchange reserves, expressed in United States dollars, amounted to \$1,869 million compared with \$1,939 million at the end of 1958. The decrease largely reflects Canada's increased subscription to the International Monetary Fund which, though it can be regarded as a secondary reserve, reduced our official reserves by \$62.5 million.

TABLE 12

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

	1956	1957	1958	1959
Exchange Fund Account and Bank of Canada—				
Gold.....	1,103.3	1,100.3	1,078.1	959.6
U.S. Dollars.....	798.0	697.5	800.0	879.4
Other Government of Canada Accounts.....	34.9	30.5	61.0	30.2
Total Gold and U.S. Dollars.....	1,936.2	1,828.3	1,939.1	1,869.2

Geographically, about 80 per cent of the net total capital inflow in long-term forms in 1959 came, as in the previous year, from the United States. Net long-term investment funds originating in the United Kingdom represented 10 per cent, about one-third lower than in 1958. A considerable part of this change reflected unusually large outflows from Canada for direct investment in the United Kingdom. The completion in 1958 of repayments by the United Kingdom on the 1942 loan was also an important factor. Net inflows originating in all other countries rose sharply. Direct and portfolio investments from this source increased and in 1959 there were no substantial outflows in the form of intergovernmental loans matching those made by Canada in 1958.

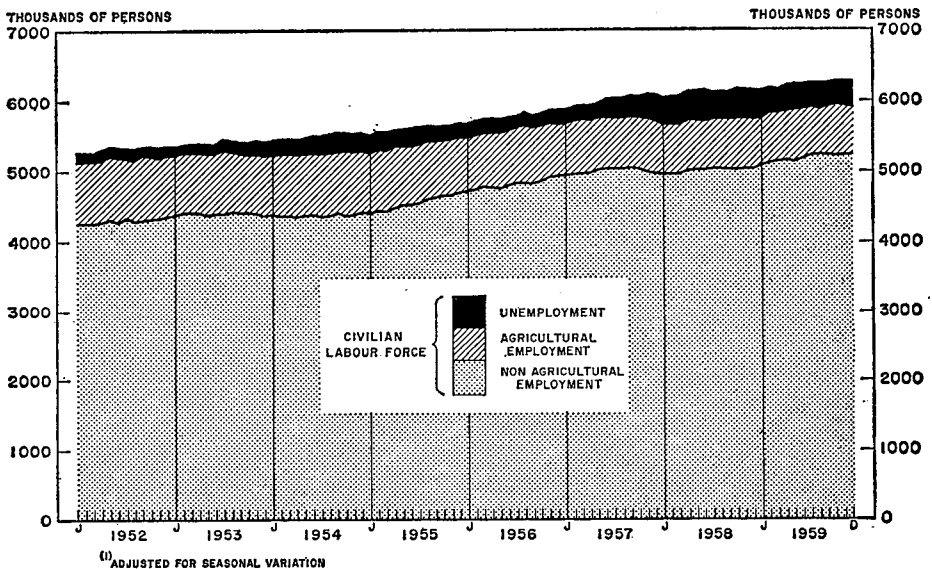
The exchange value of the Canadian dollar which had been rising, almost without interruption, since September, 1958, showed some decline in the final months of 1959. The average rate of exchange for the United States dollar, in terms of the Canadian dollar, reached a low for the year of 94.77 in October, 1959. This was followed by a slight decline in the value of the Canadian dollar and for December, 1959, the rate for the United States dollar was 95.12 compared with 96.46 for December, 1958. For 1959 as a whole, the average noon rate was 95.90 compared with 97.06 in 1958.

EMPLOYMENT AND EARNINGS

There was a significant improvement in the demand for labour in 1959. There were more persons employed in each month of 1959 than in the corresponding period in 1958. In 1959, for the first time since 1956, the increase in employment exceeded the growth of the labour force, and unemployment declined.

For 1959 as a whole, the average number of persons with jobs rose by 156,000 or 2.7 per cent. This is in contrast to the fractional decline which occurred in 1958. At the same time it is estimated that on balance 101,000 persons entered the labour market in 1959, an increase of 1.6 per cent compared with the expansions of 2.1 per cent in 1958 and more than 3 per cent in both 1956 and 1957. The moderate size of the increase in the labour force was a reflection of the lower level of immigration in 1959 as well as relative stability in labour force participation rates.

The shift from rural to urban occupations which has been evident throughout the postwar period continued in 1959, though at a somewhat lower rate than in previous years. It is estimated that some 22,000 persons left the agricultural labour force in 1959 compared with 26,000 in 1958, 30,000 in 1957 and 44,000 in 1956.

THE LABOUR FORCE⁽¹⁾

Since 1946, the agricultural labour force as well as agricultural employment has declined about 40 per cent. Within this total, employers and "own account" workers declined by one-third while the number of unpaid family workers was nearly two-thirds lower. The number of paid farm workers has shown a decrease of one-quarter since 1946, although in 1959 their numbers increased by 12,000 over 1958.

The number of persons with jobs in non-agricultural occupations rose in 1959 by 176,000 persons. The growth of $3\frac{1}{2}$ per cent in non-agricultural employment in 1959 compares with a rise of 8,000 persons, a fractional increase, 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 in

February, 1958. This was followed by irregular gains and by August, 1959, non-agricultural employment had exceeded the previous peak by nearly 4 per cent. In the fourth quarter of 1959 non-agricultural employment levelled out. This stability was, in part, a reflection of the indirect effects of the strike of forestry workers in British Columbia in the third quarter of the year and the lengthy strike of the steel workers in the United States.

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

	1956	1957	1958	Prelim. 1959
Civilian Labour Force.....	5,782	6,003	6,127	6,228
Male.....	4,436	4,570	4,634	4,679
Female.....	1,346	1,433	1,493	1,549
Non-Agricultural.....	5,001	5,252	5,402	5,525
Agricultural.....	781	751	725	703
Persons without jobs seeking work.....	180	257	405	350
Persons with jobs.....	5,602	5,746	5,722	5,878
In Non-Agricultural Industries.....	4,826	5,002	5,010	5,186
Paid Workers.....	4,303	4,460	4,481	4,637
Employers, own account workers and unpaid family workers.....	523	542	529	549
In Agriculture.....	776	744	712	693
Paid Workers.....	102	96	97	109
Employers, own account workers and unpaid family workers.....	674	648	615	584

On a year-over-year comparison, increases in employment opportunities were general in all regions and most industrial divisions in 1959. In the previous year, the commodity-producing industries had registered substantial declines and increases were limited to the service sector. Despite the improvement in output in the goods-producing industries, the greatest gains in employment in 1959 were again concentrated in the service industries. Community services, notably education, health and government, and trade accounted for nearly three-quarters of the increase in non-farm employment. Manufacturing provided about one-fifth of the new job opportunities in 1959.

The average number of persons without jobs and seeking work in 1959 amounted to 350,000 or 55,000 fewer persons than in the previous year. As a proportion of the labour force this was 5.6 per cent compared with a postwar high of 6.6 per cent in 1958.

Total labour income increased in 1959 by 7.8 per cent compared with 2.7 per cent in 1958. Higher rates of pay and increases in the numbers of hours worked per week as well as increased job opportunities contributed to the rise in salaries and wages. In 1958, the number of paid workers did not show much change from the level of the previous year and the moderate increase in total labour income resulted in a gain of \$79 in average annual earnings per paid worker. In 1959, the number of paid workers grew by 168,000. Nevertheless, the very much greater increase in labour income led to a \$143 gain in per capita income, an increase of 4 per cent. In manufacturing, average hourly earnings rose

by 3.6 per cent compared with 3.1 per cent in 1958 while average hours worked per week rose by about one per cent compared with a small decline in the previous year. In the light of the minimal rise in the cost of living in 1959, most of the increase in per capita earnings represented real income gains whereas in 1958 the moderate increase in per capita earnings was more than offset by higher prices.

In 1959 all the major industrial groups shared in the increase in total salary and wage payments. In the service sector, in line with employment opportunities, the growth in labour income was more pronounced than in the goods-producing industries as a whole. Wages and salaries paid out in trade, public utilities, transportation, storage and communication, governments, finance and related groups rose by 9 per cent in 1959 compared with a gain of 6 per cent in 1958. Earnings in agriculture increased by nearly 10 per cent while those for construction rose by 9 per cent. Total wages and salaries in manufacturing and forestry increased by 6 per cent while those for mining rose by 5 per cent.

FINANCIAL DEVELOPMENTS

Financial conditions in Canada in 1959 reflected the growing demand for funds which naturally accompanies economic expansion and recovery. They also reflected a number of other influences of a more deep-seated nature which were at work both at home and abroad. Interest rates and bond yields were higher in 1959 than in 1958 and there were important movements during the course of the year.

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.
1956—											
March.....	3.41	3.00	.41	3.40	3.00	.40	2.64	2.17	.47	2.75	2.50
June.....	3.37	2.99	.38	3.40	2.96	.44	2.52	2.54	— .02	3.00	2.75
September.....	3.81	3.24	.57	3.88	3.27	.61	3.16	2.99	.17	3.25	3.00
December.....	3.90	3.39	.51	3.98	3.48	.50	3.67	3.22	.45	3.92	3.00
1957—											
March.....	3.92	3.30	.62	4.15	3.27	.88	3.70	3.03	.67	3.95	3.00
June.....	4.17	3.61	.56	4.56	3.89	.67	3.81	3.23	.58	4.06	3.00
September.....	4.31	3.65	.66	4.66	3.82	.84	3.80	3.54	.26	4.05	3.50
December.....	3.80	3.24	.56	3.66	2.99	.67	3.60	2.75	.85	3.85	3.00
1958—											
March.....	3.93	3.22	.71	3.59	2.77	.82	2.27	1.19	1.08	2.52	2.25
June.....	3.89	3.27	.62	3.53	2.88	.65	1.72	1.01	.71	1.97	1.75
September.....	4.15	3.77	.38	3.83	3.60	.23	2.27	2.51	— .24	2.52	2.00
December.....	4.42	3.83	.59	4.48	3.94	.54	3.49	2.69	.80	3.74	2.50
1959—											
March.....	4.72	3.95	.77	4.75	3.92	.83	4.30	2.77	1.53	4.55	3.00
June.....	4.92	4.09	.83	4.83	4.33	.50	5.01	3.16	1.85	5.26	3.50
September.....	5.30	4.12	1.18	5.30	4.65	.65	5.50	4.19	1.31	5.75	4.00
December.....	5.30	4.41	.89	5.37	4.90	.47	5.12	4.52	.60	5.37	4.00

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

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

³ Average tender on Thursday following the last Wednesday of month.

There were marked changes in the pattern and distribution of borrowings: total bond offerings were less than in 1958; the federal government deficit was reduced substantially and there was greater government reliance on short-term borrowing; corporation borrowing on the long-term market was relatively steady as a result of a lower level of fixed investment and a higher level of retained earnings. At the same time there was a sharp rise in borrowings from the banks. The increasing tempo in general economic activity and a substantial rise in inventory holdings led to greater demands by business for chartered bank funds. Bank lending to individuals also increased rapidly. With total bank assets almost unchanged during the year, the banks sold off a considerable amount of their security holdings to meet the rising demand for loans. Finally, the instalment finance companies issued short-term paper to help finance the expansion in consumer credit.

The net effect of these movements was an increase in interest rates, with short-term rates rising more than medium- or long-term. The general public became heavy buyers of bonds, and governments and banks were sellers. Corporations sold long-term bonds but, with their high degree of liquidity, also became buyers of short-term government and finance company paper.

Interest rates, which had begun to rise in mid-1958, continued to increase until the late summer months of 1959 when a moderate decline took place, lasting for the remainder of the year. At year end, however, the level of interest rates was above that at the beginning of 1959.

The yield on three-month treasury bills showed the sharpest changes throughout the year, rising from 3.49 per cent at the end of 1958 to 6.16 per cent in August and then declining to 5.12 per cent at year end. The decline has continued into 1960, and on March 24 the rate was 3.41 per cent. Medium-term yields followed a different pattern, rising until September, then remaining more or less stable until year end. The yield on the 2½ per cent June, 1967-1968 Government of Canada Bonds, for example, rose from 4.48 in January to 5.30 in September, and ended the year at 5.37 per cent. Long-term Government of Canada's followed the same pattern as those of the medium-term issues; the yields on 3½ per cent, October, 1979 bonds were similar to those of the June 1967-1968 issue. The Bank of Canada discount rate, which is set at one-quarter per cent above the average tender rate for three-month treasury bills, stood at 5.37 per cent at the end of 1959, and at 3.66 per cent on March 24, 1960.

Interest rates on provincial, municipal and industrial bonds also rose during the year, in line with the general increase in interest rates. The prime rate on chartered bank lending which had been 5½ per cent at the beginning of 1959 was 5¾ per cent at year end.

In the United States interest rates generally moved upward during the year, responding to much the same influences which were operative in Canada. However, there were differences in the spread between United States and Canadian rates throughout the year. The spread of Canadian rates over those of the United States increased until late summer and then narrowed in the latter part of the year. At year end the spread was greater for long-term bonds than at the end of 1958 while for treasury bills and medium-term bonds the spread was smaller.

TABLE 15
CHARTERED BANK ASSETS
(month-end figures)

	As at Dec. 31 1959	Changes ¹			
		Calendar Years			
		1956	1957	1958	1959
(Millions of dollars)					
Bank of Canada notes and deposits.....	953	42	-16	135	-48
Day-to-day loans.....	101	-7	136	-87	-22
Treasury bills.....	974	313	65	145	24
Sub-total.....	2,028	348	185	193	-46
Government bonds.....	1,827	-957	44	727	-735
Call loans.....	139	-20	35	-75	23
Net foreign assets ²	21	6	41	-54	-68
Total of foregoing assets.....	4,014	-623	305	791	-826
Canadian loans (other than day-to-day and call loans).....	6,003	532	114	82	707
Insured mortgages.....	968	199	93	204	178
Non-Government securities.....	1,063	-58	-8	202	-101
Total holdings.....	12,047	50	504	1,278	-42

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

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

Net new issues of bonds including treasury bills showed a considerable drop in 1959 from the previous year, with \$1,768 million being raised, compared with \$2,875 million in 1958. All classes of borrowings showed declines; provincial and municipal borrowings were about 10 per cent below 1958, while there were much sharper declines in borrowings by the federal government and by corporations. Net new issues of bonds and treasury bills by the Government of Canada decreased from \$1,252 million to \$723 million while the net issues of corporate bonds were only \$171 million compared with \$665 million in 1958. Offsetting to some extent the decline in corporate bond borrowings was an increase in corporate stock issues from \$300 million in 1958 to \$409 million in 1959; most of the stock issues took place in the first half of the year. The decline in corporate borrowing was a reflection of relatively steady outlays for capital goods at the same time that retained earnings of corporations were rising in line with higher profits.

Net new issues of bonds and stocks payable in foreign currencies amounted to \$224 million in 1959, or about one-half of the 1958 level. There was an increase in provincial government bonds payable in foreign currencies, little change in the level of municipal borrowings and a sharp drop in corporate bonds and stocks payable in foreign currencies. There was a net redemption of Government of Canada bonds payable abroad. This included an issue of \$150 million 3 per cent bonds maturing in 1963 and called for prior payment on February 1, 1959. In earlier years the Government had purchased \$129.5 million of the original issue and held it in a special sinking fund.

There was almost no change in the level of Canadian chartered bank assets in 1959. The increase in the demand for loans led to bank sales of securities which amounted to \$812 million for the year. The banks increased their holdings of insured residential mortgages by \$178 million in 1959.

Bank loans, excluding day-to-day loans and call loans, increased sharply by \$707 million. The peak in bank lending came in August, and from then until the end of 1959 there was a more than seasonal decline in loans outstanding. Almost every borrowing group increased its loans in 1959, with the exception of provincial governments and some of the major resource industries. Loans to industry, merchandisers, construction contractors and public utilities accounted for almost one-half of the increase in loans. Personal loans rose by \$163 million, or 18 per cent, to account for another major share of the increase. Loans to farmers, municipal governments and religious and social institutions rose moderately as did loans to stockbrokers and investment dealers. There was an increase of \$82 million in loans to grain dealers and exporters while instalment finance companies increased their borrowings by \$57 million. It should be noted that this latter group also issued \$135 million of short-term paper in 1959.

TABLE 16

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

	1956	1957	1958	1959
	(Millions of dollars)			
Currency—notes and coin.....	1,605	1,667	1,781	1,832
Bank deposits—				
Deposits other than personal savings deposits....	3,580	3,725	4,303	4,057
Personal savings deposits ²	6,007	6,108	6,844	6,900
Total bank deposits.....	9,587	9,833	11,147	10,957
Government Securities—				
Market securities.....	6,225	6,045	6,073	7,513
Non-market securities.....	2,541	2,649	2,895	3,212
Total government securities.....	8,766	8,693	8,968	10,725
Total liquid assets.....	19,958	20,193	21,895	23,514

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.

A higher level of bond yields, along with growing public confidence, led to greatly increased holdings of federal government bonds by the general public outside the banking system. This increase in holdings by the general public was one of the outstanding financial events of the year. Holdings of government securities by the public outside of the banking system rose by \$1,757 million or 20 per cent in the year. Holdings of Canada Savings Bonds increased by \$317 million, those of treasury bills by \$340 million while the remaining increase of \$1,100 million represented other government securities. There were small increases in the public's holdings of currency and in savings deposits, while other deposits declined.

The total amount of federal government direct and guaranteed securities increased by \$719 million in 1959 compared with an increase of \$1,252 million in 1958. As mentioned above, the general public more than accounted for this increase. In the course of 1959 the banking system sold \$702 million of Government of Canada securities while Government of Canada accounts, including the Unemployment Insurance Fund, were reduced by \$336 million.

PRICE TRENDS

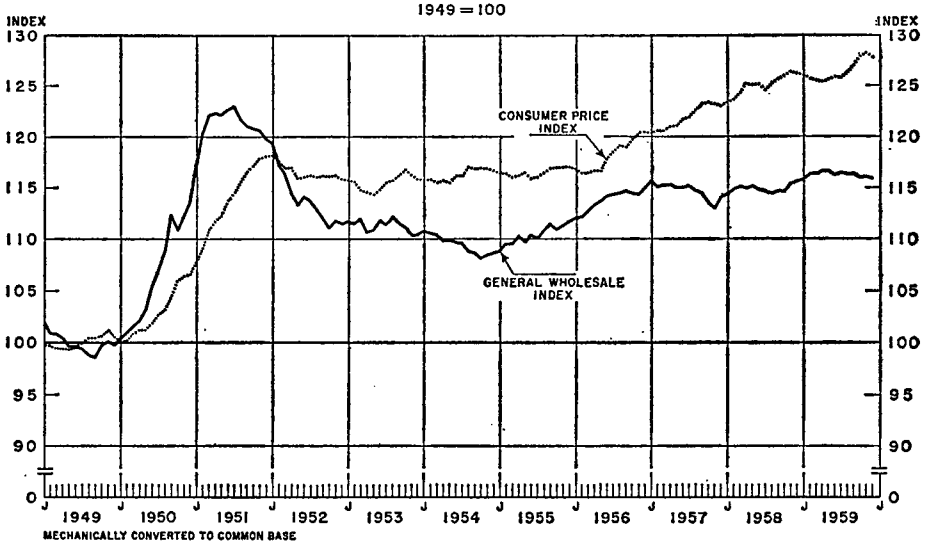
The upward movement in the consumer price index which began in mid-1956 was far less marked during 1959 than in preceding years. For the year 1959 as a whole, the average level of consumer prices increased by 1.1 per cent. This compares with increases of 2.6 per cent in 1958 and 3.2 per cent in 1957. The general index of wholesale prices was 229.8 for December, 1959, only fractionally higher than 229.3 a year earlier.

TABLE 17
CONSUMER AND WHOLESALE PRICES

	Consumer Price Index (1940=100)	General Index of Wholesale Prices (1935-39=100)
AVERAGE FOR YEAR:		
1956.....	118.1	225.6
1957.....	121.9	227.4
1958.....	125.1	227.8
1959.....	126.5	230.6
1959—January.....	126.1	229.7
February.....	125.7	230.8
March.....	125.5	230.8
April.....	125.4	231.2
May.....	125.6	231.2
June.....	125.9	230.7
July.....	125.9	231.0
August.....	126.4	230.8
September.....	127.1	230.9
October.....	128.0	230.1
November.....	128.3	230.3
December.....	127.9	229.8

The consumer price index declined during the first four months of 1959 from 126.2 in December, 1958 to 125.4 in April, 1959. The decline was reversed in May and consumer prices reached a high of 128.3 in November. Slight declines occurred in the next three months and in February, 1960 the consumer price index stood at 127.2. As in the case of the total index, all major groups, with the exception of the food component, averaged slightly higher in 1959 than in 1958. The increases in 1959, however, were in most cases smaller than in the previous year. Clothing prices were fractionally higher while the costs for shelter and household operations rose by 2.2 per cent and 1.4 per cent, respectively. The largest increase in 1959, as in earlier years, occurred in the cost for services and all other commodities where prices rose by 3.1 per cent. This compares with increases of 3.8 per cent in 1958 and 4.3 per cent in 1957. The most significant change occurred in food prices which were fractionally lower on average in 1959. This is in marked contrast to increases of 3 per cent in 1958 and 4.6 per cent in 1957. From 1953 to 1956 the downward movement of food prices had offset increases in other components and imparted an element of stability to the total.

