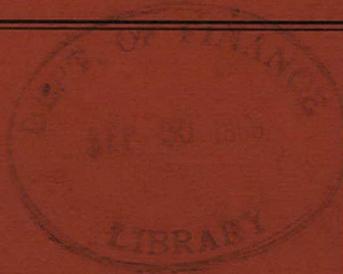


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CANADA



# BUDGET SPEECH

DELIVERED BY

HONOURABLE WALTER L. GORDON

MINISTER OF FINANCE

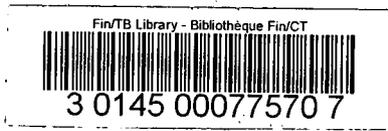
MEMBER FOR DAVENPORT

IN THE

HOUSE OF COMMONS

MARCH 16, 1964

ROGER DUHAMEL, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
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# BUDGET SPEECH

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HON. WALTER L. GORDON

MINISTER OF FINANCE

HOUSE OF COMMONS, MONDAY, MARCH 16, 1964

## THE BUDGET

ANNUAL FINANCIAL STATEMENT OF THE  
MINISTER OF FINANCE

Hon. Walter L. Gordon (Minister of Finance) moved:

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

He said: Mr. Speaker, this afternoon the Prime Minister (Mr. Pearson), the Leader of the Opposition (Mr. Diefenbaker) and other hon. members spoke about Jack Garland, and how much he will be missed by all hon. members of this house. I shall not repeat what has been said, but I could not begin my budget speech without adding a few words about the feeling of loss and sadness that I share with all hon. members in not having Jack with us tonight. Inevitably there is a very close relationship between ministers of finance and ministers of national revenue. In my case I shall always be grateful to Jack Garland for his advice, his common sense, his sound judgment, his friendship and his cheerfulness, and support when times were tough. Jack Garland sat in on the many meetings preceding the preparation of the budget that I am about to deliver. He made a great contribution to it, as he did to everything he was involved in or associated with. He was a sensible, quiet man who was universally respected. Jack Garland was everybody's friend.

Mr. Speaker, all hon. members can take satisfaction from the improvement that has been occurring in economic conditions in Canada and from the optimism with which we can view the immediate future. Unemployment is still too high, and in the Atlantic provinces and eastern Quebec it is much too high. But it is lower almost everywhere than it has been for some years. The deficit in our current account balance of payments with

other countries is still too large but it is smaller than it has been since 1954. The prospects for the current year are good; indeed, in most parts of Canada they are very good. Employment, production and incomes should all be substantially higher than last year for the country as a whole.

Many changes in fiscal and economic policies were called for in the circumstances this parliament faced last spring. It was necessary to move quickly on a number of fronts, and understandably some of the proposals that were put forward were questioned at the time.

Some hon. Members: Oh, oh.

Mr. Horner (Acadia): The understatement of the year.

Mr. Gordon: It is now clear, however, that the main policy changes proposed last spring and summer have paid off well and will continue to pay off in the months and years ahead.

Some hon. Members: Hear, hear.

Mr. Bell: For whom?

Mr. Gordon: These measures have contributed to the increase in economic activity that has occurred and to the reduction of unemployment. They should be continued and they will be.

The winter house building bonus was so effective that a limit had to be put on the number of houses to be financed in order to avoid congestion in markets this spring. The accelerated rates of capital cost allowances have been a powerful inducement to increased expenditures on industrial building and equipment. Already the measures introduced to stimulate the automobile industry have borne

fruit. The new policy will mean greater investment, more production and more jobs in Canada in the future. The extended program of assistance in building vocational schools is proceeding at a rapid pace.

**Some hon. Members:** Hear, hear.

**Mr. Gordon:** I am delighted we have unanimity on some of these matters.

Other policies which we said would require some time before becoming fully effective are beginning to take hold. I refer to the efforts to encourage our secondary manufacturing industries through the new Department of Industry; to the incentives designed to stimulate activity in areas of slower growth; and to the work that will be done, and the new jobs that will be created, as a result of funds made available by the municipal development and loan board and the Atlantic development board. All these policies, as I say, have proved their worth. We must now consolidate our gains and plan for steady growth.

Before reviewing the state of the economy and the prospects for the future, I should like to recall several of the government's major objectives in economic policy, which I am sure are generally supported by the members of this house.

Our first goal is high level unemployment—

**Some hon. Members:** Oh, oh.

**Mr. Mandziuk:** It must be a bad translation.

**Mr. Gordon:** I feel, Mr. Speaker, in the same class as the Secretary of State for External Affairs (Mr. Martin) when he sometimes refers to the Leader of the Opposition (Mr. Diefenbaker). As I was trying to say, our first goal is high level employment, the highest we can expect to reach and maintain; employment in good jobs where we can produce efficiently. This requires not only jobs but men and women qualified to fill them.

Our second, and related goal, is a high level of economic growth, the highest we can expect to sustain over a long period. This will help employment and will bring better living standards, but it will require foresight and skill in economic management both private and public.

Thirdly, we want to gain all the advantages that go with expanded international trade, both exports and imports. In the process we want to see our transactions with other countries on current account brought into better balance. Continued deficits in our balance of

[Mr. Gordon.]

payments on current account make it more difficult to attain high level employment and render us vulnerable to changes in the supply of capital available to us.

Fourth, we want to maintain general stability in our price levels and the value of our currency, for that is necessary to steady progress and to the protection of the savings of the people.

Our budget policies and measures, as well as others affecting our economic affairs, should be fashioned and considered with these objectives in mind. We should add to them another that is partially economic, partially political in the broadest sense of that word. We Canadians realize we cannot live in isolation; we are part of an interdependent world; we are members of the greatest peace time alliance in history; we live in one of the most open and unrestricted economies in the world; we earn much of our living in foreign trade; and we benefit from foreign investment to a degree probably greater than any other nation. We recognize the advantages and obligations of these relationships with others. But we believe that we can and should combine them with a full participation by Canadians in the management and direction of all aspects of our own affairs.

#### ECONOMIC SITUATION AND OUTLOOK

We can look back on the economic developments of 1963 and early 1964 with considerable satisfaction. Many new records have been achieved—in employment and trade, in agriculture and industry. More men and women have jobs; their take-home pay is higher; fewer fail to find the jobs they are looking for; and the number of young people in training to acquire up-to-date skills is steadily expanding.

Last year we built our budget estimates of government revenues on the assumption that total Canadian production and expenditure—our gross national product—would be about 5 per cent higher in 1963 than in the previous year, assuming a normal crop and reasonably stable prices. I am glad to say that our assumption about prices proved correct. Canadian crops far exceeded anyone's expectations. Economic activity in other sectors was more buoyant than we had anticipated. Accordingly, the increase in total output in 1963 turned out to be, not 5 per cent, but about 6 per cent.

Not only did we have a record wheat crop last year, more than 720 million bushels—

**Mr. Clancy:** Call that a record?

**Mr. Gordon:** So far—but it was coupled with record overseas sales. Vast quantities of grain are being moved to ocean ports. In the

field of prices and costs the degree of stability that we have been achieving is greater than that of any of our overseas competitors and is about the same as that of the United States.

**An hon. Member:** Same as last year.

**Mr. Gordon:** Details are to be found in the white paper on pages 38-40. It is worth noting that, for the latest month for which comparable figures are available—December—our consumer price index showed exactly the same movement in comparison with the previous year—1.7 per cent—as the American index. The latest 12-month increase for Britain is 1.9 per cent, for France 5.7 per cent and for Japan 4.9 per cent.

Thanks to the degree of stability we have maintained, much of Canadian industry is now competitive with that of other countries. Clearly we must strive to keep our costs down and to increase our productivity.

Our favourable competitive position is reflected in the fact that our merchandise exports in 1963 rose 11 per cent over the previous year, while imports rose only 6 per cent. In the result we had a favourable balance of \$484 million on merchandise account—the largest since 1952. The sharp increase in our exports of manufactured products was particularly encouraging.

On travel account, we had run deficits for more than a decade, but in 1963 we earned a surplus of \$13 million. On the other hand, we had an adverse balance in respect of interest and dividends amounting to \$614 million, continuing the upward trend of the postwar years.

As a result of these and other changes our current account deficits with other countries, which stood at \$848 million in 1962, was reduced by more than one-third, down to a level of \$521 million, in 1963.

Personal incomes rose steadily last year; private spending and saving both increased. Canadians chose to buy more Canadian goods; a number of Canadian industries improved their share of the Canadian market, taking advantage of the improvement in their competitive position. Canadians also decided to save more—a slightly higher proportion of their incomes than previously—and they were thus in a position to play a rather larger part in financing Canadian expansion.

Industrial and manufacturing production both increased by some 5.6 per cent in 1963 over 1962. Expansion of private investment in plant and equipment was also well maintained.

The general price stability to which I have referred was matched by general financial stability. In other periods of general economic expansion we have experienced some hardening of interest rates, a natural result of

increased competition amongst borrowers for available funds. This did not happen last year. Interest rates at the end of 1963 and in the early part of this year were at about the same levels as a year before, some slightly higher and others slightly lower. The spread between Canadian and United States interest rates narrowed appreciably particularly on short-term issues. Growth of the money supply, which had been reversed by the financial crisis of June 1962, was resumed; during 1963 the total money supply expanded by 9 per cent; over the two-year period, 1962 and 1963, the total increase was somewhat less than the 14 per cent increase in the gross national product.

While economic activity, and with it the number of available jobs, increased in 1963, so did the number of people seeking work. However, the increase in jobs outran the increase in job-seekers. From an average level of 5.9 per cent, almost 6 per cent, the previous year, and 7.2 per cent in 1961, average unemployment in 1963 fell to 5.5 per cent.

Moreover, the reduction of the average of unemployment for the year does not tell the whole story. While economic activity was strong throughout 1963 it was strongest in the final months. As the house is aware, we have recently broken through the 5 per cent unemployment barrier on a seasonally adjusted basis for the first time since 1957. As we enter 1964, the economic momentum is even stronger than it was throughout 1963.

This does not mean we can afford to be complacent. Our international deficit has been cut down, but it still remained more than half a billion dollars in 1963. And a level of unemployment around 5 per cent represents only progress by comparison with previous performance. We must do better in the months and years ahead.

If we are to do better we must recognize that the nature of our unemployment problem is changing. Over-all national averages mask important differences that exist between the various regions of Canada. At the beginning of this year the seasonally adjusted figure for unemployment in Canada was just below 5 per cent. However, according to our best current estimates, the figure for British Columbia, again on a seasonally adjusted basis, was just above 4 per cent. For the prairies it was around 2 per cent. In Ontario it had fallen to about 3 per cent, but in Quebec, where the increase in the labour force had been quite exceptional, it was probably about 6 per cent. For the Atlantic region, the figure while falling, was probably still as high as 8 per cent.

The wide diversity of these figures and the prospect for the current year suggests that

broad, general attacks on unemployment will be less useful now than they have been in the past. Accordingly our plans and policies are increasingly designed to meet the special needs of areas of the country or groups of the population confronted with special difficulties and problems.

The figures for the 1964 capital investment outlook published last week, show that a substantial increase over last year is intended by businessmen, home owners, and governments; forebodings lest, as a result of tax changes announced last year, investment would wither away have, of course, not materialized. It is reassuring to note that the greatest increase in investment is expected to take place in the province where, in absolute terms, the number of unemployed is at the moment greatest, that is in the province of Quebec.

In regard to the balance of payments too we must recognize the nature of the problem confronting us. Our extraordinary sales of grain to Russia and other countries have greatly helped to improve our current account position, while some of our policies designed to encourage a more permanent improvement are beginning to take effect. However, we cannot assume that sales of grain will continue indefinitely at current levels. Therefore we must maintain our efforts to strengthen our balance of payments by measures of a longer term nature.

On the capital side of our balance of payments we have now seen in two successive years how vulnerable we are to sudden changes in the inflow of funds. In July last the announcement of the proposed United States interest equalization tax caused a very sharp crisis in our exchange and capital markets because our vital dependence on a large inflow of capital to pay our bills in the United States was widely recognized. The situation was eased by the proposal to exempt new Canadian issues. However uncertainties relating to this tax while it remains before congress have held back Canadian borrowing in the United States. It is still difficult to tell what the final effect of the tax will be on the movements of capital between the United States and Canada.

Despite these cautionary remarks a careful review of the economic outlook at home and abroad gives us cause for optimism. We see good reason to expect that in 1964 the general growth of the economy will be maintained and the good progress of the year just past will be repeated.

At the same time we obviously cannot anticipate another record harvest such as we had last year. In forecasting our revenues and expenditures we have worked on the assumption that we will have a normal harvest and an increase in gross national product, apart

[Mr. Gordon.]

from farm production of about six and one-third per cent. Taking farm and non-farm production both into account we assume an over-all growth of five and a half per cent.

#### TRADE AND TARIFF POLICY

Before turning from economic affairs to fiscal matters, I should direct the attention of the house briefly to trade and tariff policy.

The United Nations conference on trade and development which opens in Geneva next week will focus on the special trade and development problems of the economically less developed nations of the world. One of the greatest problems of our age is to find practical ways of raising the standards of living of these nations. I should like to assure honourable members that Canada will play an active part in this United Nations conference. It will be our purpose to find effective methods for improving the trade opportunities of the less developed countries, without disruption of established industries in the more advanced countries. Clearly this will not be easy. For some years Canada has been accepting a substantial measure of imports from low-cost countries. We shall urge other advanced countries to do likewise.

As the house will be aware, the Kennedy round of trade negotiations is expected to get under way in the next few months. The prospects are that it will rank with the important trade negotiations that have taken place under the auspices of the GATT since the end of the war. While it has been agreed to conduct these negotiations on the basis of across-the-board tariff reductions by the United States and the European trade groups, agreement has not yet been reached on such matters as the depth of the basic tariff cut, the problem of trade in agricultural products, and the problem of tariff disparities between these countries. Accordingly, the full scope and nature of these negotiations remain to be settled.

Canada will not of course be negotiating on the basis of across-the-board linear tariff cuts. Our trading partners have recognized that such a system would not be appropriate for countries such as Canada. For us the objective is an exchange of concessions of equivalent value. Our participation should, I suggest, be guided by the following considerations.

First is the principle of reciprocity. There must be a reasonable balance between concessions obtained and those which we grant, which must be judged in terms of their practical effects or trade. Moreover, account must be taken of the degree of adjustment and time required to adapt to tariff reductions in terms of shifts in resources and employment.

A second key consideration is that the outcome of these negotiations should contribute to the balanced growth of the Canadian economy. Certainly we shall be seeking to expand the opportunities for our traditional exports of raw materials and foodstuffs. But these negotiations will be more concerned with manufactured products and we must keep clearly in mind that the expansion of efficient secondary industries is necessary to provide adequate employment opportunities for Canada's growing labour force. For this reason we shall be looking for those particular tariff reductions abroad which will open up new export markets for the products of our secondary industries. This will help them to achieve better economies of scale, which are vital to the attainment of cost efficiency.

A third important consideration is that there must be a reasonable balance between concessions given and concessions gained for the various sectors and regions of the Canadian economy. Each of the major productive sectors should get some benefit from and should make its contribution to the negotiations. This should be broadly true also for the various regions.

A fourth consideration relates to our balance of payments position. A successful tariff negotiation should help all the participating countries to become more efficient and more productive. But clearly, it cannot help them all to improve their balance of payments position. In our situation of continuing large current account deficits, we must be especially careful that any tariff bargain we strike does not aggravate our balance of payments position.

Guided by these considerations, Canada will play an important part in the Kennedy round. As hon. members are aware, a trade negotiating committee of experienced officers has been set up to assist the government in the conduct of these negotiations. Under its direction arrangements have been made to hear the views of Canadian industries and other interested parties, so that our preparations will take into account the most complete and up-to-date advice and information.

#### FEDERAL-PROVINCIAL

In addition to taking into account the economic and financial situation, the government must have regard to the position and requirements of provincial governments when making plans both for expenditure and taxation. Earlier in the history of our nation it may have been possible for the federal and provincial governments to proceed about their own affairs without concern for the other, except for occasional arguments over the constitutional subsidies. But now the public

expects so much from both levels of government that they often appear to be in competition with one another. To overcome this each must now take into account the demands upon the other. At times in the past the provinces have recognized that we had special and urgent requirements for war and defence and for major social security programs. More recently the federal government has recognized that the provinces have urgent requirements in the fields of education, health and highways, and has acted accordingly. Both sides must recognize that Canadians cannot afford to do everything at once. In a federal system such as ours there must be an effort made to work out priorities by co-operation.

This recognition on our part of the requirements of the provinces must not be mistaken for an abnegation of federal responsibilities. Canada needs to have both strong provincial governments and a strong federal government. As I say, the government of Canada must remain strong and dynamic, both in its effective jurisdiction and in finance. This was intended in the constitution; it is even more necessary today.

Parliament will be asked to make the necessary changes in our laws to implement the new equalization formula for 1964-65; which was put before the conference with the provinces in November, and to carry out the undertaking given by the government in regard to the larger share of death duties to be assigned to the provinces.

In our spring meeting of the conference to begin on March 31st we shall be considering among other things shared-cost programs and their relation to our fiscal arrangements. Our general position was put by the Prime Minister in his published statement in November. It remains to examine how it may be implemented in particular cases. If the provinces so wish, we are prepared to transfer to them full financial responsibility for some of these established shared-cost programs of a continuing nature, and to make suitable fiscal adjustments either in a larger share of the direct tax fields or by changes in, or supplements to, the equalization payments.

These financial adjustments must be fair both to the provincial and the federal treasuries. We appreciate the importance and value of joint programs. We have no desire, however, to go on indefinitely levying taxes simply to pay for programs that are well established and well within provincial jurisdiction. It is better that, within the limits of their own fiscal capacities, the provinces should levy the taxes required for such programs, assisted where necessary by equalization payments.

## BUDGET ACCOUNTS AND FORECASTS

I come now to a consideration of our revenues and expenditures for the fiscal year now concluding. A detailed report is given in the budget papers that were tabled last Thursday. At this time of year the figures are, of course, preliminary and subject to change. Tonight I propose to refer only to the more important items.

In the budget speech last June, expenditures were forecast at \$6,845 million. The revenue estimates, as revised on July 8th, were \$6,190 million. On this basis, a deficit was anticipated of \$655 million, together with a deficit of \$25 million for the old age security fund.

It now appears that our budgetary revenue will be \$6,207 million. On the other hand, when we include the charging to expenditures of \$76 million pension liabilities created by pay increases for the armed forces, and \$48 million inventory losses on farm products held in storage, which I explained in the house on March 6th, our budgetary expenditures now appear likely to be about \$6,892 million. Consequently, the deficit for the year is expected to be about \$685 million. It would have been appreciably less than the forecast but for the large "write-offs" I have mentioned.

The forecasts for the old age security fund were affected, of course, by the decision to increase old age pensions by \$10 per month, effective October 1, and by the increase in the old age security tax on personal incomes from 3 to 4 per cent, effective January 1, 1964. As a result of these changes, revenues credited to the fund were \$15 million higher, pension payments were \$54 million higher, and the deficit was \$64 million. This will be made up in the next few years; in the meantime it has been met by a temporary loan to the fund.

**Mr. Nowlan:** It sounds like us.

**Mr. Gordon:** It sounds like you?

**Mr. Nowlan:** What you said about us last year.

**Mr. Gordon:** I could not quite hear the hon. member for Digby-Annapolis-Kings reminiscing.

In addition to the revenues and expenditures that are included in what are known as budgetary accounts, the government disburses large sums for loans, investments and advances for a variety of purposes, and receives substantial sums from various sources

[Mr. Gordon.]

that do not constitute revenues, since at the same time they create liabilities or represent repayment of debts due the crown. During 1963-64, these cash disbursements included \$122 million advanced to Central Mortgage and Housing Corporation and \$72 million loaned to the Farm Credit Corporation, as well as many other items set forth in detail in the white paper. To meet these outlays, large sums were available from the repayment of loans, including \$111 million from the Northern Ontario Pipe Line Crown Corporation, and from various annuity, insurance and pension accounts. In all, our non-budgetary receipts exceeded non-budgetary disbursements by \$166 million.

In explaining our total cash requirements I should take this opportunity to note that for the most part our budgetary revenues and expenditures involve cash receipts and disbursements. While our expenditures do include some charges of a bookkeeping nature, these are offset by equal credits to non-budgetary accounts. When all are taken together, excluding the sale or redemption of debt securities, we obtain our total cash requirements. For 1963-64 the budgetary deficit of \$685 million, offset by the net non-budgetary receipts of \$166 million, resulted in an over-all cash requirement of \$519 million. It is expected that this net disbursement of cash during the year will have been somewhat less than the increase of \$737 million in our outstanding debt, with the result that our cash balances will be some \$218 million higher at the end of the year than they were at the beginning.

I turn now to consider the budget outlook for the next fiscal year. With the economic outlook as I have described it, and with no change in our present tax laws, I would forecast our budget revenues at \$6,705 million, almost \$500 million more than for the current fiscal year. With the consent of the house, I should like at this point to insert the usual table in *Hansard* showing our estimated revenues before tax changes and comparing them with revenues in 1963-64.

I should point out further that, since there will be other occasions tonight, Mr. Speaker, when I propose to present tabular material, perhaps the house might be prepared to give its consent now to having these tables printed as appendices in *Hansard*.

**Some hon. Members:** Agreed.

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

Budgetary and Old Age Security Fund Revenues  
(millions)

	1963-64		1964-65
	Budget Forecast	Preliminary	Forecast before tax changes
Personal income tax	\$1,875	\$1,863	\$2,025
Corporation income tax	1,273	1,249	1,340
Non-resident withholding tax	135	127	125
Estate tax	85	90	90
Customs duties	585	580	620
Sales tax	907	930	1,105
Other duties and taxes	675	665	685
<b>Total taxes</b>	<b>5,535</b>	<b>5,504</b>	<b>5,990</b>
Non-tax revenues	655	703	715
<b>Budgetary revenues</b>	<b>6,190</b>	<b>6,207</b>	<b>6,705</b>
Old age security fund revenues	729	745	900
<b>Total revenues</b>	<b>\$6,919</b>	<b>\$6,952</b>	<b>\$7,605</b>

**Mr. Gordon:** The main estimates for 1964-65 show authorized expenditures of \$6,703 million. There will, as usual, be additional expenditures under new statutory authorities such as equalization payments, and supplementary appropriations. Provision must be made for municipal winter works, for winter house building payments and other housing items, for payments to the railways under legislation arising out of the recommendations of the royal commission on transportation, for losses in the agricultural commodities stabilization account, and for the operating deficit of the Canadian National Railways. These and other costs, less probable amounts lapsing within appropriations, are expected to bring our total budgetary expenditures to about \$7,125 million. This would amount to an increase of \$233 million or about 3½ per cent more than the expenditures for the current year. This is substantially less than the estimated percentage increase in gross national product.

On the basis of these forecasts, and with no tax changes, there would be a budgetary deficit of \$420 million.

The old age security fund is expected to have revenues of \$900 million and to pay out pensions of \$885 million, leaving a small surplus of \$15 million available to repay part of the temporary loan required this year.

During 1964-65 we expect to make substantial loans to the Central Mortgage and Housing Corporation—perhaps \$180 million—over and above amounts received in repayment of earlier loans to them, because of the large-scale building programmes they are financing. We also anticipate loan requirements of about

\$80 million for the Farm Credit Corporation, and \$50 million for the accelerating program of export credit financing, as well as substantial amounts for the purchase of C.N.R. stock, for municipal loans, for loans to the 1967 exhibition, the C.B.C., the unemployment insurance fund and other purposes. The total of all these non-budgetary cash disbursements can be expected to amount to about \$800 million. This includes an unusual item of about 220 million Canadian dollars to be paid to British Columbia under the Columbia river agreements in exchange for U.S. dollars received as payment for the sale of future downstream power benefits. Apart from this, nothing has been included to anticipate changes in our holdings of foreign exchange.

Offsetting these extra-budgetary cash requirements and the budget deficit, we can expect net non-budgetary receipts of about \$360 million, mainly from pension and annuity accounts. I do not include here the proposed Canada pension plan fund, which should accumulate about \$25 million in the last few months of the new fiscal year, about half of which is to be invested in Government of Canada securities, and half in provincial securities.

Taking these extra-budgetary receipts and disbursements into account, as well as the budget deficit itself, I anticipate total cash requirements of about \$860 million before taking budget changes into account. Since our cash balances are abnormally high and can be reduced over the year by something over \$150 million, I would expect that our borrowing requirements for new money might amount to about \$700 million. In addition, the

government must, of course, refund the \$1,850 million of bonds maturing in 1964-65.

Before leaving the accounts to turn to other matters of more immediate interest to the house, I should mention another way of looking at our accounts used nowadays by economists, and try to meet their interests in examining the budget. On pages 25 to 34 of the white paper will be found an analysis of our revenues and expenditures in terms of their impact on the flow of incomes of the national economy as a whole. We have this year projected these figures forward for the first time into the new year, just as we do our normal accounting figures. Rather than burden the house with these technical figures, I would table them and ask permission to have them included as an appendix to *Hansard* today.

They show that in terms of income flows our budget of revenue and expenditures is now close to a balance. They do not include, however, an analysis of our borrowing and lending, and crown company operations, which on balance have a substantial sustaining and stimulating effect upon national income and employment.

We have not endeavoured to forecast total provincial revenues and expenditures on this economic basis, but there is no doubt that the general trend shown in the figures in the white paper has continued, and provincial governments and municipalities together will be spending much more than the revenues they are raising together with the very large sums we are transferring to them. Taking everything into account, including the changes I am about to set forth, the government believes the economic effects of the budget are about right in our Canadian situation as we see it for the coming year.

#### GENERAL TAX POLICY

The preparation of this budget has benefited greatly from the scores of briefs and hundreds of letters and calls received from organizations, companies and individuals concerned with tax problems and what should be done about them.

**Mr. Pigeon:** Experts too?

**Mr. Gordon:** Many experts, yes, including the hon. member for L'Assomption-Montcalm. What is the name of the other?

**Mr. Pigeon:** Joliette.

**Mr. Gordon:** I apologize for forgetting Joliette.

[Mr. Gordon.]

The government has welcomed this assistance and I acknowledge it gratefully. We look forward to improving in future the departmental arrangements for receiving and discussing suggestions and comments on this perennial and difficult subject.

One of the questions the government has had to consider is whether we should have a tax cut such as the United States congress has just enacted after so much heart searching. This has an immediate appeal and has naturally been urged by many Canadians on one ground or another.

After serious consideration, the government has decided not to propose a general reduction in either personal or corporate income taxes at this time.

Our present economic problems, such as the persistence of abnormal unemployment in the Atlantic provinces, and eastern Quebec and in the less well trained types of male labour, are not such as can effectively be met by a general tax cut. More selective and long term measures are needed, such as the better education and technical training of our young people and the promotion of industrial development in the Atlantic provinces and eastern Quebec.

Secondly, in Canada we have been experiencing considerably larger budget deficits, when provincial as well as federal budgets are taken into account, than the United States has been having in proportion to its size.

We must also recognize that even after the tax cut in the United States personal income taxes in that country will remain higher than in Canada for most taxpayers. On single persons their federal taxes will be higher than ours in all brackets. On married persons the United States tax will be higher for most people. The people for whom it will generally be less than ours are married people with incomes above \$10,000 a year, mainly because of the privilege of income splitting permitted by their law for married couples. Moreover, their social security taxes on employees' earnings are greater than the combination of our old age security tax on such incomes and the proposed Canada pension plan contribution will be, except for a very narrow range of incomes of single persons.

When we turn to corporation taxes the picture is less clear, because of the variety of state taxes and provincial taxes that must be taken into account, and the effects of the size of corporations. By and large, the Canadian corporation taxes are somewhat lower on small corporations and slightly higher on

large corporations. When account is taken of our 20 per cent dividend credit, income earned by a corporation and paid out as dividends to a shareholder is in nearly all cases less heavily taxed in Canada than in the United States.

I have here some tables of comparison of Canadian and the new United States tax rates which I would ask leave to table and to have printed as part of the appendix to *Hansard*.

I think these considerations of general economics and of the relative weight of direct taxation justify our conclusion that a general tax cut is not warranted in Canada by reason of the example of the United States.

Quite apart from the question of an overall tax cut, the government has decided, after considering the numerous suggestions and views put before us, that major changes in our tax structure should not be made until after we have received and published the report of the royal commission on taxation. Much thought and work on the part of thousands of Canadians have gone into the testimony placed before the commissioners, who are working intensively with their expert staff on this material and on research. Their conclusions and recommendations will be published, I am told, by the year end, with their technical supporting material following immediately after. This means we can have the benefit of all this work for the budget of 1965—though there will probably be more to be done than can or should be attempted in a single budget. In the circumstances it would be premature and unwise to set about major changes at this time. Consequently, it is proposed to make only changes which we feel cannot or should not be deferred a year and which will not prejudice more thorough-going revisions later.

It is not proposed to recommend any changes in the Excise Tax Act. We recognize that there are anomalies and difficulties in it—there always have been—but we believe these can wait until next year without serious consequences. There have been difficulties in particular in distinguishing “materials consumed or expended directly in the process of manufacture or production” in contrast to machinery and its parts, and apparatus, used in production, but these are gradually being resolved administratively. The government appreciates the patience and co-operation of taxpayers in helping the tax administrators to find a fair and reasonable solution to this inevitably troublesome problem.

I shall be recommending some changes in the income tax, a few in the estate tax—which we must open up because of the provincial aspects—and a few in the tariff.

#### CANADIAN OWNERSHIP OF BUSINESS

The first tax measures I wish to discuss are those relating to Canadian and non-resident ownership of businesses in Canada.

The government believes that businesses in Canada, whoever owns them, should operate with due regard to the overall interests of Canadians and the Canadian economy. Canadian materials should be processed to the greatest possible extent in Canada to provide employment and to sustain our international balance of payments. Export markets should be sought actively, wherever they may be found. Businesses in Canada should make a conscious effort to purchase supplies and components from Canadian sources whenever these are competitive; to use Canadian professional firms and other services; and to carry on in Canada all the industrial functions that can be performed efficiently here, including, particularly, basic industrial research and design. The fullest possible opportunities should be given to Canadian employees at all levels. Finally, we believe that a greater sense of partnership between Canadians and investors abroad will be of benefit to both. It is the government's desire to encourage this kind of partnership wherever possible.

These are the objectives of the government. Most people have said they agree with them, but some have stated they would like to see different methods used to achieve them. Some have said the methods should take the form of incentives to Canadians to acquire more equities in businesses in Canada without the imposition of penalties on foreigners who do not make such equities available. The government would prefer to avoid penalties, and to provide inducements—as most of us would—but we feel it is essential to have an effective program to accomplish these objectives; and tax measures are about the only practical instruments we have available to use for this purpose.

If our country is to develop rapidly and well, we should continue to expect substantial inflows of certain types of capital and an outflow of other types, with the free movement of capital into and out of the country unhindered by controls such as are found in most countries outside North America. But we will need less net import of capital, to pay our bills outside Canada, if we succeed in our efforts to bring our current account transactions with the rest of the world more nearly into balance.

In the opinion of the government it is desirable that a greater proportion of the foreign capital we need should be in the form of bonds or other obligations which can be paid off. An important amendment to the Income Tax Act was passed during the last session of parliament intended to further this objective and it has begun to have an effect despite the uncertainty over the United States interest equalization tax.

When introducing the measures last year relating to companies with a degree of Canadian ownership, I referred to the Canadian participation as an equity interest. It has been found, however, that it is possible, by creating special types of voting shares having no real equity interest in the company, to meet the test in the present law without achieving its purpose. It is therefore proposed to add provisions in the relevant section of the act to make it clear that shares owned by Canadians, or shares made available to Canadians by listing on a Canadian stock exchange, must be equity shares if they are to be recognized in determining if a company has a degree of Canadian ownership.

It is also proposed to reword the requirement that is based on having shares listed on a Canadian stock exchange to permit the qualification of those companies that have made equity shares available to Canadians but have not found it possible to list all classes of voting shares. Under the proposed new wording it will be sufficient to list a particular class or classes of voting shares on a Canadian stock exchange provided that these shares are equity shares and represent at least 50 per cent of the paid-up equity capital of the company, and providing that no one non-resident person or persons associated with them owns more than 75 per cent of the company's equity shares.

It is also proposed to remove some technical obstacles which prevented the qualification of some companies such as subsidiaries of qualified companies. At the same time it is planned to close some avenues by which the requirements for qualification may now be circumvented.

Because of the requirements of budget secrecy, we have not been able to consult professional and business men—

**Some hon. Members:** Oh, oh.

**Mr. Diefenbaker:** Where is the troika this year?

**An hon. Member:** You made a joke, Walter.

**Mr. Gordon:**—during the preparation of the proposed modifications of these highly technical parts of the law.

(Mr. Gordon.)

**Mr. Winkler:** Who did you consult—the Minister of Transport (Mr. Pickersgill)?

**Mr. Gordon:** However, the income tax resolution which I shall table at the conclusion of my remarks gives in considerable detail the proposed amendments to this section of the act. I would expect that those concerned will—in fact, I would be very surprised if they did not—study it carefully, and I would be glad to receive information, comments and suggestions which can be taken into account before the income tax bill is introduced.

The reduction in the rates of corporation income tax in the United States under the law passed recently has introduced a new factor into the situation pertaining to the rates of Canadian withholding taxes on dividends payable to corporations in that country. Parent corporations with subsidiaries in Canada are entitled to claim a tax credit in the United States for Canadian taxes paid. The amount of Canadian taxes that can be offset in this way depends on several factors, but broadly speaking the net effect on the tax position of a United States parent corporation of a 20 per cent withholding tax on dividends paid by a Canadian subsidiary, when the United States corporation income tax was 52 per cent, is about the same as would be a 15 per cent withholding tax in Canada when the rate of United States corporate income tax is reduced to 48 per cent, as it will be next January 1st. Taking this into account, I think we can now secure a sufficiently strong inducement to achieve our objectives without imposing a higher rate next January. This being the case it is now proposed to leave the maximum rate of our withholding tax at 15 per cent. This will involve a number of consequential changes, including the deletion of the section imposing a temporary tax on increases in dividends.

**Mr. Diefenbaker:** Another retreat and recantation.

**Mr. Gordon:** Do you want to make the speech?

**Mr. Diefenbaker:** I would like nothing better.

**Mr. Gordon:** Then make it.

**Mr. Diefenbaker:** Recantation.

**An hon. Member:** The arrogance is still there.

**Mr. Gordon:** The government expects that over the years an increasing number of foreign-owned Canadian companies will make

equity shares available to Canadians. With the proposed changes in the legislation, no penalties will be imposed on those that do not do so. They will be in exactly the same position as they were prior to June, 1963. Those that make shares available will be entitled to important tax concessions. And they will be complying with the government's expressed objectives.

It will be up to Canadians to invest in such equity shares as may be offered to them, to share the risks as well as the benefits and opportunities. Already our 20 per cent dividend tax credit gives individual Canadians a strong incentive to purchase equities in Canadian businesses. We do not think more is necessary in this regard.

There are, of course, a number of Canadian investment trusts and other institutions that enable Canadians to buy equities on a pooled basis, and I would hope these would develop further. Pension funds managed by trustees are becoming more common and important in Canada. We hope they will be able and willing to share in the larger ownership of Canadian businesses. I would urge those setting the rules for the investment of such funds, whether public authorities, business firms or trade unions, to keep this objective in mind.

The government holds the view that Canadian life insurance companies should be encouraged to buy more equities in Canadian businesses. It is the intention to propose a revision of our insurance legislation later this year. I would expect this revision would increase the proportion and range of assets that can be held in the form of equities, and that the rules for valuing them will make this type of investment more attractive to these companies.

#### TARIFF CHANGES

In proposing any tariff changes at this time, we must have in mind the negotiations which are to take place in Geneva later this year, and in which Canada will be participating. These are expected to result in important reductions in the tariffs of our principal trading partners, and consequently in the Canadian tariff also. In these circumstances it seems advisable to hold for the negotiations a number of useful suggestions for tariff changes which we have received from various sources during the past year.

There are, nevertheless, about a score of tariff changes which I shall propose at this time. About half of these stem from tariff board reports which were received in 1962 and 1963. The others are a miscellaneous

group of amendments, mostly of a relieving nature. Of this miscellaneous group, four involve the extension of existing free entry provisions which otherwise would expire on July 1, 1964. The most important of these relates to aircraft of a type or size not made in Canada. In several cases it is proposed to amend existing tariff wordings either for purposes of clarification or to broaden the coverage. One such amendment expands the list of educational materials covered by an existing free entry provision. A new item is being inserted to provide for the free entry of sacramental bread.

**Mr. Kindt:** Oh boy.

**Mr. Gordon:** Perhaps the next item which I am about to refer will appeal to hon. members.

**Mr. Bell:** Sales tax?

**Mr. Gordon:** Finally, tariff item 156, which covers whisky and other spirits, is to be amended by deleting a proviso relating to bottle sizes.

**Some hon. Members:** Oh, oh.

**Mr. Gordon:** I should like to thank the Leader of the Opposition for his enthusiasm on a subject which I did not think he was much interested in. The effect will be to remove a duty penalty which otherwise would apply to spirits imported in bottles of certain sizes now widely used in Canada. Our friends in Britain, or perhaps I should say in Scotland, have considered this proviso to be a significant barrier to one of their traditional exports to Canada, and they will greatly welcome its removal.

The tariff board reports to which I referred a moment ago relate to oilfield equipment and to chinaware and glassware for decorating, respectively. Several of the tariff items in question were bound by the GATT. Accordingly, it was necessary to renegotiate them before the board's recommendations could be implemented. A similar situation prevailed in respect of the tariff item covering disinfectants, fungicides and insecticides which is being reworded for purposes of clarification.

The necessary negotiations have been completed, and the tariff resolutions which I shall table at the conclusion of my remarks provide for implementation of the results. Hon. members will have observed that the board's recommendations respecting oilfield equipment involved some increases and some reductions. On balance, there was a small

net increase. Accordingly, compensating reductions were negotiated on three other products, namely barytes, montan wax and bread. Considerable border trade takes place in bread, and our main interest is in exporting rather than importing. The changes in regard to tableware and to glassware for decorating involve an expansion and further liberalization of the present provisions in the tariff.

The details of all these tariff proposals will be found in the resolutions, and I shall be glad to provide in committee any further explanations that are required. Before leaving the subject of tariffs, however, I should like to mention one group of items about which I have received conflicting representations. They are the special items providing for the free entry of certain equipment and materials for use by hospitals, educational and religious institutions. I have decided to refer these items to the tariff board for review and report.

#### ESTATE TAXES

It is necessary to amend the Estate Tax Act to implement the proposal made to the provinces last November to turn over a larger share of the death duties field to them. It was intended to increase the abatement of federal tax from 50 per cent to 75 per cent in all those provinces that impose succession duties and to make a corresponding payment to those provinces that do not impose such duties. The provinces of Ontario and Quebec later indicated that they would prefer not to change their rates of succession duties at this time because their tax structures are now under review by provincial tax commissions. Instead they requested that for the fiscal year 1964-65 the federal government simply pay them an amount that is the equivalent of this 25 per cent abatement. British Columbia, on the other hand, has already a bill passed second reading to increase its rates of succession duty. It is therefore necessary to amend our Estate Tax Act to make this change. The existence of the two levels of abatement this coming year will require some consequential amendments to the rules determining the situs of property.

In addition, a number of amendments will be proposed to correct anomalies and close loopholes that have come to light in the course of administering this law. The details of these will be placed before the house in the resolution and the amending bill.

In reviewing the Estate Tax Act in the light of the representations that had been made about it, I was impressed with the case made by women's organizations saying that

more recognition should be given to the special contribution that a wife makes to the accumulation of property by her husband. Any action to give effect to suggestions of this nature, however, would now affect provincial revenues more than our own budget position. Death duties are under review by provincial commissions of enquiry as well as by our royal commission on taxation. We have therefore deferred any action on this matter, and hope that there will be consultations with the provinces on it, as well as on other aspects of death duties, following the reports of the various commissions.

#### INCOME TAX CHANGES

The important tax incentives introduced last year that provided accelerated capital cost allowances and other concessions in designated areas have been well received. They are of special importance because it is here that the greatest need for continued encouragement appears to lie. It will take time however for areas that have lagged behind the general rate of expansion to attract the new enterprises that are expected to result from these tax inducements. Accordingly, we are proposing that the provision under which new manufacturing or processing businesses in designated areas receive an exemption from tax on their income for three years after commencement of operations be extended. At present such businesses have to commence commercial operations within the 24 months period that started on December 5, 1963. It is now proposed that they be allowed to qualify if they commence operations, at any time after December 4, 1963, and before April 1, 1967.

It is also proposed that the privilege of writing off new manufacturing equipment acquired for use by a new manufacturing or processing business in a designated area at the accelerated rate of 50 per cent be continued with respect to equipment acquired before April 1, 1967. The accelerated rate of 20 per cent for writing off new buildings acquired in designated areas will also apply to buildings acquired before April 1, 1967.

The rates at which taxpayers may write off for tax purposes the capital cost of depreciable assets acquired for use in their business are reviewed from time to time. The general principle followed in establishing these rates is to permit a taxpayer to deduct the cost of a depreciable asset during the useful life of that asset. After a study of representations made by the industry, it has been decided that the rapid rate of wear and tear for certain heavy mobile machinery used by the construction industry for excavating and moving earth

and rock and compacting road building materials justifies a faster rate of write-off. It is therefore proposed to amend the regulations to increase the rate of capital cost allowance for such machinery from 30 per cent to 50 per cent with respect to new equipment acquired after tonight.

Turning to another field, it is important that efforts be made to help Canadians pursue courses of study to improve their qualifications for employment. Tremendous assistance is being given in this direction through the program for constructing vocational training schools. Assistance is also accorded to full-time university students by allowing them to deduct their tuition fees in computing income for tax purposes. Part-time students who must pay for courses to gain a university degree or a high school matriculation certificate or to acquire a technical skill or otherwise improve their qualifications for employment have not been permitted to claim their fees as a deduction. These courses are frequently taken at night or during vacation periods or are not of sufficient duration to qualify the participant as a full-time student. We propose that the law be amended to allow these students to deduct in this and future years the tuition fees they pay to educational institutions in Canada.

Another proposed change in the income tax would permit expenditures of a current nature for scientific research carried on outside Canada to be deducted in computing income if the research is related to the taxpayer's business. Another proposal of general interest is that taxpayers be allowed to deduct expenditures they incur in preparing a notice of objection to an income tax assessment or in appealing an assessment.

There will be a number of other amendments to the Income Tax Act. Some of these are outlined in the resolution to be tabled tonight and others of a technical or drafting nature will be brought forward in the bill to amend the Income Tax Act.

In the course of preparing these proposals for income tax amendments, we carefully reviewed over 250 separate suggestions and numerous variations thereof put forward by individuals and organizations across Canada. In addition, particular attention was given to the suggestions made in both houses of parliament during last year's debate on the budget resolutions and the income tax bill.

Hon. members will recall that the suggestions put forward last year included a number of ideas for changing the methods of dealing with deductions for charitable donations. These suggestions were examined very carefully, but quite frankly I have not yet

been able to come up with a satisfactory solution. After many discussions about it, my late colleague the minister of national revenue requested the royal commission on taxation to give this matter special attention in the comprehensive study they are making of the tax system.

#### FAMILY ALLOWANCES

Following a review of the budget situation for this coming year, and the employment and general economic prospects, the government has come to the conclusion that it is practicable to implement now another important item, in addition to those announced in the throne speech, of the four year program for a parliament which it put before the Canadian people.

A central feature of our policy is to encourage and assist young people to continue their training to fit them for employment. To further this objective we propose that family allowances shall be paid in respect of children aged 16 and 17 years who are attending full-time educational or training courses.

**Some hon. Members:** Hear, hear.

**An hon. Member:** The only worth-while thing you have said.

**Mr. Pearson:** Five years.

**An hon. Member:** Why didn't you do it?

**Mr. Gordon:** It is reassuring to get such support for a good policy!

**An hon. Member:** It is our policy.

**Mr. Gordon:** The monthly payment now being made for children less than ten years old is \$6 and for those from 10 to 15 years old it is \$8 in recognition of the higher cost of looking after older children—it has gone up from \$6 to \$8. Extending the same principle, the monthly payment for those 16 and 17 years old will be \$10 a month. Eligibility will depend upon full-time attendance at a school, university or technical training course.

The necessary amendments to the Family Allowances Act will be placed before the house after the Easter adjournment. It will be necessary also to revise the terms of the Income Tax Act to change the tax exemptions allowed for children of these ages in respect of whom family allowances are paid.

We estimate that the net cost of these allowances, after taking into account the effect on our revenues of the lower income tax allowances, will be about \$43 million in a full year. For the fiscal year 1964-65 the net cost falling on the budget will be about \$27 million.

Teen-agers have faced more difficulty in finding jobs than most adults. This measure is designed to assist and encourage as many teen-agers as possible to obtain two years more of training to equip themselves more fully for the kind of jobs that are likely to be available.

The government believes that the expenditure involved will be an important investment in raising the level of skills and ability of our labour force, and thus will improve the growth and development of our economy. This measure is one we can afford this year. It will help young Canadians to fit themselves for better jobs.

The proposal to permit deduction from income for tax purposes of fees paid for part-time training will assist others to accomplish the same purpose. So too will the loans to university students which were announced in the throne speech and explained by the Prime Minister in his leaders day address.