CANADIAN WHOLESALE AND CONSUMER PRICE INDEXES



The performance of wholesale prices in 1959 was in slight contrast to that of 1958. In 1958 the general index in December was more than one per cent higher than at the beginning of the year whereas in a year-over-year comparison with 1957 the index showed little change. In 1959, on the other hand, average wholesale prices were more than one per cent higher than in the previous year but the gap narrowed at the end of the year. The contrast came about mainly because of a weakening in wholesale prices after mid-1959 which followed an upward trend that began in the final quarter of 1958. In a year-over-year comparison, prices for industrial materials showed a marked increase in 1959 compared with substantial declines in the previous two years. Similarly, construction materials which had declined fractionally in 1958 were moderately higher in 1959 though some weakening appeared at the end of the year. Prices for raw materials and manufactured goods were also slightly higher in 1959 following relative stability in 1958.

PART II
REVIEW OF GOVERNMENT ACCOUNTS 1959-60

TABLE OF CONTENTS

	PAGE
1. Introduction.....	75
2. Highlights of governmental financial operations during 1959-60.....	75
3. Budgetary accounts.....	77
A. Revenues.....	79
B. Expenditures.....	85
4. Summary of assets and liabilities as at March 31, 1960.....	107
A. Changes in principal liability classifications during 1959-60...	107
B. Changes in principal asset classifications during 1959-60.....	113
C. Increase in net debt.....	120
5. The cash position.....	121
6. The public debt.....	124
7. Supplementary detailed tables.....	129

PART II
REVIEW OF GOVERNMENT ACCOUNTS
1959-60

1. INTRODUCTION

The fiscal year of the Government ends on March 31 but the books must remain open for some time after this 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 1959-60. Consequently the figures presented in this Part for the fiscal year are preliminary and subject to revision. The final figures when they become available next July or August may vary to some extent from those given in the following pages.

2. HIGHLIGHTS OF GOVERNMENTAL FINANCIAL OPERATIONS
DURING 1959-60

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	
	1960 (estimated)	1959
Budgetary transactions—		
Revenues—		
Tax.....	4,750	4,248
Non-tax.....	551	507
	<u>5,301</u>	<u>4,755</u>
Expenditures—		
Defence.....	-1,528	-1,442
Non-defence.....	-4,179	-3,922
	<u>-5,707</u>	<u>-5,364</u>
Deficit (-).....	<u>-406</u>	<u>-609</u>
Non-budgetary transactions—		
Receipts and credits (excluding unmatured debt transactions)—		
Repayments of loans, investments and working capital advances	348	104
Net government annuities account receipts.....	52	58
Net insurance and pension account receipts.....	216	525
Net sales of investments of unemployment insurance fund.....	125	251
Other non-budgetary receipts.....	201	150
	<u>942</u>	<u>1,088</u>
Disbursements and charges (excluding unmatured debt transactions)—		
Loans, investments and working capital advances.....	-770	-868
Net payments from unemployment insurance fund.....	-126	-245
Other non-budgetary disbursements.....	-49	-639
	<u>-945</u>	<u>-1,752</u>
Net amount received from or required for (-) non-budgetary transactions.....	<u>-3</u>	<u>-664</u>
Overall cash requirements (-) to be financed by increase in debt or decrease in cash balances.....	-409	-1,273
Net increase in unmatured debt outstanding in the hands of the public.....	333	1,439
Net increase or decrease (-) in Receiver General bank balances....	-76	166

Budgetary transactions

The revenues, expenditures and deficit as forecast in the budget speech of April 9, 1959 and the actual figures as now estimated are shown in the following table:

TABLE 2
(in millions of dollars)

	Budget Forecast April 9, 1959	Actual (estimated)	Increase	
			Amount	Per cent
Revenues.....	5,267	5,301	34	0.6
Expenditures.....	-5,660	-5,707	47	0.8
Deficit.....	-393	-406	13	3.3

Revenues of the government for the fiscal year ending March 31, 1960 amounted to \$5,301 million. This is \$34 million or less than two-thirds of one per cent above the total of \$5,267 million forecast in the budget speech of April 9, 1959 and \$546 million or 12 per cent more than the total of \$4,755 million collected in 1958-59.

Expenditures amounted to \$5,707 million and were \$47 million or approximately three-quarters of one per cent more than last year's budget forecast of \$5,660 million and \$343 million or 6 per cent more than the 1958-59 expenditures which totalled \$5,364 million.

On the basis of these figures the deficit for the fiscal year is \$406 million compared with the deficit of \$393 million as forecast in the budget speech of April 9, 1959 and a deficit of \$609 million in 1958-59.

Revenue collections have shown an increase over the previous year. This is due partly to the fact that the general level of activity and production in the economy was higher than in 1958-59 and partly to tax increases announced in last year's budget speech. Tax revenue increased by \$502 million and non-tax revenue by \$44 million.

Electronic data processing of the returns of Ontario taxpayers by the Taxation Division of the Department of National Revenue has resulted in earlier payments of refunds. As a consequence net revenues for 1959-60 are approximately \$10 million less than they would otherwise have been and revenues in the first three months of 1960-61 will be correspondingly higher. Had the procedures of previous years been followed 1959-60 revenues would have been \$10 million more and the deficit \$10 million less.

On the expenditure side defence again constituted the largest item. Budgetary outlays on defence amounted to \$1,528 million or 27 per cent of the total expenditures. In 1958-59 defence costs charged to the budget were \$1,442 million but in that year equipment purchases amounting to \$212 million were charged to the non-budgetary defence equipment account. Thus while budgetary defence expenditures in 1959-60 appear \$86 million higher than in 1958-59 the cash outlays were in fact \$106 million lower.

Civil or non-defence expenditures amounted to \$4,179 million, an increase of \$257 million over the corresponding total for the previous year. Of this increase \$95 million is due to government contributions under the Hospital Insurance and Diagnostic Services Act, \$138 million to public debt charges and

\$55 million to provincial subsidy and tax-sharing payments. In addition there were increases of \$22 million in the expenditures of the Department of External Affairs, \$20 million in the expenditures of the Department of Agriculture and \$16 million in the expenditures of the Department of Northern Affairs and National Resources. There was no charge in 1959-60 to reduce the temporary loans to the old age security fund, which in 1958-59 amounted to \$184 million.

More detailed explanations of budgetary revenues by source and budgetary expenditures by classification and department are given in later sections of this Part.

Non-budgetary transactions

Although the budgetary deficit for 1959-60 is expected to be \$406 million, the government's bank balances at the end of the fiscal year are estimated to be only \$76 million less than a year ago. This decrease in cash balances is the net result of budgetary requirements of \$406 million, requirements of \$770 million for loans, investments and working capital advances and of \$175 million for other non-budgetary disbursements offset by non-budgetary receipts and credits of \$942 million from repayments of loans and investments, annuity, insurance and pension accounts receipts and other non-budgetary sources and an increase of \$333 million in outstanding unmatured debt.

Old age security fund

Pension payments from the old age security fund amounted to \$574 million and tax receipts credited to the fund totalled \$550 million, and the deficit of \$24 million for the fiscal year was covered by temporary loans by the Minister of Finance. During 1958-59 pension payments amounted to \$559 million and tax receipts credited to the fund to \$375 million resulting in an excess of pension payments over tax receipts of \$184 million which was charged to expenditures in 1958-59 under the authority of a vote of parliament.

Debt transactions

During 1959-60 the government issued securities amounting to \$3,033 million (excluding the refunding of treasury bills which mature periodically) and redeemed or converted issues in the amount of \$2,720 million, resulting in an increase of \$313 million in unmatured debt. As other liabilities increased by \$434 million the government's gross public debt increased by \$747 million to \$20,997 million at March 31, 1960. During the fiscal year the government's net assets increased by \$343 million to \$8,915 million. As a result, the government's net debt at March 31, 1960 is estimated to be \$12,082 million compared with \$11,678 million at March 31, 1959, the increase of \$404 million reflecting the budgetary deficit of \$406 million less an adjustment of \$2 million in respect of prior years' transactions.

Cash position

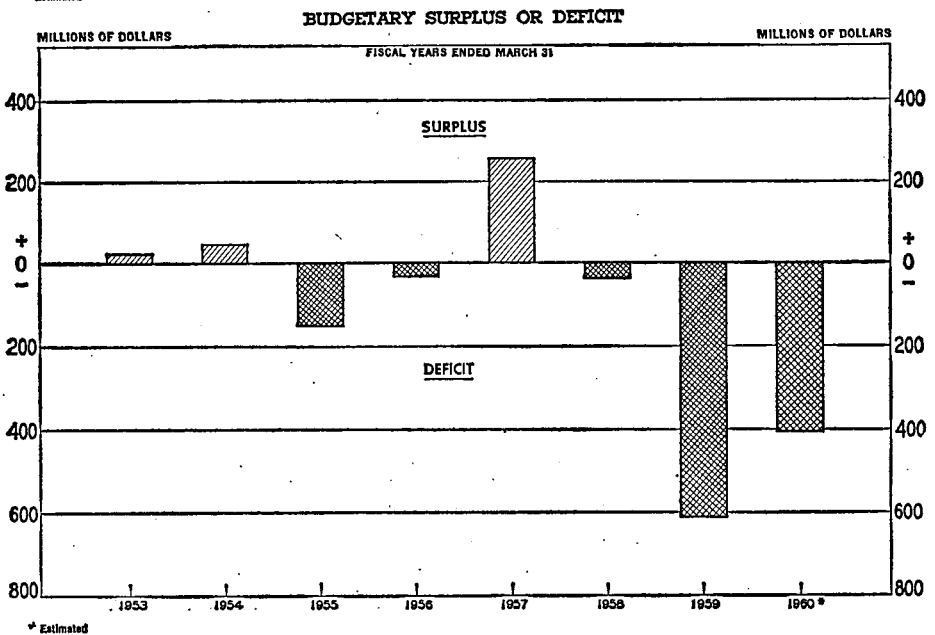
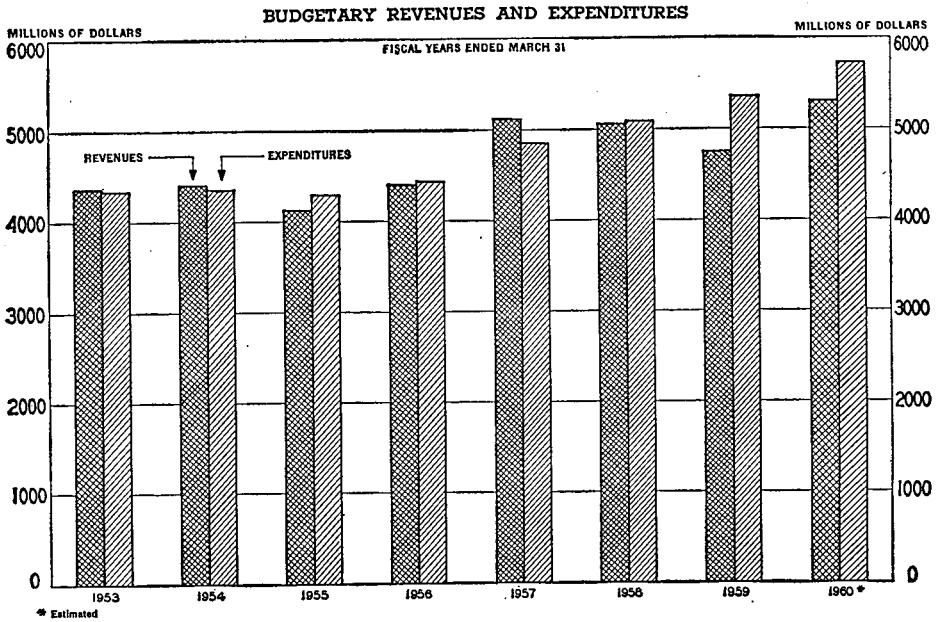
Receiver General bank balances decreased by an estimated \$76 million during the fiscal year as net budgetary and non-budgetary requirements totalled \$409 million and outstanding unmatured debt (after taking into account transactions in the securities investment and sinking fund accounts) increased by \$333 million.

3. THE BUDGETARY ACCOUNTS

Total revenues, amounting to \$5,301 million for 1959-60, are \$546 million more than the total for the previous year. Total expenditures are \$5,707 million, an increase of \$343 million over the total for 1958-59. The deficit for the fiscal year is \$406 million compared with \$609 million for the previous year.

TABLE 3
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.....	4,754.7	5,364.0	-609.3
1960 (estimated).....	5,301.0	5,706.8	-405.8



A. REVENUES

Budgetary revenues were \$5,301 million in the fiscal year 1959-60. This is \$546 million or 12 per cent more than in the previous year. Of the total revenues for the year, \$4,750 million, or 90 per cent was derived from taxes and \$551 million or 10 per cent from non-tax revenues.

TABLE 4
BUDGETARY REVENUES BY MAJOR SOURCES
(in millions of dollars)

Source	Fiscal year ended March 31				Increase or decrease (—)	
	1960 (estimated)		1959		Amount	Per cent
	Amount	Per cent	Amount	Per cent		
Tax revenues—						
Income tax—						
Personal ⁽¹⁾	1,555.0	29.3	1,353.5	28.5	201.5	14.9
Corporation ⁽¹⁾	1,140.0	21.5	1,020.6	21.5	119.4	11.7
On dividends, interest, etc., going abroad.....	75.0	1.4	61.2	1.3	13.8	22.5
Excise taxes—						
Sales ⁽¹⁾	737.0	13.9	694.5	14.6	42.5	6.1
Other.....	287.0	5.4	240.6	5.0	46.4	19.3
Customs import duties.....	529.0	10.0	486.5	10.2	42.5	8.7
Excise duties.....	338.0	6.4	316.7	6.7	21.3	6.7
Estate tax ⁽²⁾	88.0	1.7	72.6	1.5	15.4	21.2
Other taxes.....	1.0		1.2		— 0.2	—16.7
	4,750.0	89.6	4,247.4	89.3	502.6	11.8
Non-tax revenues—						
Return on investments.....	239.0	4.5	221.2	4.7	17.8	8.0
Post office.....	165.0	3.1	157.5	3.3	7.5	4.8
Other non-tax revenues.....	147.0	2.8	128.6	2.7	18.4	14.3
	551.0	10.4	507.3	10.7	43.7	8.6
Total revenues.....	5,301.0	100.0	4,754.7	100.0	546.3	11.5

	1959-60 (estimated)	1958-59
⁽¹⁾ Excluding tax credited to the old age security fund—		
Personal income tax.....	185.6	146.4
Corporation income tax.....	91.3	55.3
Sales tax.....	273.0	173.6
	549.9	375.3

⁽²⁾ Includes duties levied under the Succession Duty Act.

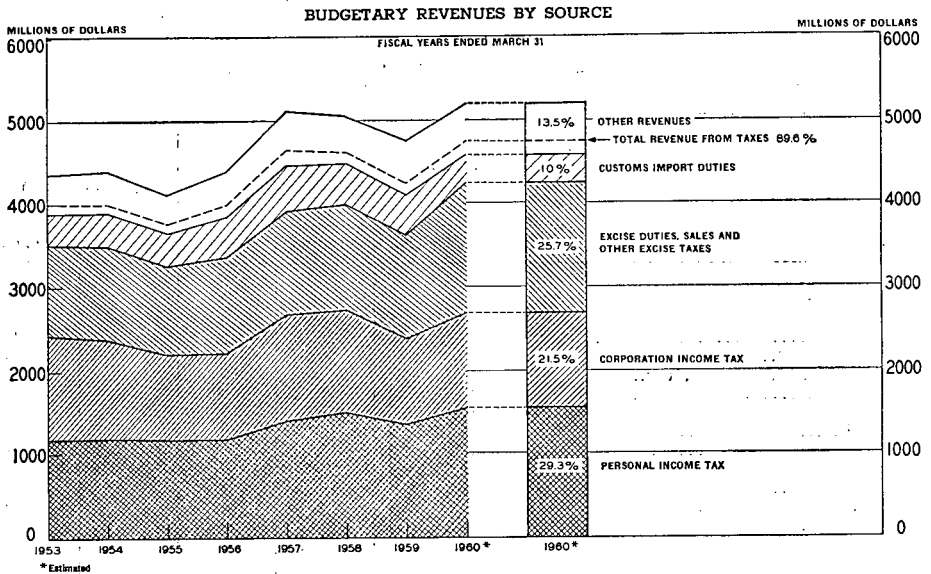
(1) TAX REVENUES

Tax on personal incomes

The personal income tax was again in 1959-60 the largest source of government revenue, the yield (excluding the old age security tax) being \$1,555 million. The increase of \$202 million or 15 per cent over the previous year is due partly to the higher level of personal incomes during the year and partly to the increase in rates which took effect on July 1, 1959.

The introduction of electronic data processing in the Taxation Division of the Department of National Revenue has resulted in the earlier payment of refunds to Ontario taxpayers. Net revenues for 1959-60 are approximately \$10 million less than they would otherwise have been and this will be reflected in an equivalent increase in revenue in the first three months of 1960-61. If the procedures of earlier years had been followed, the 1959-60 revenues from personal income tax would have been \$10 million higher and the deficit \$10 million less.

In addition the tax on personal incomes levied under the Old Age Security Act yielded \$186 million. This tax which previously was 2 per cent with a maximum of \$60 was increased effective July 1, 1959 to 3 per cent with a maximum of \$90. This revenue is credited to the old age security fund.



Corporation income tax

The corporation income tax (excluding the old age security tax) yielded \$1,140 million in 1959-60 and was the second largest revenue producer. The increase of \$119 million or 12 per cent over the previous year is due partly to higher corporate profits in 1959 and partly to the increase in rates which was effective January 1, 1959.

In addition the tax on incomes of corporations levied under the Old Age Security Act yielded \$91 million which is credited to the old age security fund. This tax was increased from 2 per cent to 3 per cent effective January 1, 1959.

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 increase of \$14 million over the previous year reflects higher corporate profits in 1959.

Excise taxes

Included under this heading are the revenues from the general sales tax and the special excise taxes levied on a number of manufactured products.

From a revenue standpoint the most important tax levied under the Excise Tax Act is the sales tax. The increase of \$43 million or 6 per cent in receipts (excluding the old age security tax) over the previous year reflected the higher general level of activity and production in the economy in 1959-60.

The tax on sales levied under the Old Age Security Act and credited to the old age security fund yielded \$273 million compared with \$174 million in the previous year. This tax was increased from 2 per cent to 3 per cent effective April 10, 1959.

Excise taxes other than the general sales tax were \$46 million or 19 per cent more than in the previous year. Receipts from the tax on tobacco products were \$36 million higher than in the previous year, due mainly to the increase in the tax rate of two cents per package of twenty cigarettes which was effective April 10, 1959. In addition receipts from the tax on automobiles were \$7 million higher.

Customs import duties

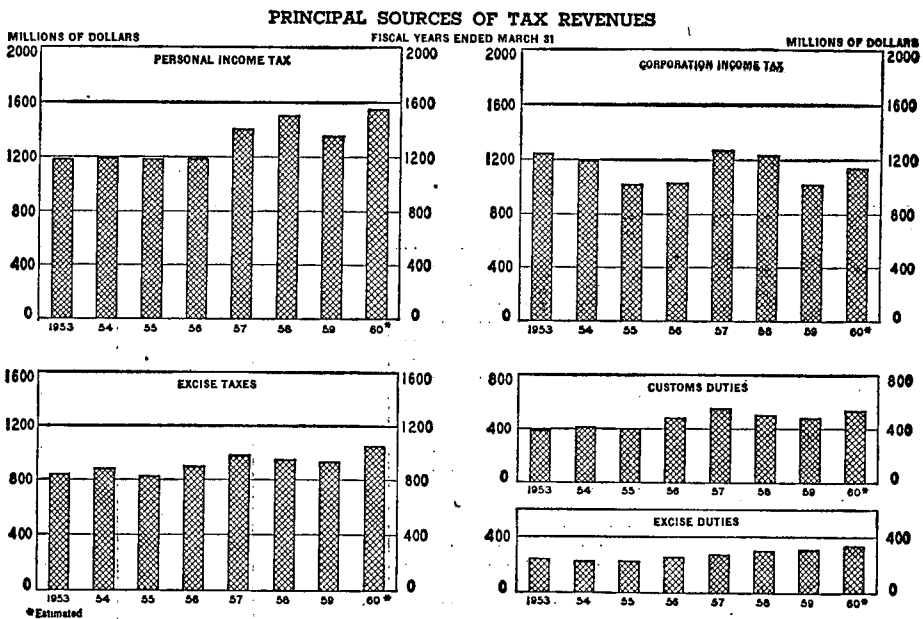
The increase of \$43 million or 9 per cent in customs import duties reflected the increase in the volume and value of imports during the year

Excise duties

Excise duties are levied only on alcoholic beverages and tobacco products. (Additional taxes on tobacco products are levied under the Excise Tax Act referred to above.) The collections from the taxes on alcoholic beverages, before deducting refunds, were \$195 million, an increase of \$15 million over the previous year, due mainly to the increase in rates by one dollar per proof gallon effective April 10, 1959. The gross receipts from the taxes on tobacco products amounted to \$147 million, an increase of \$6 million.

Estate tax

The revenue from this source for the year amounted to \$88 million, an increase of \$15 million over the 1958-59 total. Although the Estate Tax Act replaced the Succession Duty Act with respect to death on and after January 1, 1959 a large part of the revenue received in 1959-60 was derived from duties levied under the Succession Duty Act.



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.

(2) NON-TAX REVENUES

Non-tax revenues for 1959-60 were \$551 million, \$44 million or 9 per cent more than the 1958-59 total of \$507 million.

TABLE 5
(in millions of dollars)

NON-TAX REVENUES	Fiscal year ended March 31		Increase or decrease (—)	
	1960 (estimated)	1959	Amount	Per cent
Return on investments.....	239.0	221.2	17.8	8.0
Post office.....	165.0	157.5	7.5	4.8
Refunds of previous years' expenditures.....	45.8	37.7	8.1	21.5
Services and service fees.....	30.5	27.2	3.3	12.1
Proceeds from sales.....	24.7	23.5	1.2	5.1
Privileges, licences and permits.....	31.9	27.9	4.0	14.3
Bullion and coinage.....	5.9	4.4	1.5	34.1
Premium, discount and exchange.....	1.0	1.0	.....	.....
Other.....	7.2	6.9	0.3	4.3
	551.0	507.3	43.7	8.6

Return on investments

Receipts in this category amounted to \$239 million compared with \$221 million in 1958-59.

Payments from Crown corporations were \$154 million, \$7 million over the 1958-59 amount. Increases of \$17 million in receipts from the Central Mortgage and Housing Corporation, \$3 million from the Canadian National Railways and other smaller increases amounting to \$2 million were offset partly by a decrease of \$15 million from the Bank of Canada.

TABLE 6
(in millions of dollars)

RETURN ON INVESTMENTS	Fiscal year ended March 31		Increase or decrease (—)
	1960 (estimated)	1959	
Loans to, and investments in, Crown corporations—			
Bank of Canada—profits.....	74.0	88.6	—14.6
Canadian National Railways.....	14.3	11.4	2.9
Central Mortgage and Housing Corporation.....	45.9	29.0	16.9
Eldorado Mining and Refining Limited.....	4.2	3.5	0.7
Farm Credit Corporation ⁽¹⁾	2.6	2.0	0.6
National Harbours Board.....	3.3	3.2	0.1
Northern Ontario Pipe Line Crown Corporation.....	4.1	3.1	1.0
Polymer Corporation Limited.....	4.0	4.0	.....
Miscellaneous.....	1.6	1.7	—0.1
	154.0	146.5	7.5
Other loans and investments—			
United Kingdom.....	22.5	22.8	—0.3
Other national governments.....	11.1	9.1	2.0
Provincial governments.....	1.4	0.9	0.5
Soldier and general land settlement loans and veterans land act advances.....	5.0	5.1	—0.1
Exchange fund account.....	25.5	18.6	6.9
Securities investment account.....	3.9	2.6	1.3
Sinking fund and other investments held for retirement of unmatured debt.....	2.5	6.1	—3.6
Interest-bearing deposits with chartered banks.....	8.1	5.0	3.1
Unemployment Insurance Commission.....	1.3	.....	1.3
Miscellaneous.....	3.7	4.5	—0.8
	85.0	74.7	10.3
	239.0	221.2	17.8

⁽¹⁾ Formerly the Canadian Farm Loan Board.

Other loans and investments yielded \$85 million, an increase of \$10 million over the previous year. Increases of \$7 million in profits of the exchange fund, \$3 million in interest on deposits with the chartered banks and other smaller increases amounting to \$4 million were offset partly by a decrease of \$4 million in earnings from the sinking fund and other investments.

Post office

Gross post office receipts totalled \$191 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 \$165 million. Last year gross receipts amounted to \$183 million and authorized disbursements totalled \$26 million.

As costs of operating the post office during 1959-60 (excluding the \$26 million charged to revenue) were \$168 million, net expenditure exceeded net revenue by \$3 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 \$46 million, \$8 million more than in 1958-59. These refunds included \$15 million received by the Department of National Defence, of which \$5 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. The Department of Finance received \$13 million (of which \$12 million was a repayment by the Province of Ontario in connection with succession duty payments under the tax-rental agreements), the Departments of Transport and Veterans Affairs received \$2 million each and other departments received \$11 million. In addition, the unexpended balance, amounting to \$3 million, of the 1958-59 parliamentary grant for the capital expenditures of the radio and television services was refunded by the Canadian Broadcasting Corporation.

Services and service fees

Sums totalling \$31 million were collected during 1959-60 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 \$10 million received by the Royal Canadian Mounted police; mainly for police services to provinces and municipalities; \$6 million 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; and \$5 million received by the Department of Transport, mainly 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 \$25 million for 1959-60, \$1 million more than the total received in 1958-59.

Receipts under this category included \$6 million from Crown Assets Disposal Corporation representing amounts realized from the disposal of surplus Crown assets (after deducting certain agency fees and transfers), \$4 million under agreements of sale and \$5 million from Central Mortgage and Housing Corporation representing the proceeds from the sale of wartime housing properties 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 \$32 million were received during the fiscal year on account of privileges, licences and permits compared with \$28 million received last year.

Included in these revenues is an amount of \$11 million collected by the Department of Transport, mainly on account of aircraft landing fees, rentals of hangar accommodation, and other miscellaneous rental charges, and \$3 million by the Department of Northern Affairs and National Resources for oil leases in the Northwest Territories.

Bullion and coinage

Revenue of \$6 million under this heading arose out of the operations of the Royal Canadian Mint and included a net gain on coinage of \$5 million, and gold refining, storage and handling charges and gain in gold refining of \$1 million (of which more than half was in respect of handling charges).

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 \$1 million to revenues, the same as in the previous year.

Other non-tax revenues

Revenues under this category amounted to \$7 million, the same as in 1958-59.

(3). COMPARISON OF ACTUAL REVENUES WITH FORECAST

The Budget Speech of April 9, 1959 forecast that budgetary revenues for the fiscal year 1959-60 would be \$5,267 million.

It is now estimated that actual budgetary revenues for the fiscal year will be \$5,301 million or \$34 million more than forecast.

The following table shows the extent to which actual revenues for 1959-60, as now estimated, differ from the budget forecast:

TABLE 7
COMPARISON OF FORECAST WITH ACTUAL REVENUES FOR FISCAL YEAR ENDED MARCH 31, 1960
(in millions of dollars)

SOURCE OF REVENUES	Budget forecast of revenues	Revenues (estimated)	Increase or decrease (-) compared with budget forecast	
			Amount	Per cent
Personal income tax.....	1,578	1,555	-23	-1.5
Corporation income tax.....	1,097	1,140	43	3.9
Non-resident income tax.....	75	75		
Estate tax.....	75	88	13	17.3
Customs import duties.....	528	529	1	0.2
Sales tax (net).....	756	737	-19	-2.5
Other duties and taxes.....	648	626	-22	-3.4
Total tax revenues.....	4,757	4,750	- 7	-0.1
Non-tax revenues.....	510	551	41	8.0
Total budgetary revenues.....	5,267	5,301	34	0.6

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, on a percentage basis, from the amount forecast are the corporation income tax, estate tax and non-tax revenues.

The revenue from corporation income tax exceeded the forecast by a small amount, reflecting higher than expected corporate profits.

The revenue from the estate tax 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.

Non-tax revenues were \$41 million above the forecast, due to larger than expected returns on investments.

B. EXPENDITURES

Budgetary expenditures for 1959-60 amounted to \$5,707 million, an increase of \$343 million over the 1958-59 total of \$5,364 million.

TABLE 8
STATEMENT OF BUDGETARY EXPENDITURES BY DEPARTMENTS AND MAJOR CLASSIFICATIONS
(in millions of dollars)

	Fiscal year ended March 31				Increase or decrease (—)	
	1960 (estimated)		1959			
	Amount	Per cent	Amount	Per cent	Amount	Per cent
Defence expenditures—						
National Defence.....	(1) 1,505.7	26.4	1,424.7	26.6	81.0	5.7
Defence Production.....	17.3	0.3	13.9	0.2	3.4	24.5
Civil defence.....	(2) 5.3	0.1	3.8	0.1	1.5	39.5
	1,528.3	26.8	1,442.4	26.9	85.9	6.0
Non-defence expenditures—						
Agriculture.....	185.3	3.3	165.8	3.1	19.5	11.8
Atomic Energy.....	31.1	0.5	26.1	0.5	5.0	19.2
Canadian Broadcasting Corporation...	61.6	1.1	62.0	1.2	—0.4	—0.6
Citizenship and Immigration.....	55.8	1.0	52.9	1.0	2.9	5.5
External Affairs.....	97.9	1.7	75.5	1.4	22.4	29.7
Finance—						
Public debt charges.....	786.1	13.8	648.0	12.1	138.1	21.3
Provincial subsidies and tax-sharing payments (including transitional and additional grants to Newfoundland).....	522.0	9.2	467.0	8.7	55.0	11.8
Government contributions with respect to the superannuation account	40.0	0.7	37.7	0.7	2.3	6.1
Other.....	76.8	1.3	75.5	1.4	1.3	1.7
	1,424.9	25.0	1,228.2	22.9	196.7	16.0
Fisheries.....	20.2	0.4	17.5	0.3	2.7	15.4
Justice.....	8.2	0.1	7.6	0.1	0.6	7.9
Office of the Commissioner of Penitentiaries.....	20.5	0.4	16.7	0.3	3.8	22.8
	28.7	0.5	24.3	0.4	4.4	18.1
Labour.....	22.9	0.4	14.4	0.3	8.5	59.0
Unemployment Insurance Act administration and government's contribution.....	81.4	1.4	72.4	1.3	9.0	12.4
	104.3	1.8	86.8	1.6	17.5	20.2
Mines and Technical Surveys.....	55.1	1.0	43.8	0.8	11.3	25.8
National Health and Welfare—						
Family allowances.....	491.3	8.6	474.8	8.9	16.5	3.5
Reduction in the amount of temporary loans to the old age security fund.....			184.0	3.4	—184.0	—100.0
Government contributions under the Hospital and Diagnostic Services Act.....	149.8	2.6	54.7	1.0	95.1	173.9
Other.....	(3) 168.5	3.0	155.6	2.9	12.9	8.3
	809.6	14.2	869.1	16.2	—59.5	—6.8
National Research Council.....	31.3	0.5	25.4	0.5	5.9	23.2
National Revenue.....	69.2	1.2	68.8	1.3	0.4	0.6
Northern Affairs and National Resources.....	81.4	1.4	65.2	1.2	16.2	24.8
Post Office.....	167.6	2.9	157.8	2.9	9.8	6.2
Public Works.....	215.2	3.8	226.1	4.1	—10.9	—4.8
Royal Canadian Mounted Police.....	53.3	0.9	51.7	1.0	1.6	3.1
Trade and Commerce.....	67.4	1.2	65.6	1.2	1.8	2.7
Transport.....	298.4	5.2	288.8	5.4	9.6	3.3
Veterans Affairs.....	290.0	5.1	288.8	5.4	1.2	0.4
Other departments.....	(4) 30.2	0.5	31.4	0.7	—1.2	—3.8
	4,178.5	73.2	3,921.6	73.1	256.9	6.6
Total budgetary expenditures...	5,706.8	100.0	5,364.0	100.0	342.8	6.4

(1) Does not include \$0.4 million in respect of civil defence.

(2) Includes expenditures of \$3.7 million made by the Department of National Health and Welfare, \$1.2 million by Privy Council and \$0.4 million by the Department of National Defence.

(3) Does not include \$3.7 million in respect of civil defence.

(4) Does not include \$1.2 million made by Privy Council in respect of civil defence.

Defence expenditures

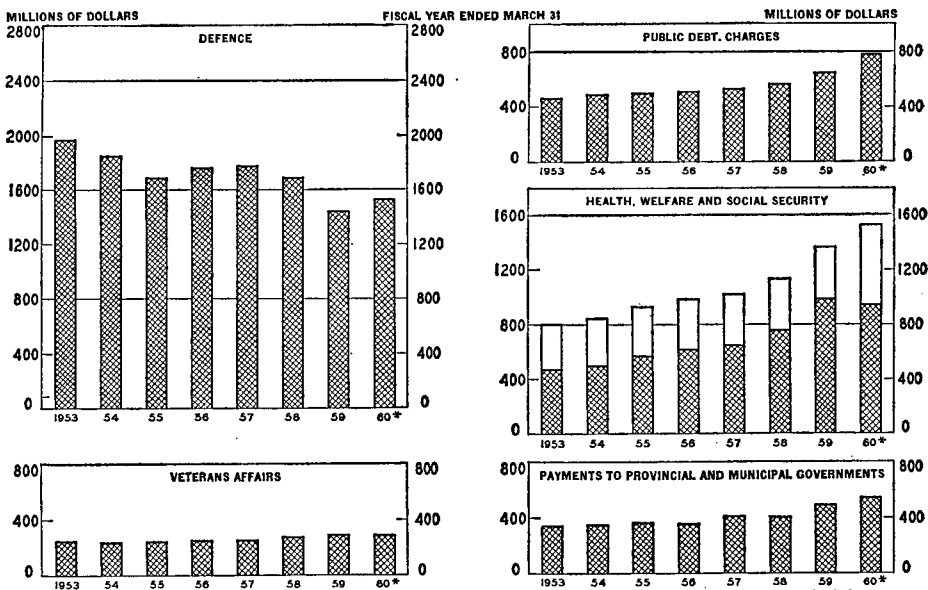
Defence expenditures which consist of expenditures of the Departments of National Defence and Defence Production and outlays for the civil defence programme are again the largest category of government budgetary expenditures. The total of \$1,528 million for 1959-60 was approximately 27 per cent of the aggregate budgetary expenditures of the government and was \$86 million, or about 6 per cent, more than the total of \$1,442 million for 1958-59 when defence expenditures were also 27 per cent of aggregate budgetary expenditures.

Expenditures of the Department of National Defence were \$1,506 million, those of the Department of Defence Production were \$17 million and outlays for the civil defence programme were \$5 million. In 1958-59 expenditures were \$1,424 million, \$14 million and \$4 million respectively.

Expenditures for army, naval and air services totalled \$1,378 million, \$169 million more than the 1958-59 total. The outlay for army services increased by \$30 million, for naval services by \$48 million and for air services by \$91 million over the previous year's totals. However, when comparing defence costs charged to budgetary expenditures for the past two years it must be noted that in 1958-59 purchases in the amount of \$212 million were charged to the national defence equipment account rather than to budgetary expenditures. This was in accordance with the policy announced by the Minister of Finance in his budget speech of June 17, 1958, that the balance in the national defence equipment account would be liquidated during the fiscal year 1958-59.

Expenditures on mutual aid to NATO countries in 1959-60 show a decline of \$56 million from those of the preceding year. However, this apparent decline was due to a change in the method of accounting for this programme in the current year rather than to any major reduction in the programme itself.

PRINCIPAL CLASSES OF BUDGETARY EXPENDITURE



1. The unshaded area of the columns in the chart for health, welfare and social security represent pension payments out of the old age security fund not charged to budgetary expenditure in the year in which they were paid.
2. Does not include those payments made to provincial and municipal governments for specific purposes.

* Estimated

TABLE 9
(in millions of dollars)

DEFENCE EXPENDITURES	Fiscal year ended March 31		Increase or decrease (—)
	1960 (estimated)	1959	
Department of National Defence—			
Army services.....	400.8	370.6	30.2
Naval services.....	261.6	213.9	47.7
Air services.....	715.4	624.4	91.0
	1,377.8	1,208.9	168.9
Defence research and development.....	40.1	74.4	—34.3
Mutual aid to NATO countries including contributions towards military costs of NATO.....	14.7	70.7	—56.0
Government contribution to the permanent services pension account.....	51.8	49.5	2.3
Administration and general.....	(1) 21.3	21.2	0.1
	1,505.7	1,424.7	81.0
Department of Defence Production—			
Capital assistance.....	2.9	1.8	1.1
Administration and general.....	14.4	12.1	2.3
	17.3	13.9	3.4
Civil defence programme.....	(2) 5.3	3.8	1.5
	1,528.3	1,442.4	85.9

(1) Does not include \$0.4 million in respect of civil defence.

(2) Includes expenditures of \$3.7 million made by the Department of National Health and Welfare, \$1.2 million by Privy Council and \$0.4 million by the Department of National Defence.

Direct charges to mutual aid in 1958–59 amounted to \$13 million consisting of procurement of equipment for mutual aid and Canada's share of NATO military budgets and infrastructure costs. Expenditures on these items in 1959–60 amounted to \$15 million. However, in 1958–59 the mutual aid appropriation was charged also with the value of equipment transferred from service stocks amounting to \$51 million plus a further \$7 million in respect of NATO aircrew training carried out by the RCAF. In the fiscal year under review the costs of these items are being borne by the services without recovery from the mutual aid appropriation which provides for direct charges only. The value of these items in the mutual aid programme in 1959–60 was \$54 million for transfers of equipment and \$5 million for NATO aircrew training.

Outlays for defence research and development were \$40 million compared with \$74 million in 1958–59.

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 \$52 million, an increase of \$2 million over the total for the previous year.

Administration and general costs were \$21 million in 1959–60, approximately the same as for 1958–59.

The total expenditure of \$17 million for the Department of Defence Production was \$3 million more than in 1958–59. This increase resulted from the \$1 million outlay in connection with the government programme instituted in 1959–60 of supporting selected defence development programmes in order to sustain technological capability in Canadian industry, the increase of \$1 million in administration and general costs and the \$1 million increase 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.

Civil defence expenditures of \$5 million were \$1 million higher than comparable costs in 1958-59.

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.

Under section 11 of the National Defence Act, materiel, not immediately required for the use of the Canadian defence forces or the Defence Research Board, may be sold to such countries and upon such terms as the Governor in Council may determine. The proceeds of such sales in 1959-60 amounting to \$4 million were credited to a special account to be used for the procurement of materiel. Net cash outlays from this account during 1959-60 were \$10 million leaving a balance of \$4 million at March 31, 1960.

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 1959-60 proceeds from sales exceeded purchases by \$10 million and the assets of the fund were reduced by an equivalent amount leaving a balance of \$20 million in the account at March 31, 1960.

For several years cash outlays were made for the purchase of equipment and supplies for the army, naval or air services which were charged to the national defence equipment account and not included in budgetary expenditures. In 1958-59 this account was liquidated in accordance with the policy outlined in the budget speech of June 17, 1958. Consequently there was no non-budgetary charge in 1959-60 comparable to the charge of \$212 million made in 1958-59.

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

TABLE 10
(in millions of dollars)

CASH OUTLAYS FOR DEFENCE	Fiscal year ended March 31		Increase or decrease (—)
	1960 (estimated)	1959	
Budgetary expenditures—			
Department of National Defence.....	1,505.7	1,424.7	81.0
Department of Defence Production.....	17.3	13.9	3.4
Civil defence programme.....	5.3	3.8	1.5
	1,528.3	1,442.4	85.9
Disbursements from—			
National defence equipment account.....		211.7	—211.7
Replacement of materiel account—sec. 11, National Defence Act (net).....	10.2	4.3	5.9
Defence production revolving fund (net).....	—10.2	—24.4	14.2
		191.6	—191.6
Net cash outlay for defence.....	1,528.3	1,634.0	—105.7

Agriculture

Expenditures of the Department of Agriculture totalled \$185 million for 1959-60 compared with \$166 million in 1958-59.

Increases of \$43 million in the net operating loss of the agricultural stabilization board, \$6 million in contributions to the provinces of Alberta, Saskatchewan and Manitoba in respect of unharvested crops, \$8 million in expenditures of the production and marketing branch, \$5 million in outlays for rehabilitation and reclamation projects and \$2 million in research branch expenditures were offset partially by decreases of \$41 million in payments to western grain producers and \$4 million in the deficit of the prairie farm emergency fund.

TABLE 11
(in millions of dollars)

AGRICULTURE	Fiscal year ended March 31		Increase or decrease (—)
	1960 (estimated)	1959	
Agricultural stabilization board—net operating loss.....	57.7	15.0	42.7
Contributions to Alberta, Saskatchewan and Manitoba— unharvested crops.....	6.0	.....	6.0
Payments to western grain producers.....	.....	41.3	—41.3
Prairie farm emergency fund—deficit.....	13.2	17.0	— 3.8
Production and marketing branch—			
Freight assistance on western feed grains.....	23.2	20.0	3.2
Premium on hog carcasses including administrative costs	8.2	6.9	1.3
Other.....	27.3	23.9	3.4
	58.7	50.8	7.9
Rehabilitation and reclamation projects.....	18.9	13.5	5.4
Research branch.....	28.6	26.2	2.4
Administration and general.....	2.2	2.0	0.2
	185.3	165.8	19.5

The 1959-60 net operating loss of the agricultural stabilization board was \$58 million compared with \$15 million in 1958-59.

Under the authority of Vote 613 of Appropriation Act No. 1, 1960 contributions totalling \$6 million were made to the Provinces of Alberta, Saskatchewan and Manitoba during 1959-60, in accordance with terms and conditions prescribed by the Governor in Council, of one-half the amounts paid by the Governments of those Provinces to farmers in respect of unharvested crops to a maximum of \$300 in respect of any one farm; and contributions to the Governments of those Provinces (or their municipalities) in respect of the administrative costs incurred by them in making such payments.

In 1958-59 payments of \$41 million were made under authority of Vote 663 of Appropriation Act No. 5, 1958 and Vote 698 of Appropriation Act No. 1, 1959 in accordance with Western Grain Producers Acreage Payments Regulations. There was no expenditure for this purpose in 1959-60.

Advances of \$13 million made by the Minister of Finance to the prairie farm emergency fund to cover the year's deficit were charged to budgetary expenditures. The comparable amount in 1958-59 was \$17 million.

Atomic Energy

Expenditures of the Atomic Energy Control Board and payments to Atomic Energy of Canada Limited totalled \$31 million compared with \$26 million in 1958-59, an increase of \$5 million.

Administration expenses of the Atomic Energy Control Board and grants for research and investigations with respect to atomic energy were \$1 million, slightly higher than in 1958-59.

During the fiscal year \$30 million was paid to Atomic Energy of Canada Limited for its research programme, \$4 million more than in the previous year. Of the total, \$19 million was for current operations and maintenance and \$11 million for the construction and acquisition of buildings, land, works and equipment.

In addition, working capital advances of \$2 million were made to Atomic Energy of Canada Limited during the year. This brought the total of advances covered, or to be covered, by obligations or shares of the company to \$61 million at March 31, 1960.

Canadian Broadcasting Corporation

Expenditures of \$62 million were made by the government on account of the Canadian Broadcasting Corporation during 1959-60, approximately the same as in 1958-59.