I believe these loans to university students can be provided most conveniently and efficiently through the chartered banks with their widespread facilities all across the country. We want to enlist the co-operation not only of the banks but through them of the university authorities in order to ensure that all loans are made to full-time students capable of proceeding to a degree and in need of financial assistance to carry on their studies. The government is prepared to guarantee these student loans; there are good precedents for such an approach in our other legislation. No interest would be payable by the student during his years of study.

We shall be exploring this proposal at our meeting with the provinces later this month, and also with the banks and the Canadian University Foundation. What we have in mind should in no way interfere with the operations of the universities or the jurisdiction of the provinces over them. But it should be a real help to promising young people, most of whom should be well able to repay out of higher earnings after graduation a considerable part of the cost of their university education.

By far the most important measure before this parliament is one intended to permit all the workers of Canada to look forward to an opportunity to retire eventually with far more security and dignity than has been possible heretofore. In presenting this budget I wish to make it clear that this government and this parliament have an equal concern to ensure that young Canadians have an

opportunity to fit themselves for life and work in the complex and competitive world into which they are now entering.

#### CONCLUSION

It is estimated that the various changes I have proposed will increase the deficit by about \$35 million to \$455 million for the coming year. Budgetary expenditures are now forecast at \$7,155 million and budgetary revenues at about \$6,700 million. The estimated changes in the old age security fund are negligible. Over-all borrowing requirements in the coming year will be about \$750 million taking into account the fact that present cash balances are on the high side.

The deficit I have forecast, of \$455 million, is sharply reduced—by some 33½ per cent—from the level of the preceding two years. This reduction is warranted by the improvement in the economic and employment outlook. But the need for continued support of the general level of incomes and employment makes it undesirable to go further at this time.

**Mr. Horner (Acadia):** Nothing for the farmers.

**Mr. Gordon:** Have they no children?

**Mr. Horner (Acadia):** You bet they have.

**Mr. Gordon:** It should be noted in this connection that disbursements in the form of loans for housing, for export finance, for farm credit and for other purposes will help to support and improve the economic situation while not adding to the budget deficit.

Economic and financial conditions in Canada do not call for spectacular changes at this time. But there will be no lack of important financial legislation to come before this parliament. Late this year we hope to put forward a bill to embody the decennial revision of the Bank Act, prepared in the light of the thorough review carried out by the royal commission on banking and finance. We wish to revise the legislation concerning the investments of insurance companies. Next year and probably again the year after that we can expect important legislation to improve the tax structure, as I have already indicated.

For this year the budget put before you is, I believe, one that will best fit the needs of the Canadian economy. It retains and strengthens the measures that have helped in the past year. It makes substantial progress in reducing the budgetary deficit, while continuing to make the necessary contribution

by government action to the forces of economic growth. The Prime Minister on February 20th described the government's legislative program for this session as a business-like and forward-looking pattern of work. That is the spirit of the government's program as a whole. It is the spirit of this budget also.

I now table, Mr. Speaker, the resolutions which I propose to move in committee of ways and means. In accordance with usual procedure, these contain some detailed points which have not been mentioned in the speech.

## RESOLUTIONS

### INCOME TAX ACT

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

1. That for the 1964 and subsequent taxation years the deduction from income granted in respect of certain tuition fees be extended to include tuition fees paid by a taxpayer who is a student, whether or not he is a full-time student, to an educational institution in Canada

(a) that is a university, college or other educational institution providing courses at a post-secondary school level,

(b) that is a school operated by or on behalf of Her Majesty in right of Canada or a province, a municipality in Canada, or a municipal or public body performing a function of government in Canada,

(c) that is a high school or secondary school providing courses leading to a secondary school certificate or diploma that is a requirement for entrance to a college or university, or

(d) that is certified by the Minister of Labour to be an educational institution by which courses are conducted that provide or improve the qualifications of a person for employment or for the carrying on of a business or profession, if the tuition fees paid by the taxpayer for the year exceed \$25.

2. That for the 1964 and subsequent taxation years a dependant in respect of whom a taxpayer may deduct an amount not exceeding \$550 in computing his taxable income shall include a taxpayer's brother or sister who was 21 years of age or over and in full-time attendance at a school or university.

3. That the period commencing on December 5, 1963 within which a new manufacturing or processing business must have commenced manufacturing or processing in

reasonable commercial quantities in a designated area in order to obtain a certificate for the purposes of section 71A of the act be extended to March 31, 1967.

4. That for the 1964 and subsequent taxation years in determining whether 95 per cent of the assets used in a business were new and situated in a designated area, for purposes of establishing under section 71A of the act that a person was carrying on the business in a designated area, the value of the assets shall be their fair market value notwithstanding that such value may be different from their capital cost.

5. That where at a time when an area was a designated area a business has been certified to be a new manufacturing or processing business, or an application has been made in writing to the Minister of Industry by a taxpayer in respect of a business that upon the fulfillment of specified conditions would be certified to be a new manufacturing or processing business in the designated area, that area, notwithstanding that it may no longer be a designated area, shall for the purpose of the application of section 71A of the act to that particular business continue to be a designated area.

6. That for the 1962 and subsequent taxation years a taxpayer may deduct in computing income all expenditures of a current nature for scientific research carried on outside Canada that are expenditures made in the year

(a) for scientific research related to the taxpayer's business directly undertaken by or on behalf of the taxpayer, or

(b) to an approved association, university, college, research institute or other similar institution to be used for scientific research related to the taxpayer's business.

7. That for the 1964 and subsequent taxation years a taxpayer may deduct in computing income amounts expended by him in relation to an objection to an assessment or an appeal from an assessment and shall include in computing income any costs recovered in respect thereof.

8. That for the 1964 and subsequent taxation years a taxpayer may deduct in computing income an amount paid in the year or in a previous year since 1962 as a contribution to or under a registered pension fund or plan in respect of services rendered by him in past years while he was a contributor even if he also deducts an amount as a contribution in respect of services rendered by him in past years while he was not a contributor, but the maximum amount deductible in a year in respect of past services while he was a contributor shall not exceed \$1,500 minus

the aggregate of the amounts deducted in the year in respect of services rendered by him in the year and in respect of services rendered by him previous to the year while he was not a contributor.

9. That for the 1964 and subsequent taxation years the period of 60 days from the end of a year within which an employer may pay an amount to or under a registered pension fund or plan in respect of services rendered by his employees be increased to 120 days.

10. That for the 1964 and subsequent taxation years it be made clear that any amount received by an employer upon the winding up or reorganization of a pension fund or plan shall be included in his income.

11. That for the 1964 and subsequent taxation years subsection (3) of section 12 of the act, which provides rules concerning an outlay or expense payable by a taxpayer to a person with whom he was not dealing at arm's length, be amended so that a taxpayer who at the end of his taxation year has a liability that

(a) arose in respect of a non-arm's length transaction,

(b) was deductible in computing his income, and

(c) has been outstanding for two years following the end of the taxation year in which it accrued

must include in income for the third year after it accrued an amount equal to the liability, unless the debtor and creditor sign and file an agreement in which they elect to have their taxes computed as though the debt had been paid and replaced by a loan on the first day of that third year.

12. That the 20 per cent rate of tax payable by a non-resident person on dividends paid or credited to him after 1964 by a corporation resident in Canada that does not have a degree of Canadian ownership be reduced to 15 per cent, and that in consequence thereof:

(a) part IID of the act imposing a tax equal to 5 per cent of certain dividends paid by a corporation that does not have a degree of Canadian ownership be repealed;

(b) the 20 per cent rate of tax imposed by part IIIA of the act on income earned after 1964 by a non-resident corporation carrying on business in Canada be reduced to 15 per cent; and

(c) the 20 per cent rate of tax imposed on the taxable income earned after 1964 by a non-resident-owned investment corporation be reduced to 15 per cent.

[Mr. Gordon.]

13. That for the 1964 and subsequent taxation years, where a taxpayer has disposed of his interest in a partnership, such part of the consideration as is reasonable in the circumstances shall be deemed to be proceeds of disposition of depreciable property of the taxpayer used in the partnership business.

14. That for the 1964 taxation year the amount deductible in computing taxable income in respect of a dependent child who was over 15 and under 18 years of age at the end of the year shall not exceed \$470 if an allowance was paid under the Family Allowances Act in respect of the child for any month after the month in which he attained the age of 16 years.

15. That for the 1965 and subsequent taxation years, a child shall be regarded as a child qualified for family allowance for any year at the end of which he was over 15 and under 18 years of age, if an allowance under the Family Allowances Act was paid in the year in respect of that child after the month in which he attained the age of 16 years.

16. That with regard to the definition of degree of Canadian ownership in section 139A of the said act, the said measure provide as follows:

"(1) Subparagraph (ii) of paragraph (a) of subsection (1) of section 139A of the said act is repealed and the following substituted therefor:

"(ii) either

(A) not less than 25 per cent of the issued and outstanding shares of the corporation having full voting rights under all circumstances were owned by one or more individuals resident in Canada, one or more corporations controlled in Canada or a combination thereof, and equity shares representing in the aggregate not less than 25 per cent of that part of the paid-up capital of the corporation that was represented by all the issued and outstanding equity shares of the corporation were owned by one or more individuals resident in Canada, one or more corporations controlled in Canada, or a combination thereof, or

(B) a class or classes of shares of the corporation having full voting rights under all circumstances were listed on a prescribed stock exchange in Canada, and it is established in prescribed manner that no one non-resident person and no one corporation that did not comply with clause (A) of this subparagraph owned more than 75 per cent of the issued and outstanding shares of the corporation having full voting rights under all

circumstances, alone or in combination with any other person related to such non-resident person or such corporation at any time within the period within the meaning of subsection (5a) or (5b) of section 139, and a class or classes of equity shares of the corporation representing in the aggregate not less than 50 per cent of that part of the paid-up capital of the corporation that was represented by all the issued and outstanding equity shares of the corporation were listed on a prescribed stock exchange in Canada, and it is established in prescribed manner that no one non-resident person and no one corporation that did not comply with clause (A) of this subparagraph owned equity shares representing in the aggregate more than 75 per cent of that part of the paid-up capital of the corporation that was represented by all the issued and outstanding equity shares of the corporation, alone or in combination with any other person related to such non-resident person or such corporation at any time within the period within the meaning of subsection (5a) or (5b) of section 139, and"

(2) Subsection (1) of section 139A of the said act is further amended by striking out the word "or" at the end of paragraph (a) thereof, by repealing paragraph (b) thereof and by substituting therefor the following paragraphs:

"(b) the corporation complied with the conditions specified in subparagraphs (i) and (iii) of paragraph (a) and was a subsidiary wholly owned corporation subsidiary to a corporation that throughout the sixty-day period complied with the conditions specified in paragraph (a) or (c); or

(c) the corporation complied with the conditions specified in subparagraphs (i) and (iii) of paragraph (a) and was a subsidiary controlled corporation

(i) having issued and outstanding equity shares none of which were owned by a person other than

(A) the corporation to which it was subsidiary,

(B) a non-resident person not related to the corporation to which it was subsidiary,

(C) an individual resident in Canada, or

(D) a corporation controlled in Canada, and

(ii) subsidiary to a corporation that throughout the sixty-day period complied with the conditions specified in paragraph (a) or (b)."

(3) Paragraphs (a) and (b) of subsection (2) of section 139A of the said act are repealed and the following substituted therefor:

"(a) a corporation that has share capital is not controlled in Canada at a particular time

unless at that time the corporation is resident in Canada, and more than 50 per cent of its issued and outstanding shares having full voting rights under all circumstances, and shares representing in the aggregate more than 50 per cent of its paid-up capital are owned by

(i) individuals resident in Canada,

(ii) corporations resident in Canada with respect to each of which

(A) more than 50 per cent of the issued shares having full voting rights under all circumstances, and

(B) shares representing in the aggregate more than 50 per cent of the paid-up capital are owned by individuals resident in Canada, or

(iii) any combination of individuals or corporations described in subparagraph (i) or (ii);

(b) where

(i) a non-resident person,

(ii) a corporation that does not have a degree of Canadian ownership, or

(iii) a corporation that is related to a non-resident person within the meaning of subsection (5a) or (5b) of section 139

has a right under a contract in equity or otherwise either immediately or in the future and either absolutely or contingently, to, or to acquire, equity shares in a corporation, those shares shall

(iv) unless the right is contingent upon an event that it is not reasonable to expect to occur within a reasonable time, or

(v) unless the right is such that a reasonable man concerned only with the value of the shares would not exercise it, be deemed

(vi) to be owned by the person who has the right,

(vii) to be owned by a non-resident person, where the person who has the right is a corporation described in subparagraph (ii) or (iii), and

(viii) where the shares are unissued,

(A) to be issued and outstanding, and

(B) to have a paid-up capital value, with respect to each share, equal to

1. the par value, where the shares have a par value,

2. the amount that would be paid with respect to each share to exercise the right under the terms of the contract, where the shares have no par value and an amount is specified in the contract, or

3. the market value at the end of the relevant sixty-day period of a share of the class of shares of that corporation that is most closely similar to that share, where the shares have no par value and no amount is specified in the contract,

and any other person who actually owns the shares in respect of which that right exists shall be deemed not to own those shares.”

(4) Subsection (2) of section 139A of the said act is further amended by striking out the word “and” at the end of paragraph (c) thereof and by adding thereto the following paragraphs:

“(e) “equity share” means

(i) a share, the owner of which has, as owner thereof, a right

(A) to a dividend, and

(B) to a part of the surplus of the corporation after repayment of capital, upon the redemption of the share, a reduction of the capital of the corporation or the winding up of the corporation;

as great as the right of the owner of any other share of the corporation, when the magnitude of the right in each case is expressed as a rate based on the paid-up capital value of the share to which the right relates, and

(ii) a share, the owner of which has, as owner thereof, a right

(A) to a dividend, after a dividend at a rate not in excess of 8 per cent per annum has been paid to the owners of shares of a class other than the class to which that share belongs, and

(B) to a part of the surplus of the corporation after repayment of capital, upon the redemption of the share, a reduction of the capital of the corporation or the winding up of the corporation, after a payment of a part of the surplus at a rate not in excess of 10 per cent has been made to the owners of shares of a class other than the class to which that share belongs, as great as the right of the owner of any other share of the corporation, when the magnitude of the right in each case is expressed as a rate based on the paid-up capital value of the share to which the right relates; and

(f) “paid up capital value” with reference to a share, means

(i) in the case of an unissued share that is deemed by paragraph (b) to be issued and outstanding, the amount determined under clause (B) of subparagraph (viii) of that paragraph, and

(ii) in any other case, an amount equal to the paid-up capital of the corporation that is represented by the shares of the class to

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which that share belongs divided by the number of shares of that class that are in fact issued and outstanding.”

(5) In the case of a taxation year commencing before January 1, 1965, of a corporation that would have had a degree of Canadian ownership in the 1964 taxation year if section 139A of the said act had not been amended by this act, that portion of subsection (1) of section 139A of the said act, as amended by this act, that precedes paragraph (a) thereof shall, if the corporation elects in prescribed manner before January 1, 1965, be read as follows:

“139A. (1) For the purposes of this act, a corporation has a degree of Canadian ownership in a taxation year if throughout any sixty-day period commencing after March 16, 1964 and ending before January 1, 1965”

(6) This section is applicable to the 1964 and subsequent taxation years.”

and for the purpose of determining whether a corporation had a degree of Canadian ownership for the purposes of paragraph (b) of subsection (1a) of section 106 of the said act, section 139A of the said act shall

(a) in relation to any dividend declared on or before March 16, 1964 be read as if it had not been amended by the said measure, and

(b) in relation to any dividend declared after March 16, 1964 be read as amended by the said measure.

#### 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 in respect of property passing on the death of a person whose death occurs at any time after March, 1964, the deduction from the tax otherwise payable in respect of any such property that

(a) was situated in a province that levied a succession duty and that was not entitled under the Federal-Provincial Fiscal Arrangements Act or any other act of the parliament of Canada to receive a payment in consequence of its refraining from increasing its succession duty in respect of such property or in respect of property described in subparagraph (b), or

(b) was personal property situated outside of Canada that was, on the death of any such person who at the time of his death was domiciled in a province described in subparagraph (a), transmitted to a person who at the time of such death was domiciled in or resident in that province, shall be seventy-five per cent.

2. That the limit of \$1,500 on the amount of certain kinds of property passing on the death of a deceased person that may be transferred, delivered or paid over to any person resident in Canada without the consent of the minister, in the case of any one transferor, deliverer or payer, be increased to \$2,500, and that such kinds of property be extended to include an amount payable under a policy of insurance in respect of sickness or accident in which the deceased had, immediately before his death, a beneficial or other interest.

3. That the property comprised in a settlement to be included in computing the aggregate net value of the property passing on the death of a person be deemed to include property comprised in a settlement where any income from such property is reserved to that person for life or any other period determinable by reference to death.

4. That a disposition made by a person out of any community of property existing between that person and his spouse at the time

of the making of such disposition be deemed to have been made by each of them according to the respective share of each in that community.

5. That where, on condition of the purchase of an annuity, a policy of insurance was effected after March 16, 1964 on the life of a person there be included in computing the aggregate net value of the property passing on the death of such person the lesser of,

(a) the amount paid for the annuity less the aggregate of annuity payments made prior to the death, or

(b) the amount payable under the policy of insurance.

#### CUSTOMS TARIFF

1. Resolved, that schedule A to the customs Tariff be amended by striking out tariff items 219a, 326m, 326n, 399a, 410c, 410d, 410e, 683 and 848, 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
46a	Bread made with the use of yeast as the leavening substance.	Free	Free	20 p.c.	7½ p.c.	7½ p.c.	20 p.c.
219a	Non-alcoholic chemicals for disinfecting, or for preventing, destroying, repelling or mitigating fungi, weeds, insects, rodents, or other plant or animal pests, n.o.p.; non-alcoholic preparations compounded exclusively for disinfecting or for preventing, destroying, repelling or mitigating fungi, weeds, insects, rodents, or other plant or animal pests, n.o.p.:-						
	(1) When in packages not exceeding three pounds each, gross weight.....	Free	12½ p.c.	25 p.c.	Free	12½ p.c.	25 p.c.
	(2) Otherwise.....	Free	Free	15 p.c.	Free	Free	15 p.c.
225d	Montan wax.....	Free	Free	10 p.c.	5 p.c.	7½ p.c.	10 p.c.
287b	Undecorated tableware of china, porcelain, semi-porcelain or white granite, including the foregoing with the surface uniformly coloured in only one hue, when for use in the manufacture of decorated tableware by kiln-fired decoration	Free	10 p.c.	35 p.c.	Free	10 p.c.	35 p.c.
326m	Articles of glass, not to include plate, sheet, machine-made tumblers nor containers for the bottling or packaging of products, when for use in the manufacture of cut or decorated glassware, under such regulations as the Minister may prescribe.....	Free	Free	32½ p.c.	Free 10 p.c. Free	Free 22½ p.c. 15 p.c.	32½ p.c. 32½ p.c. 32½ p.c.
399a	Pipes or tubes of iron or steel, commonly known as "oil-country goods", being casing or tubing and fittings, couplings, thread protectors and nipples therefor; seismograph drilling bits, in sizes three and one-half inches to four and three-quarter inches inclusive; 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.	10 p.c.	20 p.c.
410d	Well-drilling machinery and apparatus, and parts thereof, for use in drilling for water or in prospecting for minerals, not including motive power.....	Free	Free	Free	Free	Free	Free

491 Machinery and apparatus for use in exploratory or discovery work in connection with oil or natural gas wells or for the development, maintenance, testing, depletion or production of such wells up to and including the wellhead assembly or surface oil pumping unit; well-drilling machinery and apparatus for use in the exploration, discovery, development or operation of potash or rock salt deposits; these provisions shall not include automotive vehicles or chassis on which the machinery and apparatus are mounted:

- (1) Belting and hose, wholly or partly of rubber, and fittings and accessories therefor whether attached or not;
- Casing centralizers, wall scratchers and scrapers, stop rings and cement baskets;
- Moulded or extruded rubber products, namely cementing plugs, protectors, wipers, swab rubbers and rubber rollers for wireline guides and turnback units;
- Screens for shale shakers;
- Sucker rods, pony rods, polished rods, and couplings therefor;
- Swaged nipples and bull plugs not exceeding 4 inches in outside diameter;
- Wellhead valves, not under 2 inch or over 3 inch nominal size, rated for service in working pressures up to and including 2,000 pounds per square inch W.O.G. (water, oil, gas), excluding check valves, pressure regulators, automatic safety valves and needle valves;
- Wire rope;

Parts of all the foregoing..... 5 p.c.      10 p.c.      20 p.c.      Various      Various      Various

- (2) Blow-out preventers;
- Crown blocks and travelling blocks;
- Elevators and elevator links;
- Fishing tools;
- Flanged casing heads;
- Masts or derricks for drilling, servicing or work-over rigs;
- Rotary tables;
- Screwed casing heads for surface casings exceeding 10½ inches in outside diameter, or rated for service in working pressures exceeding 2,000 pounds per square inch W.O.G. (water, oil, gas);
- Swivels;
- Well logging equipment;
- Well perforating equipment;
- Wellhead valves over 3 inch nominal size, or rated for service in working pressures exceeding 2,000 pounds per square inch W.O.G. (water, oil, gas);
- Well-packers;

Parts of all the foregoing..... Free      Free      Free      Free      Free      Free

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
491 (con)	(3) <i>Drilling, servicing or work-over rigs, assembled or not; Draw works; Slush pumps; Motive power and drive groups for operating slush pumps, draw works or rotary table.....</i>	Free	Free	Free	Free	Free	Free
	(4) <i>All other machinery and apparatus, and parts thereof; parts of goods enumerated in (3) of this item:</i>						
	(a) <i>Of a class or kind made in Canada.....</i>	5 p.c.	10 p.c.	20 p.c.	Free	Free	Free
	(b) <i>Of a class or kind not made in Canada.....</i>	Free	Free	Free	Free	Free	Free
492	<i>Bolted steel tanks; Chemical injection pumps; Chokes, beans and flow controllers; Separators and treaters, oil, gas or water; All the foregoing for use in connection with oil or natural gas wells for installation between the wellhead assembly or surface oil pumping unit and the field marketing valve:</i>						
	(1) <i>Of a class or kind made in Canada; parts thereof....</i>	5 p.c.	10 p.c.	20 p.c.	10 p.c. Free	22½ p.c. Free	35 p.c. Free
	(2) <i>Of a class or kind not made in Canada; parts thereof.</i>	Free	Free	Free	10 p.c. Free	22½ p.c. Free	35 p.c. Free
492a	<i>Drilling mud and additives therefor for use in drilling for oil, natural gas, potash or rock salt.....</i>	Free	Free	Free	Free Various	Free Various	Free Various
492b	<i>Machinery and apparatus for use in the distillation or recovery of products from natural gas:</i>						
	(1) <i>Of a class or kind made in Canada; parts thereof....</i>	5 p.c.	15 p.c.	25 p.c.	Free	10 p.c.	12½ p.c.
	(2) <i>Of a class or kind not made in Canada; parts thereof..</i>	Free	Free	Free	Free	10 p.c.	12½ p.c.
492c	<i>Machinery and apparatus for use in producing unrefined oil from shales or for operating oil-sands by mining operations or for extracting oil from the sands so mined:</i>						
	(1) <i>Of a class or kind made in Canada; parts thereof....</i>	5 p.c.	10 p.c.	20 p.c.	Free 10 p.c. Free	Free 22½ p.c. Free	Free 35 p.c. Free
	(2) <i>Of a class or kind not made in Canada; parts thereof..</i>	Free	Free	Free	Free	Free	Free
492d	<i>Materials for use in the manufacture of the goods specified in tariff items 491, 492, 492a, 492b and 492c.....</i>	Free	Free	Free	Free Various	Free Various	Free Various

683	Barytes.....	Free	20 p.c.	25 p.c.	Free	25 p.c.	25 p.c.
848	Drilling bits, n.o.p., and parts thereof, for use in exploratory or discovery work in connection with, and development, depletion and production of petroleum or natural gas wells.....	Free	Free	Free	Free	Free	Free

2. Resolved, that Schedule B to the *Customs Tariff* be amended by striking out item 1047 and the enumeration of goods and the rate of drawback of duty set opposite that item, and by inserting therein the following item, enumeration of goods and rate of drawback of duty:

Item No.	Goods	When Subject to Drawback	Portion of Duty (not including Special Duty or Dumping Duty) Payable as Drawback
1007	Machine-made tumblers of glass, not cut nor decorated.	When used in the manufacture of cut or decorated tumblers; provided that no drawback shall be paid under this item unless at least twenty-five per cent of the cost of producing the finished article has been incurred in Canada.....	60 p.c.

3. Resolved, that Schedule A to the *Customs Tariff* be amended by striking out tariff items 9i, 156, 196, 237a, 356b, 440m1., 440n1., 440r, 521(2), 521(7), 521(8) 611a(4), 681c and 696a, 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
9i	Feeds for use exclusively in the feeding of trout..... On and after July 1, 1966	Free 15 p.c.	Free 20 p.c.	25 p.c. 25 p.c.	Free 15 p.c.	Free 20 p.c. (on and after July 1, 1964)	25 p.c. 25 p.c.
156	(1) Whiskey..... per gallon of the strength of proof and in addition thereto, under all tariffs, \$9.00 per gallon of the strength of proof	\$4.50	\$5.00	\$10.00	\$4.50	\$5.00	\$10.00
	(2) Gin, n.o.p..... per gallon of the strength of proof and in addition thereto, under all tariffs, \$9.00 per gallon of the strength of proof	\$4.50	\$5.00	\$10.00	\$4.50	\$5.00	\$10.00
	(3) Rum, n.o.p..... per gallon of the strength of proof and in addition thereto, under all tariffs, \$9.00 per gallon of the strength of proof	\$4.50	\$6.00	\$10.00	\$4.50	\$6.00	\$10.00

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
156 (con)	(4) Brandy . . . . . per gallon of the strength of proof and in addition thereto, under all tariffs, \$9.00 per gallon of the strength of proof	\$4.00	\$4.00	\$10.00	\$4.00	\$4.00	\$10.00
	(5) Liqueurs . . . . . per gallon of the strength of proof and in addition thereto, under all tariffs, \$9.00 per gallon of the strength of proof	\$4.50	\$4.50	\$10.00	\$4.50	\$4.50	\$10.00
	(6) Ethyl alcohol, or the substance commonly known as alcohol, hydrated oxide of ethyl or spirits of wine, n.o.p.; spirituous or alcoholic liquors, n.o.p.; absinthe, arrack or palm spirit, artificial brandy and imitations of brandy, n.o.p.; cordials of all kinds, n.o.p.; mescal, pulque, rum shrub, schiedam and other schnapps; tafia, and alcoholic bitters or beverages, n.o.p.; and wines, n.o.p., containing more than forty per cent of proof spirit . . . . . per gallon of the strength of proof and in addition thereto, under all tariffs, \$9.00 per gallon of the strength of proof.	\$5.00	\$10.00	\$10.00	\$5.00	\$10.00	\$10.00
	When the goods specified in item 156 are of greater or less strength than the strength of proof, the measurement thereof and the amount of duty payable thereon shall be increased or decreased in proportion for any greater or less strength than the strength of proof.						
196	Newsprint paper . . . . .	Free	Free	25 p.c.	Free	Free	25 p.c.
237a	Deuterium oxide or heavy water; uranium in the form of pigs, ingots, billets or bars . . . . .	Free	Free	25 p.c.	Free	Free	25 p.c.
	On and after July 1, 1966	Free	15 p.c.	25 p.c.	Free	15 p.c.	25 p.c.
						(On and after July 1, 1964)	
356b	Nickel chromium, in bars or rods not more than three-fourths of an inch in diameter containing more than fifty per cent nickel and more than ten per cent chromium, of a class or kind not made in Canada, for use in the manufacture of electric resistance wire and electric resistance strip or ribbon . . . . .	Free	Free	Free	Free 15 p.c.	Free 20 p.c.	Free 25 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, 1965	Free	15 p.c.	27½ p.c.	Free	15 p.c.	27½ p.c.
						(On and after July 1, 1964)	

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, 1965	Free	15 p.c.	27½ p.c.	Free	15 p.c.	27½ p.c.
					(On and after July 1, 1964)	

- 440r Auxiliary power units;  
 Bars, tubes, extrusions of aluminum, aluminum alloys and magnesium alloys;  
 Batteries;  
 Bolts, cocks, cotter pins, eyelets, nuts, pins, rivets, screws, turnbuckles and clevis, washers;  
 Brakes, with related operating gear;  
 Carburettors;  
 Direct or inertia starters with or without related operating gear;  
 Distributors;  
 De-icing and anti-icing equipment;  
 Electric generators;  
 Electric lamps;  
 Exhaust gas analyzers;  
*Fittings and couplings;*  
 Fuel pressure warning devices;  
 Forgings and castings;  
 Hinges;  
 Hydraulic jacks;  
 Hydraulic pumps;  
 Ignition coils;  
 Instruments;  
 Landing and navigation lights;  
 Magnetos;  
 Oil coolers;  
 Pressure fire extinguishers;  
 Primer pumps;  
 Propellers and helicopter rotors;  
 Radio for navigation and air traffic communication;  
 Seats;  
 Spark plugs;  
 Steel tubing;  
 Swaged wires and tie rods;  
 Tires and tire inner tubes;  
 Vacuum pumps with related operating gear;  
 Voltage control boxes;  
 Wheels;  
 Parts of all the foregoing;

All of the foregoing when of types or sizes not made in Canada and for use in aircraft, aircraft engines, airborne aircraft equipment, or parts of aircraft, aircraft engines, or airborne aircraft equipment. . . . .

Free	Free	27½ p.c.	Free	Free	27½ p.c.
			15 p.c.	20 p.c.	30 p.c.

Tariff Item	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget		
				British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
521	Yarns and rovings, including threads, cords and twines, wholly of cotton: (2) For use in the manufacture of cotton sewing thread or Schiffli embroidery thread:					
	(a) Singles.....	Free	10 p.c.	15 p.c.	Free 10 p.c.	15 p.c. 30 p.c.
	(b) Plied.....	5 p.c.	10 p.c.	20 p.c.	5 p.c. 10 p.c.	20 p.c. 30 p.c.
681c	Cobalt-bearing scrap for recovery of the cobalt and attendant by-products.....	Free	Free	Free	Free 15 p.c.	Free 25 p.c.
691a	Communion wafers or unleavened bread for sacramental purposes.....	Free	Free	Free	15 p.c.	20 p.c. 25 p.c.
696a	Moving picture films, sound or silent, separate sound film track, slides and slide films, positive or negative, and sound recordings for use therewith; Sound recordings for use by educational, scientific or cultural institutions or societies; Sound recordings other than for sale or rental; Models, static and moving; Video tape recordings; Wall charts, maps and posters; All the foregoing when certified by the Government or by a recognized representative authority of the Government of the country of production or by an appropriate representative of the United Nations Educational, Scientific and Cultural Organization as being of an international educational, scientific or cultural character; Under such regulations as the Minister may prescribe..	Free	Free	Free	Free 15 p.c.	Free 20 p.c. 30 p.c.

4. Resolved, that any enactment founded upon the foregoing resolutions shall be deemed to have come into force on the 17th day of March, 1964, 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.

## APPENDIX

### TABLES REFERRED TO IN BUDGET SPEECH

#### FEDERAL GOVERNMENT REVENUES AND EXPENDITURES PUBLIC ACCOUNTS AND NATIONAL ACCOUNTS RECONCILIATION

	1961-62	1962-63	1963-64	1964-65 forecast
	(millions of dollars)			
1. Budgetary revenue.....	5,730	5,879	6,207	6,705
2. Supplementary period adjustment <sup>(1)</sup> .....	- 3	- 4	-	-
3. Extra-budgetary revenues				
Old Age Security tax collections.....	644	693	745	900
Prairie Farm Assistance Act levy.....	7	8	9	8
Unemployment insurance employer-employee contributions.....	278	286	297	311
Government pension funds, employer-employee contributions.....	234	235	251	270
Interest receipts of social insurance and government pension funds.....	117	125	141	154
4. Corporate income tax <sup>(2)</sup> ; excess (+) of accruals over collections.....	62	62	20	- 25
5. Profits before taxes (net of losses) of government business enterprises.....	145	176	194	206
6. Interest on loans, advances and investments.....	153	156	173	180
7. Less: Budgetary return on investments.....	-300	-293	-389	-366
8. Less: Postal revenue.....	-182	-195	-199	-215
9. Budgetary revenue items offset against budgetary expenditures <sup>(3)</sup> .....	- 97	-101	-100	-100
10. All other adjustments to budgetary revenue <sup>(4)</sup> .....	-39	- 44	-26	- 43
11. Total revenue, national accounts basis.....	6,749	6,983	7,323	7,985

<sup>(1)</sup> In the national accounts, revenues in the supplementary period are shifted to the following fiscal year.

<sup>(2)</sup> Taxes on government business enterprises are excluded from this item and included in item 5.

<sup>(3)</sup> See also line 10, expenditure reconciliation.

<sup>(4)</sup> These adjustments are largely revenue items not relevant for the national accounts such as proceeds from sales of existing assets.

FEDERAL GOVERNMENT REVENUES AND EXPENDITURES PUBLIC ACCOUNTS AND NATIONAL ACCOUNTS RECONCILIATION

	1961-62	1962-63	1963-64	1964-65 forecast
	(Millions of dollars)			
1. Budgetary expenditure.....	6,521	6,571	6,892	7,125
2. Supplementary period adjustment <sup>(1)</sup> .....	-47	-36	-87	115
3. Expenditures of extra-budgetary funds				
Old Age Security Fund payments.....	625	734	809	885
Unemployment insurance benefits.....	455	403	372	378
Government pension fund payments.....	68	73	84	91
Prairie farm assistance payments.....	54	15	11	15
4. Transfers to extra-budgetary funds.....	-65	-105	-65	-62
5. Adjustment to place other government funds and crown agencies on a disbursement basis <sup>(2)</sup> .....	-21	63	-17	-41
6. Budgetary expenditures offset against income of government business enterprises				
Post Office expenditures.....	-185	-189	-207	-209
Deficits of government business enterprises.....	-86	-100	-77	-66
7. Adjustment to place interest on the public debt on a due-date basis.....	-23	-18	-21	-15
8. Capital assistance to non-defence industry <sup>(3)</sup> .....	-4	-35	-60	-72
9. Reserves and write-offs.....	-39	-38	-83	-113
10. Budgetary revenue items offset against budgetary expenditure <sup>(4)</sup> .....	-97	-101	-100	-100
11. All other adjustments to budgetary expenditure.....	129	115	93	94
12. Total expenditure, national accounts basis.....	7,285	7,352	7,544	8,025
13. Surplus (+) or deficit (-), national accounts basis.....	-536	-369	-221	-40
14. Surplus (+) or deficit (-), budgetary basis.....	(-791)	(-692)	(-685)	(-420)
15. Total.....	6,749	6,983	7,323	7,985

<sup>(1)</sup> In the national accounts, expenditures on goods and services in the supplementary period are split evenly between adjacent fiscal years. Other expenditure items are shifted entirely to the next fiscal year.

<sup>(2)</sup> This adjustment replaces budgetary appropriations to various funds and agencies by the outlays actually made by these funds and agencies.

<sup>(3)</sup> Government capital assistance to industry appears as part of business gross capital formation and is removed from the government sector to avoid double counting in the national accounts.

<sup>(4)</sup> The largest component of this item consists of revenue from sales of goods and services by the government sector. These sales appear as final expenditure of the private sector and are deducted to avoid double counting.

GOVERNMENT OF CANADA ACCOUNTS, NATIONAL ACCOUNTS BASIS, FISCAL YEAR PERIODS 1961-62—1964-65

	1961-62	1962-63	1963-64 Estimate	1964-65 Forecast
	(Millions of dollars)			
<b>A. REVENUE</b>				
1. Direct taxes, persons.....	2,139	2,108	2,255	2,530
2. Direct taxes, corporations <sup>(1)</sup> .....	1,349	1,344	1,365	1,425
3. Withholding taxes.....	112	130	127	125
4. Indirect taxes.....	2,222	2,422	2,520	2,785
5. Investment income.....	415	457	508	540
6. Employer-employee contributions to social insurance and government pension funds.....	512	522	548	580
<b>7. Total.....</b>	<b>6,749</b>	<b>6,983</b>	<b>7,323</b>	<b>7,985</b>
<b>B. EXPENDITURE</b>				
1. Goods and services: defence.....	1,648	1,619	1,613	1,565
2. Goods and services: non-defence.....	1,375	1,386	1,380	1,610
3. Transfers to persons.....	2,078	2,086	2,150	2,270
4. Interest on the public debt.....	780	861	931	990
5. Subsidies.....	236	262	287	295
6. Transfers to other levels of government.....	1,168	1,138	1,183	1,295
<b>7. Total.....</b>	<b>7,285</b>	<b>7,352</b>	<b>7,544</b>	<b>8,025</b>
<b>C. DEFICIT (-).....</b>	<b>-536</b>	<b>-369</b>	<b>-221</b>	<b>-40</b>

<sup>(1)</sup>Excludes taxes on government business enterprises. These taxes are included with government investment income.

COMPARISON OF PERSONAL INCOME TAXES IN CANADA AND THE U.S.A. (AT U.S.A. RATES ENACTED FOR 1965)  
(Single Taxpayer—No Dependents)

Income	Canada—taxes at present rates				U.S.A.—taxes at 1965 rates			
	Federal income tax	Provincial income tax	Federal O.A.S. tax	Total taxes	Federal income tax	State income tax (New York)	Federal social security tax	Total taxes
\$	\$	\$	\$	\$	\$	\$	\$	\$
1,000	—	—	—	—	14	—	36	50
2,000	81	18	36	135	161	13	73	247
3,000	194	42	76	312	329	43	109	481
4,000	330	73	116	519	500	70	145	715
5,000	485	106	120	711	671	106	174	951
7,500	946	208	120	1,274	1,168	208	174	1,550
10,000	1,509	331	120	1,960	1,742	334	174	2,250
15,000	2,977	653	120	3,750	3,334	706	174	4,214
20,000	4,629	1,016	120	5,765	5,048	1,190	174	6,412
30,000	8,462	1,858	120	10,440	9,385	2,190	174	11,749
50,000	17,011	3,734	120	20,865	19,416	4,190	174	23,780
100,000	41,488	9,107	120	50,715	48,393	9,190	174	57,757

Notes: (1) The taxes shown for each country are the federal income tax, the state or provincial income tax and the federal social security charge. The provincial income tax shown for Canada is the provincial tax in any province except Quebec, Manitoba or Saskatchewan. The state income tax shown for the U.S.A. is the New York State income tax. Thirty-five states impose personal income taxes.

(2) In calculating the Canadian taxes, it was assumed that everyone with income under \$20,000 takes the optional standard deduction of \$100 in lieu of claiming deductions for charitable donations, unusual medical expenses and union dues. It was further assumed that everyone with income of \$20,000 or more would not take the standard deduction but instead would claim \$500 as deductions for charitable donations and unusual medical expenses.

(3) In calculating the United States taxes, it was assumed that everyone with income under \$20,000 takes the optional standard deduction of 10% of income with minimum of \$300 (\$400 for a couple filing jointly) plus \$100 per dependent child and with a maximum of \$1,000 in lieu of claiming deductions for charitable donations, unusual medical expenses, state taxes and other deductions. It was further assumed that everyone with income of \$20,000 or more takes the optional standard deduction for state income tax purposes only and claims \$500 as deductions for charitable donations, unusual medical expenses, etc. plus the amount of his state income tax for federal income tax purposes.

(4) The old age security tax in Canada is the lesser of 4% of taxable income or \$120. The social security tax in the U.S.A. (officially referred to as the Old Age and Survivor Insurance contribution) is the lower of 3-5/8% of adjusted gross income or \$174.

COMPARISON OF PERSONAL INCOME TAXES IN CANADA AND IN THE U.S.A. (AT U.S.A. RATES ENACTED FOR 1965)  
(Married taxpayer—No Dependents)

Income	Canada—taxes at present rates				U.S.A.—taxes at 1965 rates			
	Federal income tax	Provincial income tax	Federal O.A.S. tax	Total taxes	Federal income tax	State income tax (New York)	Federal social security tax	Total taxes
\$	\$	\$	\$	\$	\$	\$	\$	\$
1,000	—	—	—	—	—	—	36	36
2,000	—	—	—	—	56	—	73	129
3,000	81	18	36	135	200	7	109	316
4,000	194	42	76	312	354	47	145	536
5,000	330	73	116	519	501	67	174	742
7,500	753	165	120	1,038	915	163	174	1,252
10,000	1,266	278	120	1,664	1,342	283	174	1,799
15,000	2,649	581	120	3,350	2,460	639	174	3,273
20,000	4,260	935	120	5,315	3,592	1,115	174	4,881
30,000	8,052	1,768	120	9,940	6,447	2,115	174	8,736
50,000	16,560	3,635	120	20,315	14,153	4,115	174	18,442
100,000	40,955	8,990	120	50,065	38,691	9,115	174	47,980

Notes <sup>(1)</sup> See notes below table for "Single Taxpayer—No Dependents".

<sup>(2)</sup> In calculating the U.S.A. taxes shown above it was assumed that married taxpayers have used the privilege of filing a joint return. Effectively this means that the aggregate income of husband and wife is split in half and that the tax liability on the total income is computed by calculating the tax on one half and multiplying the result by two. This privilege is available to all married taxpayers even if their spouse does not in fact have any income.

COMPARISON OF CORPORATION INCOME TAXES IN CANADA AND THE U.S.A.

Taxable Income of Co. \$	Tax in Canada including Ontario Tax	Federal tax in U.S.A. in 1965 (in states without corporation income tax)	Combined Federal and State tax in New Jersey (state rate 1.75%)	Combined Federal and State tax in 7 States* (state rate 5%)	Combined Federal and State tax in N. Y. and California (state rate 5.5%)	Combined Federal and State tax in Pennsylvania (state rate 6%)	Combined Federal and State tax in Massachusetts (state rate 6.765%)
100,000.....	\$ 41,850	\$ 41,500	\$ 42,410	\$ 44,100	\$ 44,360	\$ 44,620	\$ 45,018
Effective Rate.....	41.9%	41.5%	42.4%	44.1%	44.4%	44.6%	45.0%
300,000.....	\$ 145,850	\$ 137,500	\$ 140,230	\$ 145,300	\$ 146,080	\$ 146,860	\$ 148,053
Effective Rate.....	48.6%	45.8%	46.7%	48.4%	48.7%	49.0%	49.4%
500,000.....	\$ 249,850	\$ 233,500	\$ 238,050	\$ 246,500	\$ 247,800	\$ 249,100	\$ 251,089
Effective Rate.....	50.0%	46.7%	47.6%	49.3%	49.6%	49.8%	50.2%
1,000,000.....	\$ 509,850	\$ 473,500	\$ 482,600	\$ 499,500	\$ 502,100	\$ 504,700	\$ 508,678
Effective Rate.....	51.0%	47.4%	48.3%	50.0%	50.2%	50.5%	50.9%
3,000,000.....	\$1,549,850	\$1,433,500	\$1,460,800	\$1,511,500	\$1,519,300	\$1,527,100	\$1,539,034
Effective Rate.....	51.7%	47.8%	48.7%	50.4%	50.6%	50.9%	51.3%

\* These states are Colorado, Connecticut, Delaware, Maryland, South Carolina, Vermont and Virginia.

*Rates of Tax in Canada*—Federal: 12% on first \$35,000 and 41% on excess over \$35,000. (This includes the old age security tax of 3%.)  
Provincial (Ont.): 11% on all taxable income.

*Rates of Tax in U.S.A.*—Federal: (Rates as enacted for 1965) 22% on first \$25,000 and 48% on excess over \$25,000.

States: Vary with each state. (It is assumed that the present rates of tax of the various states will remain unchanged.) Thirty-seven states impose corporation income taxes.

*Notes:* In computing the combined Federal and State taxes in the U.S.A. shown above, an amount equal to the state income tax paid was deducted from the taxable income of the corporation before calculating its federal income tax liability.

In the U.S.A. employers are required to contribute under the Old Age and Survivors Insurance plan at a rate of 3-5/8% of employees' wages (maximum \$174 per employee). This payroll tax has not been included in the U.S.A. taxes shown above.

# BUDGET PAPERS

presented by

the Honourable Walter L. Gordon, M.P.,

for the information of Parliament

in connection with the Budget of 1964-1965

## FOREWORD

The purpose of these Papers is twofold:

1. to present a general economic review of 1963, 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 ending March 31, 1964.

PART I  
ECONOMIC REVIEW OF 1963

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The tables and charts 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 1963 estimates are preliminary and subject to revision.

## PART I

# ECONOMIC REVIEW OF 1963

### GENERAL

The expansion in economic activity which began in early 1961 was still under way at the end of 1963. The hesitancy which marked the latter part of 1962 gave way to continued expansion in 1963, and production, sales and employment were continuing to expand substantially as the year closed. The expansion in 1963 was well balanced, with employment, incomes, trade and investment activity showing continued advances. There was no development of serious strains evident in any sector. A bumper harvest in Western Canada, accompanied by higher levels of grain exports, added significantly to the general level of economic activity. Gross National Product in the third quarter of 1963, the latest period for which complete data are available, at \$43 billion (seasonally adjusted at annual rates) was 6 per cent above the level achieved in the third quarter of 1962. For 1963 as a whole, the G.N.P. seems to have exceeded 1962 by about 6 per cent in value, and by about 4 per cent in volume.