Grants for radio broadcasting and television services increased by \$2 million over the corresponding amount for 1958-59, while expenditures for the international shortwave broadcasting service remained at approximately \$2 million.

There were no payments made during 1959-60 of amounts equal to the 15 per cent special tax collected under the Excise Tax Act in respect of radio and television sets and equipment. These payments were discontinued under the provisions of the Broadcasting Act which came into force on November 10, 1958.

During the fiscal year 1959-60 grants totalling \$7 million were made to the Canadian Broadcasting Corporation for the capital requirements, including the replacement of existing capital assets, of the radio and television services.

TABLE 12
(in millions of dollars)

CANADIAN BROADCASTING CORPORATION	Fiscal year ended March 31				
	1956	1957	1958	1959	1960 (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.....	23.1	19.3	16.8	9.8	.....
Capital requirements of the radio and television service.....	6.3	18.3	24.4	50.3	7.2
Radio broadcasting and television services	1.8	1.7	1.8	1.9	52.4
International shortwave broadcasting service....					2.0
	31.2	39.3	43.0	62.0	61.6

Citizenship and Immigration

Expenditures of the Department of Citizenship and Immigration were \$56 million in 1959-60, an increase of \$3 million over the total for 1958-59.

Outlays for the Indian affairs branch increased by \$5 million during 1959-60, due principally to increases of \$3 million in expenditures for Indian education and \$2 million for Indian welfare, while costs of the operation of the immigration branch decreased by \$2 million due to lower expenditures in connection with assisted passage and other assistance given to immigrants.

TABLE 13
(in millions of dollars)

CITIZENSHIP AND IMMIGRATION	Fiscal year ended March 31		Increase or decrease (-)
	1960 (estimated)	1959	
Citizenship and citizenship registration.....	1.4	1.4	.....
Immigration.....	12.1	14.4	-2.3
Indian affairs.....	41.6	36.4	5.2
Administration and general.....	0.7	0.7	.....
	55.8	52.9	2.9

External Affairs

Expenditures of the Department of External Affairs totalled \$98 million in 1959-60, an increase of \$22 million over the previous year.

The principal changes in expenditure were increases of \$15 million in the grant to the Colombo plan fund, \$6 million in contributions to international organizations, \$2 million in assistance to other countries and \$1 million in the costs of representation abroad.

TABLE 14
(in millions of dollars)

EXTERNAL AFFAIRS	Fiscal year ended March 31		Increase or decrease (-)
	1960 (estimated)	1959	
Assistance to other countries.....	16.2	14.6	1.6
Canada's assessment for membership in international or commonwealth organizations.....	4.2	4.4	- 0.2
Contributions to international organizations.....	10.4	4.9	5.5
Grant to Colombo plan fund.....	50.0	35.0	15.0
Representation abroad.....	10.4	9.6	0.8
Administration and general.....	6.7	7.0	- 0.3
	97.9	75.5	22.4

Finance

Expenditures of the Department of Finance amounted to \$1,425 million in 1959-60, an increase of \$197 million over the corresponding total of \$1,228 million in 1958-59.

Increases of \$138 million in public debt charges, \$55 million in provincial subsidies and tax-sharing payments and \$2 million in government contributions with respect to the superannuation fund were the main factors in the overall increase.

TABLE 15
(in millions of dollars)

FINANCE	Fiscal year ended March 31		Increase or decrease (—)
	1960 (estimated)	1959	
Public debt charges.....	786.1	648.0	138.1
Provincial subsidies and tax-sharing payments (including transitional and additional grants to Newfoundland)....	522.0	467.0	55.0
Government contributions with respect to the superannuation account.....	40.0	37.7	2.3
Grants to municipalities in lieu of taxes on federal property..	21.5	21.9	— 0.4
Grants to universities— Payments to the National Conference of Canadian Universities.....	26.1	25.5	0.6
Government contribution as an employer to the unemploy- ment insurance fund.....	0.8	0.8	.....
Office of the Comptroller of the Treasury—administration expenses.....	18.3	17.9	0.4
Administration and general.....	10.1	9.4	0.7
	1,424.9	1,228.2	196.7

Public debt charges

In 1959-60 public debt charges are again the second largest item of budgetary expenditure. 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 \$786 million in 1959-60 or 14 per cent of all budgetary expenditure compared with \$648 million or 12 per cent in 1958-59.

TABLE 16
(in millions of dollars)

INTEREST AND OTHER PUBLIC DEBT CHARGES	Fiscal year ended March 31		Increase or decrease (—)
	1960 (estimated)	1959	
Interest on public debt— Unmatured debt including treasury bills— Payable in Canada.....	597.6	476.3	121.3
Payable in London.....	1.5	1.5	.....
Payable in New York.....	4.1	7.9	— 3.8
	603.2	485.7	117.5
Other liabilities— Deposit and trust accounts.....	3.4	3.3	0.1
Annuity, insurance and pension accounts.....	131.6	117.6	14.0
	135.0	120.9	14.1
Total interest on public debt.....	738.2	606.6	131.6
Other public debt charges— Annual amortization of bond discounts and commissions..	45.6	36.7	8.9
Cost of issuing new loans.....	1.7	4.1	— 2.4
Servicing of public debt.....	0.6	0.6	.....
	47.9	41.4	6.5
	786.1	648.0	138.1

Interest on public debt was \$738 million in 1959-60, an increase of \$131 million over the 1958-59 total of \$607 million. Interest of \$603 million on unmatured debt was \$117 million higher due to an increase in unmatured debt and the general rise in interest rates; interest of \$135 million on other liabilities was \$14 million higher due mainly to increases of \$8 million in respect of the permanent services pension account, \$3 million in respect of the superannuation account and \$2 million in respect of the government annuities account. Approximately one-half of the increase in respect of the permanent services pension account was due to the fact that the 1958-59 totals did not include interest for the first quarter of the year on the increase in the balance effective April 1, 1958 due to an actuarial adjustment of \$326 million.

Other public debt charges amounted to \$48 million compared with \$41 million in 1958-59. The annual amortization charges of bond discounts and commissions were \$9 million higher and the cost of issuing new loans was \$2 million less than comparable 1958-59 amounts.

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 1959-60 this income was \$239 million as shown in the non-tax revenue section under the heading "Return on investments". This amount deducted from the gross total of \$738 million for interest as shown in the above table leaves a net amount of \$499 million compared with a net of \$386 million in 1958-59.

Subsidies and tax-sharing payments to provinces

Payments to the provinces during 1959-60 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 are expected to amount to \$522 million compared with \$467 million in 1958-59.

Charges to budgetary expenditures in 1959-60 under the Federal-Provincial tax-sharing arrangements, including adjustments made on account of previous years, were \$61 million more than in 1958-59. The increase was occasioned by higher individual income tax collections and corporation taxable income for the 1959 taxation year.

TABLE 17
(in millions of dollars)

SUBSIDIES AND TAX-SHARING PAYMENTS TO PROVINCES	Fiscal year ended March 31		Increase or decrease (—)
	1960 (estimated)	1959	
Payments under Federal-Provincial Tax-Sharing Arrangements Act, c. 29, Statutes of 1956, as amended, c. 29, Statutes of 1957-58.....	484.3	423.1	61.2
Statutory subsidies.....	20.7	20.6	0.1
Transitional grant to Newfoundland.....	0.7	1.0	-0.3
Additional grants to Newfoundland.....	7.3	13.6	-6.3
Transfer of certain public utility tax receipts.....	9.0	8.7	0.3
	522.0	467.0	55.0

Payments to the provinces under the Federal-Provincial tax-sharing arrangements in 1959-60 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. These deductions represented recovery of one-fifth of overpayments 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.

Under the 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 grant for 1959-60 was \$7.3 million. The additional grant of \$13.6 million paid in 1958-59 was for two fiscal years.

Statutory subsidies at \$21 million in 1959-60 were virtually unchanged from the previous year.

A summary of payments, by provinces, during 1959-60 is given in the following table:

TABLE 18
(in millions of dollars)

SUBSIDIES AND TAX-SHARING PAYMENTS TO PROVINCES	Fiscal year ended March 31, 1960 (estimated)				
	Statutory subsidies	Payments under tax-sharing arrangements	Transitional and additional grants	Transfer of certain public utility tax receipts	Total
Newfoundland.....	1.6	27.4	8.0	0.3	37.3
Prince Edward Island.....	0.6	6.7	.....	0.1	7.4
Nova Scotia.....	2.0	39.4	.....	0.5	41.9
New Brunswick.....	1.7	33.6	.....	0.2	35.5
Quebec.....	3.3	68.6	.....	2.4	74.3
Ontario.....	3.6	106.2	.....	1.6	111.4
Manitoba.....	2.1	39.2	.....	.....	41.3
Saskatchewan.....	2.1	39.9	.....	0.1	42.1
Alberta.....	2.4	55.4	.....	2.3	60.1
British Columbia.....	1.3	67.9	.....	1.5	70.7
	20.7	484.3	8.0	9.0	522.0

The amount of public utility tax receipts to be transferred to the provinces in 1959-60 is estimated to amount to \$9 million, virtually unchanged from 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 represented the transferrable portion of the income tax from the above corporations for the taxation year 1956. That payment was the last transfer authorized under the 1952 Tax-Rental Agreements Act; the payment for 1959-60 was authorized by Vote 114 of Appropriation Act No. 5, 1959.

Fisheries

Expenditures of the Department of Fisheries amounted to \$20 million in 1959-60, \$3 million more than was spent in 1958-59. Increases of \$2 million in outlays by the field services division and \$1 million in administration and general costs accounted for the change.

TABLE 19
(in millions of dollars)

FISHERIES	Fiscal year ended March 31		Increase or decrease (—)
	1960 (estimated)	1959	
Field services.....	10.2	8.2	2.0
Canada's share of the costs of international commissions.....	0.8	0.8	.....
Fisheries Research Board of Canada.....	5.0	5.0	.....
Administration and general.....	4.2	3.5	0.7
	20.2	17.5	2.7

Justice

Expenditures of the Department of Justice amounted to \$29 million for 1959-60, an increase of \$4 million over the 1958-59 total, due mainly to an increase in the costs of the Office of the Commissioner of Penitentiaries.

TABLE 20
(in millions of dollars)

JUSTICE	Fiscal year ended March 31		Increase or decrease (—)
	1960 (estimated)	1959	
Judges' salaries and travelling allowances.....	5.0	4.8	0.2
Administration and general.....	3.2	2.8	0.4
	8.2	7.6	0.6
Office of the Commissioner of Penitentiaries—			
Operation and maintenance of penitentiaries.....	13.4	12.0	1.4
Construction, improvements and equipment.....	6.5	4.2	2.3
Administration.....	0.6	0.5	0.1
	20.5	16.7	3.8
	28.7	24.3	4.4

Labour

Expenditures of the Department of Labour amounted to \$104 million during 1959-60, an increase of \$17 million over the 1958-59 total of \$87 million. Increases of \$8 million in the government contribution to the Unemployment Insurance Fund, \$8 million in payments to provinces for assistance to municipalities for winter works projects and \$1 million in payments to provinces under the Vocational Training Co-ordination Act were the main factors contributing to this increase.

Authorized payments to a province by the Government of Canada during 1959-60 of amounts not exceeding one-half of the cost of labour incurred on winter works projects are expected to total \$8 million compared with \$250 thousand in 1958-59.

TABLE 21
(in millions of dollars)

LABOUR	Fiscal year ended March 31		Increase or decrease (—)
	1960 (estimated)	1959	
Administration and general.....	6.6	6.5	0.1
Payments to provinces authorized by Vocational Training Co-ordination Act.....	8.6	7.7	0.9
Municipal winter works programme.....	7.7	0.2	7.5
	22.9	14.4	8.5
Unemployment Insurance Commission—			
Administration and general.....	35.9	35.3	0.6
Government's contribution to the fund.....	45.5	37.1	8.4
	81.4	72.4	9.0
	104.3	86.8	17.5

Unemployment Insurance Act administration and government's contribution

Expenditures in 1959-60 relating to the Act (excluding the government's payment as an employer) amounted to \$81 million compared with \$72 million in 1958-59.

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 the combined employee-employer contributions.

The government's contribution to the fund for 1959-60 was \$45 million and administrative costs were \$36 million; the corresponding amounts for 1958-59 were \$37 million and \$35 million respectively.

Mines and Technical Surveys

Expenditures of the Department of Mines and Technical Surveys totalled \$55 million for 1959-60, an increase of \$11 million over the total for 1958-59.

TABLE 22
(in millions of dollars)

MINES AND TECHNICAL SURVEYS	Fiscal year ended March 31		Increase or decrease (—)
	1960 (estimated)	1959	
Emergency gold mining assistance.....	13.2	9.8	3.4
Dominion Coal Board.....	17.6	11.3	6.3
Surveys and mapping including aerial photography.....	13.6	13.1	0.5
Mines branch.....	3.8	3.6	0.2
Geological survey of Canada.....	3.6	3.2	0.4
Administration and general.....	3.3	2.8	0.5
	55.1	43.8	11.3

The increase of \$11 million was due mainly to increases of \$6 million in the expenditures of the Dominion Coal Board for payments in connection with the movements of coal and \$3 million in emergency gold mining assistance.

National Health and Welfare

Expenditures for the Department of National Health and Welfare (excluding outlays of \$4 million for civil defence) during 1959-60 amounted to \$810 million, a decrease of \$59 million from the 1958-59 total of \$869 million.

Outlays for the national health branch totalled \$226 million in 1959-60, reflecting an increase of \$95 million over the previous year's total, almost entirely due to the increase of \$95 million in government contributions under the Hospital Insurance and Diagnostic Services Act.

During 1959-60 expenditures of the welfare branch decreased by \$154 million from the 1958-59 total. Estimated increases of \$17 million in payments for family allowances, \$12 million for unemployment assistance and \$1 million for disabled persons allowances, were more than offset by the fact that there was no comparable charge in 1959-60 to the 1958-59 expenditure of \$184 million for the reduction in the amount of temporary loans to the old age security fund.

TABLE 23
(in millions of dollars)

NATIONAL HEALTH AND WELFARE ⁽¹⁾	Fiscal year ended March 31		Increase or decrease (-)
	1960 (estimated)	1959	
National health branch—			
General health grants to provinces.....	46.0	45.9	0.1
Government contributions under the Hospital Insurance and Diagnostic Services Act.....	149.8	54.7	95.1
Indian and northern health services.....	21.0	22.2	-1.2
Other.....	9.5	9.0	0.5
	<i>226.3</i>	<i>131.8</i>	<i>94.5</i>
Welfare branch—			
Family allowances.....	491.3	474.8	16.5
Reduction in the amount of temporary loans to old age security fund.....		184.0	-184.0
Old age assistance.....	30.5	30.2	0.3
Blind persons allowances.....	4.2	4.2	.....
Disabled persons allowances.....	16.1	15.3	0.8
Unemployment assistance.....	36.1	23.9	12.2
Other.....	3.2	3.1	0.1
	<i>581.4</i>	<i>735.5</i>	<i>-154.1</i>
Administration and general.....	1.9	1.8	0.1
	809.6	869.1	-59.5

⁽¹⁾ Excluding civil defence costs of \$3.7 million in 1959-60 and \$3.8 million in 1958-59.

General health grants to provinces

General health grants to the provinces for assistance in hospital construction, general health services and the control of diseases are estimated to be \$46 million in 1959-60, approximately the same as in 1958-59.

TABLE 24

(in millions of dollars)

GENERAL HEALTH GRANTS	Fiscal year ended March 31		Increase or decrease (-)
	1960 (estimated)	1959	
Newfoundland.....	1.0	0.9	0.1
Nova Scotia.....	1.4	1.9	-0.5
Prince Edward Island.....	0.3	0.4	-0.1
New Brunswick.....	1.6	1.7	-0.1
Quebec.....	13.2	15.9	-2.7
Ontario.....	15.9	11.8	4.1
Manitoba.....	2.3	2.4	-0.1
Saskatchewan.....	2.6	3.0	-0.4
Alberta.....	3.5	3.5	.....
British Columbia.....	4.1	4.3	-0.2
Northwest and Yukon Territories.....	0.1	0.1	.....
	46.0	45.9	0.1

Hospital insurance and diagnostic services

The Hospital Insurance and Diagnostic Services Act, Statutes of 1957, authorized contributions by Canada in respect of programmes administered by the provinces, providing hospital insurance and laboratory and other services in aid of diagnosis. Payments for 1959-60 are estimated at \$150 million compared with \$55 million in 1958-59. The increase of \$95 million was due mainly to the fact that during the previous fiscal year no province had participated in the plan for a full year whereas in 1959-60 seven provinces had participated for a full year and two provinces for a partial year. The effective date of each agreement is as follows:—July 1, 1958 for Newfoundland, Manitoba, Saskatchewan, Alberta and British Columbia; January 1, 1959 for Nova Scotia and Ontario; July 1, 1959 for New Brunswick; and October 1, 1959 for Prince Edward Island.

TABLE 25

(in millions of dollars)

HOSPITAL INSURANCE AND DIAGNOSTIC SERVICES	Fiscal year ended March 31		Increase
	1960 (estimated)	1959	
Newfoundland.....	4.7	2.9	1.8
Nova Scotia.....	8.1	1.6	6.5
Prince Edward Island.....	0.4	.....	0.4
New Brunswick.....	4.4	.....	4.4
Ontario.....	71.0	13.1	57.9
Manitoba.....	12.0	7.1	4.9
Saskatchewan.....	13.5	8.4	5.1
Alberta.....	15.6	8.8	6.8
British Columbia.....	20.1	12.8	7.3
	149.8	54.7	95.1

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 in 1959-60 amounted to \$491 million and represented 9 per cent of total expenditures. The increase of \$17 million over the previous year reflected the increase in the number of children in the eligible age groups.

TABLE 26
(in millions of dollars)

FAMILY ALLOWANCE PAYMENTS	Fiscal year ended March 31		Increase
	1960 (estimated)	1959	
Newfoundland.....	15.6	15.2	0.4
Nova Scotia.....	20.9	20.5	0.4
Prince Edward Island.....	3.1	3.0	0.1
New Brunswick.....	18.6	18.2	0.4
Quebec.....	150.6	146.3	4.3
Ontario.....	156.7	150.2	6.5
Manitoba.....	23.7	23.1	0.6
Saskatchewan.....	25.3	24.8	0.5
Alberta.....	35.7	34.1	1.6
British Columbia.....	40.0	38.4	1.6
Northwest and Yukon Territories.....	1.1	1.0	0.1
	491.3	474.8	16.5

Temporary loans to the old age security fund

In 1959-60 payments of \$574 million out of the fund exceeded receipts of \$550 million resulting in a deficit of \$24 million which was covered by temporary loans by the Minister of Finance. In the budget speech of April 9, 1959 the Minister stated that since provision was being made for the necessary revenues (by increases in the old age security tax rates) to bring the fund into balance over the next two or three years he did not propose to treat the 1959-60 deficit as a budgetary charge in that year but to carry it forward into 1960-61.

Old age assistance, disabled persons allowances, blind persons allowances and unemployment assistance

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 18 years of age or over 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 18 years of age or over. In 1959-60 payments of \$30 million for old age assistance and \$4 million for blind persons allowances were approximately the same as in 1958-59 while payments of \$16 million in respect of disabled persons allowances were \$1 million higher than in 1958-59.

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. All provinces have now signed agreements with the federal government. There was an increase of \$12 million in these contributions over those for the previous year.

TABLE 27
(in millions of dollars)

FEDERAL SHARE OF OLD AGE ASSISTANCE, DISABLED PERSONS ALLOWANCES, BLIND PERSONS ALLOWANCES AND UNEMPLOYMENT ASSISTANCE	Fiscal year ended March 31, 1960 (estimated)			
	Old age assistance	Disabled persons allowances	Blind persons allowances	Unem- ployment assistance
Newfoundland.....	1.7	0.3	0.2	3.5
Nova Scotia.....	1.6	0.7	0.4	0.7
Prince Edward Island.....	0.2	0.2	(1)	0.1
New Brunswick.....	1.8	0.6	0.4	0.3
Quebec.....	10.7	8.8	1.5	7.3
Ontario.....	6.8	3.7	0.9	12.7
Manitoba.....	1.6	0.4	0.2	2.4
Saskatchewan.....	1.8	0.4	0.2	1.8
Alberta.....	1.9	0.5	0.2	2.0
British Columbia.....	2.3	0.5	0.2	5.3
Northwest and Yukon Territories.....	0.1	(1)	(1)	(1)
	30.5	16.1	4.2	36.1

(1) Less than \$50,000.

National Research Council

Expenditures of the National Research Council amounted to \$31 million in 1959-60, \$6 million higher than for 1958-59. Increases of \$2 million in scholarships and grants in aid of research, \$2 million in construction or acquisition of buildings, works, land and equipment, and \$1 million in salaries and operating expenses were the main factors in this increase.

In addition, under the Queen Elizabeth II Canadian Research Fund Act, 1959, an amount of \$1 million was paid to The Queen Elizabeth II Canadian Fund to aid in Research on the Diseases of Children.

National Revenue

Expenditures of the Department of National Revenue were \$69 million in 1959-60, approximately the same as in 1958-59.

TABLE 28
(in millions of dollars)

NATIONAL REVENUE	Fiscal year ended March 31		Increase or decrease (-)
	1960 (estimated)	1959	
Customs and excise divisions.....	37.3	37.0	0.3
Taxation division.....	31.7	31.6	0.1
Income tax appeal board.....	0.2	0.2	.....
	69.2	68.8	0.4

Northern Affairs and National Resources

Expenditures of the Department of Northern Affairs and National Resources in the fiscal year 1959-60 were \$81 million, an increase of \$16 million over the total for 1958-59.