The previous economic upswing, that of 1958-1960, came to an end after only eight calendar quarters. The current upswing, which began in the spring of 1961, has already lasted eleven quarters and shows no signs of weakening. Indeed, the rate of expansion appears to have accelerated in the closing months of 1963. The strongest elements in this current upswing have been exports, consumer expenditures on durable goods, and expenditures by provincial governments and municipalities. Inventory accumulation has so far been modest. Since imports have risen only moderately, the strong upswing in exports has improved the current international account, and has been a most important source of strength in the expansion.

Production of both goods-producing and service-producing industries rose by about 4 per cent in 1963. Both domestic and export sales increased as the Canadian competitive situation improved and levels of demand of Canada's main trading partners continued to grow. There were noteworthy increases in manufacturing output in Canada, particularly in wood products, iron and steel products and motor vehicles and parts.

The gains in production were accompanied by increases in employment. The average level of non-agricultural employment in 1963 was nearly 3 per cent above 1962. Male employment in goods-producing industries increased significantly. Agricultural employment continued its long-run decline except at year-end when activity was unusually high. Strong gains in male employment were a most important factor leading to a decline in unemployment. Total unemployment averaged about 5½ per cent of the labour force in 1963, but declined at year-end to a seasonally adjusted rate of 4.9 per cent of the labour force, the lowest rate in any month since mid-1957. At the same time, the labour force grew more rapidly in 1963 than in 1962, and at year-end was over 200,000 above the preceding year. The unemployment rate varied to a marked extent from region to region. A particularly rapid growth in the labour force in Quebec in 1963 matched the employment gains achieved in that province, so that the

unemployment rate remained virtually unchanged and somewhat above the national average. Unemployment in the Atlantic Provinces declined, but remained substantially higher than the national average.

Total investment in Canada, private and public, increased at about the same rate as total output. Housing activity was higher and 148,600 units were started in 1963, the second highest total on record. In the final quarter of the year, activity was particularly buoyant, stimulated in part by the special federal government bonus on winter-built housing. The number of housing units still under construction at year-end was at a record level. Other business fixed investment was also higher in 1963.

Saving by Canadians increased to match higher levels of investment, and more than offset a reduction in the net inflow of capital from abroad. Personal and business saving both increased, and the deficit of all levels of government (on a national accounts basis) was slightly higher, a reduced deficit of the federal government nearly offsetting a higher deficit of provincial governments and municipalities combined.

Prices of the main commodities and services bought by consumers, businesses and governments (components of Gross National Expenditure) were on average less than 2 per cent higher in 1963 than in the preceding year. Since more substantial price increases occurred in Europe and Japan, Canada's international competitive position improved.

Canada's balance of payments showed a sharp improvement in 1963, the 1962 deficit on current account of \$848 million being reduced to about \$500 million. Large sales of wheat to Russia in the final quarter of the year helped reduce the deficit. Monetary conditions remained easy throughout 1963 although financial markets underwent a two-day crisis in mid-July, when the proposed U.S. Interest Equalization Tax was announced. Tension in the capital and exchange markets eased upon the declaration by the U.S. Administration that authority would be sought from Congress to exempt from the proposed tax new issues of Canadian securities. The announcement in mid-September of the large wheat sales to the Soviet Union relieved market tensions further. However, uncertainty continued to prevail in Canadian financial markets, pending final action by the U.S. Congress on the proposed tax and virtually no Canadian borrowing in the United States took place from mid-July to the present time.

A more complete description of these events follows.

## THE NATIONAL ACCOUNTS

### NATIONAL INCOME AND PRODUCT

The Gross National Product continued to rise throughout 1963. The rate of advance was fairly evenly sustained over the three quarters for which official data are available (see Table 1 and the charts on pages 10 and 11), and all types of income shared in the advance. Comparing the third quarter of 1963 with the same quarter of 1962, labour income was 6.6 per cent higher, corporation profits before tax were 6.8 per cent higher, and the net income of non-farm unincorporated business was 6.5 per cent higher. Gains in the non-farm sector of the economy were supplemented by further advances in farm income, as western wheat growers experienced an excellent harvest for the second successive year, while farm output in other parts of the country was well maintained and markets for farm products remained good. There are many indications that the expansion of the economy was accelerating in the final quarter of the year.

**TABLE 1**  
**NATIONAL INCOME AND GROSS NATIONAL PRODUCT**  
 (Seasonally Adjusted at Annual Rates)

	1962				1963		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
	(Millions of dollars)						
1. Wages, salaries, and supplementary labour income.....	19,940	20,268	20,500	20,728	21,272	21,536	21,844
2. Military pay and allowances.....	600	588	600	556	548	608	596
3. Corporation profits before taxes.....	3,720	3,836	3,772	3,968	3,984	4,120	4,028
4. Deduct: Dividends paid to non-residents <sup>(1)</sup> .....	-576	-636	-512	-556	-628	-532	-516
5. Rent, interest, and miscellaneous investment income.....	2,692	2,732	2,720	2,928	2,840	2,992	2,940
6. Accrued net income of farm operators from farm production <sup>(2)</sup> .....	1,416	1,420	1,452	1,276	1,536	1,564	1,528
7. Net income of non-farm unincorporated business <sup>(3)</sup> .....	2,432	2,360	2,344	2,384	2,464	2,428	2,496
8. Inventory valuation adjustment.....	-108	-176	-196	- 48	-144	-296	-148
<b>9. National Income (1+2+3+4+5+6+7+8).....</b>	<b>30,116</b>	<b>30,392</b>	<b>30,680</b>	<b>31,236</b>	<b>31,872</b>	<b>32,420</b>	<b>32,768</b>
10. Indirect taxes less subsidies.....	5,152	5,192	5,424	5,276	5,516	5,332	5,552
11. Capital consumption allowances and miscellaneous valuation adjustments.....	4,660	4,704	4,756	4,900	4,820	4,844	4,848
12. Residual error of estimate.....	-380	-240	-104	-160	-220	-144	-152
<b>13. Gross National Product at Market Prices (9+10+11+12).....</b>	<b>39,548</b>	<b>40,048</b>	<b>40,756</b>	<b>41,252</b>	<b>41,988</b>	<b>42,452</b>	<b>43,016</b>
14. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	(38,132)	(38,628)	(39,304)	(39,976)	(40,452)	(40,888)	(41,488)

<sup>(1)</sup>Includes the withholding tax applicable to this item.

<sup>(2)</sup>Includes an arbitrary smoothing of crop production and standard seasonal adjustments for withdrawals of grain from farm stocks and the change in livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

<sup>(3)</sup>Includes net income of independent professional practitioners.

Up to the end of September, the current expansion had continued through ten quarters. It had by then already exceeded in length the expansion of 1958-1960, which came to an end after only eight quarters. This can be seen on the charts on pages 10 and 11, which depict both the duration and strength of the upswing in each of the three periods of expansion since 1954. These charts show that the total volume of non-farm output has continued to grow, although at a less rapid rate than during the early months of the upswing in 1961 when some of the cyclical slack was being taken up. The current expansion has well exceeded that of 1958-1960, both in strength and duration, but has not reached the dimensions of the 1954-1957 upswing, which was based largely upon a business investment boom. However, production in manufacturing industries has expanded about as rapidly in the current expansion as in the 1954-1957 period and far more than in the 1958-1960 period. The most recent data in the later months of 1963 suggested that manufacturing growth in the current expansion may soon surpass that of the 1954-1957 period. It is noteworthy that in spite of an exchange depreciation of more than 10 per cent which affects the cost of imports in Canadian dollars to this extent, prices have only risen by about 5 per cent during the current expansion, while they rose by some 9 per cent between 1953 and 1957.

The volume of output continued to increase during 1963. For the first nine months of 1963, the increase over the same period in 1962 was over 4 per cent. Apart from agriculture, which has shown a substantial increase due to the very large grain crop, non-farm output averaged about 4 per cent higher in the nine-month comparison. Output in both goods-producing and service-producing industries rose by about 4 per cent. In the final quarter of 1963, preliminary data suggest a somewhat larger quarterly increase than prevailed during the year.

Manufacturing output increased by nearly 5 per cent in the first three quarters of 1963, with durable goods output increasing by 6 per cent, and non-durable goods by about 4 per cent. There were noteworthy increases in the output of wood products, iron and steel products and motor vehicles and parts.

The output of electric power and gas utilities, of forestry, transportation, storage and communication industries rose more than the average of 4 per cent for all industries. Mining output did not increase as much as the average, as hesitant movements in the output of metals offset in part higher production in the natural gas and petroleum industries. Output in the construction industry fluctuated in the course of 1962 and the first three quarters of 1963, but appears to have increased in the final quarter of 1963.

It seems clear that a number of special elements of strength have played an important part in supporting and maintaining the levels of output and employment through the period of hesitancy which developed in the latter part of 1962, and in establishing a basis for renewed expansion in 1963. The U.S. economy, after experiencing a similar hesitancy in the third quarter of 1962, continued to expand through 1963. The decline in the exchange rate substantially improved the competitive position of Canadian industry, both in home markets and abroad. This has been reflected in the expansion of the secondary manufacturing industries, where employment has risen faster in relation to the previous peak than in either of the two preceding expansions and where output has risen faster than in 1957-1960 and at about the same rate as in 1953-1957. The comparative

growth of output, employment and profits in the secondary manufacturing sector is depicted in the charts on pages 12 and 13. It is significant that exports of manufactured products have risen sharply, while imports in this area have not increased in the manner characteristic of earlier expansions. (Trade developments are discussed in greater detail below.) In the resource industries, as depicted in these charts, the expansion of output and employment has been less marked, while profits have risen more than in the preceding upswing.

Labour income, which was over 6 per cent higher in the third quarter of 1963 than in the same quarter of 1962, experienced sharper quarterly gains in 1963 than was the case in 1962. The total advance in the ten quarters from the early-1961 trough was 18 per cent, while the number of non-farm employees rose over the same period by 9 per cent.

The volatility of corporation profits in response to cyclical conditions is illustrated by the chart on page 10 showing corporation profits before taxes. In the third quarter of 1963, before-tax profits amounted to \$4,028 million, seasonally adjusted at annual rates, and were 7 per cent higher than in the third quarter of 1962. During the 10 quarters which had elapsed since the beginning of the current period of expansion, profits rose by 36 per cent. The sustained high level of output in both secondary and resource industries, as well as the reduction in the exchange rate of the Canadian dollar, has been an important factor in the maintenance of profit levels in the first three quarters of 1963. Investment income advanced in a third-quarter comparison by over 8 per cent, and during the 10 quarters of the current expansion it had grown by 15 per cent.

The gains recorded in net farm income were again largely attributable to an increase in the western grain crop. The third-quarter total, seasonally adjusted at annual rates, was over \$1.5 billion, which represented an advance of more than 5 per cent over the same quarter a year previously. A high level of world demand for imports of wheat has served to maintain price levels and to sustain the movement of grain into commercial channels. Farm production and prices of other agricultural commodities have also been maintained.

Farm inventories, as a result of the two successive good harvests, rose in both 1962 and 1963 despite large export sales. However, large export sales arranged in September, 1963, will reduce grain inventories in the coming months. Farm cash income has also remained high. In the third quarter of 1963, total cash income was about 2 per cent higher than the total in the corresponding quarter of 1962. It should be noted that most of the farmers' cash income from the sales of the 1963 bumper crop had not yet been reflected in these figures.

#### NATIONAL EXPENDITURE

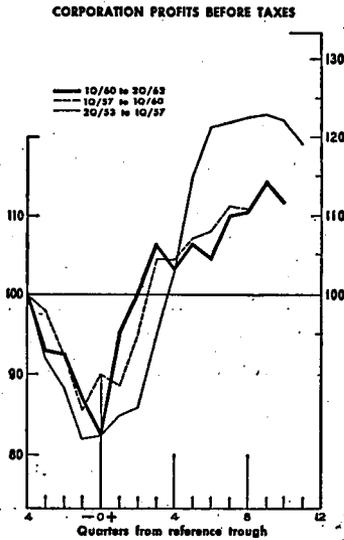
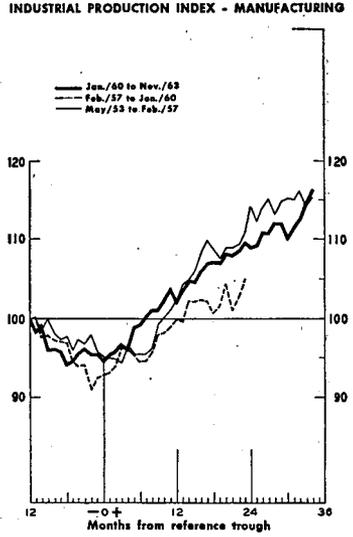
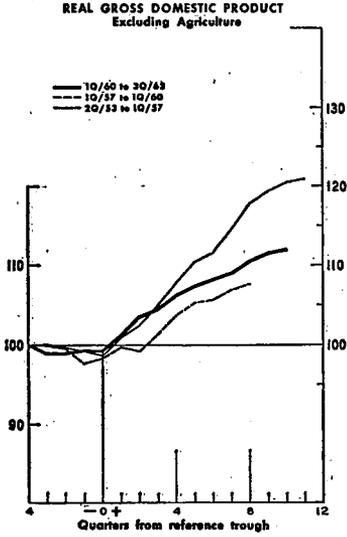
All major components of demand continued to expand during the first three quarters of 1963. Comparisons of changes in demand over three post-war expansions are given in Tables 2 and 5, with Table 2 showing the relative contributions of the various types of expenditure to the growth in total expenditure over each expansion, and Table 5 showing the rate of growth in each type of expenditure within each period of expansion.

SELECTED ECONOMIC INDICATORS

CYCLE-ON-CYCLE SERIES

Previous Business Cycle Peak = 100

Seasonally Adjusted

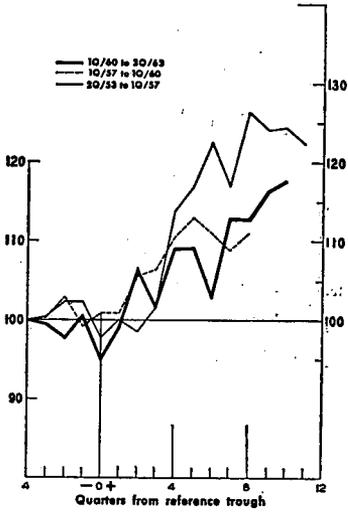


SELECTED ECONOMIC INDICATORS

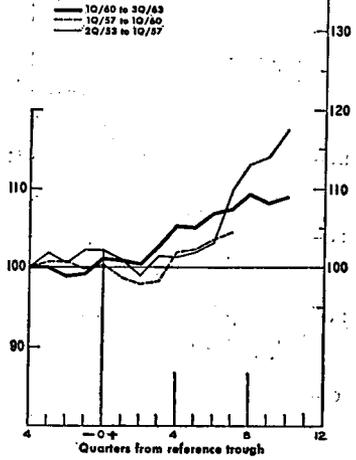
CYCLE-ON-CYCLE SERIES

Previous Business Cycle Peak = 100  
Seasonally Adjusted

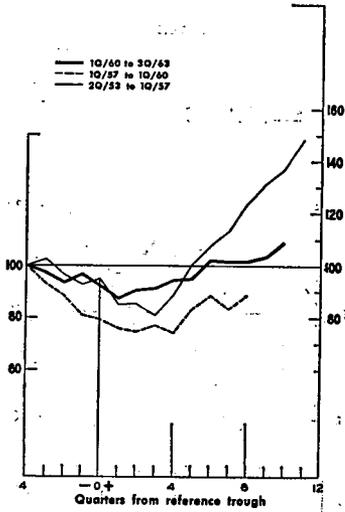
CONSUMER EXPENDITURE - TOTAL DURABLES



TOTAL INVENTORIES  
Excluding Agriculture  
Seasonally Adjusted



MACHINERY AND EQUIPMENT PURCHASES



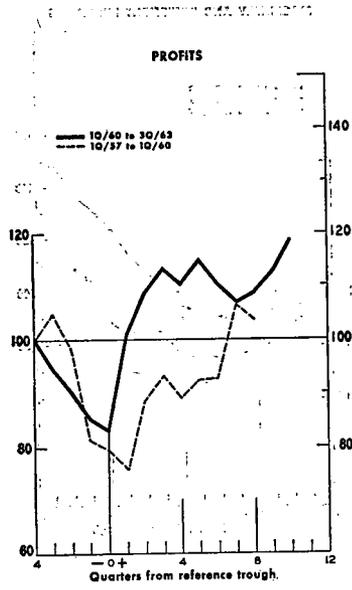
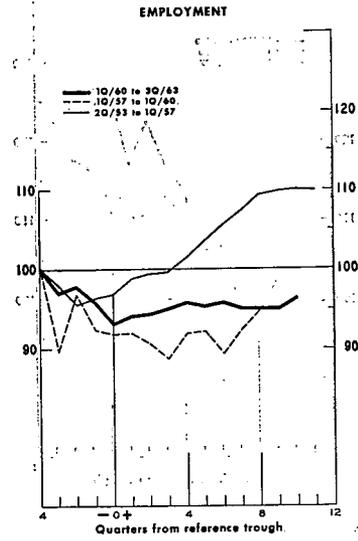
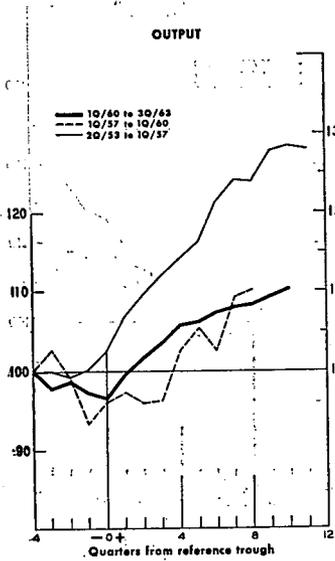
# OUTPUT, EMPLOYMENT AND PROFITS

## CYCLE-ON-CYCLE SERIES

Previous Business Cycle Peak = 100

Seasonally Adjusted

— Resource Industries



OUTPUT, EMPLOYMENT AND PROFITS

CYCLE-ON-CYCLE SERIES

Previous Business Cycle Peak = 100

Seasonally Adjusted

II—Secondary Manufacturing Industries

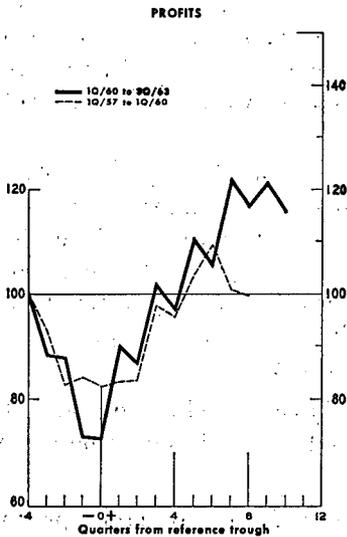
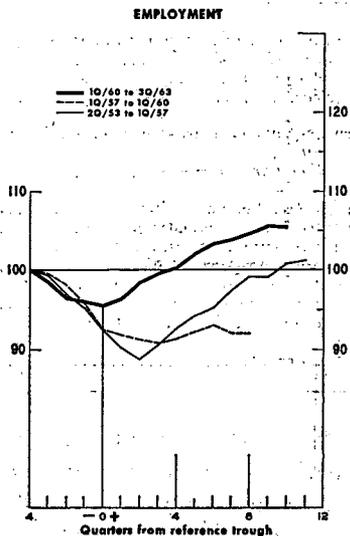
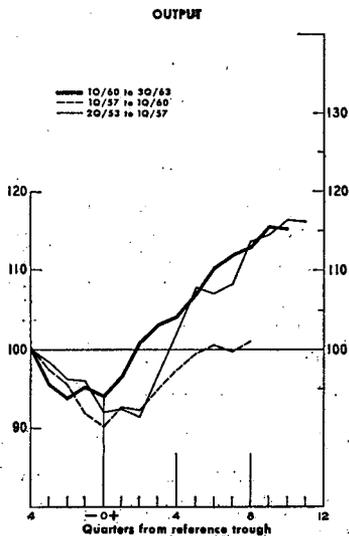


TABLE 2  
PER CENT CONTRIBUTION OF GNE COMPONENTS TO TOTAL CHANGE  
IN GNE THREE POST-WAR EXPANSIONS

	2Q 1954 to 4Q 1956 (10 quarters after trough)	1Q 1958 to 1Q 1960 (8 quarters from trough to peak)	1Q 1961 to 3Q 1963 (10 quarters after trough)
Personal expenditure on consumer goods and services.....	43.6	51.3	52.0
<i>Non-durable goods</i> .....	18.8	18.1	23.4
<i>Durable goods</i> .....	7.0	5.4	8.9
<i>Services</i> .....	17.8	27.8	19.7
Government expenditures on goods and services.....	15.6	15.4	17.3
<i>Federal</i> .....	4.7	-1.8	0.8
<i>Provincial and Municipal</i> .....	10.9	17.2	16.5
New residential construction.....	3.7	-0.5	3.5
New non-residential construction.....	16.1	-5.8	1.7
New machinery and equipment.....	11.8	6.0	6.9
Non-farm business inventories.....	15.1	33.3	4.4
Farm inventories and grain in commercial channels.....	7.4	3.1	8.6
Exports of goods and services.....	17.6	19.6	24.9
Imports of goods and services (-).....	-31.0	-22.3	-19.4
GNE (ex. error).....	100.0	100.0	100.0

During the current upswing, exports of goods and services have expanded by nearly one-quarter, and have accounted for a larger part of the growth in total demand than in either of the two preceding periods of upswing. The relative contribution of the external sector has been reinforced by developments in imports. Whereas in the ten quarters after the second quarter 1954 trough, imports rose by about 42 per cent and in the eight quarters of the 1958-1960 upswing they rose by 14 per cent, they have risen by only 15 per cent in the ten quarters from the early-1961 trough. Accordingly, a larger part of the increase in domestic demand has been met from Canadian sources in the current expansion, and the net change in exports and imports has acted as a stronger stimulus to the domestic economy in the current upswing than in either of the two preceding periods of expansion.

Expenditures on goods and services by all levels of government contributed 17 per cent of the growth in total expenditures over the first ten quarters of the current upswing. This is slightly more than in each of the two preceding expansions. Almost all of the increase has taken place at the provincial and municipal levels, although substantial transfer payments from the federal to the provincial governments have financed some part of the increased outlays by provincial governments and municipalities.

Personal expenditures have played a proportionately larger role in the current upswing than in 1954-1956, and about the same as in the 1958-1960 expansion.

One of the main reasons for the different proportions of the increase in demand accounted for by personal spending over the three periods has been the quite different proportions absorbed by investment. Investment spending has shown different characteristics in each of the three periods of expansion. The

**TABLE 3**  
**GROSS NATIONAL EXPENDITURE**  
(Seasonally Adjusted at Annual Rates)

	1962				1963		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
	(Millions of dollars)						
1. Personal expenditure on consumer goods and services.....	25,540	25,592	25,696	26,168	26,644	26,824	27,388
2. Government expenditure on goods and services.....	7,384	7,900	7,824	7,776	8,128	8,152	8,244
3. Business gross fixed capital formation <sup>(1)</sup> .....	6,888	6,860	7,016	7,052	7,056	7,268	7,376
<i>New residential construction</i> .....	1,536	1,564	1,616	1,692	1,564	1,640	1,648
<i>New non-residential construction</i> .....	2,766	2,676	2,538	2,652	2,634	2,772	2,720
<i>New machinery and equipment</i> .....	2,586	2,620	2,812	2,808	2,808	2,856	3,008
4. Value of physical change in inventories—total <sup>(2)</sup> .....	384	360	1,016	500	508	400	600
<i>Non-farm business inventories</i> .....	200	328	800	172	64	-40	296
<i>Farm inventories and grain in commercial channels</i> .....	184	32	216	328	444	440	304
5. Exports of goods and services <sup>(3)</sup> .....	7,940	8,272	8,248	8,436	8,480	8,976	8,924
6. Imports of goods and services <sup>(3)</sup> .....	-8,972	-9,176	-9,144	-8,840	-9,052	-9,312	-9,672
7. Residual error of estimate.....	384	240	100	160	224	144	156
<b>8. Gross National Expenditure at Market Prices (1+2+3+4+5+6+7).....</b>	<b>39,548</b>	<b>40,048</b>	<b>40,756</b>	<b>41,252</b>	<b>41,988</b>	<b>42,452</b>	<b>43,016</b>

<sup>(1)</sup>Includes private businesses and institutions, and publicly owned business enterprises.

<sup>(2)</sup>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 8, Table 1).

<sup>(3)</sup>Minor adjustments have been made to the figures of current receipts and payments shown in Table 24 to achieve consistency with the other component series.

**TABLE 4**  
**GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS**  
(Seasonally Adjusted at Annual Rates)

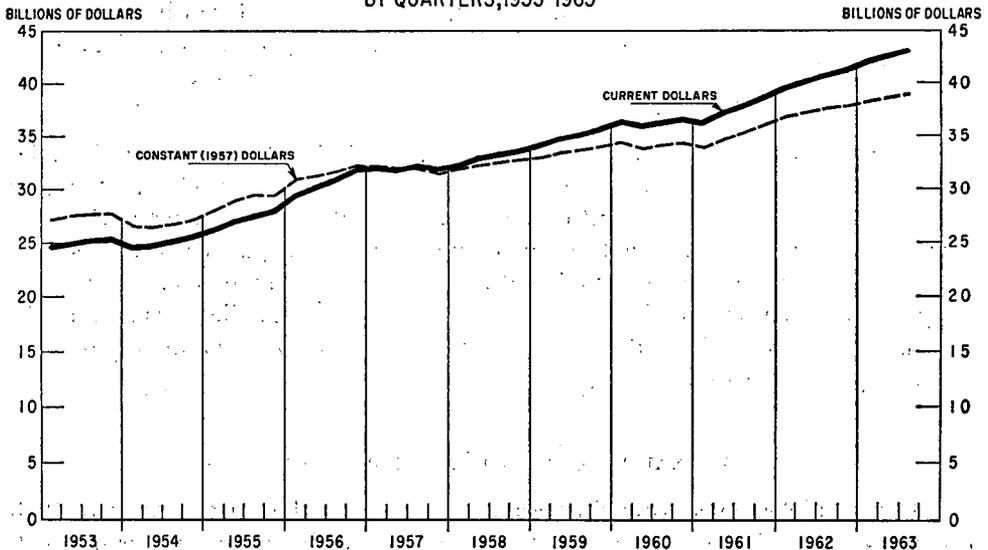
	1962				1963		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
	(Millions of dollars)						
1. Personal expenditure on consumer goods and services.....	23,912	23,828	23,784	24,136	24,536	24,608	24,968
2. Government expenditure on goods and services.....	6,544	6,948	6,836	6,716	6,924	6,844	6,900
3. Business gross fixed capital formation.....	6,268	6,192	6,284	6,284	6,256	6,420	6,436
<i>New residential construction</i> .....	1,376	1,392	1,424	1,396	1,364	1,420	1,420
<i>New non-residential construction</i> .....	2,532	2,440	2,352	2,396	2,404	2,476	2,404
<i>New machinery and equipment</i> .....	2,360	2,360	2,508	2,492	2,488	2,524	2,612
4. Value of physical change in inventories—total.....	416	396	960	424	480	364	588
<i>Non-farm business inventories</i> .....	204	316	760	156	68	-44	292
<i>Farm inventories and grain in commercial channels</i> .....	212	80	200	268	412	408	296
5. Exports of goods and services.....	7,536	7,776	7,724	7,880	7,888	8,380	8,280
6. Imports of goods and services.....	-8,248	-8,332	-8,288	-8,008	-8,112	-8,308	-8,528
7. Residual error of estimate.....	356	220	92	144	204	132	140
<b>8. Gross National Expenditure at Market Prices (1+2+3+4+5+6+7).....</b>	<b>36,784</b>	<b>37,028</b>	<b>37,392</b>	<b>37,576</b>	<b>38,176</b>	<b>38,440</b>	<b>38,784</b>

declines in residential and non-residential construction in the 1958-1960 upswing were not repeated during the first ten quarters of the current expansion. However, new non-residential construction contributed less to the total growth in expenditure in 1961-1963, compared with the 1954-1956 period.

TABLE 5  
CHANGES IN COMPONENTS OF GROSS NATIONAL EXPENDITURE  
OVER THREE POST-WAR EXPANSIONS

	1954-1956	1958-1960	1961-1963
	Per cent change 10 quarters after 2Q 1954 trough	Per cent change 8 quarters after 1Q 1958 trough	Per cent change 10 quarters after 1Q 1961 trough
Personal expenditure.....	+20.4	+11.2	+14.5
<i>Non-durables</i> .....	+16.5	+ 7.6	+13.0
<i>Durables</i> .....	+27.3	+10.2	+23.3
<i>Services</i> .....	+24.1	+16.7	+14.0
Government expenditure on goods and services.....	+26.3	+11.8	+16.3
<i>Federal</i> .....	+14.6	- 3.0	+ 1.9
<i>Provincial and Municipal</i> .....	+40.3	+25.1	+26.1
New residential construction.....	+23.9	- 1.5	+16.7
New non-residential construction.....	+73.1	- 9.2	+ 4.5
New machinery and equipment.....	+44.5	+11.0	+18.1
Non-farm business inventories.....	(+\$1136m.)	(+\$1516m.)	(+\$296m.)
Farm and grain inventories.....	(+\$556m.)	(+\$140m.)	(+\$572m.)
Exports.....	+25.9	+14.1	+22.9
Imports.....	+41.5	+13.9	+15.4
Gross National Expenditure at Market Prices.....	+29.3	+13.3	+18.7
Final Demand (ex. inventories).....	+26.8	+ 9.8	+15.8
GNE in Constant (1957) Dollars.....	+21.5	+ 8.4	+14.4
Real Non-agricultural Gross Domestic Product.....	+22.2	+ 9.4	+12.9

GROSS NATIONAL EXPENDITURE  
IN CURRENT AND CONSTANT (1957) DOLLARS<sup>(1)</sup>  
BY QUARTERS, 1953-1963



<sup>(1)</sup> SEASONALLY ADJUSTED AND AT ANNUAL RATES

Investment in non-farm business inventories had by September 1963 played a comparatively small part in the increase in total expenditures from the low point in 1961. By contrast, inventory accumulation accounted for about one-third of the 1958-1960 upswing, and for 15 per cent in 1954-1956.

Table 5 illustrates in somewhat different form the expenditure changes which have taken place over these same three periods of expansion. The behaviour of fixed investment during the current period contrasts sharply with investment during each of the two preceding periods. In the 1954-1956 expansion this category of expenditure grew very rapidly, while the 1958-1960 period was one of adjustment, in which no net impetus was gained from capital spending. During the 1961-1963 period non-residential construction has lagged substantially behind the rate of growth in total Gross National Expenditure. Investment in other fixed capital has expanded in proportion to total expenditure.

Investment in inventories over three periods of expansion is analyzed in the chart on page 11. Total inventories in the current upswing have provided less support to economic activity than was the case in 1958-1960, and the marked accumulation which occurred in the later stages of the 1954-1956 upswing has not been repeated in the current expansion.

Government expenditure on goods and services has risen less in the current upswing than in 1954-1956, but more than was the case in 1958-1960. As with residential construction and machinery and equipment purchases, the increase in government spending from the 1961 trough has been little different from the rise in Gross National Expenditure. Outlays by the federal government on goods and services, which grew by only 2 per cent, have not quite kept pace with the growth of population, while such expenditures by provincial governments and municipalities have expanded by more than one-quarter in the two and one-half year period.

Consumer spending has lagged slightly, in percentage rates of increase, with purchases of non-durable goods showing less expansionary tendencies than other categories. The change in consumer expenditure on durable products, however, has been more substantial.

Developments in the course of 1963 are shown in Table 7. Worthy of particular attention in the first three quarters of 1963 were high levels of consumer spending on durable goods (automobiles in particular), and rising outlays on new machinery and equipment. Very preliminary fourth quarter statistics suggest a significant increase in all main categories of business investment, continued increases in inventory holdings, a very high level of automobile sales and a substantial contraction of the deficit on international current account, following a temporary deterioration in the third quarter.

#### PERSONAL INCOME AND ITS DISPOSITION

Personal Income continued to rise in 1963 and by the third quarter of 1963 the seasonally adjusted rate was 6.2 per cent above the same quarter of 1962. All of the major components have been showing substantial year-to-year increases.

TABLE 6  
SOURCES OF PERSONAL INCOME

	1959	1960	1961	1962	1963 <sup>(1)</sup>		
					1Q	2Q	3Q
	(Millions of dollars)						
1. Wages, salaries and supplementary labour income.....	17,459	18,251	19,068	20,359	21,272	21,536	21,844
Deduct: Employer and employee contributions to social insurance and government pension funds.....	-652	-745	-787	-816	-832	-848	-852
2. Military pay and allowances.....	496	509	550	586	548	608	596
3. Net income received by farm operators from farm production.....	1,126	1,178	949	1,402	1,348	1,792	1,384
4. Net income of non-farm unincorporated business.....	2,210	2,213	2,289	2,380	2,464	2,428	2,496
5. Interest, dividends and net rental income of persons.....	2,599	2,836	2,985	3,186	3,288	3,400	3,376
6. Transfer payments to persons—							
(a) from government (excluding interest).....	2,755	3,129	3,408	3,652	3,740	3,780	3,832
(b) charitable contributions made by corporations.....	43	40	44	45	48	48	48
7. Personal Income (1+2+3+4+5+6).....	26,036	27,411	28,506	30,794	31,876	32,744	32,724

<sup>(1)</sup>Seasonally adjusted at annual rates.

TABLE 7  
DISPOSITION OF PERSONAL INCOME

	1959	1960	1961	1962	1963 <sup>(3)</sup>		
					1Q	2Q	3Q
	(Millions of dollars)						
1. Personal direct taxes—							
(a) income taxes.....	1,744	1,978	2,131	2,311	2,492	2,376	2,492
(b) succession duties.....	130	158	144	166	144	148	180
(c) miscellaneous taxes.....	214	224	236	237	248	240	244
Total direct taxes.....	2,088	2,360	2,511	2,714	2,884	2,764	2,916
2. Personal expenditure on consumer goods and services—							
Goods—							
(a) non-durable.....	11,373	11,785	12,257	12,877	13,240	13,164	13,544
(b) durable.....	2,678	2,669	2,697	2,913	3,028	3,120	3,152
Services <sup>(1)</sup> .....	8,540	9,058	9,532	9,959	10,376	10,540	10,692
Total consumer expenditure.....	22,591	23,512	24,486	25,749	26,644	26,824	27,388
3. Personal Net saving.....	1,357	1,539	1,509	2,331	2,348	3,156	2,420
4. <b>Personal Income (1+2+3).....</b>	<b>26,036</b>	<b>27,411</b>	<b>28,506</b>	<b>30,794</b>	<b>31,876</b>	<b>32,744</b>	<b>32,724</b>
5. Personal Disposable Income <sup>(2)</sup> .....	23,948	25,051	25,995	28,080	28,992	29,980	29,808

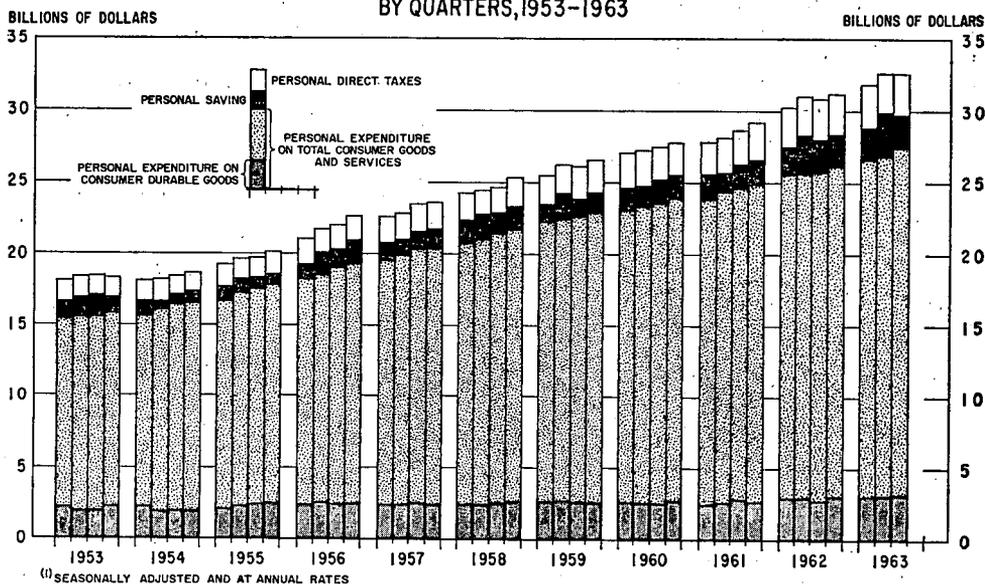
<sup>(1)</sup>Includes net expenditure abroad.

<sup>(2)</sup>Personal Income less total direct taxes.

<sup>(3)</sup>Seasonally adjusted at annual rates.

Wages, salaries and supplementary labour income increased steadily throughout the year maintaining approximately the same rate of increase as in 1962. Farm income was higher than in 1962 due mainly to the bumper wheat crop harvested in the west. The cash income effects of the large Chinese and Russian wheat transactions will be felt as deliveries are made and cash disbursements are made by the Canadian Wheat Board over the next 12 to 18 months. Net farm income in the personal account includes farm inventories and cash payments from the Canadian Wheat Board. Accrued earnings of the Wheat Board are not included here, but do appear as part of accrued net income of farmers in the national income table. Income of unincorporated business recorded small year-to-year increases in the first two quarters of 1963, and was 6.5 per cent higher in the third quarter of 1963 than a year before. Investment income fluctuated during the first three quarters of 1963, but each quarter has shown a good improvement over the corresponding period for 1962. Transfer payments increased slightly each quarter during the year as some declines in unemployment insurance payments from the federal government were more than offset by modest increases in outlays of the other levels of government.

DISPOSITION OF PERSONAL INCOME<sup>(1)</sup>  
BY QUARTERS, 1953-1963



Personal disposable income increased at about the same rate as personal income. Personal direct taxes declined in the second quarter of 1963, as refunds on personal income tax were abnormally high. By the third quarter of the year, personal tax payments were again rising in line with the gains in personal income. Personal expenditure on durable goods recorded a substantial increase for the second year in a row after changing very little for the previous few years. The gain of the third quarter in 1963 over the third quarter in 1962 was 14 per cent. The gain in 1962 as a whole had been 8.0 per cent. Other consumer outlays rose fairly steadily in 1963. Personal savings were higher for the second consecutive year averaging 8.9 per cent of disposable income over the first three quarters:

This higher rate may have reflected in part the higher level of farm income which, in turn, reflected very large grain crops harvested in 1962 and 1963. Changes in farm inventories represent part of the saving of farmers. Savings ratios for the past fifteen years are given below:

TABLE 8  
PERSONAL SAVING AS A PERCENTAGE OF PERSONAL DISPOSABLE INCOME  
1948-1963

Year	Savings Ratio	Year	Savings Ratio
1948.....	9.0	1956.....	6.5
1949.....	7.8	1957.....	5.7
1950.....	5.2	1958.....	7.1
1951.....	9.0	1959.....	5.7
1952.....	8.0	1960.....	6.1
1953.....	7.8	1961.....	5.8
1954.....	4.8	1962.....	8.3
1955.....	4.7	1963 <sup>(1)</sup> .....	8.9

<sup>(1)</sup>9 months.

#### INVESTMENT AND CAPITAL EXPENDITURE

Total public and private capital expenditure in 1963 amounted to \$9,312 million, 7 per cent above the level of \$8,715 million achieved in 1962 and 14 per cent higher than the 1961 level. After allowing for changing prices, the volume of total investment in 1963 was still about 5 per cent below the record 1957 level. Over the 1961-63 period the largest percentage increase in outlays has taken place in spending for institutional services (i.e. schools, universities, hospitals, churches) which has increased by \$239 million or 39 per cent over the two years. A very large part of this increase is accounted for by increased outlays for technical and vocational schools, which have been assisted financially by way of substantial federal grants.

Capital expenditure in agriculture increased by 12 per cent in 1963, following an increase of 15 per cent in 1962. Farm incomes had increased substantially during this two-year period.

Capital outlays for mining, quarrying and oil wells were only moderately higher in 1963 than they had been in 1962.

Fixed investment in manufacturing amounted to \$1,347 million in 1963, a gain of 6 per cent over 1962 and an advance of 24 per cent over the level of 1961. Within manufacturing, capital investment in the wood and paper industries showed strong gains. Investments here amounted to \$262 million in 1963. Large percentage increases in capital expenditures were also recorded by textiles, machinery, chemical and chemical products and transportation equipment.

Capital investments by utilities rose substantially. Outlays for electric power, gas distribution and waterworks increased by 8 per cent in 1963. Large investments continued to be made by telephone utilities (up 31 per cent in two years) and for urban transit systems, air transport and oil and gas pipelines.

Capital expenditures on housing were up 8 per cent in 1963 following an advance of 8 per cent in 1962. Housing starts in 1963 amounted to 148,600, the second highest total on record. Starts rose gradually throughout the year until the fourth quarter, when a very sharp increase took place.

Capital expenditures in government departments were slightly higher in 1963 than in 1962. Investment outlays by federal government departments were reduced by about \$45 million and this reduction was more than offset by increased departmental outlays of provincial governments and municipalities.

TABLE 9  
PUBLIC AND PRIVATE CAPITAL EXPENDITURE

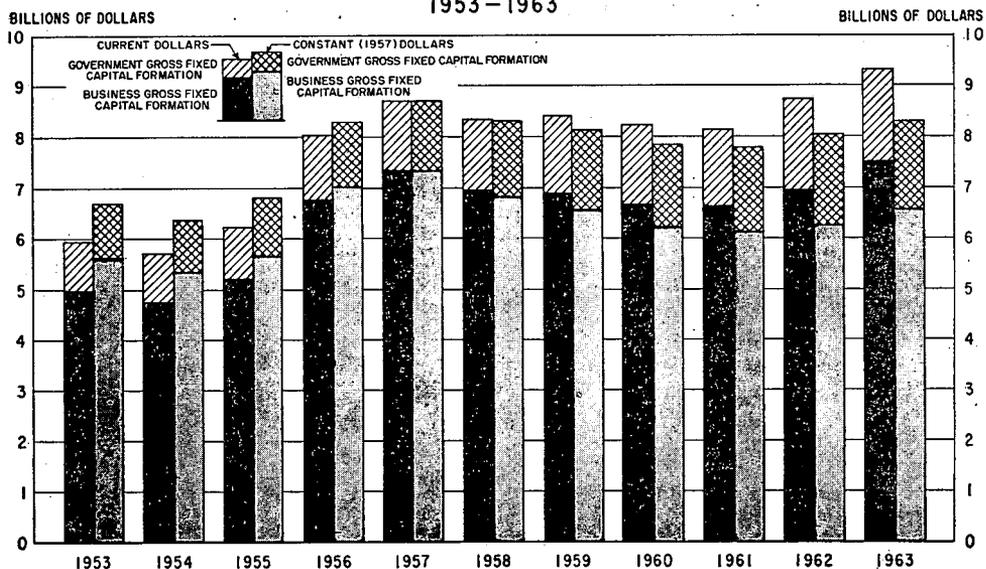
	1959	1960	1961	1962	Prelim. 1963
	(Millions of dollars)				
Agriculture and fishing.....	539	550	576	663	744
Forestry.....	48	54	50	54	60
Mining, quarrying and oil wells.....	342	400	449	480	503
Manufacturing.....	1,144	1,178	1,085	1,269	1,347
Electric power, gas and water works.....	766	688	710	723	792
Transportation, storage and communications.....	1,076	1,084	988	878	1,030
Construction industry.....	145	130	136	109	116
Trade, finance and commercial services.....	833	875	847	860	856
Institutions.....	536	573	617	834	856
Housing.....	1,752	1,456	1,467	1,587	1,713
Government departments.....	1,236	1,274	1,247	1,253	1,295
<b>Total Capital Expenditure<sup>(1)</sup>.....</b>	<b>8,417</b>	<b>8,262</b>	<b>8,172</b>	<b>8,715</b>	<b>9,312</b>
Total Capital Expenditure as a percentage of Gross National Expenditure.....	24.1	22.8	21.8	21.6	21.7
Index of total Capital Expenditure in Constant Dollars (1957=100).....	93.5	90.2	89.3	92.1	95.0

<sup>(1)</sup>For reconciliation with Business Gross Fixed Capital Formation in housing, plant and equipment as per national accounts, see below.