The main increases in expenditures of this department were in the northern administration and lands branch and in the national parks branch. The increase of \$12 million in the northern administration and lands branch was due mainly to increases of \$7 million in contributions to the provinces to assist in the development of roads leading to resources, \$3 million in operation and maintenance in the Northwest Territories and \$2 million for construction in the Yukon Territory. Outlays for the national parks branch increased by \$3 million due to higher expenditures for the national parks and historic sites services.

TABLE 29
(in millions of dollars)

NORTHERN AFFAIRS AND NATIONAL RESOURCES	Fiscal year ended March 31		Increase or decrease (—)
	1960 (estimated)	1959	
National parks branch.....	26.0	22.9	3.1
Water resources branch.....	2.3	2.4	—0.1
Northern administration and lands branch.....	39.5	27.3	12.2
Forestry branch.....	6.8	7.3	—0.5
Canadian government travel bureau.....	2.3	2.2	0.1
Administration and general.....	4.5	3.1	1.4
	81.4	65.2	16.2

Post Office

Gross expenditures of the Post Office Department for 1959–60 were \$194 million, an increase of \$10 million over the 1958–59 outlay of \$184 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 \$194 million, amounted to \$26 million in 1959–60, approximately the same as for 1958–59.

TABLE 30
(in millions of dollars)

POST OFFICE	Fiscal year ended March 31		Increase or decrease (—)
	1960 (estimated)	1959	
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.....	102.9	97.2	5.7
Transportation—movement of mail by land, air and water.....	60.1	56.1	4.0
Financial services.....	2.8	2.8	.....
Administration and general.....	1.8	1.7	0.1
	167.6	157.8	9.8
Charged to revenue—			
Operations—salaries of postmasters and staffs at revenue and semi-staff offices, commissions paid at sub-offices and other disbursements.....	26.4	25.8	0.6
	194.0	183.6	10.4

Public Works

Expenditures of the Department of Public Works for 1959-60 amounted to \$215 million, compared with \$226 million for 1958-59, a decrease of \$11 million.

Increases of \$4 million in development engineering services and \$1 million in outlays for the National Capital Commission were more than offset by decreases of \$15 million in public buildings—construction and services and \$3 million in payments to Central Mortgage and Housing Corporation in respect of defence housing administration, housing research and slum clearance, and reimbursement of losses sustained as a result of the operation of Federal-Provincial housing projects.

Outlays for the National Capital Commission were shown in previous years with Privy Council expenditures. For purposes of comparison the 1958-59 costs have been included with Public Works expenditures in the following table.

TABLE 31
(in millions of dollars)

PUBLIC WORKS	Fiscal year ended March 31		Increase or decrease (-)
	1960 (estimated)	1959	
Public buildings—construction and services—			
Acquisition, construction and improvements of public buildings—			
Ottawa.....	16.0	22.4	-6.4
Other centres in Canada.....	27.8	37.5	-9.7
Outside Canada.....	0.4	.....	0.4
Maintenance and operation.....	42.1	41.3	0.8
Furniture and furnishings.....	2.5	2.2	0.3
Fire prevention.....	0.2	0.2	.....
	89.0	103.6	-14.6
Harbours and rivers engineering services—			
Acquisition, construction and improvements of harbour and river works.....	30.8	31.1	-0.3
Dredging.....	4.3	3.9	0.4
General.....	0.8	1.3	-0.5
	35.9	36.3	-0.4
Development engineering services—			
Trans-Canada Highway division—			
Contributions to the provinces under the terms of the Trans-Canada Highway Act.....	52.0	51.1	0.9
Trans-Canada Highway through national parks.....	12.0	9.9	2.1
General.....	3.3	1.9	1.4
	67.3	62.9	4.4
Housing.....	2.1	5.2	-3.1
National Capital Commission ⁽¹⁾	6.3	4.9	1.4
Administration and general.....	14.6	13.2	1.4
	215.2	226.1	-10.9

⁽¹⁾ Formerly reported under Privy Council expenditures.

Expenditures for "Public buildings—construction and services" declined by \$15 million during 1959-60 due mainly to reductions in outlays for the acquisition, construction and improvement of public buildings of \$6 million in Ottawa and \$10 million in other centres in Canada partly offset by \$1 million in maintenance and operation costs.

The increase of \$4 million in the expenditures of the development engineering services was due mainly to increases of \$1 million in contributions to the provinces under the terms of the Trans-Canada Highway Act, \$2 million in increased expenditures in connection with the Trans-Canada Highway through national parks and \$1 million in general services.

Royal Canadian Mounted Police

Expenditures for the Royal Canadian Mounted Police amounted to \$53 million for 1959-60, \$2 million more than the total spent in 1958-59.

Payments as shown in the table represent gross expenditures; payments received from the provinces and municipalities for police services amounting to \$10 million were credited to revenue.

Increased expenditures of \$5 million for the land, air and training divisions were offset partially by decreases of \$3 million in headquarters administration and national police services and smaller decreases in marine services and the government contribution to the Royal Canadian Mounted Police pension account.

TABLE 32
(in millions of dollars)

ROYAL CANADIAN MOUNTED POLICE	Fiscal year ended March 31		Increase or decrease (-)
	1960 (estimated)	1959	
Land, air and training divisions.....	40.7	36.1	4.6
Marine services.....	2.1	2.6	-0.5
Government contribution to the Royal Canadian Mounted Police pension account.....	1.4	1.6	-0.2
Pensions and other benefits.....	2.9	2.7	0.2
Headquarters administration and national police services..	6.2	8.7	-2.5
	53.3	51.7	1.6

Trade and Commerce

Expenditures of the Department of Trade and Commerce totalled \$67 million for 1959-60, an increase of \$2 million over the previous year.

The main item responsible for this increase was the \$4 million increase in payments of carrying costs of temporary wheat reserves, partially offset by the fact that there was no comparable charge in 1959-60 to the \$2 million expenditure in 1958-59 to the Canadian Wheat Board on account of the loss on oats for the crop year 1956-57.

TABLE 33
(in millions of dollars)

TRADE AND COMMERCE	Fiscal year ended March 31		Increase or decrease (-)
	1960 (estimated)	1959	
Assistance re storage costs of grain.....	42.3	38.4	3.9
Board of Grain Commissioners (Canada Grain Act).....	6.1	6.2	-0.1
Canadian Wheat Board—loss re oats.....		2.1	-2.1
Dominion Bureau of Statistics.....	8.5	8.2	0.3
National Energy Board.....	0.2		0.2
Standards branch.....	2.4	2.2	0.2
Trade commissioner service.....	3.6	3.5	0.1
Administration and general.....	4.3	5.0	-0.7
	67.4	65.6	1.8

Transport

Expenditures of the Department of Transport for 1959-60 amounted to \$298 million, an increase of \$9 million over the total of \$289 million in 1958-59.

TABLE 34
(in millions of dollars)

TRANSPORT	Fiscal year ended March 31		Increase or decrease (—)
	1960 (estimated)	1959	
Air services—			
Civil aviation branch.....	74.1	74.7	—0.6
Meteorological branch.....	13.5	11.8	1.7
Telecommunications branch.....	30.0	25.7	4.3
Administration.....	4.1	3.2	0.9
	121.7	115.4	6.3
Canal services.....	7.1	9.7	—2.6
Marine services.....	54.6	51.8	2.8
Railway and steamship services—			
Maritime Freight Rates Act—			
Difference between tariff and normal tolls.....	14.3	13.1	1.2
Freight Rate Reduction Act.....	9.2	.....	9.2
Construction and acquisition of auto-ferries.....	2.4	0.2	2.2
Other.....	1.4	1.6	—0.2
	27.3	14.9	12.4
Board of Transport Commissioners—			
Maintenance of trackage.....	7.0	7.0	.....
Railway grade crossing fund.....	15.0	15.0	.....
Administration and general.....	1.2	1.1	0.1
	23.2	23.1	0.1
Canadian Maritime Commission.....	6.8	5.9	0.9
Crown Corporations—			
Deficits—			
Canadian National Railways.....	43.6	51.6	—8.0
Other.....	8.6	9.2	—0.6
Non-active advances—National Harbours Board.....	2.1	4.3	—2.2
	54.3	65.1	—10.8
Administration and general.....	3.4	2.9	0.5
	298.4	288.8	9.6

Outlays for air services increased by \$6 million during 1959-60 attributable primarily to expanded services for aviation and include increases of \$4 million in expenditures of the telecommunications branch and \$2 million in increased costs of the meteorological branch.

Canal services expenditures decreased by \$3 million during the year due mainly to the transfer of the Welland Canal to The St. Lawrence Seaway Authority, and to elimination in full or in part of canals due to the opening of the Seaway. Outlays for marine services increased by \$3 million due to expanded northern supply operations.

Expenditures of railway and steamship services increased by \$12 million due mainly to payments of \$9 million under the Freight Rate Reduction Act for which there was no comparable charge in 1958-59 and increases of \$2 million in expenditure towards construction and acquisition of auto-ferries and \$1 million in payments under the Maritime Freight Rates Act.

The payment in respect of the Canadian National Railways deficit for 1959 was \$8 million less than the comparable figure for 1958, and the non-active advances to the National Harbours Board were \$2 million less than in the previous fiscal year.

Veterans Affairs

Expenditures of the Department of Veterans Affairs amounted to \$290 million in 1959-60, an increase of \$1 million over the 1958-59 total of \$289 million.

An increase of \$3 million in war veterans allowances and other benefits was offset partially by decreases of \$1 million in pensions for disability or death and \$1 million in expenditures in respect of the Soldier Settlement and Veterans Land Acts.

TABLE 35
(in millions of dollars)

VETERANS AFFAIRS	Fiscal year ended March 31		Increase or decrease (—)
	1960 (estimated)	1959	
Pensions for disability or death.....	149.6	150.7	-1.1
Treatment and welfare services.....	58.8	59.4	-0.6
War veterans allowances and other benefits.....	63.4	60.4	3.0
War services gratuities and re-establishment credits.....	2.8	2.2	0.6
Soldier Settlement and Veterans Land Acts—			
Administration and general.....	5.2	5.4	-0.2
Provision for reserve for conditional benefits, Veterans Land Act.....	3.8	4.4	-0.6
Departmental, district and pensions administration and mis- cellaneous payments.....	6.4	6.3	0.1
	290.0	288.8	1.2

All other departments

Expenditures of the departments not dealt with in preceding sections amounted to \$30 million, a decrease of \$1 million from the 1958-59 total.

The most significant change in the expenditures of these departments was the reduction of nearly \$3 million in the expenses of the Office of the Chief Electoral Officer due to the 1958-59 figure having included part of the costs of the last federal election. However, this decrease was offset partly by increases in expenditures of other departments.

TABLE 36
(in millions of dollars)

ALL OTHER DEPARTMENTS	Fiscal year ended March 31		Increase or decrease (—)
	1960 (estimated)	1959	
Auditor General.....	0.9	0.8	0.1
Board of Broadcast Governors.....	0.2	0.1	0.1
Chief Electoral Officer.....	0.3	3.2	-2.9
Civil Service Commission.....	3.6	3.5	0.1
Governor General and Lieutenant-Governors.....	0.4	0.4	.....
Insurance.....	1.3	1.2	0.1
Legislation.....	7.8	7.6	0.2
National Film Board.....	4.6	4.3	0.3
National Gallery of Canada.....	0.8	0.6	0.2
Privy Council.....	(1) 1.4	1.1	0.3
Public Archives and National Library.....	0.7	0.7	.....
Public Printing and Stationery.....	3.5	3.5	.....
Secretary of State.....	4.7	4.4	0.3
	30.2	31.4	-1.2

(1) Does not include \$1.2 million in respect of civil defence.

4. SUMMARY OF ASSETS AND LIABILITIES OF CANADA AS AT MARCH 31, 1960

The balances of the asset and liability accounts at March 31, 1960, the comparable balances at March 31, 1959, and the changes in each category during 1959-60 are shown in the following table:

TABLE 37
SUMMARY OF ASSETS AND LIABILITIES OF CANADA
(in millions of dollars)

	Balance at March 31		Increase or decrease (+)
	1960 (estimated)	1959	
LIABILITIES			
Current and demand liabilities.....	1,139.2	952.5	186.7
Deposit and trust accounts.....	214.1	237.9	-23.8
Annuity, insurance and pension accounts.....	3,569.1	3,301.9	267.2
Undisbursed balances of appropriations to special accounts...	89.7	83.4	6.3
Deferred credits.....	89.1	81.4	7.7
Suspense accounts.....	8.5	18.7	-10.2
Unmatured debt.....	15,886.8	15,574.1	312.7
Total liabilities.....	20,996.5	20,249.9	746.6
ASSETS			
Current assets.....	854.5	910.9	-56.4
Advances to exchange fund account.....	1,964.0	1,995.0	-31.0
Sinking fund and other investments held for retirement of unmatured debt.....	84.3	83.2	1.1
Loans to, and investments in, Crown corporations.....	3,471.6	3,271.1	200.5
Loans to national governments.....	1,414.4	1,449.0	-34.6
Other loans and investments.....	939.0	683.1	255.9
Securities held in trust.....	19.3	20.7	-1.4
Deferred charges.....	153.1	147.4	5.7
Unamortized portion of actuarial deficiencies— Permanent services pension account.....	326.3	326.3	
Superannuation account.....	139.0	139.0	
Suspense accounts.....	(1) 2.0	(1)	2.0
Capital assets.....	(2)	(2)	
Inactive loans and investments.....	93.5	92.2	1.3
Total assets.....	9,461.0	9,117.9	343.1
Less reserve for losses on realization of assets.....	-546.4	-546.4	
Net assets.....	8,914.6	8,571.5	343.1
Net debt (excess of liabilities over net assets).....	12,081.9	11,678.4	(3) 403.5

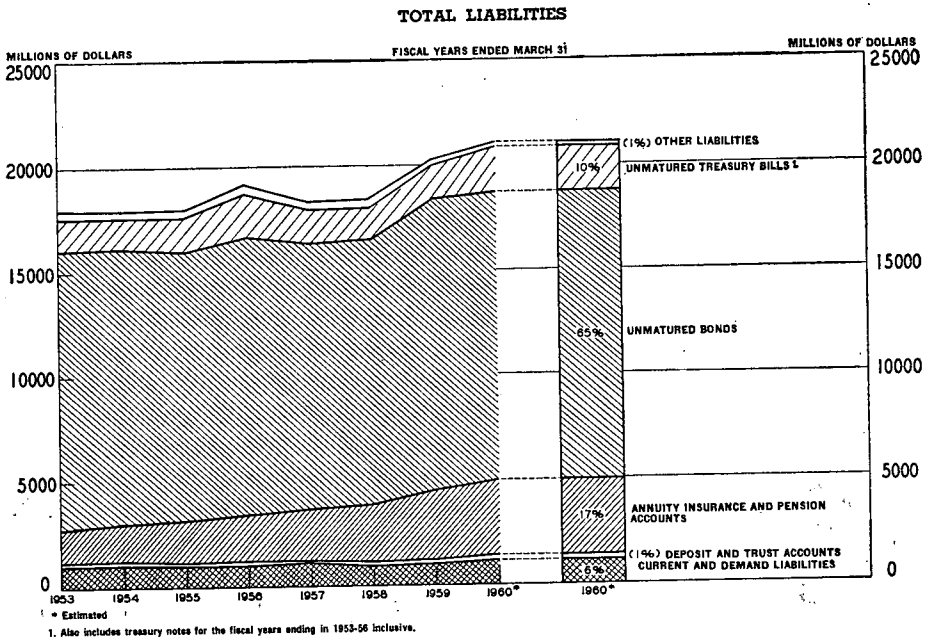
(1) Less than \$50,000.

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

(3) Reflecting the budgetary deficit of \$406 million less an adjustment of \$2 million in respect of prior years' transactions.

A. CHANGES IN PRINCIPAL LIABILITY CLASSIFICATIONS DURING 1959-60

The gross liabilities of the government increased by \$747 million during the fiscal year. The main changes were increases of \$313 million in unmatu-
red debt, \$267 million in annuity, insurance and pension accounts and \$187 million
in current and demand liabilities.



Current and demand liabilities

This category consists of obligations of the government payable currently or on demand. The principal changes were increases of \$176 million in non-interest bearing notes, \$11 million in accounts payable, \$14 million in interest due and outstanding and \$16 million in interest accrued and decreases of \$7 million in matured debt and \$2 million in outstanding money orders.

The increase of \$176 million in non-interest bearing notes was due to the increase in Canada's quota to the international monetary fund in October 1959. A more detailed explanation will be found under the asset category "Other loans and investments".

Accounts payable are those payments made in April in accordance with section 35 of the Financial Administration Act but which are applicable to the previous fiscal year.

TABLE 38
(in millions of dollars)

CURRENT AND DEMAND LIABILITIES	Balance at March 31		Increase or decrease (-)
	1960 (estimated)	1959	
Outstanding treasury cheques.....	227.3	247.3	-20.0
Accounts payable.....	267.0	256.4	10.6
Non-interest bearing notes payable to the international monetary fund and the international bank for reconstruction and development.....	381.8	205.8	176.0
Matured debt outstanding.....	22.0	28.7	-6.7
Interest due and outstanding.....	70.2	56.2	14.0
Interest accrued.....	140.4	124.9	15.5
Post office—outstanding money orders.....	30.0	32.4	-2.4
Other current liabilities.....	0.5	0.8	-0.3
	1,139.2	952.5	186.7

During 1959-60 a change was made in the system of recording Post Office accounts. In prior years these accounts were recorded in one account named "Post Office—net liability for money orders, etc." which was maintained under the current and demand liability category. In 1959-60 this account was distributed to the following accounts:—"Outstanding money orders" under the current and demand liability category, "Philatelic trust account" under the deposit and trust category and "Cash on hand and in transit" and "Departmental working capital" under the current asset category. For purposes of comparison the corresponding balances for the previous year are shown in the appropriate tables.

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 decrease of \$24 million was due mainly to a decrease of \$18 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.

TABLE 39
(in millions of dollars)

DEPOSIT AND TRUST ACCOUNTS	Balance at March 31		Increase or decrease (—)
	1960 (estimated)	1959	
Army benevolent fund.....	6.9	7.2	— 0.3
Canadian Pension Commission—administration trust fund.....	10.3	9.1	1.2
Contractors holdbacks.....	18.2	18.2	.....
Contractors securities—sundry departments—			
Cash.....	18.0	19.9	— 1.9
Bonds.....	11.5	11.8	— 0.3
Certified cheques.....	1.5	1.8	— 0.3
	31.0	33.5	— 2.5
Crown corporation deposits.....	9.2	9.2	.....
Emergency gold mining assistance—holdbacks.....	2.5	1.9	0.6
Indian trust funds.....	29.0	28.6	0.4
Korean operations pool.....	6.8	7.4	— 0.6
National Harbours Board—special accounts.....	3.2	6.2	— 3.0
Post office savings bank.....	31.8	34.1	— 2.3
Soldier settlement and veterans land act trust account—general.....	3.0	2.8	0.2
United States—S.A.C. bases.....	23.9	42.2	—18.3
War claims fund—world war 2.....	5.0	5.0	.....
Instalment purchase of bonds, public service.....	9.7	10.7	— 1.0
Other.....	23.6	21.8	1.8
	214.1	237.9	—23.8

Annuity, insurance and pension accounts

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

There was a net decrease in the unemployment insurance fund during the year of \$126 million. The balance at March 31, 1960 was \$384 million compared with \$510 million at March 31, 1959. Benefit payments were \$409 million and receipts were \$283 million consisting of contributions by employers and employees of \$227 million, government contributions of \$46 million and income from investments of \$10 million. Benefit payments were \$70 million lower than the \$479 million paid out in 1958-59.

TABLE 40
(in millions of dollars)

ANNUITY, INSURANCE AND PENSION ACCOUNTS	Balance at March 31		Increase or decrease (—)
	1960 (estimated)	1959	
Unemployment insurance fund.....	383.8	509.9	—126.1
Less investment in bonds and accrued interest.....	—363.8	—488.9	125.1
	20.0	21.0	—1.0
Government annuities.....	1,157.5	1,105.8	51.7
Superannuation account.....	1,229.9	1,136.0	93.9
Permanent services pension account.....	1,056.2	942.3	113.9
Other.....	105.5	96.8	8.7
	3,569.1	3,301.9	267.2

The government annuities account increased by \$52 million reflecting the amount by which premium receipts of \$57 million, interest credited to the account by the government of \$43 million and a small amount required to maintain the reserve exceeded payments of \$48 million to annuitants and beneficiaries.

The increase of \$94 million in the superannuation account was due mainly to the government's contribution of \$40 million equal to the estimated current and prior service payments of individuals in 1958–59 and \$47 million interest credited to the account. The remainder of the increase was due to the excess of employees' current and prior service contributions of \$40 million and miscellaneous receipts of \$1 million over benefit payments of \$34 million.

The permanent services pension account increased by \$114 million. The increase reflected the government's contribution of \$52 million which is made at the rate of one and two-thirds times the current and prior service contributions, interest on the account of \$40 million, and contributions of \$32 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 \$574 million while credits to the fund from the tax on personal incomes (maximum tax \$90), the tax on corporation profits and the sales tax totalled \$550 million. Temporary loans amounting to \$24 million were required to cover the deficit resulting from these transactions during 1959–60.

In 1958–59 payments were \$559 million, receipts were \$375 million and the deficit in the fund covered by temporary loans of \$184 million was charged to 1958–59 budgetary expenditure by authority of parliament.

The increase of \$175 million in 1959–60 in receipts from the old age security taxes was due to the increases in the rates announced in last year's budget speech. These were: an increase from 2 per cent to 3 per cent in the tax on personal incomes with a maximum contribution of \$90 (previously \$60) effective July 1, 1959; an increase from 2 per cent to 3 per cent in the tax on corporate incomes effective January 1, 1959; and an increase from 2 per cent to 3 per cent in the tax on sales effective April 10, 1959.