	1959	1960	1961	1962	Prelim. 1963
	(Millions of dollars)				
Private and Public Capital Expenditure Table 9...	8,417	8,262	8,172	8,715	9,312
Deduct:					
New residential construction by governments..	18	13	9	10	8
New non-residential construction by govern- ments.....	1,368	1,420	1,368	1,562	1,625
New machinery and equipment outlays by governments.....	137	137	160	183	184
Business Gross Fixed Capital Formation in Housing, Plant and Equipment—National Accounts Definition.....	6,894	6,692	6,635	6,960	7,495

In 1963, total public and private fixed capital investment absorbed 21.7 per cent of Gross National Expenditure, compared with a figure of 21.6 per cent in 1962 and 21.8 per cent in 1961. Table 10 traces the trend of capital expenditure in relation to GNE over the postwar period since 1948. Over this period, capital outlays reached their peak level in relation to national expenditure in 1957, when total public and private investment amounted to 27.3 per cent of GNE. This high level of investment activity in Canada in the middle 1950's resulted from a variety of influences. The outbreak of the Korean War was marked by a sharp increase in the prices of most raw materials. Military demands were supplemented by increased civilian demands as European recovery progressed. Public forecasts of growing shortages of raw materials led to a large-scale stockpiling programme in the United States. A significant part of total investment in Canada during this time was concentrated on the development of Canadian natural resource industries to take advantage of current and prospective demand for raw materials. Following the end of the mid-1950's investment boom, excess capacity emerged in a number of sectors, including both the resource sector and primary and secondary manufacturing. Private business investment declined

PUBLIC AND PRIVATE CAPITAL EXPENDITURE  
1953-1963



both absolutely and as a proportion of GNE in the period after 1957. This relative decline continued until 1962, with the share of investment in GNE falling each year until it reached the level of 21.6 per cent in 1962. During the last years of the 1950's many Canadian manufacturing industries found themselves squeezed by rising costs, and along with the existence of excess capacity this tended to dampen investment activity. Recent stability in costs in Canada, a lower exchange rate of the Canadian dollar and rising costs abroad have helped improve Canada's competitive position. As a result, output for domestic and export markets has grown. Profits have increased in many lines of Canadian

TABLE 10  
INVESTMENT AS A PERCENTAGE OF GROSS NATIONAL EXPENDITURE 1948-1963

	Total Private and Public Investment	Housing and Social Capital <sup>(1)</sup>	Business Investment Private and Public <sup>(2)</sup>
1948.....	20.4	7.8	12.6
1949.....	21.7	8.7	13.0
1950.....	21.9	8.9	13.0
1951.....	22.4	8.6	13.8
1952.....	22.9	9.0	13.9
1953.....	23.9	9.4	14.5
1954.....	23.0	9.6	13.4
1955.....	23.0	9.8	13.2
1956.....	26.3	9.9	16.4
1957.....	27.3	9.6	17.7
1958.....	25.4	10.6	14.8
1959.....	24.1	10.4	13.7
1960.....	22.8	9.4	13.4
1961.....	21.8	9.1	12.7
1962.....	21.6	9.3	12.3
1963.....	21.7	9.1	12.6

<sup>(1)</sup>Includes housing, outlays by government departments, institutions and municipal waterworks.

<sup>(2)</sup>Includes government business enterprises.

industry. While considerable excess capacity still exists in some sectors of Canadian industry, the overhang of excess capacity has been reduced. Recent increases in business investment have no doubt reflected the combination of stronger demand conditions, higher cash flow from retained profits and capital consumption allowances, and reduction in excess capacity.

#### REVENUE AND EXPENDITURE OF ALL GOVERNMENTS

The familiar public accounts, which for the federal government are discussed in Part II of this Survey, are designed to permit legislative and administrative control over the several items of government expenditure. They do not present information on government activities in a way that permits ready assessment of the magnitude and timing of the impact of government revenue and expenditure flows on the economy. Consequently, it is convenient to regroup the figures for government revenues and expenditures in such a way as to bring out the transactions between the government and other sectors of the economy as they appear in the broader framework provided by the national accounts. This regrouping also corresponds to the manner in which the accounts of the other sectors of the economy are kept and presented. In recent years the United States and a number of other countries have found it desirable to supplement their budgetary presentations on the familiar public accounts basis by publication of "national accounts" budgets.

The "national accounts" budgetary presentation differs from the parliamentary budgetary presentation in several ways. Only income and expenditure transactions which have a direct and immediate impact on the flow of incomes in the economy are included in the national accounts budgetary presentation; financial transactions (i.e. loans), which result in changes in the liabilities of one sector of the economy to another, are excluded from the national accounts presentation. A number of bookkeeping items in the parliamentary accounts of purely internal significance and having no impact on the private sector are also excluded from the national accounts presentation.

A number of items which are excluded from the parliamentary budgetary accounts are of immediate significance to the private incomes stream. The national accounts embrace these items, the most important of which are payments into and out of the Old Age Security Fund, the Unemployment Insurance Fund, and the government pension funds, by those contributing or drawing benefits.

National accounts items are entered as they accrue, that is, at the time when the economic impact is felt on the economy. Corporation income taxes, in particular require a major adjustment from the public accounts to a national accounts basis. These taxes have been paid on an instalment basis beginning six months before the end of the companies' fiscal year and ending six months after. As a result, corporations accrue tax liabilities, which are measured at the time of accrual in the national accounts, six to nine months before tax payments are actually made and recorded in the public accounts. Since tax accruals are directly related to corporate profits at the time they occur, and since profits move with the business cycle, the recording of tax accruals and the analysis of the government sector on a national accounts basis, may permit a more meaningful appreciation of the timing of changes in the surplus or deficit of the government sector in relation to fluctuations in economic activity. In practice, corporations likely keep their own accounts on an accrual basis. Similarly, adjustments are made on the expenditures side to put the purchase of goods and services on an accrual basis, rather than at the time actual payments are made.

The reconciliation of the federal government's public accounts and the national accounts presentation quarterly for 1962 and the first three quarters of 1963 are set out in Table 12.

**TABLE 11**  
**GOVERNMENT TRANSACTIONS RELATED TO THE NATIONAL ACCOUNTS**

	1959	1960	1961	1962	1963 <sup>(1)</sup>		
					1Q	2Q	3Q
	(Millions of dollars)						
<b>GOVERNMENT REVENUE—</b>							
<b>Direct Taxes—Persons</b> .....	2,088	2,360	2,511	2,714	2,884	2,764	2,916
Federal.....	1,770	2,017	2,132	2,088	2,192	2,096	2,204
Provincial and Municipal.....	318	343	379	626	692	668	712
<b>Direct taxes—Corporations</b> .....	1,581	1,562	1,612	1,750	1,816	1,864	1,788
<b>Income—</b>							
Federal.....	1,310	1,284	1,311	1,328	1,380	1,412	1,352
Provincial.....	271	278	301	422	436	452	436
<b>Withholding Taxes—Federal</b> .....	74	79	116	125	124	124	116
<b>Indirect Taxes</b> .....	4,464	4,706	4,970	5,552	5,788	5,724	5,872
Federal.....	2,125	2,180	2,190	2,400	2,404	2,324	2,412
Provincial and Municipal.....	2,339	2,526	2,780	3,152	3,384	3,400	3,460
<b>Investment Income</b> .....	998	1,053	1,130	1,211	1,240	1,352	1,328
Federal.....	350	384	409	448	440	528	524
Provincial and Municipal.....	648	669	721	763	800	824	804
<b>Employer and Employee Contributions to Social Insurance and Government Pension Funds</b> .....	652	745	787	816	832	848	852
Federal.....	414	482	510	518	524	532	532
Provincial and Municipal.....	238	263	277	298	308	316	320
<b>Transfers from Federal Government—</b>							
Provincial and Municipal.....	880	994	1,128	1,136	1,188	1,236	1,092
<b>Total Revenue</b> .....	<b>10,737</b>	<b>11,499</b>	<b>12,254</b>	<b>13,304</b>	<b>13,872</b>	<b>13,912</b>	<b>13,964</b>
Federal.....	6,043	6,426	6,668	6,907	7,064	7,016	7,140
Provincial and Municipal.....	4,694	5,073	5,586	6,397	6,808	6,896	6,824

<sup>(1)</sup>Seasonally adjusted at annual rates.

TABLE 11—Concluded

## GOVERNMENT TRANSACTIONS RELATED TO THE NATIONAL ACCOUNTS

	1959	1960	1961	1962	1963 <sup>(1)</sup>		
					1Q	2Q	3Q
	(Millions of dollars)						
<b>GOVERNMENT EXPENDITURE—</b>							
<b>Goods and Services.....</b>	6,490	6,755	7,205	7,721	8,128	8,152	8,244
<b>Federal—</b>							
Non-defence.....	1,273	1,179	1,361	1,328	1,592	1,356	1,332
Defence.....	1,559	1,546	1,613	1,680	1,468	1,616	1,604
Provincial and Municipal.....	3,658	4,030	4,231	4,713	5,068	5,180	5,308
<b>Transfer Payments to Persons.....</b>	2,755	3,129	3,408	3,652	3,740	3,780	3,832
<b>Federal.....</b>	1,791	1,979	2,015	2,122	2,156	2,140	2,092
Provincial and Municipal.....	964	1,150	1,393	1,530	1,584	1,640	1,740
<b>Interest on Public Debt.....</b>	963	1,096	1,164	1,274	1,300	1,352	1,352
<b>Federal.....</b>	678	756	783	855	836	880	884
Provincial and Municipal.....	285	340	381	419	464	472	468
<b>Subsidies.....</b>	205	236	254	291	272	392	320
<b>Federal.....</b>	189	210	221	260	244	360	284
Provincial and Municipal.....	16	26	33	31	28	32	36
<b>Transfers to Other Governments—</b>							
<b>Federal.....</b>	880	994	1,128	1,136	1,188	1,236	1,092
<b>Total Expenditure.....</b>	11,293	12,210	13,159	14,074	14,628	14,912	14,840
<b>Federal.....</b>	6,370	6,664	7,121	7,381	7,484	7,588	7,288
Provincial and Municipal.....	4,923	5,546	6,038	6,693	7,144	7,324	7,552
<b>Deficit (-) or Surplus (+).....</b>	-556	-711	-905	-770	-756	-1,000	-876
<b>Federal.....</b>	-327	-238	-453	-474	-420	-572	-148
Provincial and Municipal.....	-229	-473	-452	-296	-336	-428	-728
<b>Total Expenditure Minus Deficit or Plus Surplus.....</b>	10,737	11,499	12,254	13,304	13,872	13,912	13,964
<b>Federal.....</b>	6,043	6,426	6,668	6,907	7,064	7,016	7,140
Provincial and Municipal.....	4,694	5,073	5,586	6,397	6,808	6,896	6,824

<sup>(1)</sup>Seasonally adjusted at annual rates.

TABLE 12

## FEDERAL GOVERNMENT REVENUES AND EXPENDITURES PUBLIC ACCOUNTS AND NATIONAL ACCOUNTS RECONCILIATION

	1961-62	1962-63	1963-64	1962				1963		
				1Q	2Q	3Q	4Q	1Q	2Q	3Q
(Millions of dollars)										
1. Budgetary revenue.....	5,730	5,879	6,207	1,481	1,371	1,474	1,555	1,479	1,394	1,489
2. Supplementary period adjustment <sup>(1)</sup> .....	-3	-4	-	-121	121	-	-	-125	125	-
3. Extra-budgetary revenues.....										
Old Age Security tax collections.....	644	693	745	169	188	161	164	180	196	170
Prairie Farm Assistance Act levy.....	7	8	9	1	1	4	2	1	1	4
Unemployment insurance employer-employee contributions.....	278	286	297	72	65	74	73	74	67	76
Government pension funds, employer-employee contributions.....	234	235	251	56	57	59	61	58	59	60
Interest receipts of social insurance and government pension funds.....	117	125	141	30	30	30	31	34	34	35
4. Corporate income tax <sup>(2)</sup> : excess (+) of accruals over collections.....	62	62	20	-29	-10	14	59	-1	5	17
5. Profits before taxes (net of losses) of government business enterprises.....	145	176	194	17	44	28	83	21	62	55
6. Interest on loans, advances and investments.....	153	156	173	32	37	32	54	33	36	34
7. Less: Budgetary return on investments.....	-300	-293	-389	-96	-45	-40	-142	-66	-67	-43
8. Less: Postal revenue.....	-182	-195	-199	-45	-47	-43	-58	-47	-48	-43
9. Budgetary revenue items offset against budgetary expenditures <sup>(3)</sup> .....	-97	-101	-100	-26	-25	-25	-26	-25	-24	-24
10. All other adjustments to budgetary revenue <sup>(4)</sup> .....	-39	-44	-26	-24	-3	-25	7	-23	-10	-16
<b>11. Total revenue, national accounts basis.....</b>	<b>6,749</b>	<b>6,983</b>	<b>7,323</b>	<b>1,517</b>	<b>1,784</b>	<b>1,743</b>	<b>1,863</b>	<b>1,593</b>	<b>1,830</b>	<b>1,814</b>

<sup>(1)</sup>In the national accounts, revenues in the supplementary period are shifted to the following fiscal year.

<sup>(2)</sup>Taxes on government business enterprises are excluded from this item and included in item 5.

<sup>(3)</sup>See also line 10, expenditure reconciliation.

<sup>(4)</sup>These adjustments are largely revenue items not relevant for the national accounts such as proceeds from sales of existing assets.

TABLE 12—Concluded

	1961-62	1962-63	1963-64	1962				1963		
				1Q	2Q	3Q	4Q	1Q	2Q	3Q
(Millions of dollars)										
1. Budgetary expenditure.....	6,521	6,571	6,892	2,013	1,349	1,563	1,589	2,069	1,374	1,604
2. Supplementary period adjustment <sup>(1)</sup> .....	-47	-36	-87	-321	321	—	—	-357	357	—
3. Expenditures of extra-budgetary funds										
Old Age Security Fund payments.....	625	734	809	171	182	183	184	185	186	187
Unemployment insurance benefits.....	455	403	372	185	116	43	66	178	115	42
Government pension fund payments.....	68	73	84	18	18	18	18	19	19	19
Prairie farm assistance payments.....	54	15	11	26	—	—	4	11	1	—
4. Transfers to extra-budgetary funds.....	-65	-105	-65	-14	-61	-15	-15	-14	-21	-15
5. Adjustment to place other government funds and crown agencies on a disbursement basis <sup>(2)</sup> .....	-21	63	-17	30	1	22	31	9	-51	22
6. Budgetary expenditures offset against income of government business enterprises										
Post Office expenditures.....	-185	-189	-207	-51	-45	-45	-48	-51	-47	-53
Deficits of government business enterprises.....	-86	-100	-77	-2	-32	-4	-8	-6	-59	-4
7. Adjustment to place interest on the public debt on a due-date basis.....	-23	-18	-21	-45	-18	-40	93	-53	-38	-44
8. Capital assistance to non-defence industry <sup>(3)</sup> .....	-4	-35	-60	-1	-3	-10	-8	-14	-12	-20
9. Reserves and write-offs.....	-39	-38	-83	-10	-11	-10	-9	-8	-10	-10
10. Budgetary revenue items offset against budgetary expenditure <sup>(4)</sup> .....	-97	-101	-100	-26	-25	-25	-26	-25	-24	-24
11. All other adjustments to budgetary expenditure.....	129	115	93	-43	70	62	26	-42	78	63
12. Total expenditure, national accounts basis.....	7,285	7,352	7,544	1,930	1,812	1,742	1,897	1,901	1,868	1,767
13. Surplus (+) or deficit (-), national accounts basis.....	-536	-369	-221	-413	-28	+1	-34	-308	-38	+47
14. Surplus (+) or deficit (-), budgetary basis.....	(-791)	(-692)	(-690)	(-532)	(+22)	(-89)	(-34)	(-590)	(+20)	(-115)
15. Total.....	6,749	6,983	7,323	1,517	1,784	1,743	1,863	1,593	1,830	1,814
16. Surplus (+) or deficit (-), national accounts basis, seasonally adjusted at annual rates.....	(-536)	(-369)	(-221)	(-780)	(-616)	(-256)	(-244)	(-420)	(-572)	(-148)

<sup>(1)</sup>In the national accounts, expenditures on goods and services in the supplementary period are split evenly between adjacent fiscal years. Other expenditure items are shifted entirely to the next fiscal year.

<sup>(2)</sup>This adjustment replaces budgetary appropriations to various funds and agencies by the outlays actually made by these funds and agencies.

<sup>(3)</sup>Government capital assistance to industry appears as part of business gross capital formation and is removed from the government sector to avoid double counting in the national accounts.

<sup>(4)</sup>The largest component of this item consists of revenue from sales of goods and services by the government sector. These sales appear as final expenditure of the private sector and are deducted to avoid double counting.

GOVERNMENT REVENUES AND EXPENDITURES ON A  
NATIONAL ACCOUNTS BASIS—SOME PERSPECTIVES

Important trends have appeared during the 1950's and early 1960's in the pattern of federal government revenues and expenditures and their relation to revenues and expenditures of provincial governments and municipalities which deserve mention before giving closer attention to the past year. While total revenues raised from taxation by all governments have increased as a proportion of gross national product from 21.4 per cent in 1950 to 24.9 per cent in the third quarter of 1963, federal government revenues increased early in the 1950's but have since tended to decline and are currently 14.2 per cent of gross national product as compared with 14.8 per cent in 1950.

TABLE 13  
TAXATION REVENUE OF GOVERNMENTS AS A PROPORTION OF  
GROSS NATIONAL PRODUCT, SELECTED YEARS 1950-1963  
(National Accounts Basis)

	1950		1955		1960		1963 <sup>(1)</sup>	
	\$ Millions	Per- centage of G.N.P.	\$ Millions	Per- centage of G.N.P.	\$ Millions	Per- centage of G.N.P.	\$ Millions	Per- centage of G.N.P.
Federal Government.....	2,660	14.8	4,346	16.0	5,560	15.3	6,047	14.2
Provincial Governments..	677	3.8	960	3.5	1,689	4.7	2,736	6.4
Municipalities.....	503	2.8	851	3.1	1,458	4.0	1,810	4.3
Gross National Product...	18,006		27,132		36,254		42,485	

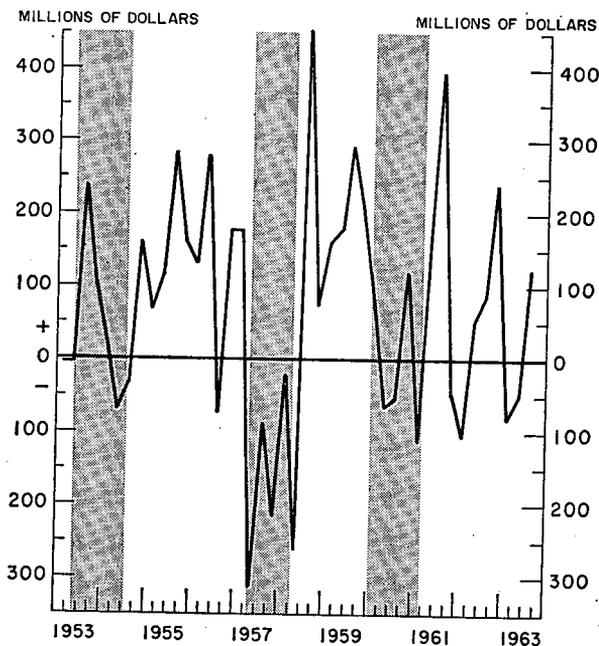
<sup>(1)</sup> Average of first three quarters seasonally adjusted at annual rates.

The relatively diminishing role of the federal government in total tax revenue, notwithstanding larger transfer payments to provinces and municipalities, is reflected clearly in the federal proportion of total tax revenue collected by all governments; in the 1950-1963 period the federal government's proportion declined from close to 70 per cent to 57 per cent. Perhaps about 3 percentage points of this decline is related to the change in fiscal arrangements between the federal and provincial governments in 1962.

The following chart shows the quarterly changes in federal government revenues, of which personal and corporate income taxes represent about 50 per cent of the total. The effects of downturns in economic activity (shown as shaded areas) on federal revenues are clearly portrayed. Likewise, when economic activity is high and buoyant, government revenues increase sharply. From the chart on page 32 it will be noted that during the postwar period it has been at times when considerable unemployment (and associated under-utilization of plant and equipment) existed that governments in aggregate have run a deficit on a national accounts basis. Between 1946 and 1957 governments collectively showed a deficit only in the 1954 recession year. In the period since 1957 the level of the deficit of all levels of government combined has tended to reflect to some degree the extent of unused resources in the economy.

Turning to expenditures between 1950 and 1963, the proportion of total federal government expenditures represented by transfers to persons has risen from 26 per cent to 29 per cent. Transfers to provincial governments and municipalities have increased from 11 per cent to 16 per cent of total federal government outlays over this period (see Table 14).

### QUARTERLY CHANGES IN FEDERAL GOVERNMENT REVENUE<sup>(1)(2)</sup>



(1) ON A NATIONAL ACCOUNTS BASIS, SEASONALLY ADJUSTED AND AT ANNUAL RATES

(2) FEDERAL GOVERNMENT REVENUES WERE REDUCED AT TIME OF THE INTRODUCTION OF NEW FEDERAL PROVINCIAL TAX ARRANGEMENTS IN THE FIRST QUARTER OF 1962

TABLE 14

### FEDERAL GOVERNMENT EXPENDITURES, SELECTED YEARS 1950-1963 (National Accounts Basis)

	1950		1955		1960		1963 <sup>(1)</sup>	
	\$ Millions	Per- centage of total expendi- ture	\$ Millions	Per- centage of total expendi- ture	\$ Millions	Per- centage of total expendi- ture	\$ Millions	Per- centage of total expendi- ture
Goods and Services.....	977	41.9	2,510	52.7	2,725	40.9	2,989	40.1
Transfer Payments to Per- sons <sup>(2)</sup> .....	615	26.4	1,232	25.9	1,979	29.7	2,129	28.6
Interest on the Public Debt	427	18.3	494	10.4	756	11.3	867	11.6
Transfers to Other Levels of Governments.....	251	10.8	450	9.4	994	14.9	1,172	15.7
Other.....	60	2.6	75	1.6	210	3.2	296	4.0
<b>Total.....</b>	<b>2,330</b>	<b>100.0</b>	<b>4,761</b>	<b>100.0</b>	<b>6,664</b>	<b>100.0</b>	<b>7,453</b>	<b>100.0</b>

<sup>(1)</sup> Average of first three quarters seasonally adjusted at annual rates.

<sup>(2)</sup> Excluding interest payments.

Federal expenditures on goods and services rose as a proportion of total federal expenditures in the early 1950's, then declined somewhat and currently stands at a level slightly below that of 1950. As a proportion of gross national expenditure, federal expenditures on goods and services followed roughly the same pattern, currently standing at 7.0 per cent, 1.6 per cent higher than in 1950

(Table 15). Interest on the federal debt, although rising in recent years, is now about 12 per cent of total federal expenditures compared to over 18 per cent in 1950. Interest on the federal debt is now the equivalent of 2.0 per cent of G.N.E. compared with 2.4 per cent in 1950.

TABLE 15

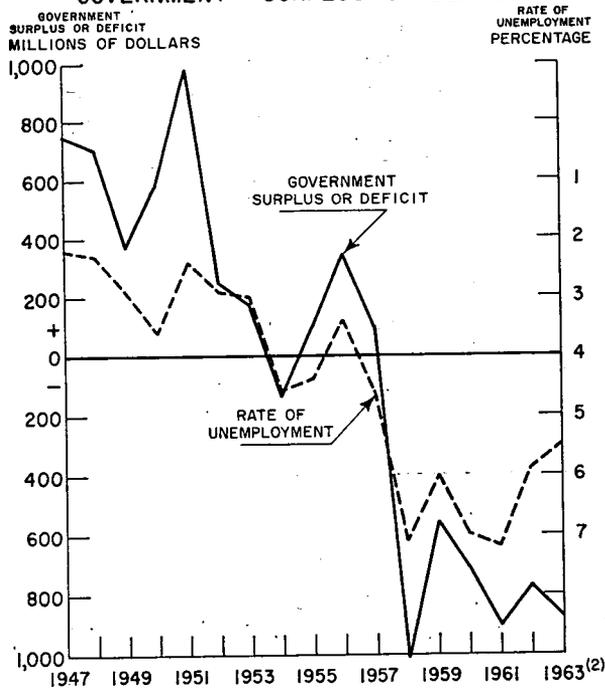
GOVERNMENT EXPENDITURES ON GOODS AND SERVICES AS A PROPORTION OF GROSS NATIONAL EXPENDITURE, SELECTED YEARS 1950-63  
(National Accounts Basis)

	1950		1955		1960		1963 <sup>(1)</sup>	
	\$ Millions	Per-centage of GNE	\$ Millions	Per-centage of GNE	\$ Millions	Per-centage of GNE	\$ Millions	Per-centage of GNE
Federal Government.....	977	5.4	2,510	9.3	2,725	7.5	2,989	7.0
Provincial Governments and Municipalities.....	1,367	7.6	2,282	8.4	4,030	11.1	5,186	12.2
GNE.....	18,006		27,132		36,254		42,485	

<sup>(1)</sup> Average of first three quarters seasonally adjusted at annual rates.

Provincial governments' and municipalities' combined expenditures are heavily concentrated in purchases of goods and services and transfer payments to persons, which account for 70 per cent and 23 per cent, respectively, of their total expenditures. Provincial and municipal expenditures on goods and services have risen rapidly since 1950 and are 12 per cent of G.N.E. compared with 7.6 per cent in 1950. Interest charges currently account for 6.4 per cent of total expenditures by provincial governments and municipalities.

### ANNUAL RATES OF UNEMPLOYMENT AND GOVERNMENT<sup>(1)</sup> SURPLUS OR DEFICIT



(1) ALL LEVELS OF GOVERNMENT ON A NATIONAL ACCOUNTS BASIS.

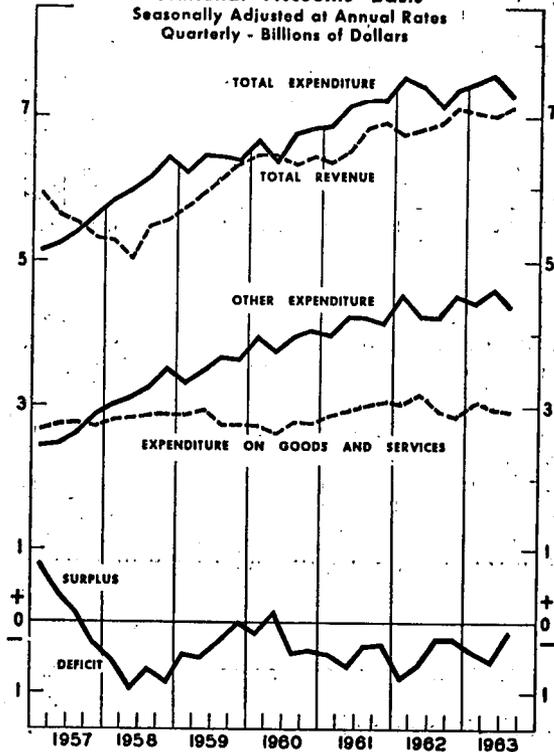
(2) ESTIMATE.

## CURRENT POSITION

On a national accounts basis, the Government of Canada's deficit, seasonally adjusted, has been moving downward irregularly since the first quarter of 1962; over this period as a whole revenues increased while total expenditures have fluctuated irregularly, and payments for goods and services have been relatively stable. The deficit increased during the first half of 1963 but the increase in the deficit was reversed in the second half of the year. Seasonally adjusted at annual rates the deficit in the third quarter of 1963 was \$148 million.

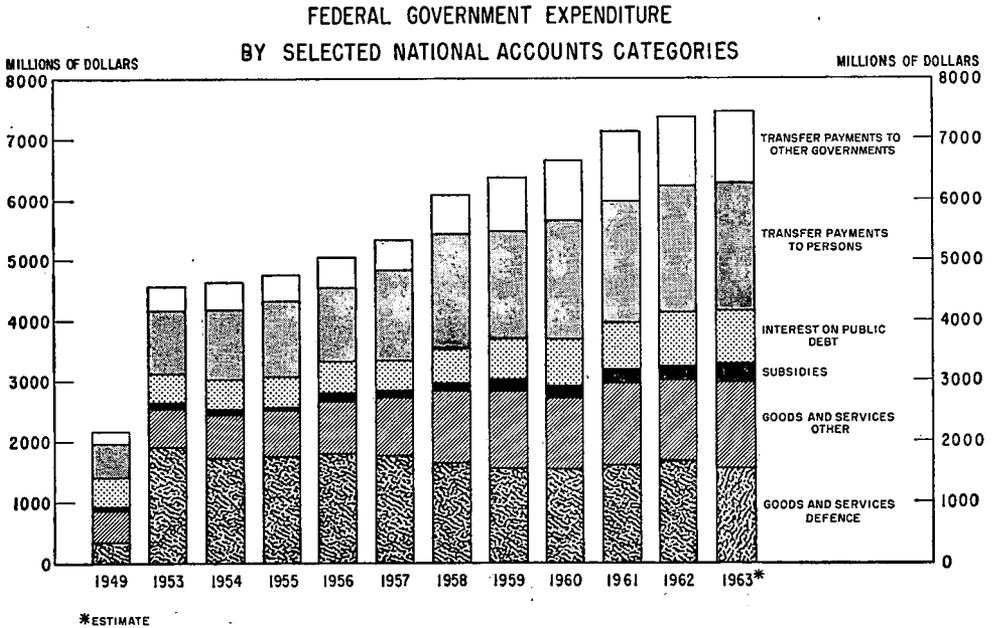
The following chart sets out the movements of federal government revenues and expenditures and the deficit between 1957 and 1963. The movements of particular interest shown on the chart are the diminishing government deficit since early in 1962 and the relative flatness of expenditures on goods and services through the whole period. The increase in other expenditures is accounted for largely by transfer payments and the expanding interest cost of the public debt.

**FEDERAL GOVERNMENT REVENUE AND EXPENDITURE**  
National Accounts Basis



Over the four quarters ending September 30, 1963, almost all revenue items increased, reflecting higher personal incomes and corporate profits. The exception was indirect taxes, which were reduced by the removal of the temporary import surcharges in the first half of 1963. In the latter part of 1963 indirect taxes began to rise in line with increases in economic activity and some increases in sales tax coverage. A substantial increase in investment income was accounted for by higher earnings from the Bank of Canada and the Exchange Fund Account and a smaller deficit for the C.N.R.

Federal government expenditures increased by less than 2 per cent between the third quarter of 1962 and the third quarter of 1963. Expenditures on goods and services declined somewhat, slightly offsetting increases on transfer payments to persons, interest payments on the public debt, and increased subsidy payments. A decrease in transfer payments to other levels of government in the third quarter was mainly caused by some reduction from very high levels of payments in connection with capital outlays for technical and vocational training schools.



Over the past year all types of provincial governments' and municipalities' revenue increased, but revenue gains were more than offset by heavier expenditures (Table 11), and the provincial governments' and municipalities' deficit grew over the period by \$268 million.

Total revenues of all governments increased steadily quarter by quarter over the past year, as did expenditures until the third quarter of 1963, when they fell \$72 million below the level of the second quarter of 1963. The aggregate deficit of all governments combined fluctuated irregularly but tended to increase slightly over the period, as a reduction in the federal deficit was more than offset by increases in the deficits of provincial governments and municipalities.

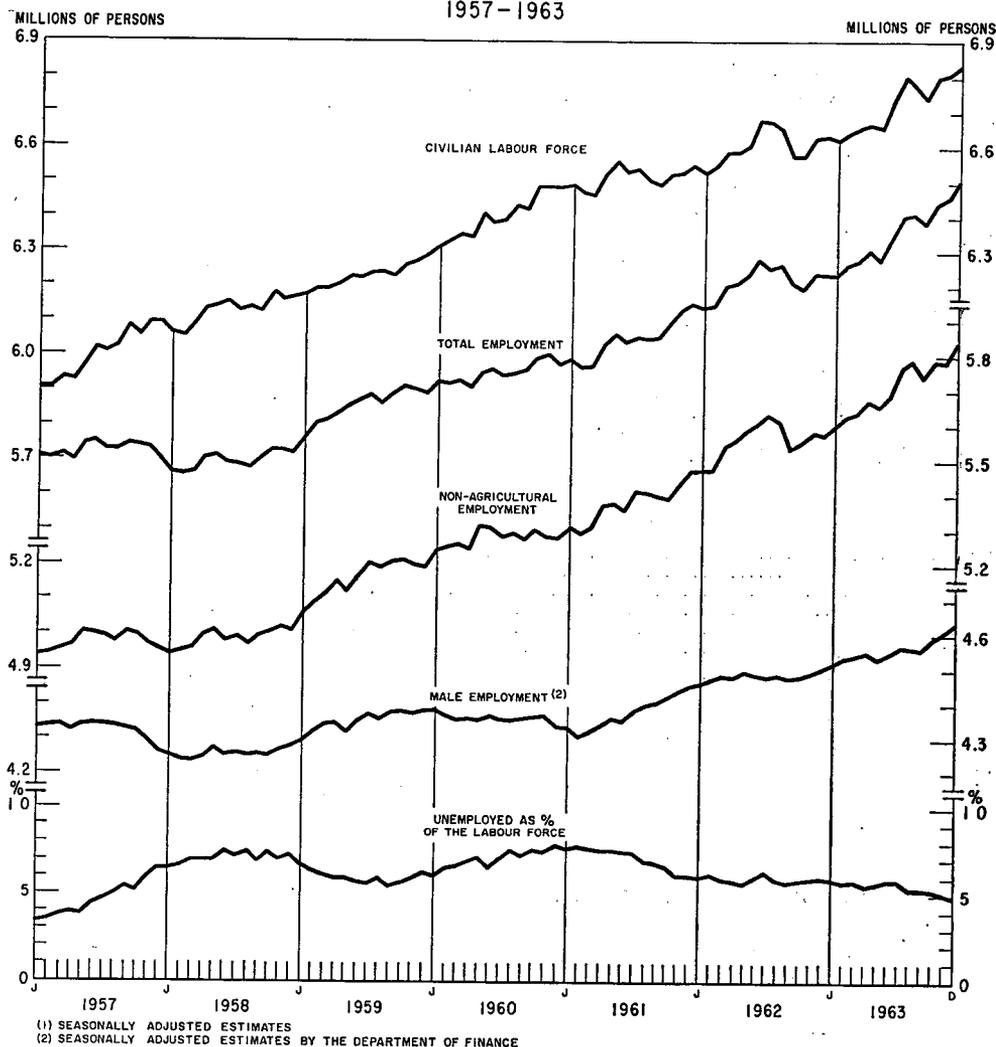
### EMPLOYMENT AND EARNINGS

Employment in 1963 continued to increase. After adjustment for seasonality, the gains were more pronounced in the later months of the year. The average level of employment for the whole of 1963 was 2.4 per cent higher than the average for 1962, but the change between December 1962 and December 1963 was 4.4 per cent, with 268,000 more people at work.

The total civilian labour force grew by rather less than 2 per cent in 1963. However, as with employment, the growth was more rapid towards the end of the year, with the December seasonally-adjusted total, at 6,839,000 persons, being just over 3 per cent above the year-earlier figure. The addition to the labour force, December to December, amounted to 208,000. Thus, over the year, employment grew more rapidly than the labour force, and unemployment as a

percentage of the labour force declined accordingly. Average unemployment in 1963 was 5.5 per cent, compared to 5.9 per cent in 1962 and the postwar high of 7.2 per cent in 1961. The seasonally-adjusted unemployment rate in December 1963 was 4.9 per cent, the lowest monthly rate since 1957.

THE LABOUR FORCE<sup>(1)</sup>  
1957-1963



Goods-producing industries contributed significantly to employment growth in the early part of 1963, with manufacturing and construction employment showing large gains on a seasonally-adjusted basis. Around mid-year, manufacturing employment flattened out briefly. Later in the year, however, it again increased. Construction employment was influenced by a particularly strong upsurge of apartment building starts in the third quarter and by an even sharper jump towards year-end in single-family dwelling starts stimulated by federal government incentive programmes to raise the level of winter employment in the construction industry. The improvement in the manufacturing sector reflected both the sustained pace of domestic economic activity and the favourable trends which have been a feature of the external trade position.

The expansion of activity in the goods-producing industries especially manufacturing, construction and forestry, strengthened the demand for male workers. The number of employed males, which had risen by only 162,000 in the five years between 1957 and 1962, rose by 80,000 in 1963 alone. This improvement was a significant factor in reducing the total unemployment rate.

In the last half of 1963 there was a renewed rise in demand for workers in trade, government and other service industries, where employment growth had slowed down for about a year. The renewed rise here was associated with an increase in employment opportunities for women workers, who responded by entering or returning to the labour force in larger numbers.

Job opportunities for younger workers in the later months of 1963 were considerably greater than they had been a year previously. At the end of the year, employment of workers in the 14 to 19 age group was up by over 11 per cent, and in the 20 to 24 group by over 5 per cent.

The long-term decline in agricultural employment continued in 1963. Average farm employment fell from 653,000 in 1962 to 641,000 in 1963. The net increase in non-agricultural employment was therefore greater than the increase in total employment, rising by nearly 3 per cent from 5,564,000 in 1962 to 5,723,000 in 1963.

The incidence of unemployment has continued to vary widely from region to region.

TABLE 16  
UNEMPLOYMENT AS A PERCENTAGE OF THE LABOUR FORCE  
(By Region—Annual Averages)

	1961	1962	1963
Canada.....	7.2	5.9	5.5
Atlantic Region.....	11.1	10.7	9.5
Quebec.....	9.3	7.5	7.5
Ontario.....	5.5	4.3	3.8
Prairie Region.....	4.6	3.9	3.7
British Columbia.....	8.5	6.7	6.3

The accompanying table shows that in 1963 employment rose somewhat faster than the labour force in all regions except Quebec, where the exceptionally sharp increase in the labour force about equalled the rise in employment. The rise in the labour force (average annual rates) was about 2.0 per cent for Canada as a whole, but about 2.7 per cent in Quebec.

TABLE 17  
REGIONAL INCREASES IN LABOUR FORCE AND EMPLOYMENT  
(Annual Averages—Thousands of Persons)

	1961		1962		1963	
	Labour Force	Employment	Labour Force	Employment	Labour Force	Employment
Atlantic.....	25	19	8	10	1	8
Quebec.....	16	12	30	59	50	49
Ontario.....	26	22	19	47	52	62
Prairies.....	36	30	21	28	7	10
B.C.....	13	12	13	23	17	19
Total.....	115	94	90	168	129	147

Note: Totals may not add due to rounding.

The increase in the labour force in 1963 was greater than in 1962. This in part reflected the improvement in the employment situation, as greater job opportunities induced larger numbers of workers to come into the labour market, especially married women and young people leaving school. However, it also reflected the rise in the population in the age group 14 to 19 years. The total population 14 years of age and over rose by 242,000 in 1963, and 91,000 of these were in the 14 to 19 year group. The numbers of young people leaving school and entering the labour force rose in 1963 in comparison with 1962.

ANNUAL INCREASE, POPULATION 14-19 YEARS

(Thousands of Persons)							
1956	1957	1958	1959	1960	1961	1962	1963
38	66	68	68	74	77	80	91

The number of young people in this age group who participated in the labour force rose in 1963 from 643,000 to 660,000. This increase of 17,000 compared with an increase of only 9,000 in 1962. Despite these changes, however, the participation rate for these young people (i.e., the proportion of the age group in the labour force) continued its long-term decline.

PARTICIPATION RATE, POPULATION 14-19 YEARS

(Labour Force as Per Cent of Population)							
1956	1957	1958	1959	1960	1961	1962	1963
41.0	40.5	38.8	37.9	37.9	36.5	35.4	34.6

The participation rate for males in this age group, which had been falling fairly rapidly in recent years, declined only fractionally in 1963. The participation rate for females 14 to 19 years of age, however, showed a decrease of 1.1 per cent, close to the 1.4 per cent drop recorded in 1962. Participation rates among all women rose to 29.6 per cent from 29.1 per cent a year earlier.

Male unemployment in 1963 continued high in both the 14 to 19 and the 20 to 24 age groups. Among men, the age groups with the lowest unemployment rates were in the 35 to 54 brackets. Among women, the youngest age group again experienced the heaviest unemployment. In the older age groups, the readiness with which married women move into the labour force in response to increased job opportunities (and out again when jobs are not as readily available) limits the fluctuation in the unemployment rate, which was 3.3 per cent for the female labour force.

Total labour income, discussed earlier in these pages, reached a seasonally-adjusted level of \$21.8 billion in the third quarter (annual rates), showing an increase of 6.5 per cent over the third quarter of 1962. Average hourly earnings in manufacturing rose by  $3\frac{1}{4}$  per cent from \$1.87 to \$1.93 over the same period. No major industrial grouping showed any appreciable variation from the average gain of 7 cents per hour. The construction industry average rose by nearly 4 per cent from \$2.05 to \$2.13. Average weekly hours in manufacturing in the third quarter were very slightly lower than during the same period a year previously. This was true of both durable and non-durable goods-producing industries. Average weekly wages and salaries in manufacturing in the third quarter were \$85.83, up by 3.1 per cent from the \$83.22 of a year previously. The industrial composite was also higher by 3.1 per cent.

## PRICE AND COST TRENDS

A noteworthy feature of Canada's current period of growth has been the relative stability of most prices and costs. This stability has been maintained despite the substantial decline in the exchange value of the Canadian dollar and other developments in world markets all of which have exerted selective upward pressure on Canada's price structure.

The chart on page 39 shows the movements of some major price series over the course of the current expansion and over the two preceding upswings.

The chart shows that, apart from the wholesale price index, which is heavily weighted with import and export goods and is therefore directly affected by movements in the exchange rate, and the food component of the consumer price index, prices and costs have generally increased to a smaller extent since the first quarter of 1961 than in the two preceding periods of expansion.

It will be recalled that much of the devaluation of the Canadian dollar occurred between May, 1961, and May, 1962, when the Canadian dollar was fixed at 92.5 cents U.S. Table 18 has been calculated to contrast movements in the exchange rate with price changes over this and subsequent periods.

TABLE 18  
COMPARATIVE EXCHANGE RATE AND PRICE CHANGES  
(Percentage Changes)

	May 1962	May 1963	Dec. 1963	Dec. 1963
	May 1961	May 1962	Dec. 1962	May 1961
Price of U.S. Dollar.....	+ 9.6	- 0.5	+ 0.3	+ 9.3
Import Price Index.....	+ 7.4	+ 2.3	+ 4.3 <sup>(2)</sup>	+11.1 <sup>(2)</sup>
Export Price Index.....	+ 4.9	+ 0.4	+ 0.2	+ 4.8
General Wholesale Price Index.....	+ 3.5	+ 2.1	+ 1.4	+ 6.3
Consumer Price Index.....	+ 0.9	+ 1.7	+ 1.7	+ 4.0
G.N.E. Implicit Price Deflator.....	+ 1.4	+ 2.0	+ 1.7 <sup>(1)</sup>	+ 3.9 <sup>(1)</sup>

<sup>(1)</sup>III Quarter

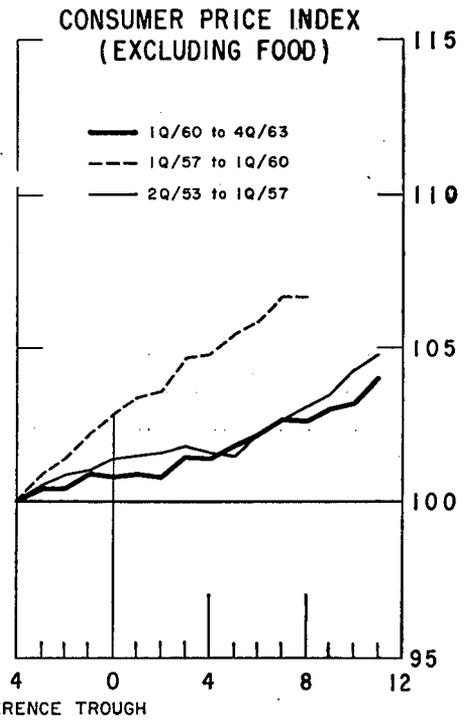
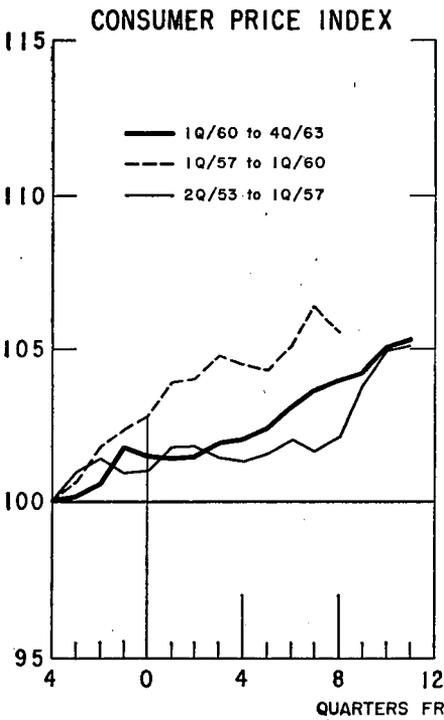
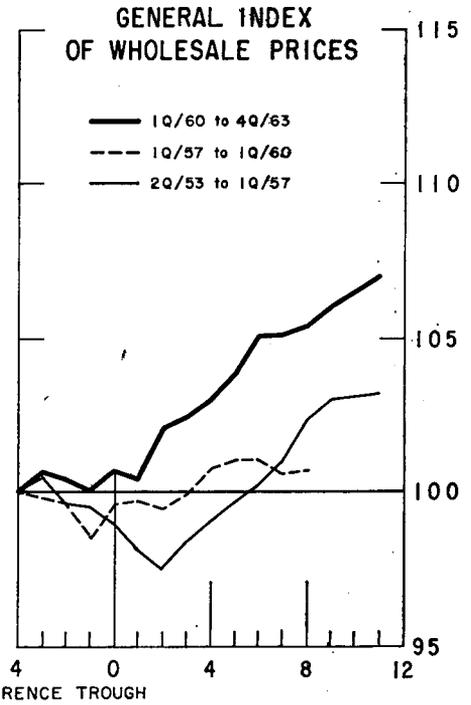
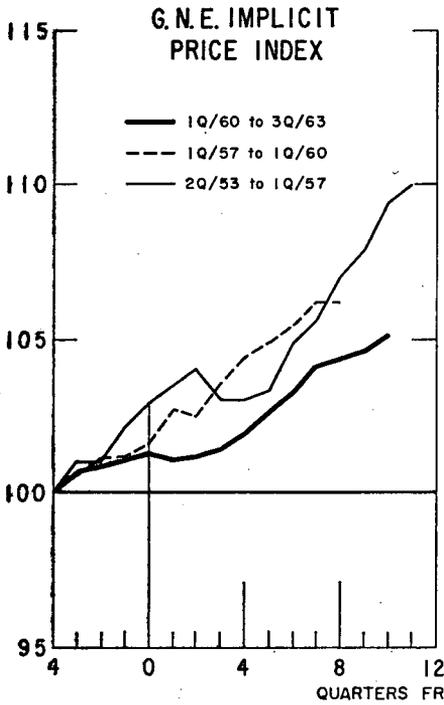
<sup>(2)</sup>November

It will be noted that the change in the exchange rate has been closely followed by changes in the import price index. These, in turn, have significantly influenced the level of wholesale prices. While the price of many internationally-traded export commodities responded to the higher value of foreign currency, the rise in the export price index was only about one-half of that which was registered in import prices. Increases in consumer prices were moderate, as were the average prices of goods and services produced in Canada.

An important consideration in evaluating price and cost changes is their effect on Canada's competitive position in world markets. As may be observed from the chart on page 40 unit labour costs in manufacturing have risen very little since 1957 in comparison with their earlier postwar behaviour. The upward trend in total non-farm unit labour costs also slackened over this period.

Over the last two years, consumer prices and wages in Canada have risen less than in the United Kingdom and much less than in Continental Europe or Japan. Despite the exchange rate decline of about 9 per cent, which affected a

SELECTED PRICE INDEXES  
CYCLE-ON-CYCLE SERIES  
PREVIOUS BUSINESS CYCLE PEAK = 100



wide range of imported consumer goods, consumer prices in Canada rose little more than in the United States. Wholesale prices, which were affected more by the devaluation, have performed somewhat differently, as expected.

**LABOUR INCOME, COST PER UNIT OF OUTPUT  
AND REAL OUTPUT IN MANUFACTURING**

Index 1949=100  
Ratio Scale

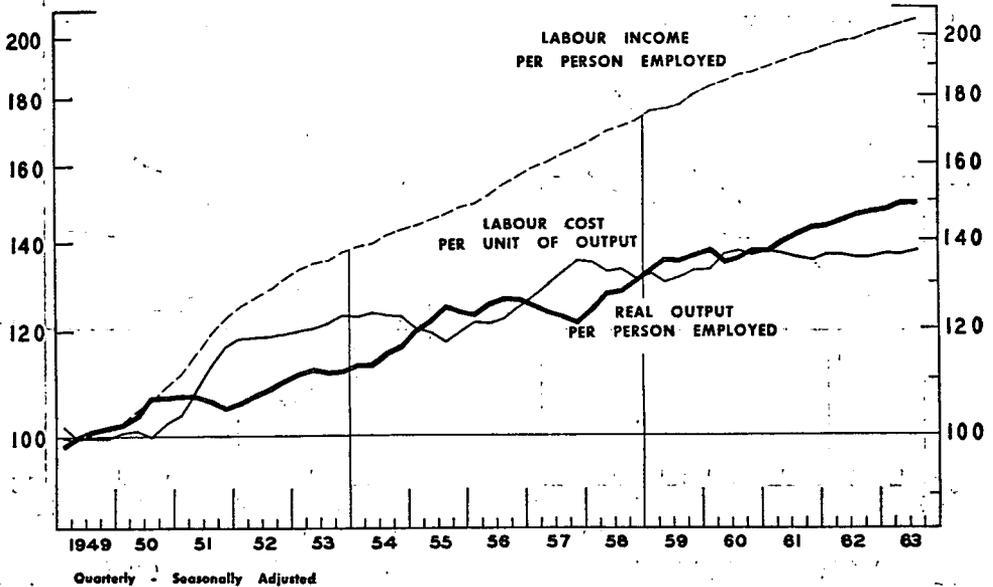


TABLE 19

**CHANGES IN PRICES AND WAGES OVER THE TWO YEARS  
ENDING OCTOBER, 1963 UNLESS SPECIFIED**

(Percentage Changes)

	Consumer Price Index		Wholesale Prices	Hourly Earnings in Mfg.
	Total	(Ex Food)		
Canada.....	+ 3.4 <sup>(1)</sup>	+ 2.5 <sup>(1)</sup>	+ 3.9 <sup>(1)</sup>	+ 7.1 <sup>(2)</sup>
U.S.....	+ 3.0 <sup>(1)</sup>	+ 2.8 <sup>(1)</sup>	- 0.1 <sup>(1)</sup>	+ 5.5 <sup>(2)</sup>
U.K.....	+ 5.3	+ 4.6	+ 3.3	+ 6.7
Germany.....	+ 6.0 <sup>(2)</sup>	+ 5.6	+ 1.8	+19.1 <sup>(4)</sup>
France.....	+11.6	+11.4 <sup>(3)</sup>	+ 6.0	+17.7
Japan.....	+12.5 <sup>(2)</sup>	+12.8 <sup>(2)</sup>	—	+20.1 <sup>(3)</sup>
Italy.....	+13.9	+13.7 <sup>(3)</sup>	+11.0	+29.3 <sup>(3)</sup>

<sup>(1)</sup>December

<sup>(2)</sup>November

<sup>(3)</sup>September

<sup>(4)</sup>III Quarter

Table 20 summarizes the changes in some major price and cost indexes between 1962 and 1963. In the first eleven months of 1963, the industrial composite of wages and salaries was about 3½ per-cent higher than during the same period of 1962. In manufacturing, hourly earnings showed an increase of nearly the same magnitude; in mining the increase was much smaller, while that in the construction industry was somewhat higher.

TABLE 20  
RECENT CHANGES IN COSTS AND PRICES  
(Percentage Changes)

	1962	1963
	1961	1962
Average Hourly Earnings in Manufacturing.....	+ 2.7	+ 3.2 <sup>(1)</sup>
Average Weekly Wages and Salaries Industrial Composite.....	+ 3.1	+ 3.4 <sup>(1)</sup>
General Wholesale Price Index.....	+ 2.9	+ 1.9
Consumer Price Index.....	+ 1.2	+ 1.8
Price of U.S. Dollar.....	+ 5.5	+ 0.9
G.N.E. Implicit Price Index.....	+ 1.7	+ 1.8 <sup>(2)</sup>

<sup>(1)</sup>11 months

<sup>(2)</sup>three quarters

Aggregate prices, as measured by the G.N.E. implicit price index, rose by the same magnitude as in 1962.

TABLE 21  
PERCENTAGE PRICE CHANGES

(Implicit Price Indexes of G.N.E. and Components)

	Year		3Q 1963
	1961	1962	
	1960	1961	3Q 1962
Personal Expenditure.....	+ 0.9	+ 1.5	+ 1.6
Non-Durable Goods.....	+ 0.8	+ 1.2	+ 2.0
Durable Goods.....	- 2.0	- 0.2	+ 0.3
Services.....	+ 1.9	+ 2.3	+ 1.5
Government expenditure.....	+ 1.9	+ 3.7	+ 4.4
Business gross fixed capital formation.....	+ 0.9	+ 2.5	+ 2.7
New Residential construction <sup>(1)</sup> .....	+ 0.6	+ 2.8	+ 2.3
New Non-residential construction <sup>(1)</sup> .....	+ 0.4	+ 2.0	+ 2.8
New machinery and equipment.....	+ 1.6	+ 2.9	+ 2.8
Exports of goods and services.....	+ 1.3	+ 3.2	+ 0.9
Imports of goods and services.....	+ 3.3	+ 4.4	+ 2.8
<b>Gross National Expenditure.....</b>	<b>+ 0.6</b>	<b>+ 1.7</b>	<b>+ 1.7</b>

<sup>(1)</sup>Price indexes of these sectors are measured mainly by elements entering into costs (materials and labour purchased) rather than final selling prices, and generally it has not been possible to allow for changes in productivity. Over short periods of time, these cost indexes are not likely to vary to any extent from indexes of actual selling prices. Over longer periods, it may be that these cost deflators overstate price increases.

The rise in general wholesale prices was less during 1963 than during 1962. This moderating trend reflected a similar trend in exchange rate movements. The price of the U.S. dollar in Canada averaged over 1962 was 5.5 per cent higher than in 1961. The increase from 1962 to 1963 was less than one per cent. Wholesale prices rose by 2.9 per cent from 1961 to 1962 and 1.9 per cent from 1962 to 1963. Only vegetable products and industrial materials showed larger increases in 1963 than in 1962. The former reflected the very sharp increase in raw sugar costs while the latter rose in response to some general strengthening in world prices of industrial materials.

TABLE 22  
 PERCENTAGE CHANGES IN WHOLESALE PRICE INDEXES  
 (Annual Averages)

	1961	1962	1963
	1960	1961	1962
General Index.....	+ 1.0	+ 2.9	+ 1.9
Vegetable Products.....	—	+ 4.2	+ 7.7
Animal Products.....	+ 2.9	+ 3.1	- 2.6
Textile Products.....	+ 2.0	+ 2.9	+ 2.8
Wood Products.....	+ 0.4	+ 3.5	+ 2.4
Iron Products.....	+ 0.7	- 0.7	- 1.0
Non-Ferrous Metals and Products.....	+ 2.1	+ 5.8	+ 2.8
Non-Metallic Minerals and Products.....	- 0.2	+ 2.1	+ 0.2
Chemical Products.....	+ 0.3	+ 1.0	- 0.6
Industrial Materials.....	+ 1.2	+ 2.0	+ 2.2

The consumer price index for 1963 averaged 133.0 compared with 130.7 in 1962, an increase of 1.8 per cent. The largest part of the increase occurred in the second half of the year with the index moving from 132.0 in January to 132.8 in June and to 134.2 in December. The food index registered the largest increase and was the major factor in the rise of the total index. Much of the increase in food costs was a reflection of the spectacular climb in world sugar prices which were mirrored in Canadian retail prices.

TABLE 23  
 PERCENTAGE CHANGES IN CONSUMER PRICE INDEXES

	1961	1962	1963
	1960	1961	1962
Total—All Items.....	+ 0.9	+ 1.2	+ 1.8
Food.....	+ 1.5	+ 1.8	+ 3.2
Housing.....	+ 0.4	+ 1.2	+ 1.0
Clothing.....	+ 1.4	+ 0.9	+ 2.5
Transportation.....	+ 0.2	- 0.1	—
Health and Personal Care.....	+ 0.5	+ 1.9	+ 2.6
Recreation and Reading.....	+ 1.2	+ 0.8	+ 1.4
Tobacco and Alcohol.....	+ 0.4	+ 1.3	+ 0.3
Supplementary Classifications			
All Commodities.....	+ 0.5	+ 0.8	+ 1.7
Durables.....	- 1.8	- 0.7	+ 0.2
Non-Durables.....	+ 1.0	+ 1.2	+ 2.0
Non-Durables excluding Food.....	+ 0.6	+ 0.7	+ 1.0
Services.....	+ 1.3	+ 1.4	+ 1.4
Services excluding Shelter.....	+ 1.9	+ 2.1	+ 2.0

The clothing and health and personal care indexes also showed increases. In the latter case, higher fees for medical, dental and optical services and pre-paid medical care raised the cost of health care by about three per cent. This increase, in turn, was largely responsible for the increase in the services index excluding shelter. As in recent years, the increases in the price of all services were moderate.

## BALANCE OF INTERNATIONAL PAYMENTS

Canada's international payments position continued to improve during 1963. From the peak deficits of about \$1.5 billion of 1957 and 1959, the deficit on current account was reduced to \$848 million in 1962. In 1963, the deficit was further reduced to \$521 million.

In the first and second quarters of 1963, the current account deficits were substantially below those of the preceding year. There was a small surplus on current account in the seasonally favourable third quarter and the picture in the fourth quarter was quite favourable. These improvements in the course of 1963 were accounted for by larger trade surpluses but there was also some further improvement on travel account.

The continued improvement in merchandise trade reflects the effect of several economic forces upon the level of exports and imports. Industrial activity in Canada and abroad, investment patterns, the relative changes in domestic and foreign prices and costs, the exchange rate changes, other government policies, have all affected Canada's international trade position. In the final quarter of the year shipments of wheat to Russia got under way in fulfilment of a very large contract signed in September. The amounts shipped in that quarter contributed significantly to the decline in the current account deficit for 1963.

An improvement on travel account during 1963 offset increased net payments for other non-merchandise transactions, and the deficit on non-merchandise transactions remained virtually unchanged at \$1,005 million.

On the capital side, it will be recalled that the net inflow of long-term capital virtually disappeared in the first half of 1962, then resumed sharply in the last half of the year. This renewal of a substantial long-term capital inflow continued into the first half of 1963, in part attributable to special borrowings by the federal and Quebec governments. Most of this inflow was accounted for by security

TABLE 24  
INTERNATIONAL PAYMENTS: CURRENT ACCOUNT

	1959	1960	1961	1962	1963
		(Millions of dollars)			
<b>Current Receipts—</b>					
Merchandise exports (adjusted).....	5,150	5,392	5,889	6,364	7,064
Gold available for export.....	148	162	162	165	166
Travel expenditures.....	391	420	482	560	602
Interest and dividends.....	182	173	209	211	228
Freight and shipping.....	420	442	486	498	550
Inheritances and immigrants' funds.....	109	102	103	124	149
Other current receipts.....	392	419	403	426	444
<b>Total Current Receipts.....</b>	<b>6,792</b>	<b>7,110</b>	<b>7,734</b>	<b>8,348</b>	<b>9,203</b>
<b>Current Payments—</b>					
Merchandise imports (adjusted).....	5,572	5,540	5,716	6,209	6,580
Travel expenditures.....	598	627	642	610	589
Interest and dividends.....	671	653	770	781	842
Freight and shipping.....	525	533	568	588	635
Inheritances and emigrants' funds.....	165	181	174	163	182
Other current payments.....	765	819	846	845	896
<b>Total Current Payments.....</b>	<b>8,296</b>	<b>8,353</b>	<b>8,716</b>	<b>9,196</b>	<b>9,724</b>
Balance on Merchandise Trade.....	-422	-148	+173	+155	+484
Balance on other Transactions.....	-1,082	-1,095	-1,155	-1,003	-1,005
<b>Current Account Balance.....</b>	<b>-1,504</b>	<b>-1,243</b>	<b>-982</b>	<b>-848</b>	<b>-521</b>

Note: Mutual Aid to NATO countries is not included.

transactions. New offerings of securities declined in the second quarter as interest rate spreads vis-a-vis the United States narrowed. Early in the third quarter the United States President proposed the Interest Equalization Tax and new security offerings in the United States by Canadian borrowers virtually stopped. For the third quarter as a whole, the net capital inflow in long-term forms declined to \$34 million from levels of \$373 million and \$200 million in the first and second quarters respectively. In the final quarter of the year, net of retirements, there was a small capital outflow in long-term forms.

Movements of short-term capital during 1962, reflecting speculative influences, had been quite sharp and large. During 1963, the net movements in short-term capital were much smaller, with outflows in the form of increased resident holdings of foreign liquid assets such as bank balances being more than offset by an inflow of other short-term capital. In the final quarter of the year, there was an inflow of short-term capital of \$159 million.

Early in January, 1963, the Government of Canada received the second half of the proceeds of the U.S. \$250 million loan arranged in the United States in September, 1962. This U.S. \$125 million accounted for the rise of approximately the same size in Canadian reserves from the end of December, 1962 to the end of January, 1963. From the end of January, 1963, to the end of June, 1963, there was no appreciable change in reserves. The net capital inflows which occurred during this period were just sufficient to cover the current account deficit. In the third quarter there was a reduction in official holdings of gold and United States dollars amounting in terms of U.S. dollars to \$124 million, of which \$80 million represented a partial repayment to the International Monetary Fund of Canada's \$300 million U.S. borrowing at the time of the exchange crisis in June, 1962. In the fourth quarter of the year, the deficit on current account was more than offset by an inflow of short-term capital and reserves increased by \$28 million.

TABLE 25  
SUMMARY OF BALANCE OF PAYMENTS  
(Data not seasonally adjusted)

	1962				1963 Prelim.			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
	(Millions of dollars)							
Merchandise Trade Balance.....	- 7	- 45	+ 69	+138	+ 70	+ 72	+144	+198
Deficit on Non-Merchandise Transactions.....	-326	-317	-103	-257	-308	-261	-130	-306
Current Account Balance.....	-333	-362	- 34	-119	-238	-189	+ 14	-108
Capital Movements:								
Long-Term Forms.....	+ 5	- 29	+238	+458	+373	+200	+ 34	- 23
Short-Term Forms.....	- 46	-243	+482	+139	- 69	+100	-107	+159
Change in official holdings of gold and foreign exchange expressed in Canadian dollars.....	-364	+114	+686	+101	+ 66	+111	-145	+ 28
Net International Monetary Fund Position.....	- 10	-367	.....	.....	.....	.....	+ 86	.....
Special international financial assistance.....	.....	-381	.....	+377	.....	.....	.....	.....
	-374	-634	+686	+478	+ 66	+111	- 59	+ 28

A more detailed exposition of these developments follows:

### CURRENT ACCOUNT

The improvement in Canada's current international position by approximately \$1 billion, from a peak deficit of \$1.5 billion in 1959, has been of basic importance to the improvement in the Canadian economy.

TABLE 26  
BALANCE OF PAYMENTS ON CURRENT ACCOUNT  
MERCHANDISE AND NON-MERCHANDISE BALANCE 1949-1963

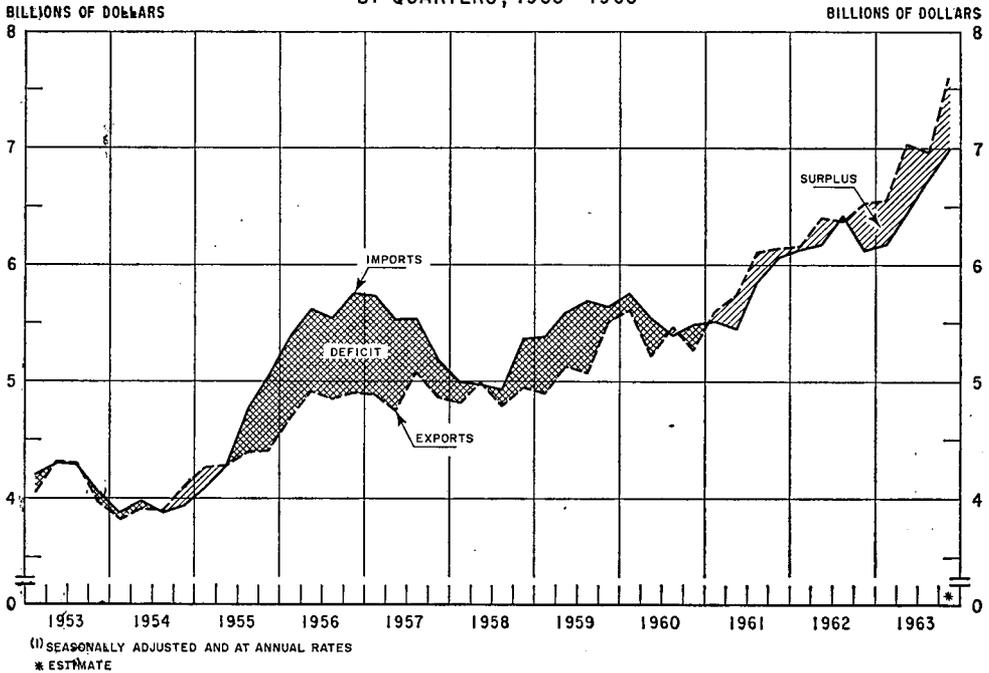
	Merchandise Trade	Non-Merchandise Trade	Current Account Balance
	(Millions of dollars)		
1949.....	+293	-116	+177
1950.....	+ 10	-344	-334
1951.....	-147	-370	-517
1952.....	+489	-325	+164
1953.....	- 58	-385	-443
1954.....	+ 13	-445	-432
1955.....	-211	-487	-698
1956.....	-728	-638	-1,366
1957.....	-594	-861	-1,455
1958.....	-179	-952	-1,131
1959.....	-422	-1,082	-1,504
1960.....	-148	-1,095	-1,243
1961.....	+173	-1,155	-982
1962.....	+155	-1,003	-848
1963.....	+484	-1,005	-521

The reduction in the size of the current account deficit reflects primarily an improvement on merchandise account. In 1959, the deficit on merchandise trade amounted to \$422 million; in 1963 there was a trade surplus of \$484 million. Since 1959, the deficit on non-merchandise transactions, which runs about \$1 billion annually, has been reduced by about \$75 million. Travel expenditures have improved markedly in recent years, moving from a deficit of over \$200 million in 1960 to a surplus of \$13 million in 1963. This improvement has been partially offset by increased payments on other transactions, which are not generally susceptible to much reduction over short periods of time, or may even increase.

An increase in 1963 of 11 per cent in the value of merchandise exports more than offset a rise of 6 per cent in the value of merchandise imports, and resulted in an improvement of some \$329 million in Canada's balance of trade. The trade surplus in 1963 advanced to \$484 million, from \$155 million in 1962. On a quarterly basis, and allowing for seasonal factors, the trade surplus remained at the high level of the fourth quarter of 1962 throughout the first half of 1963. It was reduced in the third quarter as a result of some increase in merchandise imports and a small reduction in merchandise exports (seasonally adjusted). In the fourth quarter of the year, however, there was a substantial surplus on merchandise account associated with the large movement of wheat to Russia.

A large part of the increase in merchandise exports in 1963 was accounted for by increased shipments of wheat. Significant gains also occurred in sales of lumber, iron ore, aluminum, wood pulp and agriculture machinery. Smaller gains were recorded in exports of semi-processed steel, fertilizers, railway locomotives, motor vehicles and parts, non-agricultural machinery and petroleum and natural gas.

IMPORTS AND EXPORTS OF MERCHANDISE<sup>(1)</sup>  
BY QUARTERS, 1953-1963



The value of merchandise imports of automobile parts increased substantially along with imports of raw sugar, farm equipment, tractors and crude petroleum. This was partially offset by lower imports of automobiles, cotton and its products, farm machinery and electrical apparatus.

Geographically, the improvement in the balance on merchandise trade originated from increased surpluses with the United Kingdom and "all other" countries. There was a slight increase in the trade deficit with the United States.

TABLE 27  
GEOGRAPHICAL DISTRIBUTION OF MERCHANDISE TRADE BALANCE

	Exports		Imports		Trade Balance		Percentage Change	
	1962	1963	1962	1963	1962	1963	Exports	Imports
	(Millions of dollars)							
United States.....	3,742	3,952	4,217	4,464	-475	-512	+ 5.6	+ 5.9
United Kingdom.....	924	1,017	575	525	+349	+492	+10.1	- 8.7
Other Countries.....	1,698	2,095	1,417	1,591	+281	+504	+23.4	+12.3
<b>Total.....</b>	<b>6,364</b>	<b>7,064</b>	<b>6,209</b>	<b>6,580</b>	<b>+155</b>	<b>+484</b>	<b>+11.0</b>	<b>+ 6.0</b>

In 1963, the price index of exports increased only slightly in contrast to an increase of about 3 to 4 per cent in import prices, causing some deterioration in Canada's terms of trade.

The behaviour of the merchandise account, in the current business expansion, has been unusual. Normally, some deterioration might have been expected to

take place as the expansion progressed, but the merchandise account has in fact shown some improvement. The share of merchandise imports in Gross National Expenditure has not increased during the present business expansion, as had been typical of earlier expansions.

TABLE 28  
IMPORTS OF GOODS AS A PROPORTION OF G.N.E. 1949-1963

	Per cent
1949.....	16.5
1950.....	17.4
1951.....	19.4
1952.....	16.0
1953.....	16.8
1954.....	15.7
1955.....	16.7
1956.....	18.2
1957.....	17.2
1958.....	15.4
1959.....	16.0
1960.....	15.3
1961.....	15.3
1962.....	15.4
1963 <sup>(1)</sup> .....	15.3

(<sup>1</sup>) Preliminary.

The trend of imports in the current upswing has been affected by a number of factors, including the devaluation of the Canadian dollar, the temporary import surcharges, the pattern of demand, and changes in the structure of the Canadian economy.

Following the imposition of the temporary import surcharges in June, 1962, substantial reductions occurred in the value and volume of imports. Although the surcharges were imposed at the end of the second quarter of 1962, imports (seasonally adjusted) increased in the third quarter. This can be partly related to the delivery of orders of investment goods and industrial materials placed during the period of uncertainty surrounding the devaluation of the Canadian dollar and the exchange crisis in June. In the fourth quarter of 1962, imports of goods declined, remained at the lower level in the first quarter of 1963 and, following the final removal of surcharges on April 1, 1963, rose in the second, third and fourth quarters of 1963. Following the removal of the surcharges, the renewed growth in the volume of imports does not seem to be out of line with the growth of real output and demand.

While the value of merchandise imports in 1963 was some 18 per cent higher than in 1956, the volume increased slightly, as import prices were about 15 per cent higher. Over the same period, the value of merchandise exports rose by about 46 per cent; in volume terms the increase was about 37 per cent, as export prices averaged about 7 per cent higher in 1963 as compared with 1956. The deterioration of Canada's terms of trade over this period reflected the relative weakness in prices of resource products compared to manufactured products. Canada's exports are dominated by resource products while her imports consist largely of manufactured goods. In the course of 1963, the world price of many resource products began to strengthen.

Contributing dramatically to the increase in exports from 1956 to 1963 were shipments of manufactured goods such as machinery and parts, electrical apparatus and aircraft and parts. Exports of metals and minerals, and chemicals and fertilizers also rose substantially.

TABLE 29

## MERCHANDISE EXPORTS BY COMMODITY GROUPS 1956 AND 1963

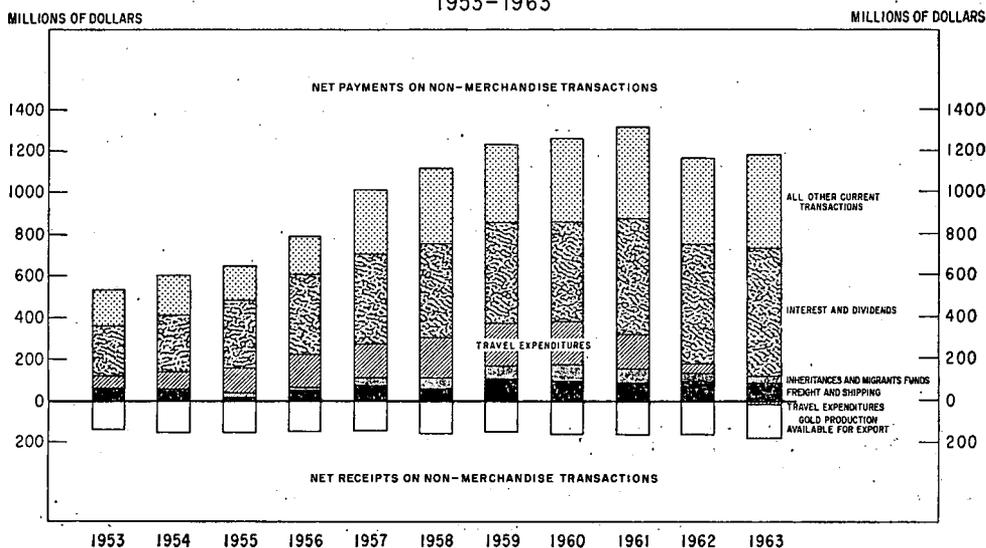
	Farm and Fish Products	Forest Products	Metals and Minerals	Chemicals and Fertilizers	Other Manufactured and Miscellaneous	Re-exports	Total
1956.....	1,121	1,496	1,472	183	489	73	4,834
1963.....	1,464	1,824	2,169	268	1,073	182	6,980
% increase.....	+30.6	+21.9	+47.4	+46.4	+119.4	+149.3	+44.4

There have been a number of important factors influencing the expansion of Canadian exports. The recent growth in economic activity in the United States, the United Kingdom, Europe and Japan has led to an increased demand for Canadian exports of non-farm products and especially raw and industrial materials. The recent increase in demand for Canadian farm products has contributed appreciably to the improvement in Canada's balance of trade.

There are other important factors, more directly related to the Canadian economy, which have had important effects on the growth of Canadian exports. The relative stability of costs and prices in Canada at a time when costs in overseas countries have been rising has strengthened the Canadian competitive position and enabled continuing benefits to be derived from the change in the exchange rate in 1961-1962. The substantial expansion in exports of "other manufactured goods" during recent years can, to a large extent, be related to these factors. More positive efforts on the part of Canadian exporters have also contributed, as have improved credit financing and increased trade promotion. Substantial increases in exports of some resource products (iron ore, petroleum and natural gas) have followed from the broadening of Canada's resource base. In 1963, the announcement of a national policy to permit long-term export of major blocks of electric power not required for domestic purposes, and the new

## BALANCE ON NON-MERCHANDISE TRANSACTIONS

1953-1963



measures recently introduced to foster greater production and trade in motor vehicles and parts, are likely to lead to additional improvements in Canada's external trade.

Turning to the non-merchandise account, the modest improvement noted in 1962 was maintained in 1963, and the deficit remained at about \$1 billion. Changes in the balance of most components were relatively small, and there was further improvement on travel account.

The non-merchandise account showed a significant improvement in the first and second quarters of 1963 compared to the same periods a year earlier. In the third and fourth quarters the non-merchandise deficit was somewhat above the irregularly low second half of 1962.

TABLE 30  
NON-MERCHANDISE ACCOUNT  
(Seasonally Adjusted at Annual Rates)

—	Exports	Imports	Balance
	(Millions of dollars)		
1Q 1962.....	1,788	2,852	-1,064
2Q 1962.....	1,808	3,004	-1,196
3Q 1962.....	1,872	2,720	-848
4Q 1962.....	1,912	2,720	-808
1Q 1963.....	1,968	2,876	-908
2Q 1963.....	1,972	2,896	-924
3Q 1963.....	1,968	3,012	-1,044
4Q 1963 <sup>(1)</sup> .....	2,052	3,064	-1,012

<sup>(1)</sup>Preliminary.

Canada's travel account has shown continued improvement from a deficit of more than \$200 million in 1960 to a small surplus in 1963. Since 1960 the net improvement in the balance on travel account amounted to \$220 million and was more than accounted for by an improvement in the balance with the United States.

The following table indicates the pattern on travel account.

TABLE 31  
BALANCE ON TRAVEL ACCOUNT  
All Countries

—	Receipts	Pay-ments	Balance	—	Receipts	Pay-ments	Balance
	(Millions of dollars)						
1954.....	305	389	-84	1959.....	391	598	-207
1955.....	328	449	-121	1960.....	420	627	-207
1956.....	337	498	-161	1961.....	482	642	-160
1957.....	363	525	-162	1962.....	560	610	-50
1958.....	349	542	-193	1963.....	602	589	+13

Payments of interest and dividends to non-residents increased by \$61 million in 1963 and this was offset to some extent by an increase in receipts of this kind from non-residents amounting to \$17 million. In 1963, there was an increase of \$29 million in official contributions, mainly due to larger shipments under the Colombo Plan. It will be recalled that contributions to the Colombo Plan had been reduced in 1962. Other changes in the net balance on non-merchandise transactions were small.

## CAPITAL ACCOUNT

The substantial decline in net capital inflows which occurred in the course of 1963 was attributable both to a lower level of net direct investment in Canada throughout 1963 and to a sharp reduction in the sale of new security issues to non-residents in the second half of the year. In particular, sales of new Canadian bonds to United States residents declined markedly.

The level of such sales had been unusually high in the latter part of 1962, and was even higher in the first quarter of 1963. In early January, the proceeds of the second half (\$125 million U.S.) of the Government of Canada's \$250 million U.S. 25 year External Loan arranged in September, 1962, were delivered and in February the Quebec Hydro received the first \$100 million U.S. of its \$300 million issue to finance the purchase of private utilities. (The remaining \$200 million U.S. was arranged for delivery in equal \$50 million instalments in May and August 1963 and February and May 1964.)

In the second quarter, receipts from new issues remained high at \$393 million. Approximately two-thirds of the inflow in that quarter arose from corporate borrowings, with natural gas pipelines, petroleum and finance companies all contributing in important measures.

TABLE 32  
INTERNATIONAL PAYMENTS: CAPITAL MOVEMENTS

	1959	1960	1961	1962	1963
	(Millions of dollars)				
Direct investment in Canada.....	+550	+650	+520	+555	+210
Direct investment abroad.....	-80	-50	-75	-125	-80
Canadian securities:					
Trade in outstanding bonds and debentures....	+91	+3	+61	+64	+39
Trade in outstanding common and preference stocks.....	+110	+51	+39	-116	-169
New issues.....	+707	+447	+538	+718	+964
Retirements.....	-258	-265	-300	-321	-327
Foreign securities.....	-33	-19	-34	-70	+20
Loans by Gov't of Canada—Drawings.....	-1	—	—	-7	-10
Repayments.....	+34	+32	+37	+129	+25
Change in Canadian dollar holdings of foreigners:..	+16				
Deposits.....	—	+79	+34	-12	+40
Government of Canada demand liabilities.....	—	-12	-2	-4	+1
Canadian treasury bills.....	—	+56	-58	+4	-27
Other capital movements.....	+357	+232	+512	+189	-19
<b>Net Capital Movement</b> exclusive of change in official holdings of gold and foreign exchange..	<b>+1,493</b>	<b>+1,204</b>	<b>+1,272</b>	<b>+1,004</b>	<b>+667</b>
Official holdings of gold and foreign exchange					
Change in holdings.....	-70	-39	+229	+537	+60
Net International Monetary Fund position.....	+59	—	+61	-377	+86
Other special international financial assistance.	—	—	—	-4	—

Although deliveries of new securities remained high in the second quarter of 1963, new contracts for deliveries of bonds to U.S. residents fell sharply as Canadian-U.S. interest rate differentials narrowed.

TABLE 33  
INTERNATIONAL PAYMENTS: QUARTERLY CAPITAL MOVEMENTS

	1962				1963			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
	(Millions of dollars)							
Direct investment in Canada.....	+114	+ 87	+147	+207	+ 75	+ 40	+ 50	+ 45
Direct investment abroad.....	- 29	- 31	- 25	- 40	- 25	- 25	- 15	- 15
Canadian securities—								
Trade in outstanding bonds and debentures.....	- 3	+ 4	+ 39	+ 24	+ 23	+ 27	- 7	- 4
Trade in outstanding common and preference stocks.....	- 14	- 44	- 26	- 32	- 56	- 44	- 27	- 42
New issues.....	+ 53	+194	+ 85	+386	+411	+393	+109	+ 51
Retirements.....	- 72	- 71	- 53	-125	- 54	-174	- 34	- 65
Foreign securities.....	- 26	- 34	- 7	- 3	+ 3	+ 23	- 4	- 2
Loans by Gov't of Canada—Drawings.....	—	—	- 7	—	—	—	- 8	- 2
Repayments.....	+ 3	+ 7	+ 68	+ 51	—	+ 6	—	+ 19
Change in Canadian dollar holdings of foreigners:								
Deposits.....	- 45	- 13	- 46	+ 92	- 29	+ 38	- 12	+ 43
Government of Canada demand liabilities.....	- 3	- 2	- 3	+ 4	—	- 3	- 1	+ 5
Canadian Treasury Bills.....	+ 18	+ 50	- 3	- 61	+ 9	- 17	+ 19	- 38
Other Capital Movements.....	- 37	-419	+551	+ 94	- 53	+ 36	-143	+141
<b>Net Capital Movement, exclusive of change in official holdings of gold and foreign exchange.....</b>	<b>- 41</b>	<b>-272</b>	<b>+720</b>	<b>+597</b>	<b>+304</b>	<b>+300</b>	<b>- 73</b>	<b>+136</b>
Official holdings of gold and foreign exchange:								
Change in holdings.....	-364	+114	+686	+101	+ 66	+111	-145	+ 28
Net International Monetary Fund position.....	- 10	-367	—	—	—	—	+ 86	—
Other special International Financial Assistance.....	—	-381	—	+377	—	—	—	—

The announcement of the proposed U.S. Interest Equalization Tax on July 18, 1963, led to a virtual cessation of new offerings of securities on U.S. markets, from then until year-end, although deliveries of previously arranged contracts continued in much smaller amounts. The following Table 34 shows what happened:

TABLE 34  
NEW ISSUES OF CANADIAN BONDS SOLD TO UNITED STATES RESIDENTS

Period	Contracts	Deliveries
	(Millions of dollars)	
1962—		
3Q.....	371	75
4Q.....	372	370
1963—		
1Q.....	530	400
2Q.....	131	369
3Q.....	28	104
4Q.....	25	37

TABLE 35  
TRADE IN OUTSTANDING CANADIAN SECURITIES BETWEEN  
CANADA AND ALL COUNTRIES

Period	Canadian Bonds and Debentures			Canadian Common and Preference Stocks			Total		
	Sales to	Purchases from	Net	Sales to	Purchases from	Net	Sales to	Purchases from	Net
	(Millions of dollars)								
1961—									
1Q.....	80	50	+30	158	146	+12	238	196	+42
2Q.....	155	122	+33	208	176	+32	363	298	+65
3Q.....	112	123	-11	149	149	—	261	272	-11
4Q.....	204	195	+9	217	222	-5	421	417	+4
1962—									
1Q.....	225	228	-3	249	263	-14	474	491	-17
2Q.....	192	188	+4	192	236	-44	384	424	-40
3Q.....	121	82	+39	114	140	-26	235	222	+13
4Q.....	162	138	+24	138	170	-32	300	308	-8
1963—									
1Q.....	67	44	+23	124	180	-56	191	224	-33
2Q.....	85	58	+27	131	175	-44	216	233	-17
3Q.....	39	46	-7	75	102	-27	114	148	-34
4Q.....	48	52	-4	85	127	-42	133	179	-46

+ = capital inflow.

- = capital outflow.

Trade in outstanding Canadian common and preference stocks, which over the decade of the 1950's had resulted in net sales of shares to foreigners, changed during 1961, and in the latter half of that year resulted in a small net purchase by Canadians. The change continued in 1962, and net purchases totalled \$116 million in that year. During the first half of 1963 the net purchases by Canadians rose to \$100 million but declined to \$69 million in the second half of the year.

United States residents, who on balance had been net purchasers of outstanding Canadian stocks until the second half of 1962, were heavy net sellers of

these securities in the late few months of 1962 and the first half of 1963. Net purchases by Canadians from United States residents were somewhat smaller in the second half of 1963 than they had been in the first half of that year.

The gross trade in outstanding Canadian stocks with residents of the United States (i.e., sales plus purchases), which had risen sharply in the latter part of 1961 and the early part of 1962, declined again in the latter part of 1962 to a level which was maintained in the first half of 1963. Both sales to and purchases from United States residents declined noticeably in the second half of 1963.

The net inflow of capital resulting from trade in outstanding Canadian bonds and debentures was \$39 million in 1963, about \$25 million lower than it had been in 1962 and 1961. These annual figures mask considerable changes within the years. All of the net inflow in 1962 occurred in the second half of the year. In 1963 a net inflow of \$50 million in the first half of the year was succeeded by a small net outflow in the second half.

TABLE 36  
TRADE IN OUTSTANDING CANADIAN SECURITIES BETWEEN  
CANADA AND THE UNITED STATES

Period	Canadian Bonds and Debentures			Canadian Common and Preference Stocks			Total		
	Sales to	Purchases from	Net	Sales to	Purchases from	Net	Sales to	Purchases from	Net
(Millions of dollars).									
1961—									
1Q.....	45	27	+18	111	90	+21	156	117	+39
2Q.....	123	90	+33	157	111	+46	280	201	+79
3Q.....	101	92	+9	113	90	+23	214	182	+32
4Q.....	169	155	+14	173	141	+32	342	296	+46
1962—									
1Q.....	203	210	-7	204	188	+16	407	398	+9
2Q.....	158	131	+27	154	158	-4	312	289	+23
3Q.....	104	62	+42	83	88	-5	187	150	+37
4Q.....	129	108	+21	103	121	-18	232	229	+3
1963—									
1Q.....	43	24	+19	83	113	-30	126	137	-11
2Q.....	40	18	+22	76	105	-29	116	123	-7
3Q.....	19	25	-6	37	51	-14	56	76	-20
4Q.....	19	19	-	42	67	-25	61	86	-25

+ = capital inflow.

- = capital outflow.

Changes in trade in outstanding Canadian bonds with residents of the United States were particularly marked. A net inflow resulting from this trade of more than \$60 million in the second half of 1962 fell to just over \$40 million in the first half of 1963, and disappeared entirely in the second half of 1963.

Gross trade in outstanding Canadian bonds and debentures was even more volatile than changes in net sales or purchases. Total sales to and purchases from United States residents, which had been \$265 million in 1960, rose to \$804 million in 1961, and to \$1,103 million in 1962. By the first half of 1963 they had already dropped to \$125 million, or to roughly the same level as in 1960. During the latter half of 1963 they shrank to about \$80 million.

There has been much less change in the trade in outstanding foreign securities between Canadians and non-residents. Gross trade in these securities, at

some \$800 million in 1963, was somewhat higher than it had been in 1962. However, in 1963 this trade resulted in a new inflow of capital of some \$40 million, while in 1962 it had resulted in an outflow of \$74 million.

Direct investment in Canada in 1963 amounted to \$210 million, considerably lower than the amount of \$555 million recorded in 1962. During 1962 there had been substantial inflows for the acquisition of existing businesses and refinancing. Inflows for this purpose were negligible in 1963. Petroleum and natural gas, and mining were the industries attracting the largest part of direct investment inflows, but on a reduced scale. The outflow of Canadian capital for direct investment abroad amounted to \$80 million compared to an outflow of \$125 million in 1962.

TABLE 37  
TRADE IN OUTSTANDING FOREIGN SECURITIES BETWEEN  
CANADA AND ALL COUNTRIES

Period	Sales to	Purchases from	Net
	(Millions of dollars)		
1961—			
1Q.....	113	110	+3
2Q.....	123	123	—
3Q.....	87	85	+2
4Q.....	104	114	-10
1962—			
1Q.....	89	118	-29
2Q.....	95	130	-35
3Q.....	83	90	-7
4Q.....	80	83	-3
1963—			
1Q.....	79	75	+4
2Q.....	132	111	+21
3Q.....	88	92	-4
4Q.....	127 <sup>(1)</sup>	108	+19 <sup>(1)</sup>

+ = capital inflow.      - = capital outflow.

<sup>(1)</sup>Includes some switch transactions, for which the corresponding purchase is reported as a new issue.

On balance in 1963 net short-term capital flows were relatively small in contrast to the very sharp movements which had taken place during the course of 1962. Different movements of particular components within the total of short-term capital tended to be offsetting. An outflow amounting to \$252 million in resident acquisition of foreign bank balances in 1963 was more than offset by an inflow of \$335 million in other items of short-term capital.

In general, periods of strength on capital account coincided with periods of weakness in the current account of the balance of payments, and vice versa. Consequently, movements in Canada's holdings of official reserves were, for the most part, relatively modest. Operations in the forward exchange market contributed to this relative stability as well as to restraining movements of short-term capital on a covered interest arbitrage basis.

The sole exception to this relative stability during 1963 was the drop in reserves of almost \$200 million in July, partly as a result of losses incurred at the time of the announcement of the proposed U.S. Interest Equalization Tax and partly as a result of the repayment of U.S. \$79.7 million against the Canadian drawing from the International Monetary Fund in June 1962.

Monthly totals of official reserves are shown in Table 38.