TABLE 41
(in millions of dollars)

OLD AGE SECURITY FUND	Fiscal year ended March 31				
	1956	1957	1958	1959	1960 (estimated)
Tax receipts—					
Sales tax.....	160.4	179.3	175.8	173.6	273.0
Personal income tax.....	102.5	125.0	135.0	146.4	185.6
Corporation income tax.....	53.3	67.3	60.7	55.3	91.3
Total tax receipts.....	316.2	371.6	371.5	375.3	549.9
Pension payments.....	-366.2	-379.1	-473.9	-559.3	-574.0
Excess of payments over receipts.....	-50.0	-7.5	-102.4	-184.0	-24.1
Previous deficit brought forward.....	-63.3	-50.0	-1.5		
Appropriation by Parliament—					
Charged to budgetary expenditure.....	63.3	56.0	103.9	184.0	
Temporary loan from the Minister of Finance to cover deficit in fund.....	50.0	1.5			24.1

TABLE 42
(in millions of dollars)

OLD AGE SECURITY PAYMENTS	Fiscal year ended March 31		* Increase or decrease (-)
	1960 (estimated)	1959	
Newfoundland.....	11.2	11.0	0.2
Nova Scotia.....	27.0	26.8	0.2
Prince Edward Island.....	4.8	4.8	
New Brunswick.....	19.9	19.6	0.3
Quebec.....	120.0	117.0	3.0
Ontario.....	208.2	203.3	4.9
Manitoba.....	35.1	34.0	1.1
Saskatchewan.....	36.0	35.1	0.9
Alberta.....	38.2	36.5	1.7
British Columbia.....	73.2	70.8	2.4
Northwest and Yukon Territories.....	0.4	0.4	
	574.0	559.3	14.7

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.

The increase of \$5 million in the railway grade crossing fund represented the amount by which the \$15 million credited to the fund and charged to budgetary expenditure exceeded disbursements from the fund.

In 1959-60 an amount of \$50 million was credited to the Colombo plan fund and charged to budgetary expenditure but as disbursements were approximately the same there was no significant change in the balance at March 31, 1960 from the balance at March 31, 1959.

The balance in the national capital fund was \$2 million at March 31, 1960 compared with \$1 million at March 31, 1959. The increase represented the amount by which the \$4 million credited to the fund and charged to budgetary expenditure exceeded disbursements of \$3 million.

TABLE 43
(in millions of dollars)

UNDISBURSED BALANCES OF APPROPRIATIONS TO SPECIAL ACCOUNTS	Balance at March 31		Increase or decrease (—)
	1960 (estimated)	1959	
Colombo plan fund.....	60.1	59.9	0.2
National capital fund.....	1.9	0.9	1.0
Railway grade crossing fund.....	27.6	22.5	5.1
Other.....	0.1	0.1	.....
	89.7	83.4	6.3

Deferred credits

This category records 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 "Cash—in blocked currencies", "Loans to, and investments in, Crown corporations", "Loans to national governments" and "Other loans and investments". Further explanations are given under these categories.

TABLE 44
(in millions of dollars)

DEFERRED CREDITS	Balance at March 31		Increase or decrease (—)
	1960 (estimated)	1959	
Agreements of sale of Crown assets.....	13.6	16.4	—2.8
Crown Assets Disposal Corporation.....	5.8	6.2	—0.4
Deferred interest—			
The St. Lawrence Seaway Authority.....	24.4	12.8	11.6
United Kingdom Financial Agreement Act, 1946.....	44.2	44.2	.....
Other.....	1.1	1.8	—0.7
	89.1	81.4	7.7

Balances receivable under agreements of sale of Crown assets are set up as contra accounts to corresponding items under "Other loans and investments". The net decrease of \$3 million during the year was due to the receipt of payments on outstanding agreements having exceeded the total amount of new agreements set up in the account.

The increase of \$12 million in deferred interest in respect of The St. Lawrence Seaway Authority represented interest due to the government during 1959–60 on outstanding loans to the corporation.

Suspense accounts

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

The "Paylist deductions" account consists of deductions for Canada savings bonds, income tax, etc., which 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 1959-60 disbursements exceeded credits to the account by \$10 million.

TABLE 45
(in millions of dollars)

SUSPENSE ACCOUNTS	Balance at March 31		Increase or decrease (-)
	1960 (estimated)	1959	
Paylist deductions.....	0.2	0.1	0.1
Replacement of materiel, sec. 11, National Defence Act.....	3.7	13.9	-10.2
Unclaimed cheques.....	1.5	1.5	.....
Other.....	3.1	3.2	-0.1
	8.5	18.7	-10.2

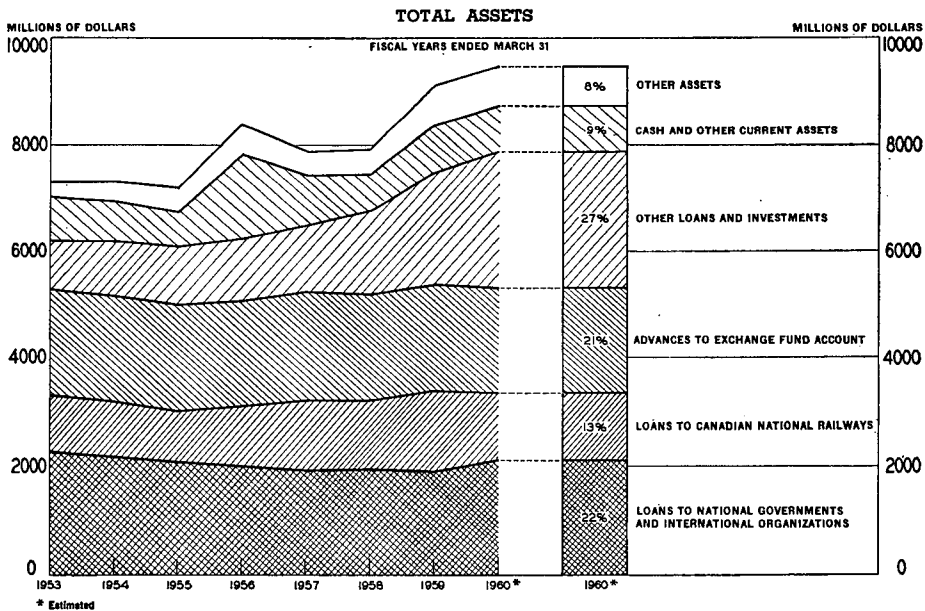
Unmatured debt

The unmaturred debt of Canada at the close of 1959-60 amounted to \$15,887 million compared with \$15,574 million at the close of the previous fiscal year. Debt payable in Canada increased by \$313 million. There was no change in debt payable in London and New York.

In the year under review, unmaturred 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 1959-60

The total of assets increased during 1959-60 by \$343 million. The principal changes were increases of \$201 million in loans to Crown corporations and \$256 million in other loans and investments and decreases of \$56 million in current assets, \$35 million in loans to national governments and \$31 million in advances to the exchange fund.



Current assets

There was a decrease of \$56 million in this category during the fiscal year, due to decreases of \$76 million in cash and \$22 million in the securities investment account which were partly offset by increases of \$39 million in departmental working capital advances and revolving funds and \$3 million in moneys received after March 31.

TABLE 46
(in millions of dollars)

CURRENT ASSETS	Balance at March 31		Increase or decrease (—)
	1960 (estimated)	1959	
Cash in current and special deposits	397.8	473.5	—75.7
Post office—cash on hand and in transit.....	2.8	2.8	.....
Cash in hands of collectors and in transit.....	167.0	167.0	.....
Departmental working capital advances and revolving funds—			
Agricultural commodities stabilization account.....	116.4	67.1	49.3
Defence production revolving fund.....	20.0	30.2	—10.2
Miscellaneous departmental imprest and advance accounts.....	22.5	22.5	.....
Other.....	31.7	32.3	—0.6
	190.6	152.1	38.5
Securities investment account.....	76.3	98.0	—21.7
Other current assets—moneys received after March 31 but applicable to the current year.....	20.0	17.5	2.5
	854.5	910.9	—56.4

Cash in current and special deposits decreased by \$76 million and moneys received after March 31, 1960 is estimated to increase by \$3 million.

“Post Office—cash on hand and in transit” is a new account set up in 1959–60. For purposes of comparison the 1958–59 balance has been recorded in the above table. The balance was previously included in the current and demand liability account “Post Office—net liability for money orders, etc.”.

The increase of \$39 million in working capital advances and revolving funds was due to an increase of \$49 million in the agricultural commodities stabilization account partly offset by a decrease of \$10 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 \$119 million and repayments were \$150 million, reducing outstanding advances to \$1,964 million at March 31, 1960.

Sinking fund and other investments held for retirement of unmatured debt

There was an increase of \$1 million in this category during the fiscal year bringing the balance to \$84 million at March 31, 1960.

Loans to, and investments in, Crown corporations

These loans and investments increased by \$201 million during 1959–60 bringing the balance in this category to \$3,472 million at March 31, 1960.

TABLE 47
(in millions of dollars)

LOANS TO, AND INVESTMENTS IN, CROWN CORPORATIONS	Balance at March 31		Increase or decrease (—)
	1960 (estimated)	1959	
Atomic Energy of Canada Limited.....	60.9	58.8	2.1
Bank of Canada.....	5.9	5.9	.....
Canadian Arsenals Limited.....	7.5	7.5	.....
Canadian Commercial Corporation.....	6.0	4.0	2.0
Canadian National Railways.....	1,210.2	1,465.7	-255.5
Canadian National (West Indies) Steamships Limited.....	1.6	2.8	-1.2
Canadian Overseas Telecommunication Corporation.....	21.7	13.0	8.7
Central Mortgage and Housing Corporation.....	1,328.6	1,003.6	325.0
Eldorado Mining and Refining Limited.....	8.2	8.2	.....
Export Credits Insurance Corporation.....	10.0	10.0	.....
Farm Credit Corporation ⁽¹⁾	117.0	87.2	29.8
National Capital Commission.....	17.8	7.1	10.7
National Harbours Board.....	161.6	145.6	16.0
Northern Canada Power Commission.....	43.1	21.7	21.4
Northern Ontario Pipe Line Crown Corporation.....	121.5	113.5	8.0
Polymer Corporation Limited.....	30.0	30.0	.....
The St. Lawrence Seaway Authority—			
Loans.....	293.0	270.0	23.0
Deferred interest.....	24.4	12.8	11.6
Trans-Canada Air Lines.....	1.4	2.5	-1.1
Other Crown Corporations.....	1.2	1.2	.....
	3,471.6	3,271.1	200.5

⁽¹⁾ Formerly the Canadian Farm Loan Board.

Advances to Atomic Energy of Canada Limited, to be covered by obligations or shares of the company, amounted to \$2 million during the year.

Loans to the Farm Credit Corporation (formerly the Canadian Farm Loan Board) amounted to \$31 million during the year while repayments by the board were \$1 million bringing the total advances to \$117 million at March 31, 1960.

Loans to Central Mortgage and Housing Corporation during the year amounted to \$360 million, of which \$351 million was for direct loans by the corporation and \$9 million for federal-provincial housing projects. Repayments totalled \$35 million of which \$32 million was in respect of direct loans, \$2 million in respect of loans for federal-provincial housing projects and \$1 million in respect of loans for house construction. The net increase for the year of \$325 million brought the total loans to the corporation to \$1,329 million at March 31, 1960.

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 \$8 million in 1959-60.

Advances to The St. Lawrence Seaway Authority amounted to \$23 million bringing the total loans to \$293 million. In addition deferred interest on these loans was increased by \$12 million being the amount of interest due on December 31, 1959. A contra item for this amount is included in the liability category "Deferred credits".

In the fiscal year ended March 31, 1960, the government advanced to the Canadian National Railway Company the sum of \$167 million for capital purposes and retirement of debt in the hands of the public. Of this amount \$6 million was advanced for the Company's Purchase Fund which is operated under the terms of Canadian National Railway Company bonds, guaranteed by the Government of Canada, issued on May 15, 1959, December 15, 1959 and January 1, 1960. During the year ended March 31, 1960, repayment of current and prior years' advances totalled \$446 million (of which \$441 million was made available through the sale of \$450 million of the above-mentioned bonds).

In addition, to assist the Company to finance further capital expenditure during the fiscal year, the government purchased \$22 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 which ends March 31, 1960, the government provided the Company with temporary loans of \$30 million to cover in part the 1959 income deficit. This amount plus temporary loans totalling \$14 million made on the same account in the year ended March 31, 1959, brought the total of the loans on account of the 1959 deficit to \$44 million which was charged to budgetary expenditure in 1959-60.

In addition, temporary loans of \$14 million were made in February 1960 to the Company in respect of its 1960 income deficit.

In summary, the total amount made available to the Company during the year was \$233 million and repayments amounted to \$489 million. The amount of advances to the Company outstanding at the end of the fiscal year was thus reduced by \$256 million.

TABLE 48
(in millions of dollars)

ADVANCES TO, AND REPAYMENTS BY, THE CANADIAN NATIONAL RAILWAYS DURING THE FISCAL YEAR 1959-60	Fiscal year ended March 31		Increase or decrease (-)
	1960 (estimated)	1959	
Advances—			
For the refunding of debt.....	5.4	44.8	-39.4
For capital expenditures.....	156.1	152.1	4.0
For purchase fund.....	6.3	.....	6.3
For interim financing of income deficits.....	43.6	50.7	-7.1
	211.4	247.6	-36.2
Repayments—			
Advances for capital purposes.....	-445.6	-11.1	-434.5
Advances for interim financing of income deficits.....	-43.6	-56.1	12.5
	-489.2	-67.2	-422.0
Excess of advances over repayments or repayments over advances (-).....	-277.8	180.4	-458.2
Purchase of 4 per cent preferred stock (C.N.R. Capital Revision Act, 1952).....	22.3	21.3	1.0
Transfer of Northwest Communications facilities to C.N.R. .....	.....	0.3	-0.3
Net increase or decrease (-) during the fiscal year in the government's advances to, and investments in, the Canadian National Railways.....	-255.5	202.0	-457.5

At March 31, 1959, temporary loans of \$2 million were outstanding to the Trans-Canada Air Lines in respect of its 1959 income deficit. During 1959-60 a further advance of \$1 million was made. The total amount of \$3 million was repaid during the year. In addition \$1 million was advanced in respect of its 1960 income deficit.

Other changes included increases of \$16 million in loans to the National Harbours Board, \$21 million in advances to the Northern Canada Power Commission, \$9 million in advances to the Canadian Overseas Telecommunication Corporation, \$11 million in loans to the National Capital Commission, \$2 million in advances to the Canadian Commercial Corporation and a decrease of \$1 million in loans to the Canadian National (West Indies) Steamships Limited.

Loans to national governments

These loans totalled \$1,414 million at March 31, 1960, a decrease of \$35 million during the fiscal year.

TABLE 49
(in millions of dollars)

LOANS TO NATIONAL GOVERNMENTS	Balance at March 31		Increase or decrease (—)
	1960 (estimated)	1959	
Loans to United Kingdom—			
The United Kingdom Financial Agreement Act, 1946..	1,064.1	1,080.5	—16.4
Deferred interest.....	44.2	44.2	.....
	1,108.3	1,124.7	—16.4
Loans under the Export Credits Insurance Act, Part II—			
Belgium.....	39.2	41.5	—2.3
France.....	150.6	159.0	—8.4
Netherlands.....	78.0	82.6	—4.6
Norway.....	.....	2.6	—2.6
	267.8	285.7	—17.9
Miscellaneous loans and advances—			
France—interim credit—consolidated interest.....	1.5	1.6	—0.1
Special loans to finance the purchase of wheat and flour from Canada—			
Ceylon.....	1.5	1.5	.....
India.....	33.5	33.0	0.5
Netherlands—military relief and currency credits settlement.....	1.1	1.7	—0.6
Miscellaneous.....	0.7	0.8	—0.1
	38.3	38.6	—0.3
	1,414.4	1,449.0	—34.6

During the fiscal year the United Kingdom government repaid \$16 million 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, 1960 to \$1,064 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, 1960 to \$268 million.

Miscellaneous loans and advances to foreign governments in the amount of \$38 million at March 31, 1960 were approximately the same as at March 31, 1959.

Other loans and investments

There was an increase of \$256 million in this category during the year bringing the balance to \$939 million at March 31, 1960.

In October 1959, action was taken to implement an agreement whereby Canada's quota to the international monetary fund was increased from \$300 million U.S. to \$550 million U.S. The increase was equivalent to \$240 million Canadian, of which \$177 million was covered by non-interest bearing notes payable on demand, \$3 million by a cash payment and the remainder by a transfer of gold to the fund. A contra entry for \$177 million was made to the current liability account "Non-interest bearing notes payable on demand".

TABLE 50
(in millions of dollars)

OTHER LOANS AND INVESTMENTS	Balance at March 31		Increase or decrease (—)
	1960 (estimated)	1959	
Subscriptions to capital of, working capital advances and loans to, international organizations—			
Canada's subscription to capital of—			
International monetary fund.....	528.9	293.3	235.6
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.....	2.0	2.2	—0.2
	605.3	369.9	235.4
Loans to provincial governments—			
Alberta.....	8.4	8.8	—0.4
British Columbia.....	16.3	17.1	—0.8
Manitoba.....	13.8	14.4	—0.6
New Brunswick.....	26.3	29.5	—3.2
Nova Scotia.....	0.1	0.1	.....
Prince Edward Island.....	0.1	0.1	.....
Saskatchewan.....	22.1	23.3	—1.2
	87.1	93.3	—6.2
Overpayments to provinces arising out of 1952 tax-rental agreements—			
Manitoba.....	0.4	0.6	—0.2
New Brunswick.....	0.4	0.6	—0.2
Newfoundland.....	0.2	0.3	—0.1
Prince Edward Island.....	0.5	0.7	—0.2
Saskatchewan.....	0.6	0.9	—0.3
	2.1	3.1	—1.0
Veterans Land Act advances.....	187.8	192.9	—5.1
Less reserve for conditional benefits—Veterans Land Act, 1942.....	—37.4	—41.9	4.5
	150.4	151.0	—0.6
Miscellaneous—			
Acquisition of land to control properties in the vicinity of main terminal airports.....	10.4	6.4	4.0
Assisted passage scheme (section 69, Immigration Act, R.S. 1952).....	3.7	5.1	—1.4
Balances receivable under agreements of sale of Crown assets.....	16.0	19.1	—3.1
Construction of dock and rail facilities for Steep Rock Iron Mines Limited.....	1.9	2.1	—0.2
Crown Assets Disposal Corporation—			
Government equity in agency account.....	5.8	6.2	—0.4
Dominion Coal Company Limited.....	5.7	5.7	.....
Housing projects for Canadian forces.....	4.5	3.6	0.9
Municipal Improvements Assistance Act, 1938.....	1.8	2.1	—0.3
New Westminster Harbour Commission.....	2.4	2.4	.....
Old age security fund—temporary loans.....	24.1	.....	24.1
Town of Oromocto, New Brunswick.....	3.9	3.0	0.9
Town of Oromocto Development Corporation.....	1.0	0.5	0.5
Yukon Territory.....	2.4	2.4	.....
Northwest Territories.....	1.2	0.6	0.6
City of Montreal—			
St. Remi Tunnel.....	1.2	1.2	.....
Atwater Tunnel.....	2.0	.....	2.0
Other.....	6.1	5.4	0.7
	94.1	65.8	28.3
	939.0	683.1	255.9

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. Revaluation adjustments resulted in a credit of \$4 million to Canada.

The net increase of \$236 million in the account during the year was due to the increase of \$240 million in respect of Canada's quota, partly offset by the revaluation adjustments of \$4 million.

Loans to provincial governments were reduced by \$6 million and overpayments to certain provinces arising out of the 1952 tax-rental agreements by \$1 million during the year.

Advances under the Veterans Land Act decreased by \$5 million. The reserve for conditional benefits under the Act decreased by \$4 million and consequently the net decrease was \$1 million.

Miscellaneous loans and investments increased by \$28 million during the year. Included in this increase are temporary loans of \$24 million made to the old age security fund by the Minister of Finance during 1959-60 to cover the 1959-60 deficit in the fund. In 1958-59 temporary loans to the fund were charged to budgetary expenditure in accordance with Vote 764 of Appropriation Act No. 3, 1959. However in the budget speech of April 9, 1959 the Minister stated, that, since provision was being made for the necessary revenues (by increases in the old age security tax rates) to bring the fund into balance over the next two or three years, he did not propose to treat the 1959-60 deficit as a budgetary charge in that year but to carry it forward into 1960-61.

Securities held in trust

This category records the security holdings of various liability accounts. There was a decrease in this account of \$1 million, the balance at March 31, 1960, being \$19 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, 1960 of \$153 million was \$6 million more than the balance at March 31, 1959. Costs of new loans issued in 1959-60 and charged to the account were \$59 million, of which \$16 million was in respect of treasury bill discounts which will be charged to interest on public debt in 1960-61. Credited to the account was \$53 million of which \$46 million was charged to annual amortization costs and \$7 million representing discount on treasury bills sold in 1958-59 was charged to interest on public debt in the 1959-60 budgetary expenditure accounts.

Unamortized portion of actuarial deficiencies

There was no change in the unamortized portion of the actuarial deficiencies in the superannuation and permanent services pension accounts. The balance remained at \$465 million.

Suspense accounts

There was an increase of \$2 million in this category during the fiscal year, due mainly to revaluation adjustments of Canadian dollar balances in the international monetary fund. A further explanation of these revaluation adjustments is given in the comments on the account "International monetary fund" maintained under the asset category "Other loans and investments".

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 \$13 million in respect of the implementation of guarantees (Ming Sung Industrial Company Limited).