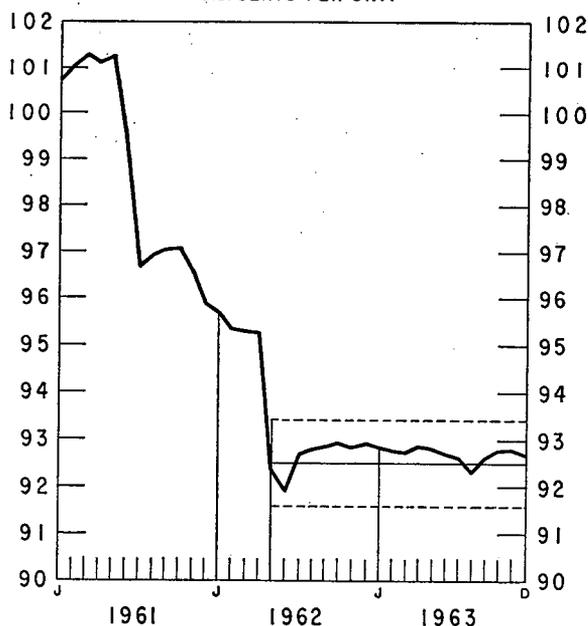
TABLE 38

End of Period	Gold	U.S. Dollars	Total
(Millions of U.S. Dollars)			
1962—Nov.....	702.3	1,905.2	2,607.5
Dec.....	708.5	1,830.9	2,539.4
1963—Jan.....	714.4	1,948.1	2,662.5
Feb.....	725.4	1,868.5	2,593.9
Mar.....	732.1	1,868.0	2,600.1
Apr.....	738.7	1,932.7	2,671.4
May.....	746.4	1,965.6	2,712.0
June.....	754.6	1,937.0	2,691.6
July.....	762.0	1,739.0	2,501.0
Aug.....	767.8	1,702.7	2,470.5
Sept.....	774.7	1,793.6	2,568.3
Oct.....	784.4	1,797.0	2,581.4
Nov.....	799.5	1,831.5	2,631.0
Dec.....	817.2	1,777.8	2,595.0

The movements in the value of the Canadian dollar expressed in U.S. funds are shown in the accompanying chart. For convenience, the chart shows the parity established for the Canadian dollar (92.5c U.S.) on May 2, 1962, and the 1 per cent range within which the rate must be kept under the Bretton Woods Agreements Act. It can be seen from the chart that, since the parity was set, the rate in the market has for most months averaged slightly above par. Daily movements of the exchange rate have, on occasion, been sharper than the monthly averages suggest (the movements on July 18-19, 1963, were an example of this).

### CANADIAN DOLLAR IN UNITED STATES FUNDS

AVERAGE NOON RATES  
U.S. CENTS PER UNIT



The broad monthly movements in the course of 1963 reflect a wide variety of factors, including seasonal movements in the current and capital accounts, changes in official holdings and the financing of trade, to name but a few. The chart does show the influence of the substantial long-term net capital inflow in the early part of 1963, the effect of the announcement of the proposed U.S. Interest Equalization Tax in July, and the signing of the large wheat contract with the U.S.S.R. in September. At the close of 1963, the spot rate of the Canadian dollar was at the 92.5c U.S. level.

## DISPOSITION AND SOURCE OF SAVING

From a broad economic point of view, the nation's production of goods and services is either consumed in the period in which it is produced, or is invested in additions to the nation's capital assets. At the same time, additions to the nation's savings are equivalent to the amounts of income which are not consumed currently. Accordingly, the nation's savings, generated by its economic activities in any given period, are matched by a corresponding increase in its investment.

The nation's investment is represented by domestic physical assets (housing, business plant and equipment and inventories). In addition, the nation's claims on the resources of other countries properly count as additions to its wealth and increases in claims by other countries must be counted as a deduction. Hence, the nation's surplus (or deficit) on current international account, which gives rise to changes in claims on foreigners, or on the nation by foreigners is counted as part of total national investment. These relationships are portrayed in Tables 39 and 40.

Table 40 shows the total saving generated in the economy by persons, businesses and governments, on a national accounts basis. It should be noted that, in these accounts, fixed investment outlays by government departments are treated as current expenditure in the year the investment occurs. Consequently, governments' current expenditures appear higher and the governments' surplus (or deficit) position is correspondingly lower (or higher) than if these expenditures were capitalized in the national accounts on the same basis as business investment. It should also be noted that the total of national savings in these accounts appears lower as a result of this accounting treatment.

Table 40 does not portray or elaborate the flows of funds between the different sectors of the economy. Some of the financial mechanism by which the needs of borrowers are matched against the funds of savers is described in a later section.

Table 39 shows the disposition of saving. One of the important developments in 1963 was an increase in gross domestic investment in Canada, over the preceding year. At the same time the deficit on current account with non-residents declined significantly, giving rise to a smaller increase in claims by foreigners on Canadian resources.

TABLE 39  
DISPOSITION OF SAVING.

	1959	1960	1961	1962	1963 <sup>(1)</sup>		
					1Q	2Q	3Q
(Millions of dollars)							
Business gross fixed capital formation.....	6,894	6,692	6,635	6,954	7,056	7,268	7,376
Value of physical change in inventories.....	357	361	-144	565	508	400	600
Surplus (+) or deficit (-) on current account with non-residents.....	-1,448	-1,164	-911	-809	-572	-336	-748
Residual error.....	31	98	150	221	224	144	156
<b>Total.....</b>	<b>5,834</b>	<b>5,987</b>	<b>5,730</b>	<b>6,931</b>	<b>7,216</b>	<b>7,476</b>	<b>7,384</b>

<sup>(1)</sup>Seasonally adjusted at annual rates.

TABLE 40  
SOURCES OF SAVING

	1959	1960	1961	1962	1963 <sup>(1)</sup>		
					1Q	2Q	3Q
(Millions of dollars)							
Personal saving.....	1,357	1,539	1,509	2,331	2,348	3,156	2,420
Business gross saving—total.....	5,185	5,338	5,343	5,723	5,988	5,760	6,140
(a) Undistributed corporation profits.....	986	873	778	979	980	1,144	1,148
(b) Capital consumption allowances and miscellaneous valuation adjustments.....	4,204	4,459	4,539	4,755	4,320	4,844	4,848
(c) Adjustment on grain transactions <sup>(2)</sup> .....	-5	6	26	-11	188	-223	144
Inventory valuation adjustment.....	-122	-80	-67	-132	-144	-296	-148
Government surplus (+) or deficit (-).....	-556	-711	-905	-770	-756	-1,000	-876
Federal.....	-327	-238	-453	-474	-420	-572	-148
Provincial and Municipal.....	-229	-473	-452	-296	-336	-428	-728
Residual error of estimate.....	-30	-99	-150	-221	-220	-144	-152
<b>Total.....</b>	<b>5,834</b>	<b>5,987</b>	<b>5,730</b>	<b>6,931</b>	<b>7,216</b>	<b>7,476</b>	<b>7,384</b>

<sup>(1)</sup>Seasonally adjusted at annual rates.

<sup>(2)</sup>Accrued earnings arising out of operations of the Canadian Wheat Board.

The changes in national saving to match this increase in national investment are shown below:

TABLE 41  
CHANGES IN TOTAL NATIONAL INVESTMENT AND SAVING<sup>(1)</sup>  
NATIONAL ACCOUNTS BASIS

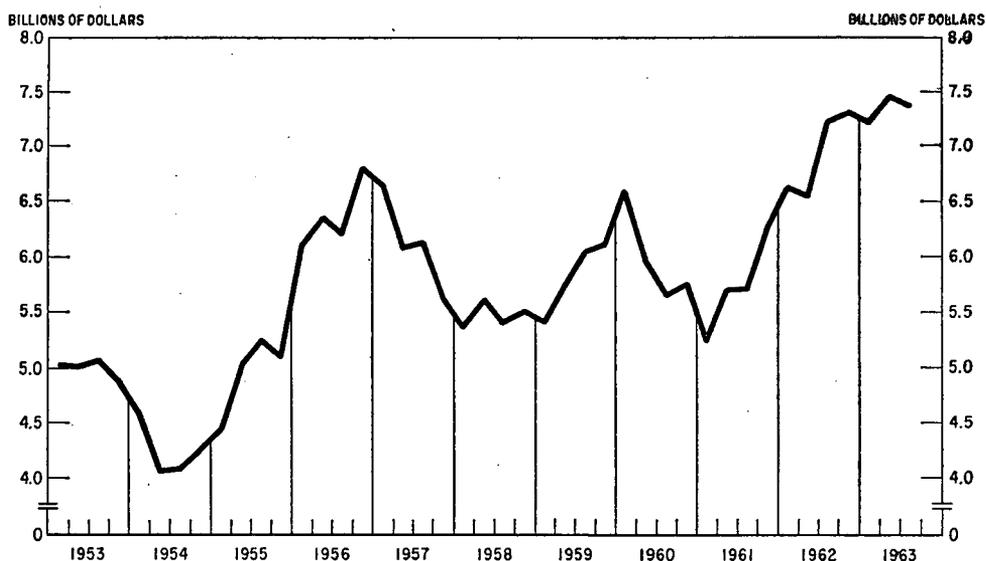
	1963
	1962
Domestic Investment.....	+ 0.2
Reduction in Current Account Deficit.....	+ 0.4
<b>Total</b> .....	<b>+ 0.6</b>
Personal Net Saving.....	+ 0.3
Business Gross Saving.....	+ 0.3
Federal Government (Reduction in Deficit).....	+ 0.2
Provincial Governments and Municipalities (Increase in Deficit).....	- 0.2
<b>Total</b> .....	<b>+ 0.6</b>

<sup>(1)</sup>Average of first three quarters seasonally adjusted at annual rates, rounded to nearest \$1 billion.

As was noted in the section on the International Balance of Payments, the reduction in the deficit on current account in 1963 was almost matched by a reduction in the net inflow of capital from abroad, as changes in official holdings of exchange reserves were small. The lower level of net capital inflow in 1963 was more than offset by higher levels of the nation's saving, and domestic investment was correspondingly higher.

Similarly, the higher level of personal saving noted in the section on Personal Income and Disposition is revealed in Tables 40 and 41.

NATIONAL SAVINGS, BY QUARTERS, 1953-1963<sup>(1)</sup>



<sup>(1)</sup>SEASONALLY ADJUSTED AND AT ANNUAL RATES

TABLE 42  
CORPORATION PROFITS, TAXES AND DIVIDENDS

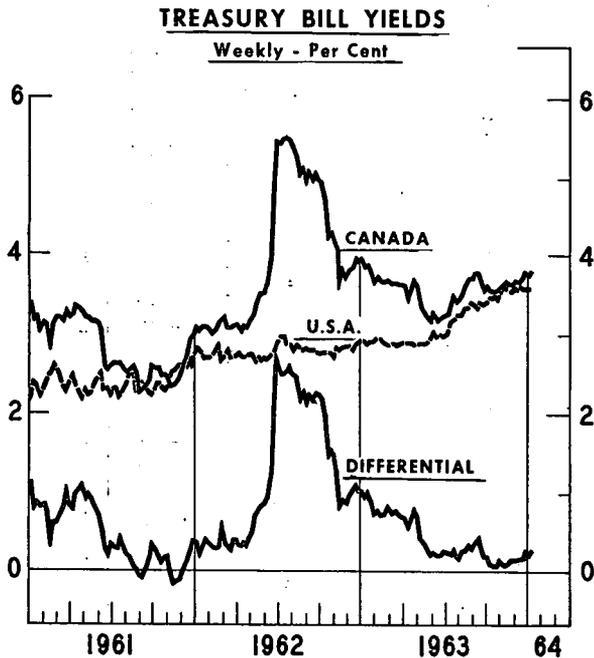
	1959	1960	1961	1962	1963 <sup>(1)</sup>		
					1Q	2Q	3Q
	(Millions of dollars)						
Corporation profits before taxes including dividends paid to non-residents.....	3,504	3,359	3,460	3,824	3,984	4,120	4,028
Deduct: Corporation income tax liabilities.....	1,581	1,562	1,612	1,750	1,816	1,864	1,788
<i>Excess of tax liabilities over collections.....</i>	<i>166</i>	<i>-104</i>	<i>61</i>	<i>95</i>	<i>104</i>	<i>116</i>	<i>-64</i>
<i>Tax collections.....</i>	<i>1,425</i>	<i>1,666</i>	<i>1,551</i>	<i>1,655</i>	<i>1,712</i>	<i>1,748</i>	<i>1,852</i>
Corporation profits after taxes.....	1,923	1,797	1,848	2,074	2,168	2,256	2,240
Deduct dividends paid out.....	937	924	1,070	1,095	1,188	1,112	1,092
Undistributed corporation profits.....	986	873	778	979	980	1,144	1,148

<sup>(1)</sup>Seasonally adjusted at annual rates.

Business gross saving, in the form of larger undistributed corporation profits and capital consumption allowances, as set out in Table 40 (all figures at annual rates) rose by \$332 million in the first nine months of 1963, over a year earlier. Table 42 shows the year-to-year movement in corporate profits. Profits before taxes increased by \$268 million in the first nine months of 1963 over the preceding year. The largest increases in profits in the current upswing have been made in the manufacturing industries where, as noted earlier, gains in output have been substantial and where sales have increased in both domestic and foreign markets. Dividend payments showed a moderate increase in the first nine months of 1963. After payment of dividends, undistributed profits increased by \$152 million in the first nine months of 1963 over the preceding year. Capital consumption allowances (based generally on amounts reported to government by businesses) also increased by \$130 million. The deficit on combined Government Account, on a national accounts basis, in the nine months 1963-1962 comparison was higher by \$74 million. The deficits of provincial governments and municipalities rose by \$245 million, and this was offset to a considerable extent by a reduction of \$171 million in the deficit of the federal government.

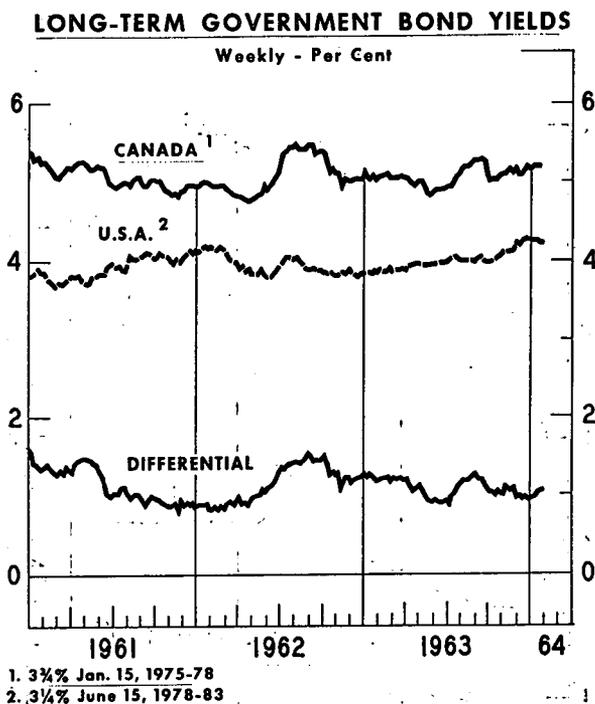
### CAPITAL MARKETS

During 1963 credit conditions were such as to facilitate the continued advance in economic activity. The impact of special events was of particular importance to capital markets within the year. During the first half of 1963 interest rates continued to decline from the very high level to which they had climbed at the time of the exchange crisis in June, 1962. In this period, the interest rate differential between Canadian and United States interest rates was declining, and new offerings of Canadian foreign-pay securities were also declining from the abnormally high levels of the fourth quarter of 1962 and the first quarter of 1963.



On July 18, 1963, the President of the United States, in a special message to Congress on the balance of payments, proposed an interest equalization tax which would be effective immediately. The purpose of the tax was to check the increasing outflow from the United States of certain long-term investment capital. It was to be in the form of an excise tax, varying from 2.75 to 15 per cent on the value of debt obligations and 15 per cent on the value of equities purchased from foreigners by United States citizens and residents and to remain in effect until the end of 1965. The tax would have the effect of increasing the annual interest cost on such issues by about 1 percentage point.

The announcement produced a crisis in Canadian capital and exchange markets. A degree of equilibrium was restored when the administration on July 21 agreed to seek from Congress power for the President to exempt new Canadian issues from the tax. At the same time, the Canadian authorities stated that it would not be the desire or intention of Canada to increase her foreign exchange reserves through the proceeds of borrowings in the United States. The negotiation in September of a very large contract for the sale of wheat to the U.S.S.R. imparted a feeling of confidence in the immediate balance-of-payments outlook which was reflected in Canadian capital markets.

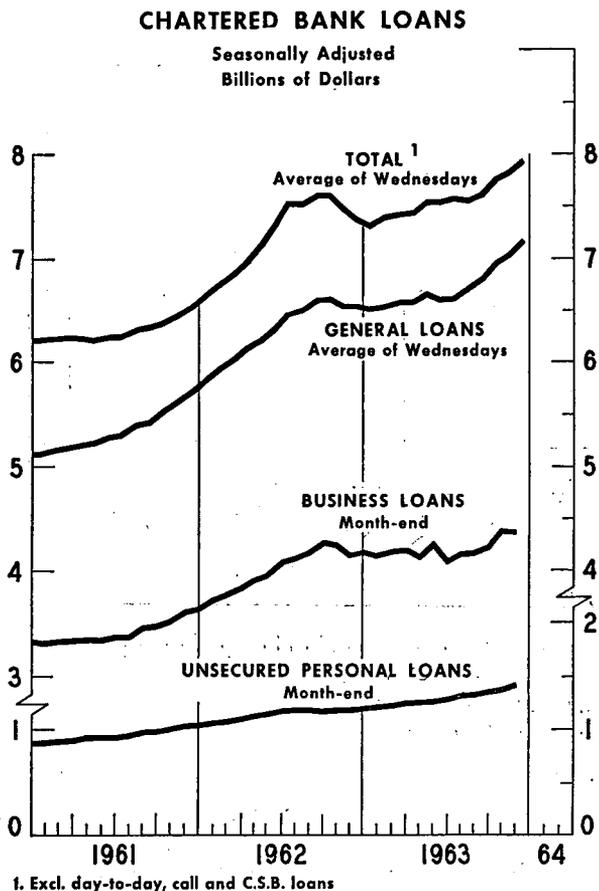


The continued uncertainty surrounding the proposed interest equalization tax in the United States virtually eliminated any new long-term borrowing in the United States. Trade in outstanding securities, both Canadian and U.S., was sharply reduced in volume and, on balance, led to some outflow of capital from Canada in the latter half of 1963. These circumstances were reflected by an underlying sense of uneasiness which persisted in Canadian capital markets

through the last half of 1963. The gross volume of new market issues of securities was reasonably well maintained, especially in the fourth quarter of the year. The net volume of new market issues, after deducting retirements, was lower than in the same period in recent years.

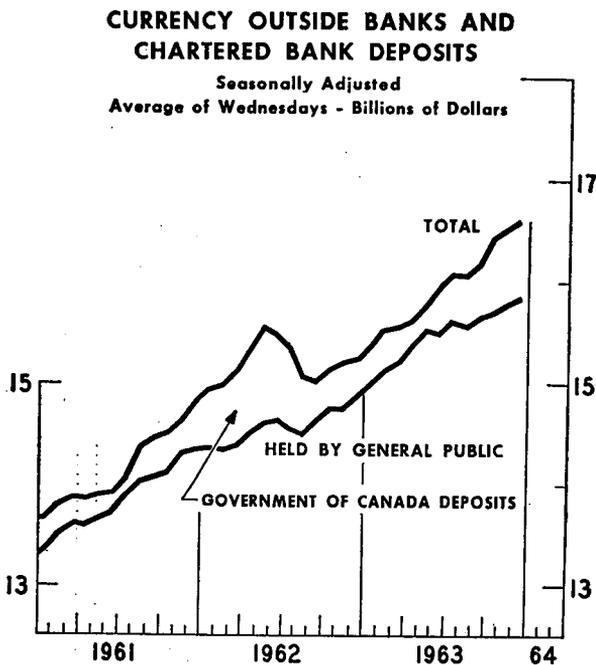
It is against the foregoing background that financial developments in 1963 are analyzed.

Demands for funds on security markets and from banks were somewhat lower in 1963 than in 1962. Despite a decline in net capital inflow from abroad for 1963 as a whole, compared with the previous year, the financing needs of business, government, and consumers were met without much net change in the level of interest rates from the beginning to the end of the year. The increases in business fixed investment in 1963 were more or less in line with those of general business activity. Higher levels of retained earnings and depreciation allowances, along with the retirement of a substantial amount of stocks of the privately owned hydro companies in Quebec, led to a decline in net demand for outside financing by the business sector. Demands for funds by all levels of government were somewhat higher than in 1962, reflecting in part higher deficits by provincial governments and municipalities and, in part, the acquisition of certain assets.



The supply of funds was ample for the needs of domestic financing, and movements of interest rates within 1963 reflected, in large part, the special circumstances outlined earlier. Chartered bank assets, which had contracted sharply during the summer of 1962, at the time of the exchange crisis, began to increase strongly by the autumn of 1962. Initially, this represented a rebuilding of chartered banks' liquidity, in the form of security holdings, and as the general public built up its liquid holdings, in the form of bank deposits. Later, the demands for bank loans began to rise, reflecting consumer borrowing to finance higher levels of consumer purchases (in particular durable goods); and increased demands by business. Business demand for loans was associated with some increase in inventory holdings, as well as temporary financing, during the period of postponement of some domestic-pay issues, related to the interest equalization tax.

In total, the money supply (currency and chartered bank deposits) rose by less than 13 per cent in the two-year period ending December 31, 1963. The rise in G.N.P. over a comparable period was about 14 per cent (4th Quarter 1961 to 4th Quarter 1963).



Interest rates remained below past peaks throughout 1963. From the level of 6 per cent established in June, 1962, at the time of the exchange crisis, the bank rate had been progressively reduced to 4 per cent by November, 1962, and was further reduced to 3½ per cent in May, 1963. This movement was in harmony with market rates. Following an increase in the U.S. rediscount rate in July, 1963, and some rise in Canadian market interest rates, the bank rate was raised to 4 per cent in August, at which level it continued through the rest of the year. Since May of 1963, Canadian-U.S. interest spreads have been such as to provide little or no incentive for U.S. short-term funds to flow into Canada. At the end of 1963 Canadian interest rates showed less increase over their levels at the start of the economic upswing in 1961 than in the previous two business cycles.

TABLE 43  
NET CHANGES IN SECURITIES<sup>(1)</sup> AND BANK LOANS<sup>(2)</sup> OUTSTANDING

	1960	1961	1962	1963	1962		1963	
					1st half	2nd half	1st half	2nd half
(Millions of dollars)								
Government of Canada Securities <sup>(3)</sup> .....	669	1,110	787	982	-371	1,158	331	650
Provincial Governments Securities <sup>(4)</sup> .....	479	936	693	908	285	408	623	284
Bank loans.....	89	- 82	- 17	19	- 22	6	- 2	20
<i>Sub-total</i> .....	<i>668</i>	<i>854</i>	<i>677</i>	<i>926</i>	<i>263</i>	<i>413</i>	<i>622</i>	<i>305</i>
Municipal Governments Securities.....	283	208	189	238	82	107	136	102
Bank loans.....	- 14	30	- 3	57	45	- 48	33	24
<i>Sub-total</i> .....	<i>269</i>	<i>239</i>	<i>186</i>	<i>296</i>	<i>127</i>	<i>59</i>	<i>169</i>	<i>127</i>
Private Canadian Borrowers Corporate Bonds.....	332	349	421	578	271	149	482	96
Corporate Stocks <sup>(5)</sup> .....	172	224	333	-124	140	193	-252	128
Finance Co. Notes.....	7	- 51	179	174	87	92	136	38
Bank loans to Business and Instalment Finance Companies.....	98	205	526	334	704	-178	110	224
<i>Sub-total</i> .....	<i>609</i>	<i>727</i>	<i>1,459</i>	<i>962</i>	<i>1,203</i>	<i>256</i>	<i>475</i>	<i>487</i>
Call and Day-to-day Loans.....	70	35	137	- 85	-167	304	-201	116
Other Bank Loans <sup>(6)</sup> .....	224	182	224	235	129	96	17	218
<i>Sub-total (Private)</i> .....	<i>903</i>	<i>944</i>	<i>1,820</i>	<i>1,112</i>	<i>1,165</i>	<i>655</i>	<i>291</i>	<i>821</i>
<b>Total</b> .....	<b>2,410</b>	<b>3,147</b>	<b>3,469</b>	<b>3,316</b>	<b>1,183</b>	<b>2,286</b>	<b>1,412</b>	<b>1,904</b>

(1) Includes Canadian and foreign pay issues.

(2) Includes only Canadian dollar bank loans.

(3) Direct and guaranteed securities held outside Government Accounts.

(4) Includes securities guaranteed by provinces.

(5) Excludes chartered bank stock issues.

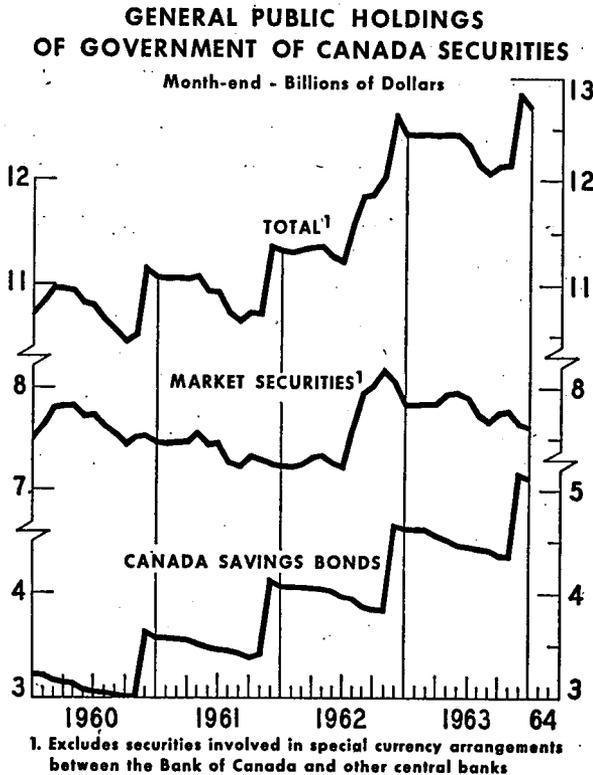
(6) Insured mortgage loans and all other chartered bank loans in Canadian currency not included elsewhere.

## DEMANDS FOR FUNDS

Table 43 summarizes the changes in net demands for funds, in the form of all security issues and bank loans in Canadian currency by the major classes of borrower.

Demand for funds totalled \$3.3 billion in 1963, about \$150 million below 1962 and about \$170 million higher than in 1961, the first year of the current business expansion.

Net new issues of federal government securities held outside government accounts totalled \$982 million in 1963, compared to \$787 million in 1962. Although the federal government deficit, on the national accounts basis, was reduced in 1963 by about \$150 million from the 1962 level, the federal government accumulated various assets, notably cash, which added to the demand for funds. At the end of 1963, federal government cash balances were about \$350 million higher than a year earlier. In 1963 the increase in Government of Canada debt held outside government accounts, less additional cash balances of the Government, totalled \$625 million. In 1962 the increase amounted to \$808 million.



Borrowings by provincial governments totalled \$926 million in 1963. This total included funds raised in connection with the nationalization of the hydroelectric companies in Quebec during the year, when a net amount of \$356 million of privately-held stocks were retired. In 1962, funds raised had totalled \$677 million. Municipalities raised \$296 million from security markets and through

bank loans in 1963, well above the \$186 million raised in 1962. The total of \$1.2 billion raised by provinces and municipalities in 1963 (which includes funds raised in connection with the takeover of private hydro-electric utilities) reflects the higher level of deficit, on the national accounts basis, which in the first three quarters of 1963 averaged \$497 million seasonally adjusted at annual rates, and borrowings for some provincially- and municipally-owned utilities. In 1963, outlays by these governments and their owned utilities on new capital investment totalled \$2.4 billion, a substantial part of which was financed through borrowings.

**TABLE 44**  
**CAPITAL OUTLAYS BY PROVINCIAL GOVERNMENTS AND MUNICIPALITIES**

—	1962	1963	Change
	(Millions of dollars)		
Enterprises.....	674	784	+110
Institutions.....	543	578	+ 35
Government Departments.....	927	1,008	+ 81
<b>Total.....</b>	<b>2,144</b>	<b>2,370</b>	<b>+226</b>

Net demand for funds by private borrowers was \$1.1 billion in 1963, about \$700 million less than in 1962. As already noted, \$356 million of this reduction represents the net retirement of privately-owned stocks of hydro-electric companies in Quebec. In the preceding section on Disposition and Source of Saving, the changes in flows of internally generated business funds and in levels of physical investment had been noted. In the first three quarters of 1963, domestic business investment (including the non-corporate sector) was \$.2 billion higher than in the corresponding period of 1962 while the flow of business saving (retained earnings and depreciation allowances) was about \$.3 million higher.

The following table shows who acquired the financial assets created by the new security issues and bank loans described above.

The table highlights a number of developments that occurred in 1963. The increase in bank loans was less in 1963 than in 1962, although there was a considerable acceleration in the last half of the year. In the third quarter of 1962, the general public had bought a considerable quantity of marketable Government of Canada securities from the banking system. This pattern was reversed in the fourth quarter of 1962 and in 1963, with the banking system buying market issues from the general public, in exchange for bank deposits. At the same time, the banking system built up its own liquidity through the acquisition of securities. The proportion of bank assets in cash, day and call loans, Government of Canada treasury bills and bonds, and other liquid assets rose from 34.1 per cent at the end of 1962 to 35.4 per cent at the end of 1963. Almost one-half of the increase in holdings of Canadian securities by the banking system had as its counterpart

TABLE 45  
NET INCREASE IN HOLDINGS OF CERTAIN FINANCIAL ASSETS CLASSIFIED BY HOLDERS

	1960	1961	1962	1963	1962		1963	
					1st half	2nd half	1st half	2nd half
					(Millions of dollars)			
<b>Chartered banks and Bank of Canada</b>								
Canadian securities.....	262	940	-262	761	-162	-100	477	284
Chartered bank loans.....	467	370	868	560	688	179	- 43	604
<b>Total.....</b>	<b>729</b>	<b>1,310</b>	<b>606</b>	<b>1,321</b>	<b>526</b>	<b>80</b>	<b>433</b>	<b>888</b>
<b>Non-bank holders</b>								
Currency and bank deposits <sup>(1)</sup> .....	711	1,257	520	1,389	333	187	391	997
Other net liabilities of banking systems <sup>(2)</sup> .....	17	53	86	- 68	193	-108	42	-110
Sub-total <sup>(3)</sup> .....	729	1,310	606	1,321	526	80	433	888
Canadian securities.....	1,681	1,837	2,863	1,994	657	2,206	979	1,016
<b>Total.....</b>	<b>2,410</b>	<b>3,147</b>	<b>3,469</b>	<b>3,316</b>	<b>1,183</b>	<b>2,286</b>	<b>1,412</b>	<b>1,904</b>
of which:								
Government of Canada								
Chartered bank and Bank of Canada deposits <sup>(1)</sup> .....	96	84	- 23	357	241	-264	-100	456
Public in Canada <sup>(4)</sup>								
Government of Canada securities.....	269	232	1,026	152	-138	1,163	-236	389
Other Canadian securities.....	1,050	1,341	1,489	1,316	679	810	692	623
Sub-total: Canadian securities.....	1,319	1,573	2,514	1,468	542	1,972	456	1,012
Currency and chartered bank deposits <sup>(1)</sup> .....	541	1,134	577	993	161	416	481	512
Other net liabilities of banking system.....	-17	53	86	- 68	193	-108	42	-110
<b>Total.....</b>	<b>1,877</b>	<b>2,760</b>	<b>3,177</b>	<b>2,393</b>	<b>896</b>	<b>2,281</b>	<b>979</b>	<b>1,415</b>
<b>Non-Residents</b>								
Government of Canada securities <sup>(5)</sup> .....	86	11	-123	112	35	88	142	- 30
Other Canadian securities.....	276	253	226	415	80	146	381	34
Sub-total: Canadian securities.....	362	264	349	527	115	234	523	4
Canadian bank deposits.....	74	39	- 34	39	- 69	35	11	29
<b>Total.....</b>	<b>436</b>	<b>303</b>	<b>315</b>	<b>565</b>	<b>46</b>	<b>268</b>	<b>533</b>	<b>32</b>

<sup>(1)</sup>Includes only Canadian Dollar Deposits.

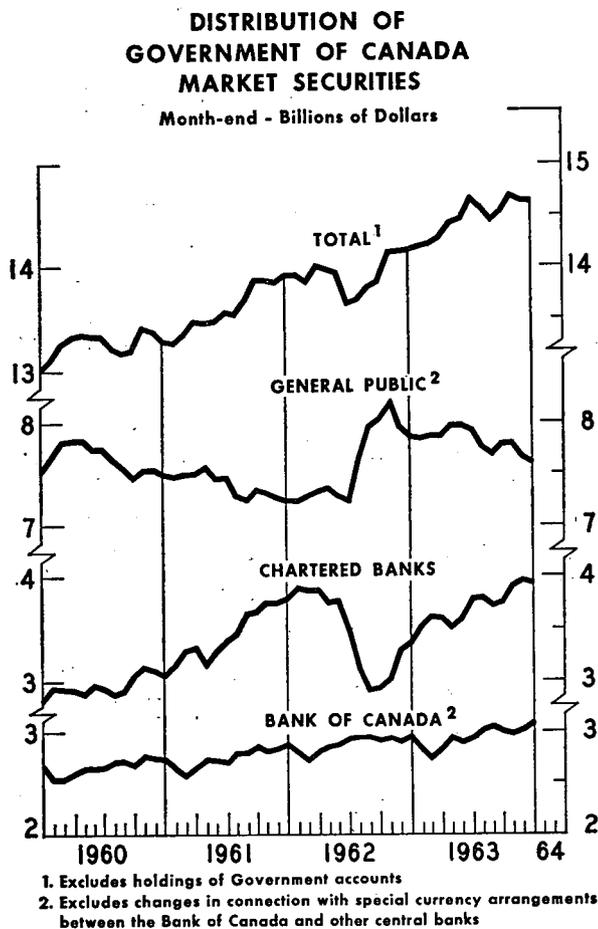
<sup>(2)</sup>Balancing item.

<sup>(3)</sup>Equals total holdings of securities and loans by banking system as above.

<sup>(4)</sup>Excludes holdings by the chartered banks.

<sup>(5)</sup>Includes treasury bills.

increased cash balances of the Government of Canada, which rose by \$357 million during 1963.



The figures on non-resident holdings of these Canadian market assets do not include direct investments, the net inflow of which was about \$3 billion lower in 1963 than in 1962.

## HOUSING FINANCE

Housing starts totalled 148,600 in 1963, an increase of 14.3 per cent from those in 1962 and the second highest annual total on record. Most of the increase in starts occurred in multiple dwellings which rose 28.4 per cent from 55,652 in 1962 to 71,466 in 1963. Single dwellings rose 3.6 per cent from 74,443 to 77,158. Seasonally adjusted, the trend in starts of multiple dwellings was buoyant during most months of the year. Single dwelling starts followed the fairly flat trend of recent years during the first three quarters of 1963 but increased dramatically in the final quarter. The strength in housing activity, especially during the latter months of the year, reflected the availability of private and public mortgage funds and Government measures.

A number of factors were of significance to the housing market in 1964. On June 10 the Government announced a winter housebuilding incentive programme consisting of a \$500 direct payment to the first purchaser or owner of any house substantially built during the four months from December 1963 to March 1964. On June 13 it was announced that down payments on N.H.A. insured houses would be reduced and loans values increased, in terms of both an increased ratio of loan to lending value of a house, as well as in the maximum loan available. The Budget contained provisions for removing the exemption for building materials from the general sales tax. A sales tax of 4 per cent has been applicable since June 14; the remaining 7 per cent is to go into effect in two stages with 4 per cent on April 1, 1964 and 3 per cent on January 1, 1965. The N.H.A. rate was reduced from 6½ per cent to 6¼ per cent, effective June 14. This action was taken against a background of previously declining market yields, and a good supply of private funds for N.H.A. mortgages.

TABLE 46

## STARTS BY PRINCIPAL SOURCE OF FINANCING, CANADA, 1960-1963

Source of Financing	1960	1961	1962	1963
Loans Under NHA				
Direct CMHC Loans				
Limited-Dividend.....	1,380	3,551	1,943	1,829
Other.....	12,408	20,301	13,690	19,384
Total CMHC.....	13,788	23,852	15,633	21,213
Approved Lenders				
Chartered Banks.....	77	16	5	3
Life Insurance Companies.....	13,702	19,988	18,190	16,256
Loan, Trust Companies, etc.....	5,144	15,330	13,595	12,246
Total Approved Lenders.....	18,923	35,334	31,790	28,505
Conventional Institutional Loans				
Life Insurance Companies.....	25,741	24,347	31,684	41,738
Loan, Trust Companies, etc.....	14,375	13,969	22,530	30,245
Total Conventional.....	40,116	38,316	54,214	71,983
Federal Gov't Assistance Other than NHA <sup>(1)</sup> .....	2,115	1,993	3,004	N.A.
Direct Federal Government House-building.....	1,830	2,778	2,354	N.A.
Other Financing <sup>(2)</sup> .....	32,086	23,304	23,100	N.A.
Total Other.....	36,031	28,075	28,458	26,923
<b>Total Dwelling Starts.....</b>	<b>108,858</b>	<b>125,577</b>	<b>130,095</b>	<b>148,624</b>

Source: CMHC.

<sup>(1)</sup>Includes Government loans under the Veterans' Land Act, the Farm Credit Act, and loans for Urban Military Housing and guarantees under the Farm Improvement Loans Act.

<sup>(2)</sup>Includes starts financed wholly from owner's equities and by loans made by individuals, credit unions and provincial and municipal governments.

N.A.—Not available.

On September 23, the Government authorized C.M.H.C. to extend its direct loans to builders, to cover houses which had not been pre-sold. In the fourth quarter, C.M.H.C. approved direct loans on about 15,000 dwelling units, before withdrawing direct loans to builders on unsold houses on November 15. An estimated loan potential of close to \$195 million was created, which ensured a high level of housebuilding activity during the winter. At year-end, 96,613 new houses were under construction. This is a record rate of winter construction and compares with 76,000 at the end of 1962.

In January and May 1963, C.M.H.C. continued its series of auctions of N.H.A. mortgages from its portfolio, selling \$27 million in January and \$35 million in May, bringing the cumulative total sold to \$148 million. They constitute a significant element among governmental and private efforts to improve Canadian mortgage finance, and are aimed at developing a secondary market for, and stimulating greater sales and purchases of insured N.H.A. mortgages. No auctions occurred in the remainder of 1963, largely because of the uncertainties in financial markets following the proposal of an Interest Equalization Tax in the United States.

#### CONSUMER CREDIT

As described in an earlier section, personal expenditures on goods and services increased 6.6 per cent from the third quarter of 1962 to the third quarter of 1963. Consumer purchases of durable goods rose more sharply due in large part to record sales of new and used automobiles. The use of consumer credit to finance consumer outlays grew, and average payment terms were eased by lenders. At the end of the third quarter of 1963, total consumer credit outstanding by chartered banks, instalment finance and small loan companies and retail stores was running 11.4 per cent above its level a year earlier, compared to a gain of 10.2 per cent in the year ending September 1962. At the end of September 1963, consumer credit outstanding equalled 13.4 per cent of personal disposable income, a higher percentage than in previous years. A similar development has been occurring in the United States.

Nearly all of the main lenders experienced a sharp increase in their outstanding loans. Chartered bank consumer credit, which had been level in the second half of 1962, resumed its sharp upward trend throughout 1963 and at the end of December was 21.0 per cent above the beginning of the year. Instalment finance company loans displayed a fairly level trend in early 1963, but rose steeply from the end of March to the end of August and thereafter levelled off to the end of December by which time they had risen 8.9 per cent from the beginning of the year. During 1963, small loan companies maintained the steady growth in loans which had begun in late 1961 and recorded a 13.2 per cent increase to the end of December 1963. Retail store credit showed little change in 1963 from the gradual upward trend of the previous year.

#### FEDERAL GOVERNMENT DEBT OPERATIONS

As indicated earlier, the federal government raised \$982 million from net new issues of securities in 1963. Of this amount, \$513 million was raised from the sale of Canada Savings Bonds in excess of redemptions, \$72 million from treasury bills and \$396 million from issues of marketable bonds.

About one-third of the net amount raised in the calendar year 1963 covered the government deficit on a national accounts basis. Of the remaining two-thirds, \$200 million was advanced to the C.N.R. to assist the railway in retiring a \$250 million issue maturing in February and the rest was used to acquire other assets, including advances to C.M.H.C. and cash balances.

In addition to the net new cash that was raised, the Government had to refund about \$1.5 billion of market issues which matured at intervals of 6 to 9 weeks throughout 1963, in addition to regular weekly maturities of treasury bills<sup>(1)</sup>.

<sup>(1)</sup>Excluding the regular weekly maturities of treasury bills, the refunding schedule of maturities during 1963 was:

\$100 million in 4% bonds due January 1, 1963.
\$250 million in CNR 2½% bonds due February 1, 1963.
300 million in 2½% bonds due April 1, 1963.
13 million in 5½% bonds due April 1, 1963.
275 million in 2½% bonds due June 1, 1963.
16 million in sterling-pay bonds due July 1, 1963.
85 million in 366 day treasury bills due August 2, 1963.
223 million in 3% bonds due October 1, 1963.
300 million in 4% bonds due December 15, 1963.

Total \$1,562 million

The objective of debt management is to finance the Government's cash requirements and to refund maturing obligations in such a way as to give maximum support to fiscal and monetary policy at a minimum cost and consistent with a prudent maturity pattern. The maturities chosen for new issues have an important bearing on the interest rate structure and the liquidity of the economy. The aim of financial policy in 1963 was to facilitate the economic expansion. The somewhat greater liquidity of the economy in 1963 was a factor which assisted the continued growth of output and employment.

The management of the public debt supported this objective. In 1963 the bulk of Government of Canada financing took the form of short-term issues.

TABLE 47  
TERMS AND CONDITIONS OF NEW ISSUES OF GOVERNMENT OF CANADA  
DIRECT MARKET BONDS FOR THE YEAR 1963

Date of Issue	Date of Offering	Amount (\$ millions par value)	Coupon rate (%)	Term	Maturity Date	Price at issue (%)	Yield at issue (%)	Commission to dealers (%)
Feb. 1	Jan. 14	125	3½	1 yr.	Feb. 1/64	99.25	4.02	0.10
		225	3½	3 yrs.	Feb. 1/66	97.25	4.49	0.25
Apr. 1	Mar. 18	240	3½	10 mos.	Feb. 1/64	99.20	4.23	0.10
		60	4½	2 yrs.	Apr. 1/65	99.50	4.51	0.20
June 3	May 10	100	5	25 yrs.	June 1/88	99	5.07	0.75
		175	3½	1 yr. 1 mo.	July 1/64	99.35	3.87	0.10
		175	4½	4 yrs.	June 1/67	99	4.53	0.375
Oct. 1	Sept. 16	185	3½	1 yr.	Oct. 1/64	99	4.28	0.10
		90	4½	1 yr. 6 mos.	Apr. 1/65	99.40	4.67	0.15
		316	5	5 yrs.	Oct. 1/68	100	5.00	0.25
Dec. 15	Dec. 2	225	3½	1 yr.	Dec. 15/64	99.15	4.13	0.10
		75	4½	3 yrs.	Dec. 15/66	99.85	4.53	0.20
		1,991						

TABLE 48

SUMMARY OF NEW ISSUES AND RETIREMENTS OF GOVERNMENT  
OF CANADA TREASURY BILLS FOR THE YEAR 1963

(Average yield in % in Brackets)

(Millions of dollars, par value)

Date of issue or Retirement	Date of offering of new issues	New issues				Total Retirements	Resulting net change in total of treasury bills outstanding
		3-month	6-month	1 year	Total		
Jan. 4	Dec. 27	105 (3.94)	30 (4.06)		135	135	
11	Jan. 3	105 (3.85)	30 (3.96)		135	135	
18	Jan. 10	105 (3.87)	30 (3.98)		135	135	
25	Jan. 17	105 (3.78)	30 (3.88)		135	135	
Feb. 1	Jan. 24	105 (3.65)	30 (3.77)		135	135	
8	Jan. 31	95 (3.72)	30 (3.85)		125	125	
15	Feb. 7	95 (3.66)	30 (3.77)		125	125	
22	Feb. 14	95 (3.65)	30 (3.76)		125	125	
Mar. 1	Feb. 21	95 (3.68)	30 (3.79)		125	125	
8	Feb. 28	100 (3.63)	30 (3.73)		130	130	
15	Mar. 7	100 (3.64)	30 (3.75)		130	130	
22	Mar. 14	100 (3.62)	30 (3.73)		130	130	
29	Mar. 21	105 (3.62)	30 (3.74)		135	135	
Apr. 5	Mar. 28	110 (3.60)	30 (3.73)		140	140	
11	Apr. 4	110 (3.48)	30 (3.60)		140	140	
19	Apr. 10	120 (3.57)	30 (3.67)		150	140	+ 10
25	Apr. 17			100 <sup>(1)</sup> (3.91)	100 <sup>(1)</sup>	140	+100 <sup>(1)</sup>
26	Apr. 18	120 (3.66)	30 (3.80)		150	140	+ 10
May 3	Apr. 25	110 (3.60)	30 (3.74)		140	140	
10	May 2	100 (3.33)	30 (3.40)		130	125	+ 5
17	May 9	100 (3.28)	30 (3.36)		130	120	+ 10
24	May 16	100 (3.23)	30 (3.33)		130	120	+ 10
31	May 23	100 (3.19)	35 (3.30)		135	120	+ 15
June 7	May 30	100 (3.28)	35 (3.39)		135	125	+ 10
14	June 6	95 (3.19)	30 (3.30)		125	125	
21	June 13	100 (3.22)	35 (3.32)		135	125	+ 10
28	June 20	100 (3.24)	30 (3.34)		130	130	
July 5	June 27	110 (3.26)	30 (3.36)		140	140	
12	July 4	110 (3.39)	30 (3.48)		140	140	
19	July 11	110 (3.48)	30 (3.68)		140	150	- 10
26	July 18	110 (3.41)	30 (3.56)		140	150	- 10
Aug. 2	July 25	110 (3.43)	30 (3.60)		140	225 <sup>(2)</sup>	- 85 <sup>(2)</sup>
9	Aug. 1	100 (3.52)	30 (3.78)		130	130	
16	Aug. 8	100 (3.62)	30 (3.89)		130	130	
23	Aug. 15	100 (3.70)	30 (3.94)		130	130	
30	Aug. 22	100 (3.71)	30 (3.95)		130	130	
Sept. 6	Aug. 29	100 (3.75)	30 (3.98)		130	130	
13	Sept. 5	100 (3.78)	30 (3.98)		130	125	+ 5
20	Sept. 12	100 (3.68)	30 (3.87)		130	130	
27	Sept. 19	100 (3.56)	30 (3.71)		130	130	
Oct. 4	Sept. 26	115 (3.61)	35 (3.76)		150	140	+ 10
11	Oct. 3	110 (3.56)	30 (3.69)		140	140	
18	Oct. 10	115 (3.54)	35 (3.69)		150	140	+ 10
25	Oct. 17	110 (3.56)	30 (3.73)		140	140	
Nov. 1	Oct. 24	110 (3.59)	30 (3.77)		140	140	
8	Oct. 31	100 (3.63)	30 (3.79)		130	130	
15	Nov. 7	100 (3.66)	30 (3.81)		130	130	
22	Nov. 14	95 (3.63)	25 (3.78)		120	130	- 10
29	Nov. 21	105 (3.63)	30 (3.76)		135	135	
Dec. 6	Nov. 28	105 (3.68)	30 (3.81)		135	135	
13	Dec. 5	95 (3.66)	30 (3.78)		125	130	- 5
20	Dec. 12	105 (3.71)	30 (3.88)		135	135	
27	Dec. 19	95 (3.78)	25 (3.99)		120	130	- 10
Jan. 3	Dec. 24	115 (3.74)	30 (3.93)		145	145	

<sup>(1)</sup> On April 23, 1963 tenders were accepted for \$100 million of 365-day treasury bills to be dated and issued on April 25, 1963 for cash.

<sup>(2)</sup> Maturity date of \$85 million in 366-day treasury bills dated and issued on August 1, 1962 for cash. (Their average yield was 5.69%).

Of the total of approximately \$2 billion of direct market bonds issued in 1963, \$1.4 billion had maturities of 3 years or less, just under \$400 million had maturities of 4 or 5 years, and \$100 million had a maturity of 25 years.

At the end of 1963, the average term to maturity of all Government of Canada marketable securities (excluding the perpetuals) was 7 years 11 months, compared to 8 years 5 months at the end of 1962. The average term to maturity of the holdings of the general public (i.e. outside the banking system and government accounts) declined only slightly from 10 years 9 months at the end of 1962 to 10 years 8 months at the end of 1963.

On four occasions during 1963 the Government added to outstanding issues rather than create new small issues. This reinforcement of existing issues was designed to promote broader and more active trading markets and to provide greater flexibility in future debt management operations.

An important development in 1963 was the advance refunding of \$266 million outstanding in the  $3\frac{3}{4}$  per cent Conversion Loan maturing on September 1, 1965.

Table 48 shows the movement through 1963 of Government of Canada financing through the sale of treasury bills.

The terms of the 1963 series of Canada Savings Bonds were announced on September 18. If held to maturity in 12 years these bonds yield 5.03 per cent compared to 5.11 per cent on the 1962 series. The terms proved attractive and the net sale of these bonds in the final quarter of 1963 totalled \$750 million.

PART II  
REVIEW OF GOVERNMENT ACCOUNTS 1963-64

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**PART II**  
**REVIEW OF GOVERNMENT ACCOUNTS**  
**1963-64**

**1. INTRODUCTION**

This Part of the Budget Papers presents in summary form a review of the accounts of the Government of Canada for the fiscal year 1963-64. The government's fiscal year ends on March 31, but in accordance with section 35 of the Financial Administration Act the books must remain open for some time after that date to take into account all payments up to and including April 30, originating in and properly chargeable to the fiscal year 1963-64 and to record various adjusting entries. The figures used are based on ten months actual and two months estimated. The final figures when they become available next July or August will vary to some extent from those given in the following pages.

**2. HIGHLIGHTS OF THE GOVERNMENT'S FINANCIAL  
OPERATIONS DURING 1963-64**

This section outlines the financial operations of the government giving a brief summary of the budgetary and non-budgetary transactions, the unmatured debt transactions and the changes in the cash position and the debt position during 1963-64. More detailed explanations of these transactions are given in subsequent sections of this Part.

The following table summarizes the budgetary and non-budgetary transactions for 1963-64 with comparative figures for 1962-63 and indicates how these transactions affected the government's cash balances:

TABLE 1  
(in millions of dollars)

SUMMARY OF BUDGETARY AND NON-BUDGETARY TRANSACTIONS AND CHANGES IN CASH POSITION	Fiscal year ending March 31	
	1964 (estimated)	1963
<b>Budgetary transactions—</b>		
Revenues—		
Tax.....	5,504	5,237
Non-tax.....	703	642
	6,207	5,879
Expenditures—		
Defence.....	-1,699	-1,600
Non-defence.....	-5,193	-4,971
	-6,892	-6,571
Deficit.....	-685	-692
<b>Non-budgetary transactions (excluding unmatured debt transactions)—</b>		
Receipts and credits—		
Repayment of advances to the exchange fund account.....	48	
Repayment of other loans, investments and working capital advances.....	230	171
Increase in non-interest-bearing notes payable on demand.....		385
Net government annuities account receipts.....	21	29
Net insurance and pension accounts receipts.....	366	472
Other non-budgetary receipts.....	149	77
	814	1,134
Disbursements and charges—		
Temporary loans to old age security fund.....	-64	-41
Decrease in non-interest-bearing notes payable on demand.....	-148	
Other loans, investments and working capital advances.....	-364	-620
Advances to the exchange fund account.....		-943
Other non-budgetary accounts.....	-72	-302
	-648	-1,906
Net amount available from, or required for (-), non-budgetary transactions.....	166	-772
<b>Overall cash requirements to be financed by increase in debt or decrease in cash balances.....</b>	<b>-519</b>	<b>-1,464</b>
<b>Net increase in unmatured debt outstanding in the hands of the public.....</b>	<b>737</b>	<b>1,064</b>
<b>Net increase or decrease (-) in Receiver General bank balances.....</b>	<b>218</b>	<b>-400</b>

### Budgetary transactions

The budgetary revenues, expenditures and deficit as forecast in the budget speech of June 13, 1963 and as revised on July 8, 1963 and the actual figures as now estimated for the fiscal year 1963-64 are shown in the following table:

TABLE 2  
(in millions of dollars)

BUDGETARY TRANSACTIONS FOR FISCAL YEAR 1963-64	Budget forecast June 13, 1963	Revised forecast July 8, 1963	Actual (estimated)	Increase or decrease (-) compared with July 8, 1963 forecast	
				Amount	Per cent
Revenues.....	6,260.0	6,190.0	6,207.0	17.0	0.27
Expenditures.....	-6,845.0	-6,845.0	-6,892.0	47.0	0.69
Deficit.....	-585.0	-655.0	-685.0	30.0	

*Revenues*

Budgetary revenues of the government in the fiscal year 1963-64 are estimated at \$6,207 million. This is \$17 million more than the July 8, 1963 revised forecast and is \$328 million or approximately 6 per cent more than the total of \$5,879 million collected in 1962-63.

Tax revenues account for \$267 million and non-tax revenues for \$61 million of the increase over 1962-63 receipts.

Receipts from customs import duties are \$65 million less, due in large part to the removal of special surcharges which had been imposed by the government to curb imports and to improve the country's balance of international payments. The yield from personal income tax and from corporation income tax is \$184 million more than collections in 1962-63 due to a higher level of incomes during 1963 and higher corporate profits in 1962.

*Expenditures*

Budgetary expenditures of the government in 1963-64 are estimated at \$6,892 million, \$47 million or more than one-half of one per cent higher than forecast and \$321 million or about 5 per cent higher than expenditures in 1962-63.

Defence expenditures in the amount of \$1,699 million are 25 per cent of total budgetary expenditures, compared with \$1,600 million or 24 per cent in 1962-63 and are again the largest category.

Civil or non-defence expenditures of \$5,193 million compare with \$4,970 million in 1962-63, an increase of \$223 million. The main items are increases of \$73 million in public debt charges, \$53 million in contributions to the provinces under the Hospital Insurance and Diagnostic Services Act and \$50 million in the operating loss of the agricultural stabilization board; a decrease of \$69 million in contributions to provinces under the Technical and Vocational Training Assistance Act; and a charge of \$76 million to provide for additional liabilities in the Canadian forces superannuation account resulting from increased rates of pay.

*Deficit*

Expenditures of \$6,892 million exceed revenues of \$6,207 million resulting in a deficit of \$685 million for 1963-64 compared with a deficit of \$655 million as forecast on July 8, 1963 and the deficit of \$692 million in 1962-63.

**Non-budgetary transactions (excluding unmatured debt transactions)**

Non-budgetary transactions are those which result in increases or decreases in the government's asset and liability accounts and do not enter into the calculation of the annual budgetary surplus or deficit.

In 1963-64 non-budgetary transactions (excluding those in respect of unmatured debt) are expected to result in a net receipt of \$166 million. In 1962-63 these transactions resulted in a net requirement of \$772 million.

**Old age security fund**

Temporary loans of \$64 million to the old age security fund during 1963-64 compare with \$41 million in 1962-63, resulting in total outstanding loans by the Minister of Finance of \$105 million at March 31, 1964.

Pension payments from the old age security fund are \$809 million and receipts are \$745 million. Comparable figures for 1962-63 were \$734 million and \$691 million respectively. The increase of \$75 million in pension payments is largely the effect of the increased rate of payment (from \$65 to \$75 per month) effective October 1, 1963.

The transactions in the account during 1963-64 compared with those for 1962-63 are as follows:

	Fiscal year ending March 31	
	1964 (estimated)	1963
	(in millions of dollars)	
Pension payments.....	809	734
Tax receipts.....	745	691
	—	—
Excess of payments over receipts (—) covered in part by temporary loans from the Minister of Finance.....	-64	-43
Temporary loans carried forward.....	-41	
Balance in fund at beginning of year.....		2
	—	—
Temporary loans outstanding at fiscal year-end.....	105	41
	=	=

### Unmatured debt transactions

Unmatured debt transactions in 1963-64 are expected to result in an increase of \$737 million in unmaturred debt outstanding in the hands of the public compared with an increase of \$1,064 million in 1962-63.

### Cash position

Receiver General bank balances are estimated at \$596 million at March 31, 1964, an increase of \$218 million over the previous year-end total. The change in cash balances is the result of the increase of \$737 million in outstanding unmaturred debt and non-budgetary receipts of \$166 million less the budgetary deficit of \$685 million.

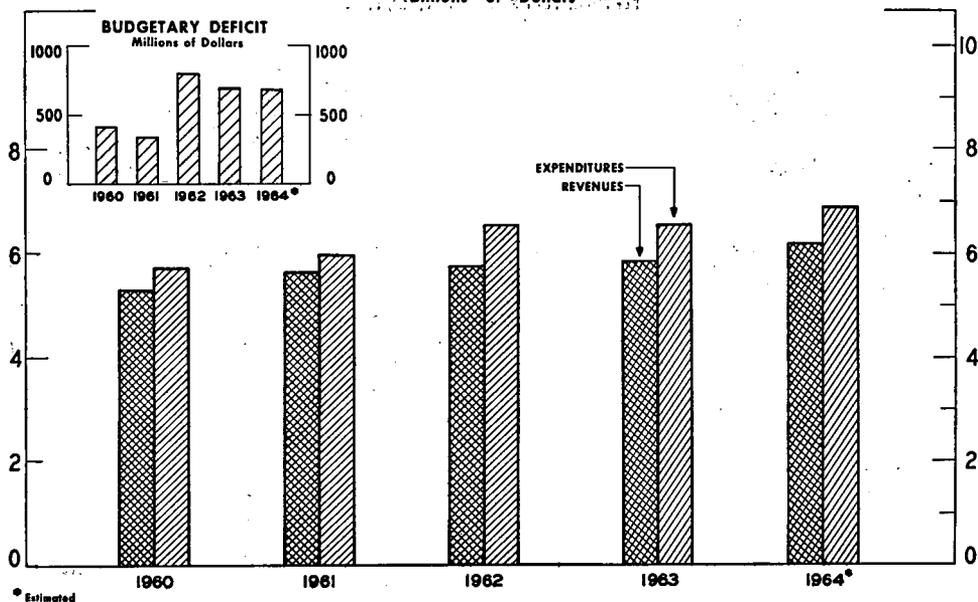
### Debt position

As a result of these budgetary and non-budgetary transactions the gross public debt is expected to increase by \$1,073 million to \$25,872 million, net assets to decrease by \$143 million to \$10,736 million and net debt to increase by \$1,216 million to \$15,136 million at March 31, 1964. The increase in net debt reflects the budgetary deficit of \$685 million plus an adjustment of \$531 million in respect of prior years transactions. The adjustment of \$531 million covers the write-off to net debt, subject to parliamentary approval, of the unamortized portions of actuarial deficiencies in the amounts of \$525 million in the Canadian forces superannuation account and \$6 million in the Royal Canadian Mounted Police superannuation account.

## BUDGETARY REVENUES AND EXPENDITURES

Fiscal Years Ended March 31

Billions of Dollars



## 3. THE BUDGETARY ACCOUNTS

Total revenues of \$6,207 million for 1963-64 are \$328 million more than the total in the previous year. Total expenditures of \$6,892 million are \$321 million more than the total for 1962-63. The resulting deficit is \$685 million compared with \$692 million for the previous year.

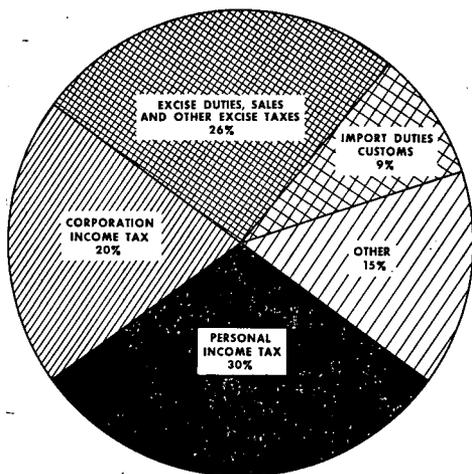
TABLE 3

BUDGETARY REVENUES, EXPENDITURES AND DEFICIT  
(in millions of dollars)

Fiscal year ended March 31	Budgetary revenues	Budgetary expenditures	Deficit
1960.....	5,289.8	5,702.9	413.1
1961.....	5,617.7	5,958.1	340.4
1962.....	5,729.6	6,520.6	791.0
1963.....	5,878.7	6,570.3	691.6
1964 (estimated).....	6,207.0	6,892.0	685.0

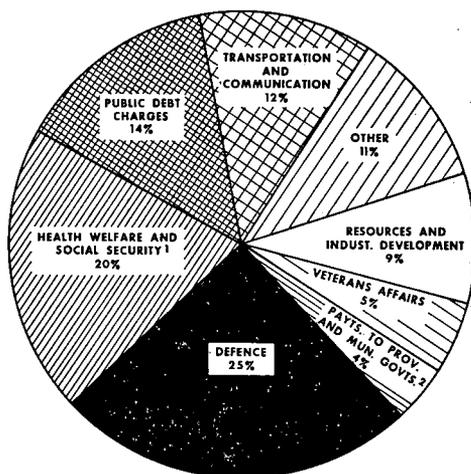
**BUDGETARY REVENUES  
BY MAJOR SOURCE**

For Fiscal Year Ended March 31, 1964  
Estimated



**BUDGETARY EXPENDITURES  
BY MAJOR FUNCTION**

For Fiscal Year Ended March 31, 1964  
Estimated



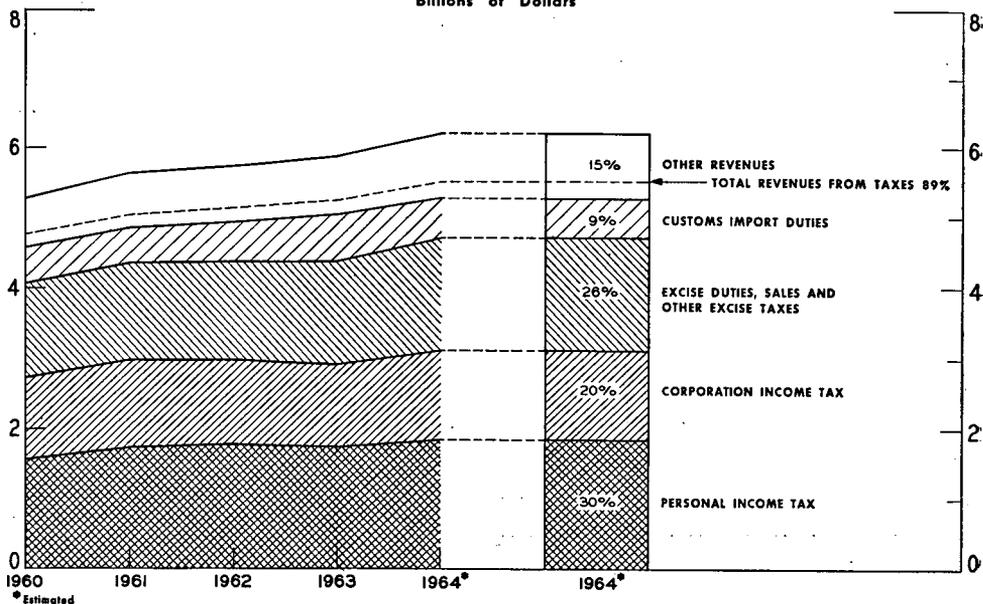
1. Does not include payments out of old age security fund.  
2. Does not include those payments made to provincial and municipal governments for specific purposes.

**REVENUES**

Budgetary revenues in the amount of \$6,207 million in 1963-64 are \$328 million or 6 per cent over the 1962-63 total of \$5,879 million. Tax revenues of \$5,504 million account for 89 per cent of the total for the fiscal year and non-tax revenues of \$703 million for 11 per cent.

**BUDGETARY REVENUES BY SOURCE**

Fiscal Years Ended March 31  
Billions of Dollars



\* Estimated

The more important items are increases of \$118 million in personal income tax collections, \$66 million in corporation income tax collections, \$124 million in sales tax receipts, \$52 million from return on investments and a decrease of \$65 million in receipts from customs import duties.

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

SOURCE	Fiscal year ending March 31				Increase or decrease (-)	
	1964 (estimated)		1963		Amount	Per cent
	Amount	Per cent	Amount	Per cent		
<b>Tax revenues—</b>						
<b>Income tax—</b>						
Personal <sup>(1)</sup> .....	1,863.0	30.0	1,744.6	29.7	118.4	6.8
Corporation <sup>(1)</sup> .....	1,249.0	20.1	1,182.8	20.1	66.2	5.6
On dividends, interest, etc., going abroad.....	127.0	2.0	129.2	2.2	-2.2	-1.7
<b>Excise taxes—</b>						
Sales <sup>(1)</sup> (2).....	930.0	15.0	806.0	13.7	124.0	15.4
Other.....	270.0	4.4	260.4	4.4	9.6	3.7
Customs import duties.....	580.0	9.4	645.0	11.0	-65.0	-10.1
Excise duties.....	395.0	6.4	381.9	6.5	13.1	3.4
Estate tax <sup>(3)</sup> .....	90.0	1.4	87.1	1.5	2.9	3.3
Other taxes.....	(4)		(4)			
	5,504.0	88.7	5,237.0	89.1	267.0	5.1
<b>Non-tax revenues—</b>						
Return on investments.....	364.0	5.9	311.9	5.3	52.1	16.7
Post office—net postal revenue.....	199.0	3.2	192.8	3.3	6.2	3.2
Other non-tax revenues.....	140.0	2.2	137.0	2.3	3.0	2.2
	703.0	11.3	641.7	10.9	61.3	9.6
<b>Total budgetary revenues.....</b>	<b>6,207.0</b>	<b>100.0</b>	<b>5,878.7</b>	<b>100.0</b>	<b>328.3</b>	<b>5.6</b>

	1963-64 (estimated)	1962-63
<sup>(1)</sup> Excluding tax credited to the old age security fund—		
Personal income tax.....	302.0	273.7
Corporation income tax.....	116.0	115.2
Sales tax.....	327.0	302.2
	745.0	691.1

<sup>(2)</sup>Net after deduction of refunds and drawbacks.

<sup>(3)</sup>Includes duties levied under the Dominion Succession Duty Act.

<sup>(4)</sup>Less than \$50,000.

### Federal-provincial fiscal arrangements

The 1957-62 tax rental agreements under which the federal government made tax rental payments to certain provinces lapsed on December 31, 1961. Under the 1962-67 fiscal arrangements, the federal government withdrew in part from the field of direct taxation and left the vacated area to the provinces. The former renting provinces imposed their own personal and corporation income taxes effective January 1, 1962, and the federal government entered into agreements with them to collect these levies without charge, provided that the provincial personal income tax was expressed as a percentage of the federal personal income tax otherwise payable and the provincial corporation income tax applied to taxable income calculated in the same way as for federal income tax purposes. To allow for the imposition of the provincial income taxes, the Income Tax Act was amended in the 1961 session of Parliament (1) to abate the federal income tax otherwise payable by individuals resident in the provinces by 16 per cent in 1962 and by a further one per cent in each subsequent year until the abatement reaches 20 per cent in 1966, and (2) to reduce the federal corporation income tax rates by 9 percentage points for taxable income earned in a province other than Quebec and by 10 percentage points for taxable income earned in Quebec. The additional one per cent reduction in respect of taxable income earned in the province of Quebec is to compensate for the additional tax levied by the province on corporation income to provide grants for the universities. The federal government has entered into tax-collection agreements under which it collects the provincial personal income taxes for all provinces except Quebec and the provincial corporation income taxes for all provinces except Ontario and Quebec. With the exception of Saskatchewan and Manitoba, the provinces which have entered into tax-collection agreements have imposed personal and corporation income taxes equivalent to the federal withdrawal. The Provinces of Manitoba and Saskatchewan have each imposed their personal income tax at a rate exceeding the federal abatement by 6 percentage points (22 per cent of federal tax otherwise payable in 1962) and their corporation income tax at the rate of 10 instead of 9 per cent of the taxable income of corporations.

Under these agreements payments are made monthly to the provinces based on estimated receipts. When the actual amounts of assessed returns are established, usually in the month of December following the end of the fiscal year, adjustments are made with the provinces.

### Tax on personal incomes

The yield from the tax on personal incomes (excluding the old age security tax) of \$1,863 million or 30 per cent of all budgetary revenue is \$118 million or 7 per cent more than the 1962-63 collections and is again the largest source of government revenue. In addition to the federal revenue, \$286 million was collected on behalf of certain provinces under the terms of federal-provincial tax-collection agreements. In 1962-63 federal revenue was \$1,745 million and \$252 million was collected on behalf of the provinces.

The tax on personal incomes levied under the Old Age Security Act and credited to the old age security fund amounts to \$302 million.

## Corporation income tax

The yield from the corporation income tax (excluding the old age security tax) of \$1,249 million or 20 per cent of all budgetary revenue is \$66 million or 6 per cent more than the 1962-63 collections and is again the second largest source of government revenue. In addition to the federal revenue, \$98 million was collected on behalf of certain provinces under the terms of federal-provincial tax-collection agreements. In 1962-63 federal revenue was \$1,183 million and \$65 million was collected on behalf of the provinces.

The tax on incomes of corporations levied under the Old Age Security Act and credited to the old age security fund amounts to \$116 million.

## Taxes on dividends, interest, etc., going abroad

Revenue in this category is derived from taxes withheld on payments of dividends, interest, rents, royalties, alimony and income from estates and trusts paid to non-residents. Collections for 1963-64 are \$127 million, a decrease of \$2 million from the comparable total for 1962-63. The decrease is attributable to the changes, in the rates of withholding tax affecting dividends, which were enacted in 1963.

## Excise taxes

Revenue under this heading includes collections from the general sales tax and other special excise taxes.

From a revenue standpoint the sales tax is the most important tax levied under the Excise Tax Act. Receipts therefrom (excluding the old age security tax) are \$930 million, \$124 million or about 15 per cent higher than in the previous fiscal year. This substantial increase is due in part to the imposition, effective June 14, 1963, of a 4 per cent sales tax on building materials and production machinery and equipment.

The tax on sales levied under the Old Age Security Act and credited to the old age security fund amounts to \$327 million.

The yield from excise taxes levied under the Excise Tax Act, other than the general sales tax, is \$270 million, an increase of \$10 million over the 1962-63 receipts. The increase is due mainly to increases of \$6 million in excise taxes on tobacco products, \$2 million on television sets, radios, tubes and phonographs and \$1 million on toilet preparations.

## Customs import duties

Customs import duties at \$580 million for 1963-64 are \$65 million less than the comparable figure for 1962-63. This decrease is due in large part to the removal of surcharges which were in effect in 1962-63.

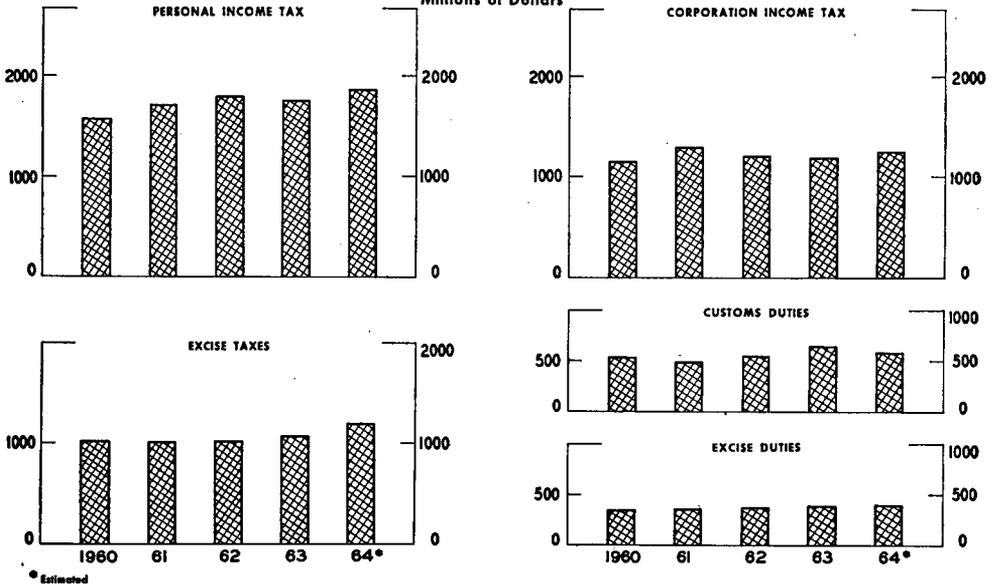
## Excise duties

Excise duties are levied on alcoholic beverages and tobacco products. (Additional taxes on tobacco products are levied under the Excise Tax Act.) Net receipts in 1963-64 are \$395 million compared with \$382 million in 1962-63. Gross receipts of \$229 million from taxes on alcoholic beverages and \$171 million from taxes on tobacco products have been reduced by refunds and drawbacks totalling \$5 million. Comparable amounts in 1962-63 were \$220 million, \$167 million and \$5 million respectively.

### PRINCIPAL SOURCES OF TAX REVENUES

Fiscal Years Ended March 31

Millions of Dollars



#### Estate tax

Revenue from this source of \$90 million for 1963-64 is \$3 million over the total for the previous year.

#### Other taxes

Revenue under this heading is approximately the same as for 1962-63.

#### NON-TAX REVENUES

Non-tax revenues are estimated at \$703 million for 1963-64, an increase of \$61 million or approximately 10 per cent over the comparable total in 1962-63.

TABLE 5  
(in millions of dollars)

NON-TAX REVENUES	Fiscal year ending March 31		Increase or decrease (-)	
	1964 (estimated)	1963	Amount	Per cent
Return on investments.....	364.0	311.9	52.1	16.7
Post office—net postal revenue.....	199.0	192.8	6.2	3.2
Refunds of previous years' expenditure.....	17.0	22.3	-5.3	-23.8
Services and service fees.....	54.0	46.2	7.8	16.9
Proceeds from sales.....	23.0	26.5	-3.5	-13.2
Privileges, licences and permits.....	29.0	25.0	4.0	16.0
Bullion and coinage.....	9.5	9.4	0.1	1.1
Other.....	7.5	7.6	-0.1	-1.3
	703.0	641.7	61.3	9.6

#### Return on investments

Receipts in this category in the amount of \$364 million for 1963-64 are \$52 million more than the total in 1962-63.

TABLE 6  
(in millions of dollars)

RETURN ON INVESTMENTS	Fiscal year ending March 31		Increase or decrease (—)
	1964 (estimated)	1963	
Loans to, and investments in, Crown corporations—			
Bank of Canada—profits.....	116.4	96.7	19.7
Canadian National Railways.....	13.0	3.8	9.2
Canadian Overseas Telecommunication Corporation.....	2.6	2.0	0.6
Central Mortgage and Housing Corporation.....	86.0	79.9	6.1
Eldorado Mining and Refining Limited.....	2.0	3.0	-1.0
Farm Credit Corporation.....	10.8	8.5	2.3
National Capital Commission.....	2.2	1.8	0.4
National Harbours Board.....	3.4	3.6	-0.2
Northern Canada Power Commission.....	2.2	1.7	0.5
Northern Ontario Pipe Line Crown Corporation.....	1.6	4.1	-2.5
Polymer Corporation Limited.....	3.5	3.0	0.5
Miscellaneous.....	0.7	0.3	0.4
	244.4	208.4	36.0
Other loans and investments—			
United Kingdom.....	21.1	21.5	-0.4
Other national governments.....	5.2	8.4	-3.2
Provincial governments.....	0.7	1.5	-0.8
Soldier and general land settlement loans and veterans land act advances.....	6.5	6.5	
Exchange fund account.....	62.6	35.2	27.4
Purchase fund account.....		10.4	-10.4
Securities investment account.....	0.8	2.0	-1.2
Sinking fund and other investments held for retirement of unmatured debt.....	0.3	0.7	-0.4
Interest-bearing deposits with chartered banks.....	12.0	14.4	-2.4
Unemployment Insurance Commission.....	0.2		0.2
Miscellaneous.....	10.2	2.9	7.3
	119.6	103.5	16.1
	364.0	311.9	52.1

Receipts from Crown corporations at \$244 million in 1963-64 are \$36 million more than in the previous fiscal year. The main changes are increases of \$20 million in the Bank of Canada profits paid to the government, \$9 million in receipts from Canadian National Railways, \$6 million in receipts from Central Mortgage and Housing Corporation and a decrease of \$3 million from Northern Ontario Pipe Line Crown Corporation.

The yield from other loans and investments of \$120 million compares with \$104 million in 1962-63. The increase of \$16 million is due mainly to an increase of \$27 million in the earnings of the exchange fund account partly offset by a decrease of \$10 million in receipts from the purchase fund account due to the fact that no transactions took place in that account during the fiscal year 1963-64.

### Post office revenue

Gross post office receipts are \$234 million but authorized disbursements from revenue for salaries and rent allowances at semi-staff and revenue offices, commissions at sub-offices, transit charges on Canadian mail forwarded through and delivered in foreign countries, etc., in the amount of \$35 million, bring net revenue to \$199 million. In 1962-63 gross receipts were \$223 million, authorized disbursements were \$30 million and net revenue was \$193 million. The increase of \$6 million in net post office receipts is the result of increased revenue from postage.

Net costs of operating the Post Office Department during 1963-64 (excluding the \$35 million charged to revenue) of \$208 million exceed net revenue by \$9 million. However, in making this comparison, it should 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 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.

TABLE 7  
(in millions of dollars)

POST OFFICE REVENUE	Fiscal year ending March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Postage—			
In Canada.....	217.7	207.7	10.0
From foreign countries.....	4.2	3.5	0.7
Commission on money orders.....	8.4	7.7	0.7
Rental of post office boxes.....	2.1	2.0	0.1
Other.....	1.6	1.4	0.2
	<i>234.0</i>	<i>222.3</i>	<i>11.7</i>
Less—			
Salaries and allowances at semi-staff and revenue offices.....	-29.5	-25.2	-4.3
Transit charges on foreign correspondence.....	-1.7	-1.3	-0.4
Other.....	-3.8	-3.0	-0.8
	<i>-35.0</i>	<i>-29.5</i>	<i>-5.5</i>
	199.0	192.8	6.2

### Refunds of previous years' expenditure

Refunds in 1963-64 of expenditures made in prior years are \$17 million, a decrease of \$5 million from the comparable total for 1962-63.

The Department of National Defence received \$9 million, of which \$3 million was refunds on defence contracts resulting from cost audits and \$1 million in respect of contracts with the United States Government for the supply of defence equipment. When Canada places contracts with the Government of the United States, payments of estimated costs are made to the United States Treasury. If these estimated costs are revised, or if there are reductions in the contracts, the United States Government refunds the excess payments. The Department of Veterans Affairs received \$2 million in refunds of veterans' pensions, allowances and re-establishment credits.

### Services and service fees

Revenues of \$54 million during 1963-64 are \$8 million over the previous fiscal year.

The Department of Transport received \$18 million, including aircraft landing fees of \$8 million and marine steamers earnings of \$4 million; the Royal Canadian Mounted Police received \$15 million for police services mainly to provinces and municipalities; the Department of Agriculture received \$6 million, of which \$4 million was for services in connection with the inspection, weighing, storage and elevation of grain and \$1 million for race track supervision; and the Department of National Health and Welfare received \$4 million, due mainly to a reimbursement of \$3 million by the provinces for treatment of Indians in federal government hospitals.

### Proceeds from sales

Receipts from this source in the amount of \$23 million for 1963-64 are \$4 million less than the total for 1962-63.

The Department of Defence Production received \$11 million, of which \$9 million represented proceeds from the sale of surplus Crown assets (after deducting certain agency fees and transfers) and \$2 million under agreements of sale of Crown assets; the Department of National Defence received \$4 million mainly from sales of materials and supplies and from sales of meals; and the Department of Public Printing and Stationery received \$2 million from the sale of publications.

### Privileges, licences and permits

Revenues from this category are \$29 million for 1963-64 compared with the 1962-63 total of \$25 million.

The Department of Transport received \$10 million mainly for rentals, concessions and radio licence fees; the Department of Northern Affairs and National Resources received \$6 million, of which \$2 million was in respect of oil and gas and \$1 million for transient motor vehicle licences; the Department of the Secretary of State received \$3 million mainly for patent fees; the Department of Public Works received \$3 million for rental of public buildings and sites; and the Department of National Defence received \$2 million, of which \$1 million was for rental of quarters to armed forces personnel.

### Bullion and coinage

Revenues of \$10 million derived from the operations of the Royal Canadian Mint consist mainly of a net gain on coinage. Small amounts are also obtained from gold refining charges, handling charges and gain on gold refining.

### Other non-tax revenues

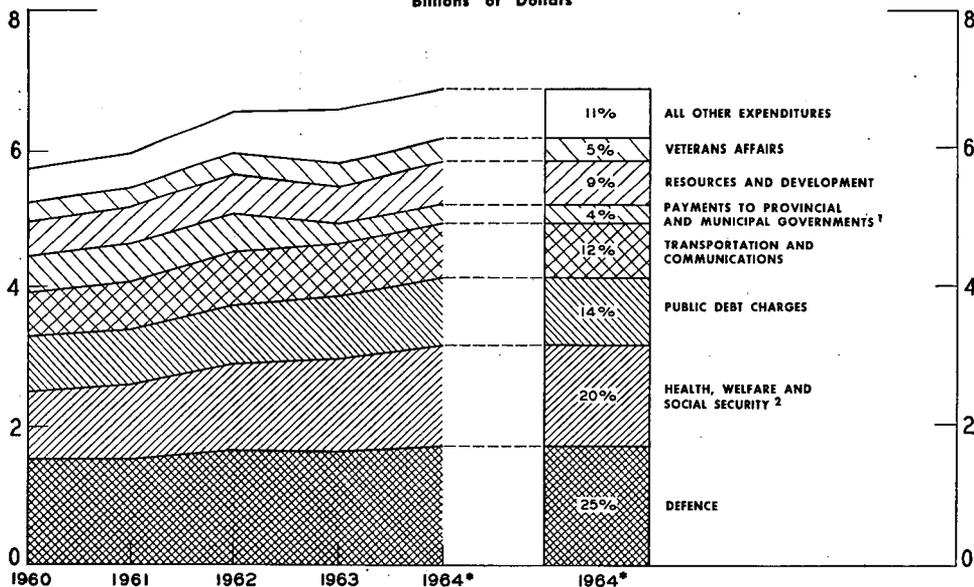
Other non-tax revenues of \$8 million for 1963-64 are approximately the same as for the previous fiscal year.

### EXPENDITURES

Budgetary expenditures are estimated at \$6,892 million in 1963-64, \$321 million or 5 per cent higher than the 1962-63 total.

### BUDGETARY EXPENDITURES, CLASSIFIED BY FUNCTION

Fiscal Years Ended March 31  
Billions of Dollars



1. Does not include those payments made to provincial and municipal governments for specified purposes.

2. Does not include pension payments out of the old age security fund not charged to budgetary expenditures in the year in which they were paid.

\* Estimated

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

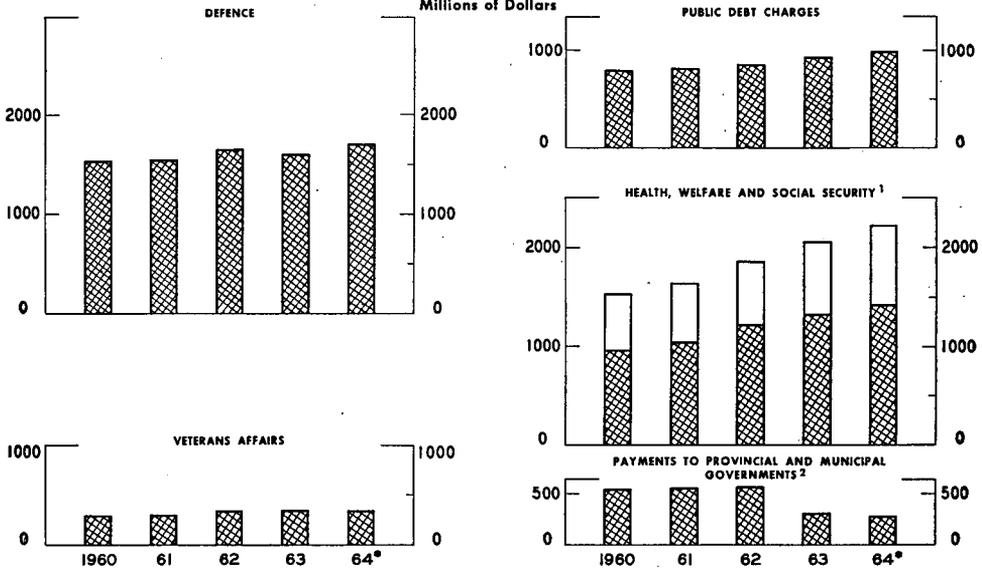
	Fiscal year ending March 31				Increase or decrease (-)	
	1964 (estimated)		1963		Amount	Per cent
	Amount	Per cent	Amount	Per cent		
<b>Defence expenditures—</b>						
National Defence.....	1,658.7	24.1	1,571.1	24.0	87.6	5.6
Defence Production <sup>(1)</sup> .....	40.3	0.6	28.8	0.4	11.5	39.9
	1,699.0	24.7	1,599.9	24.4	99.1	6.2
<b>Non-defence expenditures—</b>						
Agriculture.....	257.1	3.7	199.1	3.0	58.0	29.1
Atomic Energy.....	45.7	0.7	63.2	1.0	-17.5	-27.7
Canadian Broadcasting Corporation...	86.9	1.3	80.8	1.2	6.1	7.5
Central Mortgage and Housing Corporation.....	14.5	0.2	8.7	0.1	5.8	66.7
Citizenship and Immigration.....	72.7	1.0	66.2	1.0	6.5	9.8
External Affairs.....	97.8	1.4	85.2	1.3	12.6	14.8
<b>Finance—</b>						
Public debt charges.....	990.8	14.4	917.8	13.9	73.0	8.0
Fiscal, tax-sharing, subsidy and other payments to provinces.....	252.4	3.7	275.3	4.2	-22.9	-8.3
Government's contribution to the public service superannuation account.....	54.0	0.8	51.1	0.8	2.9	5.7
Other.....	105.6	1.5	110.9	1.7	-5.3	-4.8
	1,402.8	20.4	1,355.1	20.6	47.7	3.5
Fisheries.....	24.1	0.3	23.3	0.4	0.8	3.4
Forestry.....	18.1	0.3	16.2	0.2	1.9	11.7
Justice.....	14.0	0.2	12.3	0.2	1.7	13.8
Office of the Commissioner of Penitentiaries.....	29.5	0.4	24.7	0.4	4.8	19.4
	43.5	0.6	37.0	0.6	6.5	17.6
Labour.....	186.2	2.7	242.8	3.7	-56.6	-23.3
Unemployment Insurance Act administration and government's contribution.....	108.6	1.6	105.4	1.6	3.2	3.0
	294.8	4.3	348.2	5.3	-53.4	-14.3
Legislation.....	13.1	0.2	8.1	0.1	5.0	61.7
Mines and Technical Surveys.....	69.9	1.0	71.1	1.1	-1.2	-1.7
<b>National Health and Welfare—</b>						
Family allowances.....	538.6	7.8	531.6	8.1	7.0	1.3
Government's contributions under the Hospital Insurance and Diagnostic Services Act.....	390.0	5.7	336.7	5.1	53.3	15.8
Other.....	274.3	4.0	255.1	3.9	19.2	7.5
	1,202.9	17.5	1,123.4	17.1	79.5	7.1
National Research Council, including the Medical Research Council.....	47.2	0.7	40.6	0.6	6.6	16.3
National Revenue.....	83.6	1.2	78.6	1.2	5.0	6.4
Northern Affairs and National Resources.....	84.3	1.2	86.4	1.3	-2.1	-2.4
Post Office.....	207.7	3.0	189.4	2.9	18.3	9.7
Privy Council.....	8.2	0.1	3.4	0.1	4.8	141.2
Public Works.....	171.1	2.5	162.7	2.5	8.4	5.2
Royal Canadian Mounted Police.....	67.3	1.0	65.4	1.0	1.9	2.9
Trade and Commerce.....	72.7	1.1	66.1	1.0	6.6	10.0
Transport.....	428.1	6.2	416.0	6.3	12.1	2.9
Veterans Affairs.....	334.7	4.8	335.6	5.1	-0.9	-0.3
Other Departments.....	44.2	0.6	40.6	0.6	3.6	8.9
	5,193.0	75.3	4,970.4	75.6	222.6	4.5
<b>Total budgetary expenditures.....</b>	<b>6,892.0</b>	<b>100.0</b>	<b>6,570.3</b>	<b>100.0</b>	<b>321.7</b>	<b>4.9</b>

<sup>(1)</sup> Does not include non-defence expenditures which are included in "All Other Departments".

## PRINCIPAL CLASSES OF BUDGETARY EXPENDITURES

Fiscal Years Ended March 31

Millions of Dollars



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

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

\* Estimated

### DEFENCE EXPENDITURES

Expenditures of the Department of National Defence and defence expenditures of the Department of Defence Production are again the largest category of government budgetary expenditure. The total of \$1,699 million for 1963-64 is approximately 25 per cent of the aggregate budgetary expenditures of the government for the year and is \$99 million more than the total of \$1,600 million for 1962-63 when they were 24 per cent of total expenditures.

### National Defence

Expenditures of the Department of National Defence are \$1,659 million in 1963-64 compared with \$1,571 million in the previous year.

Expenditures for naval services are \$295 million compared with \$269 million in 1962-63, for air services \$685 million compared with \$714 million, while army services at \$443 million and inspection services at \$7 million are approximately the same as in the previous year.

The government's contribution to the Canadian forces superannuation account of an amount equal to  $1\frac{2}{3}$  times the contributions of permanent services personnel of \$60 million are \$2 million over the contribution in the previous year. There was an additional contribution of \$76 million by the government to provide, subject to parliamentary approval, for additional liabilities in the Canadian forces superannuation account resulting from increased rates of pay.

Defence research and development costs are \$48 million compared with \$41 million in 1962-63.

TABLE 9  
(in millions of dollars)

DEFENCE EXPENDITURES	Fiscal year ending March 31		Increase or decrease (—)
	1964 (estimated)	1963	
Department of National Defence—			
Naval services.....	295.4	269.5	25.9
Army services.....	443.5	443.0	0.5
Air services.....	684.7	713.9	-29.2
Inspection services.....	7.3	7.4	-0.1
	<i>1,430.9</i>	<i>1,433.8</i>	<i>-2.9</i>
Canadian forces superannuation account—			
Government's contribution.....	59.7	58.1	1.6
Special government contribution.....	76.5	76.5	0.0
	<i>136.2</i>	<i>134.6</i>	<i>1.6</i>
Defence research and development.....	47.8	41.1	6.7
Mutual aid to NATO countries including contributions towards military costs of NATO.....	29.5	25.0	4.5
Administration and general.....	14.3	13.1	1.2
	<i>1,658.7</i>	<i>1,571.1</i>	<i>87.6</i>
Department of Defence Production <sup>(1)</sup> —			
Technological capability.....	19.0	8.0	11.0
Canadian Arsenals Limited.....	4.9	4.6	0.3
Defence Construction (1951) Limited.....	2.6	3.2	-0.6
Production capacity and capital assistance.....	1.3	1.5	-0.2
Administration and general.....	12.5	11.5	1.0
	<i>40.3</i>	<i>28.8</i>	<i>11.5</i>
	<i>1,699.0</i>	<i>1,599.9</i>	<i>99.1</i>

<sup>(1)</sup>See also under "All Other Departments" at the end of this section.