Reserve for losses on realization of assets

There was no change in this reserve during the year. The balance at March 31, 1960 remained at \$546 million.

C. INCREASE IN NET DEBT

The budgetary deficit of \$406 million for the fiscal year 1959-60 less an adjustment of \$2 million in respect of prior years' transactions increased the net debt of Canada from \$11,678 million at March 31, 1959 to \$12,082 million at March 31, 1960.

5. THE CASH POSITION

The government's cash position is affected not only by the budgetary transactions explained in some detail in preceding sections but also by non-budgetary transactions and changes in the government's outstanding unmatured debt. Although there was a budgetary deficit estimated at \$406 million in 1959-60, the government's bank balances decreased by only \$76 million during the same period. This decrease was the net result of the budgetary deficit of \$406 million, net disbursements of \$3 million from non-budgetary transactions and an increase of \$333 million in outstanding unmatured debt (after taking into account transactions in the securities investment and sinking fund accounts).

Non-budgetary receipts and disbursements 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 both the budgetary and non-budgetary transactions for 1959-60 and indicates how they, together with the changes in unmatured debt, affected the government's cash position. For purposes of comparison the corresponding figures for 1958-59 are also shown.

TABLE 51
(in millions of dollars)

CHANGES IN CASH POSITION	Fiscal year ended March 31	
	1960 (estimated)	1959
Budgetary transactions—		
Revenues.....	5,301.0	4,754.7
Expenditures.....	5,706.8	5,364.0
1. Budgetary deficit (—)	—405.8	—609.3
Non-budgetary transactions—		
Receipts and credits (excluding unmatured debt transactions)—		
Repayments of loans, investments and working capital advances (net)—		
Canadian National Railways.....	255.5	—199.5
Defence production revolving fund.....	10.2	24.4
Exchange fund.....	31.0	—20.0
United Kingdom (1946 loan).....	16.4	16.1
Export Credits Insurance Act.....	17.9	18.0
Other.....	17.1	42.8
	348.1	—118.2
Net government annuities account receipts—		
Premium receipts less payments to beneficiaries.....	8.7	17.3
Government contribution to maintain reserve.....	0.3	0.2
Interest paid by government.....	42.7	40.7
	51.7	58.2
Net insurance and pension accounts receipts—		
Employee contributions less payments to beneficiaries.....	34.4	32.2
Government contributions.....	93.2	89.4
Actuarial deficiency in permanent services pension account.....		326.3
Interest paid by government.....	88.9	76.9
	216.5	524.8
Net sales of investments of unemployment insurance fund.....	125.1	250.9
Non-interest bearing notes payable to the international monetary fund.....	176.0	.....
Net increase in other current and demand liabilities.....	10.7	74.5
Net receipts in sundry other accounts.....	14.3	34.4
	942.4	824.6
Disbursements and charges (excluding unmatured debt transactions)—		
Loans, investments and working capital advances (net)—		
Agricultural commodities stabilization account.....	49.3	40.6
Canadian Overseas Telecommunication Corporation.....	8.7	0.3
Central Mortgage and Housing Corporation.....	325.0	335.6
Farm Credit Corporation.....	29.8	22.0
National Capital Commission.....	10.7	5.0
National Harbours Board.....	16.0	20.2
Northern Canada Power Commission.....	21.4	7.3
Northern Ontario Pipe Line Crown Corporation.....	8.0	42.7
Old age security fund—temporary loans.....	24.1	.....
The St. Lawrence Seaway Authority.....	23.0	106.1
International monetary fund (subscription to capital).....	235.6	.....
Other.....	18.0	65.8
	769.6	645.6
Net payments from unemployment insurance fund.....	126.1	244.9
Net payments from special defence accounts.....	10.2	216.1
Net payments on account of S.A.C. bases (in trust).....	18.3	—41.7
Net disbursements from sundry other accounts.....	21.4	423.7
	945.6	1,488.6
2. Net amount received from or required for (—) non-budgetary transactions	—3.2	—664.0
3. Overall cash requirements (—) to be financed by increase in debt or decrease in cash balances (1+2)	—409.0	—1,273.3
4. Net increase in unmatured debt outstanding in the hands of the public—		
Unmatured debt.....	312.7	1,329.0
Securities investment account.....	21.7	—18.2
Sinking funds and other investments.....	—1.1	128.5
	333.3	1,439.3
5. Net increase or decrease (—) in Receiver General bank balances (3+4)	—75.7	166.0

As the table shows, non-budgetary receipts and credits for 1959-60 (excluding unmatured debt transactions) totalled \$942 million while non-budgetary disbursements and charges (also excluding unmatured debt transactions) amounted to \$945 million, resulting in a net disbursement of \$3 million from non-budgetary transactions. As there was a budgetary deficit of \$406 million, \$409 million required financing by an increase in unmatured debt or a decrease in cash balances. In 1958-59 there was a requirement of \$664 million for non-budgetary transactions and this, together with the budgetary deficit of \$609 million resulted in \$1,273 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 \$942 million in 1959-60. Repayments of loans, investments and working capital advances were \$348 million and included \$256 million from the Canadian National Railways, \$10 million from the defence production revolving fund, \$31 million from the exchange fund, \$16 million from the United Kingdom Government on account of the Financial Agreement Act, 1946 and \$18 million from other national governments on loans made under Part II of the Export Credits Insurance Act. Net government annuities account receipts were \$52 million and net insurance and pension accounts receipts were \$216 million. The net proceeds from the sale of investments of the unemployment insurance fund to finance payments out of the fund amounted to \$125 million, and net receipts and credits in various other accounts amounted to \$201 million.

Non-budgetary disbursements and charges amounted to \$945 million. Loans, investments and working capital advances were \$770 million and included net advances of \$49 million to the agricultural commodities stabilization account in connection with the purchase and sale of commodities, after allowing for a charge of \$58 million to budgetary expenditures in respect of the operating loss for 1959-60, \$9 million to the Canadian Overseas Telecommunication Corporation for additions and betterments to facilities, \$325 million to Central Mortgage and Housing Corporation for the purpose of making housing loans, \$30 million to the Farm Credit Corporation for the purpose of making loans to farmers, \$11 million to the National Capital Commission for the purpose of acquiring land in the National Capital area not required for immediate use, \$16 million to the National Harbours Board for reconstruction and capital expenditures, \$21 million to Northern Canada Power Commission for power plant construction in Northern Canada and assistance under the Atlantic Provinces Power Development Act, \$8 million to the Northern Ontario Pipe Line Crown Corporation for financing the Northern Ontario section of the natural gas pipe line, \$24 million by way of temporary loans to the old age security fund, \$23 million to The St. Lawrence Seaway Authority for dredging and construction of the seaway and \$236 million in respect of a subscription to the capital of the international monetary fund. Net payments from the unemployment insurance fund were \$126 million. Other non-budgetary disbursements and charges amounted to \$49 million.

In summary, as budgetary and non-budgetary transactions during 1959-60 required financing in an amount estimated at \$409 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 \$333 million, cash balances on deposit with the banks decreased by \$76 million.

6. THE PUBLIC DEBT

Gross and net debt

During the fiscal year ended March 31, 1960, the gross public debt increased by \$747 million to \$20,997 million. This increase was made up of increases of \$313 million in unmatured debt and \$434 million in other liabilities. During the year the government's recorded net assets increased by \$343 million. The net debt increased by \$404 million to \$12,082 million, reflecting the budgetary deficit of \$406 million less an adjustment of \$2 million in respect of prior years' transactions.

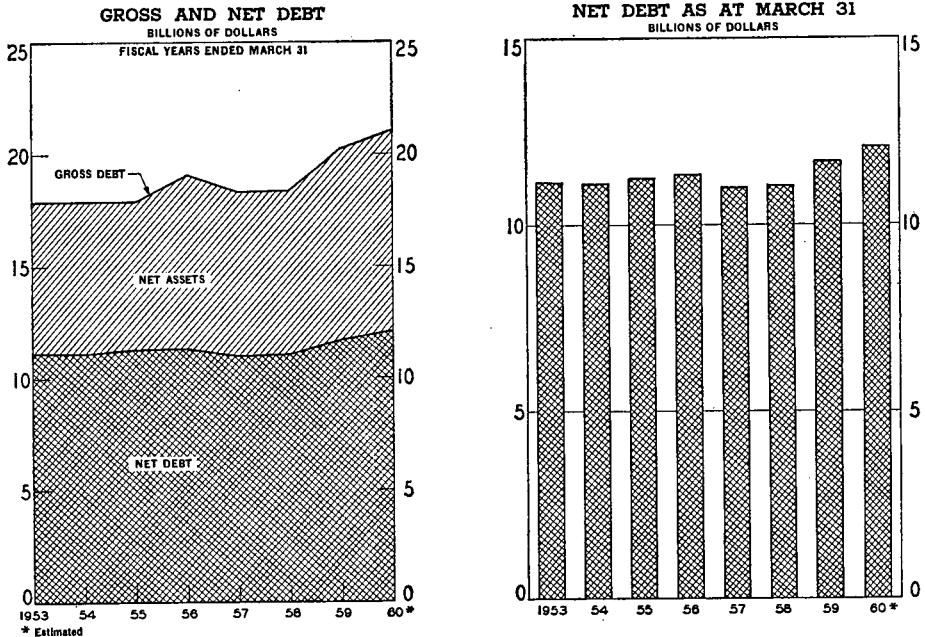


TABLE 52

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			
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.....	15,574.1	4,675.8	20,249.9	8,571.5	11,678.4	632.1
1960 (estimated).....	15,886.8	5,109.7	20,996.5	8,914.6	12,081.9	403.5

Unmatured debt

The total unmatured debt of Canada at March 31, 1960 was \$15,887 million. This was \$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 and in the securities investment account showed a net decrease of \$20 million. The net increase in the amount of outstanding unmatured debt in the hands of the public was \$333 million.

Summary of security issues and redemptions during the year

During the year ended March 31, 1960, the government issued securities payable in Canadian dollars in the principal amount of \$3,033 million (excluding the refunding of treasury bills which mature periodically but including the increase in the issue of treasury bills in the amount of \$530 million) and redeemed or converted issues in the amount of \$2,720 million. The total amount redeemed or converted was payable in Canadian dollars.

The following is a summarized table of changes in unmatured debt for the last two years:

TABLE 53
(in millions of dollars)

UNMATURED DEBT	Fiscal year ended March 31	
	1960 (estimated)	1959
Balance at beginning of year.....	15,574	14,245
New issues—		
Canada savings bonds S. 13.....	30	855
Canada savings bonds S. 14 (net).....	1,425	.....
Other bonds.....	100	1,550
Treasury bills (increase).....	530	70
	2,085	2,475
Renewals and conversions.....	948	6,805
	3,033	9,280
<i>Less</i>		
Matured debt.....	— 602	— 592
Renewals and conversions.....	— 948	— 6,805
Canada savings bonds redemptions.....	— 1,170	— 554
	— 2,720	— 7,951
Increase in unmatured debt.....	313	1,329
Balance at end of year.....	15,887	15,574

At March 31, 1960, the outstanding unmatured debt payable in U.S. dollars was \$150 million, unchanged from March 31, 1959. The amount payable in sterling was \$52 million, also unchanged from the previous year.

Net sales of Canada savings bonds, 1959 series, as at March 31, 1960 amounted to \$1,425 million and additional sales of Canada savings bonds, 1958 series, during the year were \$30 million and redemptions of Canada savings bonds series 4 to 13 (of which series 4 matured on November 1, 1959) were \$1,170 million. The net increase during the year for all series was \$285 million and the amount outstanding at March 31, 1960 was \$3,133 million.

The issue of treasury bills was increased by \$530 million during the fiscal year and the amount outstanding at March 31, 1960 was \$2,125 million, consisting of \$1,375 million in three-month bills, \$510 million in six-month bills, \$200 million in special one-year bills (due June 10, 1960) and \$40 million in special 253 day bills (due June 10, 1960). The March 31, 1959 balance of \$1,595 million consisted entirely of three-month bills.

TABLE 54

REDEMPTION OF DEBT DURING FISCAL YEAR ENDED MARCH 31, 1960

Maturity	Interest rate	Where payable	Amount
	per cent		\$
July 1, 1959.....	2½	Canada	200,000,000
July 1, 1959.....	2½	Canada	300,000,000
October 1, 1959.....	3	Canada	300,000,000
October 1, 1959.....	3	Canada	250,000,000
December 15, 1959.....	3	Canada	300,000,000
April 1, 1960 ⁽¹⁾	2½	Canada	200,000,000
Canada savings bonds, S. 4 to 13.....	various	Canada	1,170,598,000
			2,720,598,000

⁽¹⁾ Partial conversion on Feb. 15, 1960.

TABLE 55

NEW SECURITIES ISSUED DURING YEAR ENDED MARCH 31, 1960

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—					
Marketable bonds—					
July 1, 1959—Apr. 1, 1960 2½%.....	97.90	5.64	144,000,000	144,000,000	.....
July 1, 1959—Dec. 15, 1960 3%.....	96.10	5.83	94,000,000	94,000,000	.....
⁽¹⁾ Oct. 1, 1959—Oct. 1, 1960 5½%.....	98.75	6.81	135,000,000	135,000,000	.....
Oct. 1, 1959—May 1, 1961 3%.....	94.50	6.71	125,000,000	125,000,000	.....
⁽²⁾ Oct. 1, 1959—Oct. 1, 1962 5½%.....	97.25	6.52	250,000,000	250,000,000	.....
⁽²⁾ Feb. 15, 1960—Oct. 1, 1962 5½%.....	99.00	5.91	100,000,000	.....	100,000,000
⁽²⁾ Feb. 15, 1960—Apr. 1, 1963 5½%.....	98.75	5.94	200,000,000	200,000,000	.....
Canada savings bonds—					
Nov. 1, 1958—Nov. 1, 1973. 4½%.....	99.00	.....	30,000,000	.....	30,000,000
Nov. 1, 1959—Nov. 1, 1968 4%.....	98.75	.....	1,425,300,000	.....	1,425,300,000
Treasury bills (increase).....	.....	.....	530,000,000	222,202,000	307,798,000
			3,033,300,000	1,170,202,000	1,863,098,000

⁽¹⁾ Exchangeable at the option of the holder, on or before June 30, 1960, into an equal par value of 5½% non-callable bonds due October 1, 1975.

⁽²⁾ Exchangeable at the option of the holder, on or before June 30, 1962, into an equal par value of 5½% non-callable bonds due October 1, 1975.

⁽³⁾ Exchangeable at the option of the holder, on or before December 31, 1962, into an equal par value of 5½% non-callable bonds due April 1, 1976.

Interest rates

The average interest rate on the government's unmatured debt at March 31, 1960 was 3.96 per cent compared with 3.54 per cent at the end of the previous fiscal year.

Treasury bill yields reflected a trend similar to that of general interest rates. The yield on three-month bills at tender on April 2, 1959 was 4.33 per cent. On August 13, 1959, the yield had risen to a high for the year of 6.16 per cent and was 4.02 per cent at tender on March 17, 1960.

The yield on six-month bills was 5.27 per cent at tender on May 7, 1959 (the first issue during the year). On August 13, 1959 the yield had risen to 6.87 per cent and was 4.26 per cent at tender on March 17, 1960. The yield on the one-year bills issued June 10, 1959 was 5.49 per cent and the yield on the 253 day bills issued October 1, 1959 was 6.80 per cent.

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, 1956 to 1960 inclusive, and for six-month bills for the fiscal year 1959-60:

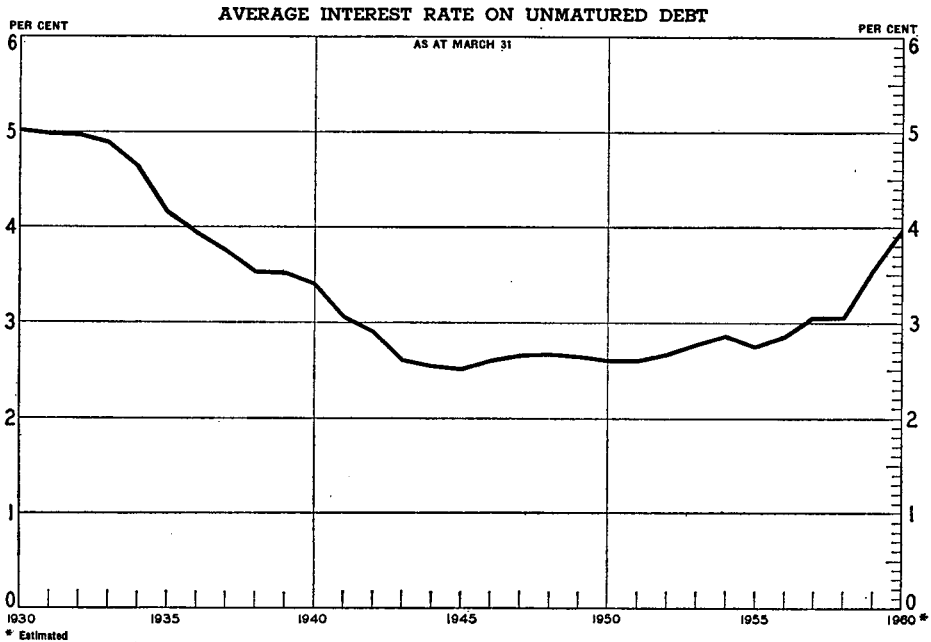


TABLE 56

TREASURY BILL YIELDS AT TENDER

Fiscal Year Ended March 31	High	Low	Last issue
	per cent	per cent	per cent
Three-month bills—			
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
1960.....	6.16	4.02	(1)4.02
Six-month bills—			
1960.....	6.87	4.26	(1)4.26

(1) At tender on March 17, 1960.

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 \$2,678 million at December 31, 1959, compared with \$2,059 million at December 31, 1958.

TABLE 57

SUMMARY OF INDIRECT DEBT OR CONTINGENT LIABILITIES AS AT MARCH 31, 1960

	Amount outstanding March 31, 1960 (estimated)
	\$
Bonds and debenture stocks guaranteed by the government—	
Railway securities guaranteed as to principal and interest—	
Canadian Northern Alberta 3½% due May 4, 1960.....	316,856
Canadian Northern Ontario 3½% due May 19, 1961.....	2,069,805
Grand Trunk Pacific 3% due Jan. 1, 1962.....	26,465,130
Grand Trunk Pacific 4% due Jan. 1, 1962.....	7,999,074
Canadian National 2½% due Feb. 1, 1963.....	250,000,000
Canadian National 5½% due Dec. 15, 1964 ⁽¹⁾	199,000,000
Canadian National 3% due Jan. 3, 1966.....	35,000,000
Canadian National 2½% due Jan. 2, 1967.....	50,000,000
Canadian National 5% due May 15, 1968 ⁽¹⁾	57,550,000
Canadian National 2½% due Sept. 15, 1969.....	70,000,000
Canadian National 2½% due Jan. 16, 1971.....	40,000,000
Canadian National 3½% due Feb. 1, 1974.....	200,000,000
Canadian National 2½% due June 15, 1975.....	6,000,000
Canadian National 5% due May 15, 1977 ⁽¹⁾	87,750,000
Canadian National 4% due Feb. 1, 1981.....	300,000,000
Canadian National 5½% due Jan. 1, 1985 ⁽¹⁾	99,500,000
	<i>1,431,650,866</i>
Railway securities guaranteed as to interest only—	
Grand Trunk 5% debenture stock, perpetual.....	51,190
Grand Trunk 4% debenture stock, perpetual.....	5,054
	<i>56,244</i>
	1,431,707,109
Other outstanding guarantees and contingent liabilities—	
Deposits maintained by the chartered banks in the Bank of Canada.....	650,000,000
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.....	6,415,541
Insured loans made by approved lenders under the National Housing Act, 1954.....	2,671,918,347
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 Export Credits Insurance Act Part II.....	1,275,000
Loans made by chartered banks under The Farm Improvement Loans Act.....	37,888,033
Loans made by chartered banks under The Veterans' Business and Professional Loans Act.....	342,869
Loans made by chartered banks under the Prairie Grain Producers' Interim Financing Act, 1956.....	114,444
Loans made by chartered banks and credit unions under the Fisheries Improvement Loans Act.....	119,168
Loans made by chartered banks to Canadian Wheat Board.....	91,000,000
Loans made by chartered banks to Canadian Wheat Board pursuant to the Prairie Grain Provisional Payments Act.....	690,000
Loans made by chartered banks under the Prairie Grain Advance Payment Act....	22,000,000
	3,523,763,402
TOTAL.....	4,955,470,511

⁽¹⁾ The original amounts issued were as follows: 1964 maturity \$200,000,000; 1968 maturity \$60,000,000; 1977 maturity \$90,000,000; 1985 maturity \$100,000,000; as at January 31, 1960 these amounts were reduced by \$1,000,000, \$2,450,000, \$2,250,000 and \$500,000 respectively through the operation of the Company's Purchase Fund.

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)

	1955-56	1956-57	1957-58	1958-59	Estimated 1959-60
	\$	\$	\$	\$	\$
TAX REVENUES—					
Income tax—					
Personal ⁽¹⁾	1,185.6	1,400.5	1,499.8	1,353.5	1,555.0
Corporation ⁽¹⁾	1,027.7	1,268.3	1,234.8	1,020.6	1,140.0
On dividends, interest, etc., going abroad.....	66.2	76.4	64.3	61.2	75.0
	2,279.5	2,745.2	2,798.9	2,435.3	2,770.0
Excise taxes—					
Sales tax ^{(1) (2)}	641.5	717.1	703.2	694.5	737.0
Other excise taxes—					
Automobiles.....	76.2	79.7	72.3	59.3	66.0
Beverages (soft drinks).....	8.7	9.0	0.6		
Candy and chewing gum.....	9.2	9.8	0.7		
Cigarettes, cigars and tobacco.....	126.9	132.3	142.4	148.0	184.0
Jewellery, watches, ornaments, etc.....	5.0	6.1	5.3	5.6	5.6
Matches and lighters.....	0.9	0.8	0.9	0.9	0.9
Television sets, radios, tubes and phonographs.....	22.8	19.0	16.9	17.8	18.2
Tires and tubes.....	0.8				
Toilet preparations.....	5.6	6.1	6.3	6.8	7.5
Wines.....	2.5	2.6	2.7	3.1	2.9
Sundry commodities.....	2.1	2.3	1.4	1.2	1.5
Licences, interest and miscellaneous.....	0.4	0.5	0.6	0.5	0.7
Less refunds.....	-0.4	-1.1	-0.7	-2.6	-0.3
	260.7	267.1	249.4	240.6	287.0
Customs import duties.....	481.2	549.1	498.1	486.5	529.0
Excise duties—					
Spirits and beer.....	141.9	153.4	171.9	179.6	195.0
Cigarettes, cigars and tobacco.....	110.4	121.1	131.7	141.2	147.0
Licences.....	(3)	(3)	(3)	(3)	(3)
Less refunds.....	-2.9	-3.1	-3.5	-4.1	-4.0
	249.4	271.4	300.1	316.7	338.0
Estate tax.....	66.6	79.7	71.6	72.6	88.0
Tax on insurance premiums.....	15.5	16.7			
Miscellaneous tax revenue.....	1.3	1.6	1.5	1.2	1.0
Total tax revenues.....	3,995.7	4,647.9	4,622.8	4,247.4	4,750.0
NON-TAX REVENUES—					
Post office—net postal revenue.....	137.4	145.8	152.9	157.5	165.0
Return on investments.....	149.3	206.6	169.4	221.2	239.0
Other.....	117.6	106.2	103.7	128.6	147.0
Total non-tax revenues.....	404.3	458.6	426.0	507.3	551.0
TOTAL REVENUES.....	4,400.0	5,106.5	5,048.8	4,754.7	5,301.0

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

	1955-56	1956-57	1957-58	1958-59	Estimated 1959-60
Personal income tax.....	102.5	125.0	135.0	146.4	185.6
Corporation income tax.....	53.3	67.3	60.7	55.3	91.3
Sales tax.....	160.4	179.3	175.8	173.6	273.0

⁽²⁾Net after deduction of refunds and drawbacks as well as transfers to the old age security fund.⁽³⁾Less than \$50,000.

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

(in millions of dollars)

	1955-56	1956-57	1957-58	1958-59	Estimated 1959-60
	\$	\$	\$	\$	\$
AGRICULTURE—					
Administration and general.....	1.6	1.9	1.9	2.0	2.2
Agricultural commodities stabilization account —net operating loss.....	5.8	5.0	6.0	15.0	57.7
Contributions to Alberta, Saskatchewan and Manitoba—unharvested crops.....					6.0
Payments to western grain producers.....				41.3	
Prairie farm emergency fund—deficit.....	8.4		5.9	17.0	13.2
Production and marketing.....	18.6	18.3	21.0	23.9	27.3
Freight assistance on western feed grains....	16.0	17.5	17.5	20.0	23.2
Premium on hog carcasses suitable for export to United Kingdom.....	5.9	5.7	5.5	6.9	8.2
Rehabilitation and reclamation projects.....	11.9	13.6	12.5	13.5	18.9
Research branch.....	20.0	22.6	24.4	26.2	28.6
	88.2	84.6	94.7	165.8	185.3
ATOMIC ENERGY.....	19.0	21.9	21.6	26.1	31.1
AUDITOR GENERAL'S OFFICE.....	0.7	0.7	0.8	0.8	0.9
BOARD OF BROADCAST GOVERNORS.....				0.1	0.2
CANADIAN BROADCASTING CORPORATION—					
Grants toward the anticipated operating deficit and capital expenditures of the radio broad- casting and television services.....	6.3	18.3	24.4	50.3	59.6
International service.....	1.8	1.7	1.8	1.9	2.0
Payment from the consolidated revenue fund of amounts equal to taxes collected under the Excise Tax Act in respect of radio and tele- vision sets and equipment.....	23.1	19.3	16.8	9.8	
	31.2	39.3	43.0	62.0	61.6
OFFICE OF THE CHIEF ELECTORAL OFFICER.....	0.4	0.2	13.6	3.2	0.3
CITIZENSHIP AND IMMIGRATION—					
Administration and general.....	1.5	1.8	1.9	2.1	2.1
Immigration branch.....	8.0	18.6	22.1	14.4	12.1
Indian affairs branch.....	21.5	23.7	27.8	36.4	41.6
	31.0	44.1	51.8	52.9	55.8
CIVIL SERVICE COMMISSION.....	2.4	2.7	3.2	3.5	3.6
DEFENCE PRODUCTION—					
Administration and general.....	9.6	10.5	10.2	12.1	14.4
Capital assistance to defence industry.....	6.5	10.0	4.8	1.8	2.9
	16.1	20.5	15.0	13.9	17.3
EXTERNAL AFFAIRS.....	13.0	14.4	15.8	16.6	17.1
Assistance to other countries and international organizations.....	28.8	40.0	40.1	54.5	76.6
Membership in commonwealth and interna- tional organizations.....	3.1	5.8	4.3	4.4	4.2
	44.9	60.2	60.2	75.5	97.9
FINANCE—					
Administration and general.....	6.7	8.0	7.6	10.2	10.9
Office of the Comptroller of the Treasury.....	14.9	16.0	17.5	17.9	18.3
Grants to Canada Council.....			100.0		
Grants to municipalities in lieu of taxes on federal property.....	7.0	9.5	17.5	21.9	21.5
Grants to universities.....	5.5	16.0	16.6	25.5	26.1
Government contributions with respect to the superannuation account—					
General.....	31.5	31.6	33.8	37.7	40.0
Special.....		40.8	44.3		

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

(in millions of dollars)

	1955-56	1956-57	1957-58	1958-59	Estimated 1959-60
	\$	\$	\$	\$	\$
FINANCE—concluded					
Payments to provinces—					
Subsidies.....	20.3	20.6	20.6	20.6	20.7
Tax-rental agreements, 1952 act.....	319.6	365.9			
Tax-sharing arrangements, 1956 act.....			353.3	423.1	484.3
Transfer of certain public utility tax receipts.....	7.9	6.6	7.4	8.7	9.0
Transitional grant to Newfoundland.....	3.1	2.3	1.4	1.0	0.7
Additional grants to Newfoundland.....				13.6	7.3
Premium, discount and exchange.....		1.4			
Provision for reserve for losses on realization of assets.....		50.0			
Public debt charges—					
Interest on public debt.....	492.6	520.2	539.2	606.6	738.2
Cost of issuing new loans and annual amorti- zation of bond discounts and commissions.....	21.1	13.4	27.7	40.8	47.3
Servicing of public debt.....	0.6	0.5	0.5	0.6	0.6
Reduction in actuarial deficiency in the super- annuation account.....		50.0			
Relief re Hurricane Hazel.....	0.4				
	931.2	1,152.8	1,187.4	1,228.2	1,424.9
FISHERIES.....	12.4	13.8	16.4	17.5	20.2
GOVERNOR GENERAL AND LIEUTENANT- GOVERNORS.....	0.4	0.4	0.4	0.4	0.4
INSURANCE.....	0.5	0.5	1.2	1.2	1.3
JUSTICE.....	6.6	7.0	7.2	7.6	8.2
Office of the Commissioner of Penitentiaries.....	10.7	12.0	12.7	16.7	20.5
	17.3	19.0	19.9	24.3	28.7
LABOUR.....	9.0	9.5	10.2	14.2	22.7
Government annuities—amount required to maintain reserve.....			1.2	0.2	0.2
Unemployment Insurance Act, 1940—					
Administration and general.....	26.6	29.0	32.5	35.3	35.9
Government contribution.....	33.9	37.4	37.8	37.1	45.5
	69.5	75.9	81.7	86.8	104.3
LEGISLATION—					
House of Commons.....	5.1	5.4	5.0	5.6	5.7
Library of Parliament.....	0.3	0.3	0.3	0.3	0.3
Senate.....	1.4	1.5	1.5	1.7	1.8
	6.8	7.2	6.8	7.6	7.8
MINES AND TECHNICAL SURVEYS.....	17.6	17.5	18.7	22.7	24.3
Dominion Coal Board.....	11.3	9.7	8.8	11.3	17.6
Emergency gold mining assistance.....	9.3	8.7	8.6	9.8	13.2
	38.2	35.9	36.1	43.8	55.1
NATIONAL DEFENCE—					
Defence forces, Army, Naval and Air services.....	1,464.9	1,504.1	1,415.0	1,222.7	1,390.5
Defence research and development.....	64.3	69.3	78.7	74.4	40.1
Government contributions with respect to permanent services pension account.....	40.1	46.3	49.7	49.5	51.8
Mutual aid to NATO countries.....	175.0	133.6	118.5	70.7	14.7
Pensions—payments under defence services pension act.....	5.3	5.6	5.8	6.0	6.4
Other.....	0.4	0.5	0.8	1.4	2.6
	1,750.0	1,759.4	1,668.5	1,424.7	1,506.1
NATIONAL FILM BOARD.....	4.1	5.0	4.0	4.3	4.6
NATIONAL GALLERY OF CANADA.....	1.3	0.4	0.6	0.6	0.8

**STATEMENT ON EXPENDITURES BY DEPARTMENTS AND MAJOR CATEGORIES
FOR THE LAST FIVE FISCAL YEARS—continued**

(in millions of dollars)

	1955-56	1956-57	1957-58	1958-59	Estimated 1959-60
	\$	\$	\$	\$	\$
NATIONAL HEALTH AND WELFARE—					
Administration and general.....	1.3	1.5	1.5	1.8	1.9
Civil defence.....	2.4	3.7	4.0	3.8	3.7
National health branch—					
General health grants.....	33.5	36.3	34.6	45.9	46.0
Government contribution under the Hospital Insurance and Diagnostic Services Act.....				54.7	149.8
Other.....	22.7	25.5	29.8	31.2	30.5
Welfare branch—					
Family allowances.....	382.5	397.5	437.9	474.8	491.3
Old age assistance, blind persons and disabled persons allowances.....	29.5	30.4	39.7	49.7	50.8
Old age security fund—deficit.....	63.3	56.0	103.9	184.0	.....
Unemployment assistance.....		7.9	8.2	23.9	36.1
Other.....	2.7	2.9	3.1	3.1	3.2
	537.9	561.7	662.7	872.9	813.3
NATIONAL RESEARCH COUNCIL.....	16.1	19.0	21.6	25.4	31.3
NATIONAL REVENUE.....	56.1	61.8	67.7	68.8	69.2
NORTHERN AFFAIRS AND NATIONAL RESOURCES.....	24.7	37.0	49.1	65.2	81.4
POST OFFICE.....	127.4	140.0	153.3	157.8	167.6
PRIVY COUNCIL including Prime Minister's Office.....	0.5	0.5	0.6	1.1	2.6
PUBLIC ARCHIVES AND NATIONAL LIBRARY.....	0.5	0.6	0.7	0.7	0.7
PUBLIC PRINTING AND STATIONERY.....	2.2	3.2	3.3	3.5	3.5
PUBLIC WORKS.....	126.0	140.5	156.6	170.1	156.9
National Capital Commission.....	3.4	3.4	3.3	4.9	6.3
Trans-Canada Highway contributions.....	16.1	24.8	49.4	51.1	52.0
	146.5	168.7	209.3	226.1	215.2
ROYAL CANADIAN MOUNTED POLICE.....	36.6	43.4	47.4	51.7	53.3
SECRETARY OF STATE.....	3.0	3.5	4.0	4.4	4.7
TRADE AND COMMERCE.....	17.6	23.6	23.6	27.2	24.9
Assistance re storage costs on grain.....	18.9	31.8	33.3	38.4	42.3
National Energy Board.....					0.2
	36.5	55.4	56.9	65.6	67.4
TRANSPORT—					
Administration and general.....	3.1	3.3	3.7	4.0	4.6
Air services.....	57.3	70.5	90.3	115.4	121.7
Canadian Maritime Commission.....	4.3	5.0	5.2	5.9	6.8
Canal services.....	8.3	8.2	8.6	9.7	7.1
Marine services.....	20.6	26.9	32.8	51.8	54.6
Non-active assets—					
National Harbours Board.....	3.0	4.1	4.8	4.3	2.1
Railway and steamship services.....	8.3	8.2	5.7	1.8	3.8
Deficits—					
Canadian National Railways.....			22.1	51.6	43.6
Canadian National (West Indies) Steam- ships Limited.....	0.1	.....	0.6	1.2	.....
North Sydney-Port-aux-Basques ferry and terminals.....	2.4	5.4	6.0	5.8	5.8
Prince Edward Island car ferry and terminals.....	1.6	1.8	2.0	2.0	2.6
Yarmouth-Bar Harbour ferry.....		0.3	0.3	0.2	0.2
Freight Rate Reduction Act.....					9.2
Maintenance of trackage.....	7.0	7.0	7.0	7.0	7.0
Maritime Freight Rates Act.....	11.0	12.5	12.6	13.1	14.3
Railway grade crossing fund.....	5.0	5.0	5.0	15.0	15.0
	132.0	158.2	206.7	288.8	298.4

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

(In millions of dollars)

	1955-56	1956-57	1957-58	1958-59	Estimated 1959-60
	\$	\$	\$	\$	\$
VETERANS AFFAIRS—					
Administration and general.....	4.9	5.4	6.2	6.3	6.4
Hospital accommodation, additions, alterations and improvements.....	3.5	4.6	3.3	3.3	3.8
Pensions.....	130.7	130.3	145.6	150.7	149.6
Provision for reserve for conditional benefits...	8.8	6.8	5.2	4.4	3.8
Soldier settlement and veterans land acts.....	5.4	5.4	5.6	5.4	5.2
Treatment and welfare services.....	47.6	50.8	56.4	56.1	55.0
Veterans allowances, treatment allowances and other benefits.....	44.0	45.8	53.1	60.4	63.4
War service gratuities and re-establishment credits.....	3.6	2.4	1.8	2.2	2.8
	<i>248.5</i>	<i>251.5</i>	<i>277.2</i>	<i>288.8</i>	<i>290.0</i>
TOTAL EXPENDITURES.....	4,433.1	4,849.0	5,087.4	5,364.0	5,706.8

⁽¹⁾ Total civil defence expenditures were \$5.3 million of which \$1.2 million was made by Privy Council and \$0.4 by the Department of National Defence.

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

(in millions of dollars)

	1955-56	1956-57	1957-58	1958-59	Estimated 1959-60
	\$	\$	\$	\$	\$
Loans to, and investments in, Crown corporations—					
Atomic Energy of Canada Limited.....	11.7	9.1	3.2	2.7	2.1
Canadian Broadcasting Corporation.....	8.4	-0.1	-0.3	-27.0	.....
Canadian Commercial Corporation.....	-4.0	-2.0	.....	.....	2.0
Canadian National Railways.....	170.7	172.1	-10.7	199.5	-255.5
Canadian National (West Indies) Steamships Limited.....	-0.2	-0.3	-0.2	-0.3	-1.2
Canadian Overseas Telecommunication Cor- poration.....	4.0	4.3	0.3	0.3	8.7
Central Mortgage and Housing Corporation....	-10.4	-4.1	107.5	335.6	325.0
Farm Credit Corporation ⁽¹⁾	4.7	9.3	14.3	22.0	29.8
National Capital Commission.....	.....	.....	2.1	5.0	10.7
National Harbours Board.....	-0.1	7.2	11.1	20.2	16.0
Northern Canada Power Commission.....	-0.4	0.3	6.7	7.3	21.4
Northern Ontario Pipe Line Crown Corporation .....	.....	0.3	70.5	42.8	8.0
The St. Lawrence Seaway Authority.....	20.2	56.0	⁽²⁾ 99.2	⁽²⁾ 106.1	⁽²⁾ 34.6
Trans-Canada Air Lines.....	.....	.....	.....	2.5	-1.1
Other.....	0.4	-0.1	0.1	.....	.....
	205.0	252.0	303.8	716.7	200.5
Loans to national governments—					
United Kingdom—					
The War Appropriation (U.K. Financing) Act, 1942.....	-30.0	-30.0	-30.0	-22.5	.....
The United Kingdom Financial Agreement Act, 1946.....	-15.2	-15.5	⁽³⁾ 44.2	-16.1	-16.4
Export Credits Insurance Act.....	-22.4	-21.9	-19.9	-17.9	-17.9
Special loans to Colombo plan countries to finance the purchase of wheat and flour from Canada.....	.....	.....	16.2	18.3	0.5
Other.....	-3.4	-3.8	-1.1	-0.8	-0.8
	-71.0	-71.2	9.4	-39.0	-34.6
Other loans and investments—					
Subscriptions to capital of, working capital advances and loans to, international organ- izations—					
Canada's subscription to capital of—					
International monetary fund.....	6.3	-8.8	5.0	-2.6	235.6
International finance corporation.....	.....	3.5	.....	.....	.....
Working capital advances and loans to inter- national organizations.....	.....	0.8	-0.2	.....	-0.2
Loans to provincial governments.....	-3.6	-3.4	⁽⁴⁾ 1.0	⁽⁵⁾ 25.5	-7.2
Balances receivable under agreements of sale of Crown assets.....	11.8	7.8	-4.4	-2.9	-3.1
Old age security fund.....	-13.2	-48.5	-1.5	.....	24.1
Veterans land act advances.....	-0.6	-3.8	-3.2	-3.0	-0.6
Other.....	2.2	2.8	9.4	3.4	7.3
	2.9	-49.6	6.1	20.4	255.9
Sinking fund and other investments held for retirement of unmatured debt.....	20.0	.....	0.9	-128.5	1.1
Net total of changes in loans and investments..	156.9	131.2	320.2	569.6	422.9

⁽¹⁾ Formerly the Canadian Farm Loan Board.⁽²⁾ Includes deferred interest.⁽³⁾ Deferred interest.⁽⁴⁾ \$4 million in overpayments to provinces arising out of 1952 tax-rental agreements offset in part by repayments of \$3 million.⁽⁵⁾ Loan of \$29.5 million to New Brunswick in respect of the Beechwood Power Project offset in part by repayments of \$4 million.

**UNMATURED DEBT INCLUDING TREASURY BILLS AS AT MARCH 31, 1960 AND
THE ANNUAL INTEREST THEREON**

Date of maturity	Description	Rate per cent	Where payable	Amount of loan	Annual interest charges
				\$	\$
1960, Apr. 1.....	Loans of 1958 and 1959..... T. 31	2½	Canada	329,000,000	9,047,500
June 1.....	Sixth victory loan..... L. 9	3	Canada	46,588,650	1,397,660
Oct. 1.....	Loan of 1959..... T. 34	5½	Canada	135,000,000	7,425,000
Nov. 1.....	Canada savings bonds 1950... S. 5	2½	Canada	(1) 11,300,000	310,750
Dec. 15.....	Loans of 1957 and 1959..... T. 21	3	Canada	515,000,000	15,450,000
Dec. 15.....	Loan of 1959..... T. 21	3	Canada	94,000,000	2,820,000
1961, May 1.....	Loans of 1958 and 1959..... T. 23	3	Canada	525,000,000	15,750,000
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) 32,000,000	1,120,000
Oct. 1.....	Loan of 1959..... T. 35	5½	Canada	350,000,000	19,250,000
1963, Apr. 1.....	Loan of 1960..... T. 37	5½	Canada	200,000,000	11,000,000
Jan. 1.....	Loan of 1959..... T. 33	4	Canada	100,000,000	4,000,000
July 1.....	Loan of 1933/34.....	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) 36,400,000	1,365,000
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) 123,900,000	4,646,250
1966, Sept. 1.....	Ninth victory loan..... P. 7	3	Canada	245,202,200	7,350,066
Nov. 1.....	Canada savings bonds 1954... S. 9	3½	Canada	(1) 83,200,000	2,704,000
1967, Nov. 1.....	Canada savings bonds 1955... S. 10	3½	Canada	(1) 80,600,000	2,619,500
1968, June 15.....	Refunding loan of 1950..... P. 9	2½	Canada	350,000,000	9,625,000
Nov. 1.....	Canada savings bonds 1959... S. 14	4	Canada	(1) 1,425,300,000	57,012,000
1969, May 1.....	Canada savings bonds 1956... S. 11	3½	Canada	(1) 143,900,000	5,036,500
1970, May 1.....	Loan of 1958..... T. 24	3½	Canada	200,000,000	7,000,000
Nov. 1.....	Canada savings bonds 1957... S. 12	4½	Canada	(1) 767,200,000	36,442,000
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... S. 13	4½	Canada	(1) 429,400,000	18,249,500
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.....	Loans of 1953 and 1958..... T. 5	3½	Canada	250,000,000	9,375,000
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.....	(4)	Canada	1,375,000,000	64,173,832
Various.....	Six-month treasury bills.....	(4)	Canada	510,000,000	25,843,492
1960, June 10.....	One-year treasury bills.....	(5) 5.49	Canada	200,000,000	10,439,893
June 10.....	253-day treasury bills.....	(6) 6.80	Canada	40,000,000	2,598,668
				15,886,815,503	632,835,128
	Payable in Canada.....			15,685,004,050	627,150,838
	Payable in London.....			51,811,453	1,559,290
	Payable in New York.....			150,000,000	4,125,000
				15,886,815,503	632,835,128

NOTE: Where various rates of interest are applicable during the term of a loan the interest rate in effect at March 31, 1960 has been used.

(1) Estimated.

(2) Conversion rate \$2.80 Can. = £1.

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

(4) Rate of discount on bills sold.

(5) Rate of discount.