Direct charges to mutual aid at \$30 million consist of \$15 million for procurement of equipment for mutual aid and \$15 million for Canada's share of NATO military budgets and infrastructure costs. In 1962-63 direct charges were \$11 million for procurement of equipment for mutual aid and \$14 million for Canada's share of NATO military budgets and infrastructure costs.

Certain expenditures of the Emergency Measures Organization which in previous years were included in the expenditures of the Department of National Defence are now included in the expenditures of the Emergency Measures Organization under All Other Departments. For purposes of comparison the 1962-63 expenditures have been transferred from the Department of National Defence to the Emergency Measures Organization.

### Defence Production

Defence expenditures for the Department of Defence Production, including those for Defence Construction (1951) Limited and Canadian Arsenals Limited, are \$40 million in 1963-64 compared with \$29 million in 1962-63.

The increase of \$11 million is due to higher outlays in connection with the government program instituted in 1959-60 of supporting selected defence development programs in order to sustain technological capability in Canada's industry.

## Cash outlays for defence

In addition to these budgetary expenditures for defence, there are other cash outlays which must be considered in arriving at the cost of Canada's defence program.

Section 11 of the National Defence Act provides that 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 are credited to a special account to be used for the procurement of materiel. In 1963-64 credits to, and cash outlays from, the account are each less than \$500 thousand. The balance in the account at March 31, 1964 is \$1 million, approximately the same as at the previous fiscal year-end.

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 charged to the Department of National Defence or sold to defence contractors for use in the manufacture of defence equipment. During 1963-64 proceeds from sales of \$73 million exceed purchases of \$71 million resulting in a balance of \$37 million in the account at March 31, 1964.

TABLE 10  
(in millions of dollars)

CASH OUTLAYS FOR DEFENCE	Fiscal year ending March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Budgetary expenditures—			
Department of National Defence.....	1,658.7	1,571.1	87.6
Department of Defence Production <sup>(1)</sup> .....	40.3	28.8	11.5
	1,699.0	1,599.9	99.1
Disbursements for—			
Defence production revolving fund (net).....	-2.1	11.8	-13.9
Replacement of materiel account—sec. 11, National Defence Act (net).....	0.1	0.3	-0.2
	-2.0	12.1	-14.1
Net cash outlay for defence.....	1,697.0	1,612.0	85.0

<sup>(1)</sup>See also under "All Other Departments" at the end of this section.

## NON-DEFENCE EXPENDITURES

### Agriculture

The expenditures of the Department of Agriculture amount to \$257 million in 1963-64, an increase of \$58 million from the 1962-63 total of \$199 million.

There are increases of \$50 million in the operating loss of the agricultural stabilization board, \$4 million in outlays of the production and marketing branch and \$7 million in payments under the Agricultural Rehabilitation and Development Act and a decrease of \$5 million in the deficit of the prairie farm emergency fund.

The 1963-64 net operating loss of the agricultural stabilization board of \$122 million, including loss of \$48 million resulting from revaluation of inventory, compares with \$72 million in 1962-63.

TABLE 11  
(in millions of dollars)

AGRICULTURE	Fiscal year ending March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Agricultural stabilization board—net operating loss.....	122.0	71.8 <sup>f</sup>	50.2
Production and marketing branch—			
Freight assistance on western feed grains.....	18.0	14.5	3.5
Health of animals division.....	13.2	13.4	-0.2
Premium on hog and lamb carcasses.....	8.0	6.1	1.9
Other.....	17.2	18.7	-1.5
	56.4	52.7	3.7
Rehabilitation and reclamation projects.....	28.7	29.0	-0.3
Research branch.....	27.5	27.0	0.5
Board of Grain Commissioners (Canada Grain Act).....	6.7	6.2	0.5
Agricultural Rehabilitation and Development Act.....	7.2	0.6	6.6
Prairie farm emergency fund—deficit.....	1.9	7.3	-5.4
Farm Credit Corporation—net operating loss.....	1.4		1.4
Agricultural products board—net operating loss.....	1.0	0.9	0.1
Administration and general.....	4.3	3.6	0.7
	257.1	199.1	58.0

The Prairie Farm Assistance Act, c. 213, R.S., as amended, provides for a levy of one per cent to be deducted by all licenced purchasers of grain, the amount so deducted to be transferred to the Board of Grain Commissioners for deposit to the credit of the prairie farm emergency fund. Awards are made under the provisions of the act to farmers in the spring wheat area in accordance with crop failure conditions provided for in the act and are payable from this fund. The act also provides for advances by the Minister of Finance to the fund to cover the year's deficit. Advances in 1963-64 of \$2 million, representing the deficit in the fund, are a charge to budgetary expenditure. The comparable amount in 1962-63 was \$7 million.

Outlays for the production and marketing branch are \$56 million, an increase of \$4 million over the 1962-63 expenditures.

The Agricultural Rehabilitation and Development Act, c. 13, 1961, authorizes the Minister of Agriculture, with the approval of the Governor in Council, to enter into agreements with the provinces providing for the undertaking jointly with the government of the province of projects for the alternative uses of land, rural development of income and employment opportunities and soil and water conservation and for the payment to the province of contributions in respect of the cost of such projects. Outlays are \$7 million compared with \$1 million in the previous fiscal year.

Expenditures of the Canadian Wheat Board, which in previous years were included in the expenditures of the Department of Agriculture, are now included in expenditures of the Department of Trade and Commerce. For purposes of comparison the 1962-63 expenditures have been transferred from the Department of Agriculture to the Department of Trade and Commerce.

## Atomic Energy

Budgetary expenditures in respect of Atomic Energy of Canada Limited and the Atomic Energy Control Board are \$46 million compared with \$63 million in 1962-63.

TABLE 12  
(in millions of dollars)

ATOMIC ENERGY	Fiscal year ending March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Atomic Energy of Canada Limited—			
Research program—			
Current operations and maintenance.....	31.2	28.6	2.6
Construction or acquisition of buildings, works, land and equipment.....	13.5	8.4	5.1
Write-off of the undepreciated capital cost of the NRU reactor.....	44.7	25.3 <del>62.3</del>	-25.3 -17.6
Atomic Energy Control Board—			
Grants for research.....	0.9	0.8	0.1
Administration.....	0.1	0.1	0.1
	1.0	0.9	0.1
	45.7	63.2	-17.5

The decrease of \$17 million is due mainly to the fact that in 1963-64 there is no charge comparable to the authorized write-off of \$25 million in 1962-63 in respect of the undepreciated capital cost of the N.R.U. reactor.

During the fiscal year 1963-64, Atomic Energy of Canada Limited received \$45 million in respect of its research program from the Government of Canada. Of this amount \$31 million is for current operations and maintenance and \$14 million for construction or acquisition of buildings, works, land and equipment. In 1962-63 the company received \$37 million of which \$29 million was for current operation and maintenance and \$8 million for construction or acquisition.

## Canadian Broadcasting Corporation

During 1963-64 payments by the government to the Canadian Broadcasting Corporation of \$87 million are \$6 million more than in 1962-63.

TABLE 13  
(in millions of dollars)

CANADIAN BROADCASTING CORPORATION	Fiscal year ending March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Grants in respect of national broadcasting service—			
Net operating requirements.....	78.2	72.6	5.6
Capital requirements.....	6.8	6.4	0.4
	85.0	79.0	6.0
International broadcasting service.....	1.9	1.8	0.1
	86.9	80.8	6.1

Grants for net operating requirements are \$78 million and grants for capital requirements for the national broadcasting service are \$7 million in 1963-64 compared with \$73 million and \$6 million respectively in 1962-63.

Outlays of \$2 million for the international broadcasting service are approximately the same as in 1962-63.

### Central Mortgage and Housing Corporation

In 1963-64 budgetary expenditures of the government in respect of the Central Mortgage and Housing Corporation in the amount of \$15 million are \$6 million more than the total of \$9 million in 1962-63.

TABLE 14  
(in millions of dollars)

CENTRAL MORTGAGE AND HOUSING CORPORATION	Fiscal year ending March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Loans forgiven by the corporation.....	6.0	1.9	4.1
Contributions to municipalities to assist in clearance, replanning, etc.....	4.6	4.2	0.4
Losses sustained—			
Federal-provincial projects.....	1.4	1.2	0.2
Sale of mortgages.....	1.0		1.0
	2.4	1.2	1.2
Housing research and community planning.....	1.1	1.0	0.1
Construction of national defence housing.....	0.4	0.4	
	14.5	8.7	5.8

Loans in the amount of \$6 million, originally made to municipalities and municipal sewerage corporations, were forgiven by the Central Mortgage and Housing Corporation pursuant to section 36G of the National Housing Act and will be written off to budgetary expenditure upon parliamentary approval. Contributions of \$5 million to municipalities to assist in the clearance, replanning, rehabilitation and modernization of blighted or sub-standard areas are approximately the same as in 1962-63.

### Citizenship and Immigration

Expenditures of the Department of Citizenship and Immigration (which includes Indian affairs) in the amount of \$73 million in 1963-64 are \$7 million more than the 1962-63 total.

Indian affairs expenditures are \$56 million, \$5 million more than in 1962-63 due to increases of \$2 million in respect of education, \$2 million for welfare and \$1 million for economic development.

Immigration expenditures of \$14 million are \$1 million higher than in the previous year.

TABLE 15  
(in millions of dollars)

CITIZENSHIP AND IMMIGRATION	Fiscal year ending March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Indian affairs—			
Education.....	31.3	29.1	2.2
Welfare.....	14.0	12.3	1.7
Indian agencies.....	5.7	5.6	0.1
Economic development.....	3.6	2.3	1.3
Administration and general.....	1.7	1.7	
Immigration.....	56.3	51.0	5.3
Citizenship and citizenship registration.....	13.6	12.5	1.1
Administration and general.....	1.6	1.6	
	1.2	1.1	0.1
	72.7	66.2	6.5

### External Affairs

Expenditures of the Department of External Affairs are \$98 million in 1963-64, \$13 million more than the previous year's total.

TABLE 16  
(in millions of dollars)

EXTERNAL AFFAIRS	Fiscal year ending March 31		Increase or decrease (-)
	1964 (estimated)	1963	
External aid office—			
Colombo plan.....	41.5	41.5	
Assistance to other countries.....	6.6	4.4	2.2
Administration and general.....	0.6	0.6	
	48.7	46.5	2.2
Representation abroad.....	16.4	15.0	1.4
Contributions to international (including commonwealth) organizations.....	14.5	8.8	5.7
Canada's assessment for membership in international organ- izations.....	8.6	6.4	2.2
Administration and general.....	9.6	8.5	1.1
	97.8	85.2	12.6

Outlays of \$49 million by the external aid office are \$2 million more than in 1962-63 reflecting an increase in assistance to other countries.

Contributions to international organizations are \$6 million more due to the fact that expenditures in 1963-64 include contributions for which there were no comparable expenditures in 1962-63.

Costs of assessment for membership in international organizations are \$2 million higher and costs of representation abroad are \$1 million higher than those in the previous fiscal year.

## Finance

Expenditures for the Department of Finance are \$1,403 million compared with \$1,355 million in 1962-63.

The main changes resulting in the net increase of \$48 million are an increase of \$73 million in public debt charges and a decrease of \$23 million in payments to provinces.

TABLE 17  
(in millions of dollars)

FINANCE	Fiscal year ending March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Public debt charges.....	990.8	917.8	73.0
Fiscal, tax-sharing, subsidy and other payments to provinces	252.4	275.3	-22.9
Government's contribution to the public service superannua- tion account.....	54.0	51.1	2.9
Grants to municipalities in lieu of taxes on federal property..	30.8	29.2	1.6
Grants to universities—			
Payments to the Canadian Universities Foundation.....	26.8	26.3	0.5
Office of the Comptroller of the Treasury—administration expenses.....	22.6	22.5	0.1
Premium, discount and exchange.....	1.4	9.4	-8.0
Government's share of medical-surgical insurance premiums	9.3	8.3	1.0
Government's contribution as an employer to the unemploy- ment insurance fund.....	0.9	0.9	
Administration and general.....	13.8	14.3	-0.5
	1,402.8	1,355.1	47.7

### Public debt charges

Public debt charges are again the third largest item of budgetary expenditure being surpassed only by those for defence and those for health, welfare and social security.

TABLE 18  
(in millions of dollars)

INTEREST AND OTHER PUBLIC DEBT CHARGES	Fiscal year ending March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Interest on public debt—			
Unmatured debt including treasury bills—			
Payable in Canada.....	742.6	700.5	42.1
Payable in London.....	0.3	1.1	-0.8
Payable in New York.....	16.4	7.4	9.0
	759.3	709.0	50.3
Other liabilities—			
Annuity, insurance and pension accounts.....	189.3	169.4	19.9
Deposit and trust accounts.....	3.4	3.2	0.2
	192.7	172.6	20.1
Total interest on public debt.....	952.0	881.6	70.4
Other public debt charges—			
Annual amortization of bond discounts and commissions	36.0	32.7	3.3
Cost of issuing new loans.....	1.6	1.9	-0.3
Servicing of public debt.....	1.2	1.6	-0.4
	38.8	36.2	2.6
	990.8	917.8	73.0

Public debt charges consist of interest on the 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. In 1963-64 these charges total \$991 million or 14 per cent of all budgetary expenditures compared with \$918 million or 14 per cent in 1962-63.

Interest on public debt in 1963-64 amounts to \$952 million of which \$759 million is in respect of unmatured debt and \$193 million in respect of other liabilities. The comparable amounts in 1962-63 were \$882 million, \$709 million and \$173 million respectively.

The increase of \$50 million in interest on unmatured debt is due mainly to an increase in unmatured debt. The increase of \$20 million in interest on other liabilities is due mainly to increases of \$13 million in respect of the Canadian forces superannuation account and \$5 million in respect of the public service superannuation account. Of the increase in respect of the Canadian forces superannuation account \$8 million is due to an adjustment of \$199 million made in 1962-63 to bring the balance in the account into line with an actuarial valuation as at December 31, 1960 as calculated by the Department of Insurance.

Other public debt charges at \$39 million are \$3 million higher than in 1962-63, mainly attributable to annual amortization of bond discounts and commissions.

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 1963-64 this income totals \$364 million as shown in the non-tax revenue section under the heading "Return on investments". This amount deducted from the gross total of \$952 million for interest as shown in the above table leaves a net amount of \$588 million compared with a net of \$570 million in 1962-63. Measured as a percentage of the net debt the burden of the net annual interest charges is 3.88 per cent in 1963-64 compared with 4.09 per cent in 1962-63.

TABLE 19  
(in millions of dollars)

NET BURDEN OF ANNUAL INTEREST CHARGES	Fiscal year ending March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Total interest on public debt.....	952.0	881.6	70.4
Return on investments.....	-364.0	-311.9	-52.1
Net interest cost.....	588.0	569.7	18.3
Net interest cost as percentage of net debt.....	3.88	4.09	

*Fiscal, tax-sharing, subsidy and other payments to provinces*

Payments to provinces in the amount of \$252 million compare with \$275 million in 1962-63.

However, in addition to the above payments, \$384 million in provincial income taxes collected by the federal government on behalf of the provinces under tax-collection arrangements were remitted to the provinces. A more detailed explanation of these arrangements is given in the tax revenue section of this Part.

TABLE 20  
(in millions of dollars)

FISCAL, TAX-SHARING, SUBSIDY AND OTHER PAYMENTS TO PROVINCES	Fiscal year ending March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Payments under Federal-Provincial Fiscal Arrangements Act.....	218.9	218.3	0.6
Payments under Federal-Provincial Tax-Sharing Arrangements Act, c. 29, Statutes of 1956, as amended.....		23.5	-23.5
Statutory subsidies.....	23.6	23.5	0.1
Transfer of certain public utility tax receipts.....	9.9	10.0	-0.1
	252.4	275.3	-22.9

A summary of payments, by provinces, during 1963-64 is given in the following table:

TABLE 21  
(in millions of dollars)

FISCAL, TAX-SHARING, SUBSIDY AND OTHER PAYMENTS TO PROVINCES	Fiscal year ending March 31, 1964 (estimated)			
	Payments under fiscal arrangements	Statutory subsidies	Transfer of certain public utility tax receipts	Total
Newfoundland.....	33.1	1.7	0.2	35.0
Nova Scotia.....	32.1	2.1	0.6	34.8
Prince Edward Island.....	7.4	0.7	0.1	8.2
New Brunswick.....	27.6	1.7	(1)	29.3
Quebec.....	68.6	4.0	4.6	77.2
Ontario.....		4.6	1.0	5.6
Manitoba.....	16.4	2.1	0.1	18.6
Saskatchewan.....	24.1	2.1	(1)	26.2
Alberta.....	9.8	2.9	2.8	15.5
British Columbia.....	-0.2	1.7	0.5	2.0
	218.9	23.6	9.9	252.4

(1) Less than \$50,000

#### *Government's contribution to the public service superannuation account*

The government's contribution to the public service superannuation account (equal to the estimated current and prior service payments of individuals in 1962-63) is \$54 million compared with \$51 million in 1962-63.

#### *Premium, discount and exchange*

Net expenditure of \$1 million for premium, discount and exchange transactions during 1963-64 compare with \$9 million in 1962-63.

The decrease of \$8 million is due to the fact that there was no charge in 1963-64 comparable to the adjustment of \$10 million in 1962-63 resulting from the revaluing of the government's outstanding debt payable in New York and London at the official parity rates at March 31, 1963 (\$1 U.S. = \$1.08108 Can and £1 = \$3.027 Can) rather than at the former rates (\$1 U.S. = \$1 Can and £1 = \$2.80 Can).

## Fisheries

Expenditures of the Department of Fisheries are \$24 million in 1963-64, \$1 million more than in the previous year.

TABLE 22  
(in millions of dollars)

FISHERIES	Fiscal year ending March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Conservation and development service.....	8.2	8.0	0.2
Fisheries Research Board.....	6.5	6.9	-0.4
Inspection service.....	2.2	2.1	0.1
Newfoundland bait service.....	1.5	0.6	0.9
Canadian share of the expenses of international commissions.....	1.2	1.1	0.1
Administration and general.....	4.5	4.6	-0.1
	24.1	23.3	0.8

## Forestry

Expenditures of the Department of Forestry amount to \$18 million in 1963-64 compared with \$16 million in 1962-63. The increase of \$2 million is due mainly to the expenditures of the forest entomology and pathology branch.

TABLE 23  
(in millions of dollars)

FORESTRY	Fiscal year ending March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Forest entomology and pathology branch.....	5.2	3.7	1.5
Contributions to the provinces—			
Assistance in forest inventory, reforestation, forest fire protection and forest stand improvement.....	4.5	4.4	0.1
Forest access roads and trails.....	3.6	3.5	0.1
	8.1	7.9	0.2
Forest research.....	2.4	2.4	
Forest products research.....	1.3	1.2	0.1
Administration and general.....	1.1	1.0	0.1
	18.1	16.2	1.9

## Justice

Expenditures of the Department of Justice amount to \$44 million in 1963-64 compared with \$37 million in 1962-63. The increase is due mainly to increased expenditures of the Office of the Commissioner of Penitentiaries.

Expenditures in respect of patents, copyrights and trademarks, which in previous years were included in expenditures of the Department of the Secretary of State, are now included in expenditures of the Department of Justice. For purposes of comparison the 1962-63 expenditures have been transferred from the Department of the Secretary of State to the Department of Justice.

TABLE 24  
(in millions of dollars)

JUSTICE	Fiscal year ending March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Judges' salaries and travelling allowances.....	6.6	5.2	1.4
Patents, copyrights and trademarks.....	2.5	2.5	
Administration and general.....	4.9	4.6	0.3
	14.0	12.3	1.7
Office of the Commissioner of Penitentiaries—			
Operation and maintenance of penitentiaries.....	20.6	19.5	1.1
Construction, improvements and equipment.....	8.2	4.4	3.8
Administration.....	0.7	0.8	-0.1
	29.5	24.7	4.8
	43.5	37.0	6.5

## Labour

Expenditures of the Department of Labour including the Unemployment Insurance Commission total \$295 million in 1963-64, a decrease of \$53 million from the 1962-63 expenditures.

TABLE 25  
(in millions of dollars)

LABOUR	Fiscal year ending March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Payments to provinces authorized by the Technical and Vocational Training Assistance Act.....	138.5	207.9	-69.4
Municipal winter works incentive program.....	33.3	27.0	6.3
Winter house building program.....	5.0	5.0	
Administration and general.....	9.4	7.9	1.5
	186.2	242.8	-56.6
Unemployment Insurance Commission—			
Government's contribution to the fund.....	58.8	57.3	1.5
Administration and general.....	49.8	48.1	1.7
	108.6	105.4	3.2
	294.8	348.2	-53.4

Contributions to the provinces under the Technical and Vocational Training Assistance Act total \$139 million in 1963-64, \$69 million less than in 1962-63.

Payments under the municipal winter works incentive program to provinces and in respect of Indian bands amount to \$33 million, \$6 million more than the 1962-63 total. Under this program the Government of Canada contributes amounts not exceeding one-half of the cost of labour engaged on approved winter work projects.

Under the winter house building program payments are made, in accordance with terms and conditions approved by the Governor in Council, of \$500 per dwelling unit substantially built during the period December 1, 1963 to March 31, 1964. In 1963-64 payments are \$5 million.

### Unemployment Insurance Commission

Administration and general expenses of the Unemployment Insurance Commission are \$50 million and the government's contribution to the unemployment insurance fund is \$59 million in 1963-64 compared with \$48 million and \$57 million respectively in 1962-63.

Unemployment insurance benefit payments are not charged to budgetary expenditures but are paid from the 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. Further information in regard to the fund is given under the liability category "Annuity, insurance and pension accounts".

### Legislation

Costs of Legislation in 1963-64 are \$13 million compared with \$8 million in 1962-63. The increase is due mainly to increases in indemnities and expense allowances to members of the House of Commons and to members of the Senate.

TABLE 26  
(in millions of dollars)

LEGISLATION	Fiscal year ending March 31		Increase or decrease (-)
	1964 (estimated)	1963	
The Senate.....	2.5	1.8	0.7
House of Commons.....	10.2	5.9	4.3
Library of Parliament.....	0.4	0.4	
	13.1	8.1	5.0

### Mines and Technical Surveys

Expenditures of the Department of Mines and Technical Surveys of \$70 million are \$1 million less than 1962-63 expenditures.

Outlays for marine sciences branch are \$2 million less than 1962-63 expenditures.

TABLE 27  
(in millions of dollars)

MINES AND TECHNICAL SURVEYS	Fiscal year ending March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Dominion coal board.....	20.0	20.4	-0.4
Emergency gold mining assistance.....	15.3	15.2	0.1
Marine sciences branch.....	9.0	11.0	-2.0
Surveys and mapping branch.....	8.5	8.3	0.2
Geological survey of Canada.....	6.6	6.2	0.4
Mines branch.....	5.2	5.1	0.1
Administration and general.....	5.3	4.9	0.4
	69.9	71.1	-1.2

## National Health and Welfare

Expenditures of the Department of National Health and Welfare amount to \$1,203 million in 1963-64, an increase of \$80 million over the 1962-63 total.

Outlays for the national health branch of \$481 million are \$59 million higher than the previous year's total, due mainly to an increase in the government's contributions under the Hospital Insurance and Diagnostic Services Act.

Outlays for the welfare branch of \$715 million are \$20 million above the 1962-63 total, due mainly to increases in family allowances and unemployment assistance payments.

TABLE 28  
(in millions of dollars)

NATIONAL HEALTH AND WELFARE	Fiscal year ending March 31		Increase or decrease (-)
	1964 (estimated)	1963	
<b>National health branch—</b>			
Government's contributions under the Hospital Insurance and Diagnostic Services Act.....	390.0	336.7	53.3
General health grants to provinces.....	31.0	30.3	0.7
Medical services.....	30.9	28.9	2.0
Hospital construction grants.....	22.0	20.0	2.0
Other.....	7.3	6.3	1.0
	481.2	422.2	59.0
<b>Welfare branch—</b>			
Family allowances.....	538.6	531.6	7.0
Unemployment assistance.....	106.0	96.5	9.5
Old age assistance.....	39.4	38.2	1.2
Disabled persons allowances.....	20.3	19.6	0.7
Blind persons allowances.....	5.0	4.9	0.1
Fitness and amateur sport.....	2.0	1.0	1.0
Other.....	3.9	3.4	0.5
	715.2	695.2	20.0
Administration and general.....	6.5	6.0	0.5
	1,202.9	1,123.4	79.5

### *Government's contributions under the Hospital Insurance and Diagnostic Services Act*

In 1963-64 contributions to the provinces under the Hospital Insurance and Diagnostic Services Act of \$390 million compare with \$337 million in 1962-63, an increase of \$53 million.

TABLE 29  
(in millions of dollars)

GOVERNMENT'S CONTRIBUTIONS UNDER THE HOSPITAL INSURANCE AND DIAGNOSTIC SERVICES ACT	Fiscal year ending March 31		Increase
	1964 (estimated)	1963	
Newfoundland.....	8.3	7.5	0.8
Nova Scotia.....	15.0	13.5	1.5
Prince Edward Island.....	1.9	1.7	0.2
New Brunswick.....	12.7	10.9	1.8
Quebec.....	112.5	88.7	23.8
Ontario.....	136.2	122.1	14.1
Manitoba.....	19.6	17.3	2.3
Saskatchewan.....	21.0	18.3	2.7
Alberta.....	28.0	25.8	2.2
British Columbia.....	33.9	30.1	3.8
Northwest and Yukon Territories.....	0.9	0.8	0.1
	390.0	336.7	53.3

*General health grants and hospital construction grants to provinces*

Grants to provinces during 1963-64 for general health services and the control of diseases are \$31 million, \$1 million more than in 1962-63.

Assistance in hospital construction of \$22 million is \$2 million more than in 1962-63.

TABLE 30  
(in millions of dollars)

GENERAL HEALTH GRANTS AND HOSPITAL CONSTRUCTION GRANTS	Fiscal year ending March 31, 1964 (estimated)		
	General health grants	Hospital construction grants	Total
Newfoundland.....	1.0	0.9	1.9
Nova Scotia.....	1.5	1.2	2.7
Prince Edward Island.....	0.3	0.1	0.4
New Brunswick.....	1.3	1.0	2.3
Quebec.....	8.4	5.9	14.3
Ontario.....	9.3	7.5	16.8
Manitoba.....	1.8	1.1	2.9
Saskatchewan.....	1.7	1.2	2.9
Alberta.....	2.7	1.7	4.4
British Columbia.....	2.9	1.4	4.3
Northwest and Yukon Territories.....	0.1	(1)	0.1
	31.0	22.0	53.0

(1) Less than \$50,000.

*Family allowances*

Family allowances are payable in respect of all children under sixteen years of age, resident in Canada, with minor exceptions such as in the case of children of immigrants who must reside in Canada one 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 at the same rates during their first year of residence in Canada from appropriations of the Department of Citizenship and Immigration.

In 1963-64 payments of \$539 million account for 8 per cent of all budgetary expenditure compared with \$532 million and 8 per cent in 1962-63. The increase of \$7 million reflects the increase in the number of children in the eligible age groups.

TABLE 31  
(in millions of dollars)

FAMILY ALLOWANCES PAYMENTS	Fiscal year ending March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Newfoundland.....	16.7	16.6	0.1
Nova Scotia.....	21.8	21.8	
Prince Edward Island.....	3.3	3.3	
New Brunswick.....	19.2	19.4	-0.2
Quebec.....	162.3	160.3	2.0
Ontario.....	175.7	172.7	3.0
Manitoba.....	25.7	25.5	0.2
Saskatchewan.....	26.7	26.5	0.2
Alberta.....	41.2	40.3	0.9
British Columbia.....	44.7	43.8	0.9
Northwest and Yukon Territories.....	1.3	1.4	-0.1
	538.6	531.6	7.0

*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 \$75 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 \$75 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 \$75 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 \$75 per month for allowances to disabled persons in need 18 years of age or over. In 1963-64 payments for old age assistance of \$39 million, for disabled persons allowances of \$20 million and for blind persons allowances of \$5 million compare with \$38 million, \$20 million and \$5 million respectively in 1962-63.

Amendments to the Old Age Assistance Act, the Blind Persons Act and the Disabled Persons Act raised the maximum pension towards which the federal government would contribute from \$65 to \$75 per month, effective December 1, 1963. As increased payments are dependent on individual action by each province, expenditures in the fiscal year 1963-64 are not affected to any marked degree. A similar increase was authorized in old age security payments, effective October 1, 1963, through an amendment to the Old Age Security Act.

Under the Unemployment Assistance Act, the Minister may, with the approval of the Governor in Council, enter into an agreement with any province for the payment by Canada to the province of contributions not exceeding 50 per cent of unemployment assistance costs in the province. All provinces have signed agreements with the federal government. Contributions in 1963-64 in the amount of \$106 million compare with \$97 million in 1962-63.

The following table presents a distribution of these payments to provinces for 1963-64:

TABLE 32  
(in millions of dollars)

FEDERAL SHARE OF OLD AGE ASSISTANCE, DISABLED PERSONS ALLOWANCES, BLIND PERSONS ALLOWANCES AND UNEMPLOYMENT ASSISTANCE	Fiscal year ending March 31, 1964 (estimated)			
	Old age assistance	Disabled persons allowances	Blind persons allowances	Unemployment assistance
Newfoundland.....	2.0	0.6	0.3	4.5
Nova Scotia.....	2.1	1.2	0.5	1.8
Prince Edward Island.....	0.4	0.3	0.1	0.3
New Brunswick.....	2.1	0.9	0.4	2.0
Quebec.....	13.9	8.2	1.6	39.3
Ontario.....	9.1	6.2	1.1	23.3
Manitoba.....	2.1	0.6	0.2	5.4
Saskatchewan.....	2.2	0.7	0.2	4.8
Alberta.....	2.6	0.7	0.3	7.8
British Columbia.....	2.8	0.9	0.3	16.7
Northwest and Yukon Territories.....	0.1	(1)	(1)	0.1
	39.4	20.3	5.0	106.0

(1) Less than \$50,000.

### National Research Council, including the Medical Research Council

Expenditures of the National Research Council, including the Medical Research Council, are \$47 million for 1963-64 compared with \$41 million for 1962-63. Increases in research grants and assistance towards research in industry account for most of the change.

TABLE 33  
(in millions of dollars)

NATIONAL RESEARCH COUNCIL, INCLUDING THE MEDICAL RESEARCH COUNCIL	Fiscal year ending March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Scholarships and grants in aid of research.....	17.3	14.7	2.6
Construction or acquisition of buildings, works, land and equipment.....	4.3	2.6	1.7
Assistance towards research in industry.....	1.7	0.5	1.2
Administration and general.....	23.9	22.8	1.1
	47.2	40.6	6.6

### National Revenue

Expenditures of the Department of National Revenue amount to \$84 million in 1963-64, \$5 million more than the 1962-63 total.

TABLE 34  
(in millions of dollars)

NATIONAL REVENUE	Fiscal year ending March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Customs and excise divisions.....	42.5	40.4	2.1
Taxation division.....	40.9	38.0	2.9
Income tax appeal board.....	0.2	0.2	
	83.6	78.6	5.0

### Northern Affairs and National Resources

Expenditures of the Department of Northern Affairs and National Resources in the amount of \$84 million are \$2 million less than 1962-63 expenditures.

TABLE 35  
(in millions of dollars)

NORTHERN AFFAIRS AND NATIONAL RESOURCES	Fiscal year ending March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Northern administration branch.....	37.9	41.8	-3.9
National parks branch.....	24.9	26.2	-1.3
Water resources branch.....	10.5	5.5	5.0
Contributions to the provinces to assist in the development of roads leading to resources.....	9.3	10.4	-1.1
Administration and general.....	1.7	2.5	-0.8
	84.3	86.4	-2.1

The decrease in expenditures of the northern administration branch is mainly because there is no comparable expenditure in 1963-64 to a charge of \$7 million in 1962-63 to cover a write-off of loans made to the Northern Canada Power Commission under the Northern Canada Power Commission Act for the construction and installation of central heating, water and sewage and fire alarm systems at Inuvik, Northwest Territories. However the costs of operation and maintenance in respect of the Northwest Territories in the amount of \$9 million are \$2 million higher than the 1962-63 costs.

The increase in expenditures of the water resources branch is mainly due to an increase of \$5 million in contributions to the provinces towards the construction of dams and other works to assist in the conservation and control of water resources in accordance with agreements entered into between Canada and the provinces.

Expenditures in respect of the National Museum of Canada, which in previous years were included in expenditures of the Department of Northern Affairs and National Resources, are now included in expenditures of the Department of the Secretary of State. For purposes of comparison the 1962-63 expenditures have been transferred from the Department of Northern Affairs and National Resources to the Department of the Secretary of State.

### Post Office

Costs of the Post Office Department charged to budgetary expenditure in 1963-64 are \$208 million compared with \$189 million in 1962-63.

Costs of operations at \$136 million are \$16 million higher due mainly to salary revisions.

Remuneration of postmasters and staffs at revenue and semi-staff offices and certain other authorized disbursements are paid from revenue. These payments are \$35 million (\$6 million greater than in 1962-63) bringing gross post office expenditures to \$243 million for 1963-64.

TABLE 36  
(in millions of dollars)

POST OFFICE	Fiscal year ending March 31		Increase or decrease (-)
	1964 (estimated)	1963	
<b>Charged to budgetary expenditure—</b>			
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.....	136.2	120.0	16.2
Transportation—movement of mail by land, air and water.....	66.1	63.9	2.2
Financial services.....	3.3	3.4	-0.1
Administration and general.....	2.1	2.1	
	<i>207.7</i>	<i>189.4</i>	<i>18.3</i>
<b>Charged to revenue—</b>			
Operations—salaries of postmasters and staffs at revenue and semi-staff offices, commissions paid at sub-offices and other disbursements.....	35.0	29.5	5.5
	<i>242.7</i>	<i>218.9</i>	<i>23.8</i>

### Privy Council

Expenditures of the Privy Council at \$8 million compare with \$3 million in 1962-63.

Expenditures in respect of the centennial commission include \$3 million for programs and projects of national significance and a grant of \$2 million to the centennial of confederation fund.

Certain expenditures of the Emergency Measures Organization which in previous years were included in the expenditures of the Privy Council are now included in a separate heading under All Other Departments. For purposes of comparison the 1962-63 expenditures have been transferred from the Privy Council to All Other Departments.

TABLE 37  
(in millions of dollars)

PRIVY COUNCIL	Fiscal year ending March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Centennial Commission.....	5.0	1.3	3.7
Royal commissions.....	2.0	1.2	0.8
Administration and general.....	1.2	0.9	0.3
	8.2	3.4	4.8

## Public Works

Expenditures of the Department of Public Works in the amount of \$171 million in 1963-64 compare with \$163 million in 1962-63.

TABLE 38  
(in millions of dollars)

PUBLIC WORKS	Fiscal year ending March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Public buildings—construction and services—			
Maintenance and operation.....	42.9	43.8	-0.9
Acquisition, construction and improvements of public buildings—			
Ottawa.....	11.9	9.7	2.2
Other centres in Canada.....	11.6	13.4	-1.8
Furniture and furnishings.....	2.3	2.2	0.1
Fire prevention.....	0.2	0.2	
	68.9	69.3	-0.4
Development engineering services—			
Trans-Canada highway division—			
Contributions to the provinces under the terms of the Trans-Canada Highway Act.....	45.0	29.2	15.8
Construction through national parks.....	2.1	3.8	-1.7
General.....	4.2	2.3	1.9
	51.3	35.3	16.0
Harbours and rivers engineering services—			
Acquisition, construction and improvements of harbour and river works.....	14.9	21.2	-6.3
Dredging.....	4.2	4.0	0.2
General.....	4.2	4.2	
	23.3	29.4	-6.1
National Capital Commission.....	12.3	13.0	-0.7
Administration and general.....	15.3	15.7	-0.4
	171.1	162.7	8.4

Outlays for maintenance and operation of the public buildings at \$43 million are \$1 million less than the 1962-63 total.

Costs of acquisition, construction and improvements of public buildings are \$24 million of which \$12 million is in respect of Ottawa and \$12 million in respect of other centres in Canada. In 1962-63 comparable figures were \$23 million, \$10 million and \$13 million, respectively.

Expenditures relating to the trans-Canada highway consist of \$45 million in contributions to the provinces and \$2 million in respect of construction of the highway through national parks. In 1962-63 comparable expenditures were \$29 million and \$4 million respectively.

Outlays for the acquisition, construction and improvements of harbour and river works of \$15 million compare with \$21 million in 1962-63 and outlays for dredging are approximately the same as in 1962-63.

### Royal Canadian Mounted Police

Expenditures of the Royal Canadian Mounted Police total \$67 million in 1963-64 compared with \$65 million in 1962-63. Arising from these expenditures are payments received for police services totalling \$15 million in 1963-64 which is credited to revenue. In 1962-63, \$13 million was received and credited to revenue.

TABLE 39  
(in millions of dollars)

ROYAL CANADIAN MOUNTED POLICE	Fiscal year ending March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Land, air and training divisions.....	50.0	49.1	0.9
Headquarters administration and national police services...	8.4	8.2	0.2
Pensions and other benefits.....	4.0	3.7	0.3
Government's contribution to Royal Canadian Mounted Police superannuation account.....	3.1	2.6	0.5
Marine services.....	1.8	1.8	
	67.3	65.4	1.9

### Trade and Commerce

Expenditures of the Department of Trade and Commerce at \$73 million are \$7 million more than the 1962-63 total, due mainly to higher expenditures of the Canadian Wheat Board in respect of carrying costs of temporary wheat reserves.

Expenditures of the Canadian Wheat Board, which in previous years were included in the expenditures of the Department of Agriculture, are now included in expenditures of the Department of Trade and Commerce. For purposes of comparison the 1962-63 expenditures have been transferred from the Department of Agriculture to the Department of Trade and Commerce.

TABLE 40  
(in millions of dollars)

TRADE AND COMMERCE	Fiscal year ending March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Canadian Wheat Board—			
Carrying costs of temporary wheat reserves.....	39.6	35.2	4.4
Prairie Grain Advance Payments Act.....	0.9	0.5	0.4
	40.5	35.7	4.8
Dominion Bureau of Statistics.....	12.4	11.9	0.5
Trade commissioner service.....	6.3	5.6	0.7
Canadian government travel bureau.....	3.8	3.4	0.4
Standards branch.....	3.1	2.9	0.2
National Energy Board.....	0.6	0.5	0.1
Administration and general.....	6.0	6.1	-0.1
	72.7	66.1	6.6

## Transport

Expenditures of the Department of Transport amount to \$428 million in 1963-64. In 1962-63 comparable expenditures were \$416 million.

TABLE 41  
(in millions of dollars)

TRANSPORT	Fiscal year ending March 31		Increase or decrease (-)
	1964 (estimated)	1963	
<b>Air services—</b>			
Civil aviation branch.....	64.1	81.3	-17.2
Telecommunications and electronics branch.....	32.6	30.7	1.9
Meteorological branch.....	20.4	19.3	1.1
Administration.....	5.9	5.6	0.3
	<i>123.0</i>	<i>136.9</i>	<i>-13.9</i>
<b>Railway and steamship services—</b>			
Railway to Great Slave Lake.....	21.7	12.2	9.5
Maritime Freight Rates Act—			
Difference between tariffs and normal tolls.....	13.5	12.9	0.6
Victoria Bridge.....	6.8		6.8
Auto-ferries, docks and terminals.....	1.5	3.0	-1.5
Deficits—			
Canadian National Railways.....	43.0	48.9	-5.9
Newfoundland ferry and terminals.....	8.6	8.2	0.4
Prince Edward Island car ferry and terminals.....	3.4	3.3	0.1
Yarmouth, N.S.—Bar Harbour, Maine, U.S.A., ferry service.....	0.2	0.2	
Other.....	0.6	0.7	-0.1
	<i>99.3</i>	<i>89.4</i>	<i>9.9</i>
<b>Board of Transport Commissioners for Canada—</b>			
Interim payments related to the recommendations of the Royal Commission on Railway Problems.....	50.0	50.0	
Freight Rates Reduction Act.....	20.0	20.6	-0.6
Maintenance of trackage.....	7.0	7.0	
Contributions to the railway grade crossing fund.....	5.1	5.8	-0.7
Administration and general.....	1.4	1.3	0.1
	<i>83.5</i>	<i>84.7</i>	<i>-1.2</i>
<b>Marine services—</b>			
Canadian coast guard.....	36.5	32.1	4.4
Aids to navigation.....	10.5	10.5	
Marine regulations.....	3.7	4.0	-0.3
Ship channel services—St. Lawrence and Saguenay rivers	7.3	4.5	2.8
Canals.....	4.7	5.3	-0.6
Administration and general.....	1.2	1.4	-0.2
	<i>63.9</i>	<i>57.8</i>	<i>6.1</i>
<b>Canadian Maritime Commission.....</b>	49.8	31.0	18.8
<b>Trans-Canada Air Lines—deficit.....</b>		3.5	-3.5
<b>Non-active advances—National Harbours Board.....</b>	0.4	5.2	-4.8
<b>Canals and works entrusted to The St. Lawrence Seaway</b>			
Authority.....	3.5	2.9	0.6
Administration and general.....	4.7	4.6	0.1
	<i>428.1</i>	<i>416.0</i>	<i>12.1</i>

### Air services

Outlays for air services are \$123 million compared with \$137 million in 1962-63. The decrease is due mainly to a reduction in expenditures for construction or acquisition of buildings, works, land and equipment by the civil aviation branch.

*Railway and steamship services*

Expenditures of \$99 million for railway and steamship services are \$10 million more than in 1962-63. There is an increase of \$10 million in payments in respect of construction of a line of railway to Great Slave Lake. Expenditures in 1963-64 in connection with the Victoria Bridge (for which there was no comparable amount in the previous fiscal year) total \$7 million, of which \$4 million is in respect of the discontinuance of the collection of tolls and \$3 million for rail diversion. Partly offsetting these increases is a decrease of \$6 million in the charge to budgetary expenditure in respect of the deficit of the Canadian National Railways. In 1963-64, \$43 million is included in expenditures to cover the 1963 deficit compared with \$49 million in 1962-63 to cover the 1962 deficit.

*Marine services*

Expenditures for marine services amount to \$64 million compared with \$58 million in 1962-63. The increase of \$6 million is due mainly to increases of \$4 million in outlays for the Canadian coast guard and \$3 million for the St. Lawrence and Saguenay rivers ship channel services.

*Canadian Maritime Commission*

Expenditures of the commission increased from \$31 million for 1962-63 to \$50 million for 1963-64. Capital subsidies for construction of commercial and fishing vessels total \$40 million compared with \$23 million in 1962-63, accounting for most of the increase.

**Veterans Affairs**

Expenditures of the Department of Veterans Affairs of \$335 million are \$1 million less than the 1962-63 total.

TABLE 42  
(in millions of dollars)

VETERANS AFFAIRS	Fiscal year ending March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Canadian Pension Commission—			
Pensions for disability or death.....	173.4	175.9	-2.5
Administration and general.....	2.6	2.7	-0.1
	176.0	178.6	-2.6
War veterans allowances and other benefits.....	92.1	90.2	1.9
Treatment and rehabilitation services.....	51.3	50.9	0.4
Soldier settlement and veterans land acts—			
Provision for reserve for conditional benefits, veterans land act.....	3.3	3.2	0.1
Administration and general.....	4.6	4.6	
	7.9	7.8	0.1
War service gratuities and re-establishment credits.....	0.4	1.0	-0.6
Administration and general.....	7.0	7.1	-0.1
	334.7	335.6	-0.9

Expenditures in respect of the Canadian Pension Commission are \$176 million compared with \$179 million in 1962-63. Pensions for disability or death which constitute the greatest part of these expenditures amount to \$173 million, \$3 million less than in 1962-63.

War veterans allowances and other benefits amount to \$92 million compared with \$90 million in 1962-63. The increase of \$2 million is due mainly to an increase in payments made under the War Veterans Allowance Act and the Civilian War Pensions and Allowances Act. Payments under these acts are made principally to elderly, qualified persons who are incapable of maintaining themselves.

### All Other Departments

Expenditures of the departments not dealt with individually amount to \$44 million, an increase of \$4 million over the total for 1962-63.

TABLE 43  
(in millions of dollars)

ALL OTHER DEPARTMENTS	Fiscal year ending March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Auditor General's Office.....	1.3	1.2	0.1
Board of Broadcast Governors.....	0.4	0.4	
Office of the Chief Electoral Officer.....	11.8	11.8	
Civil Service Commission.....	5.2	4.8	0.4
Defence Production <sup>(1)</sup> .....	2.0	2.0	
Emergency Measures Organization.....	7.0	5.4	1.6
Governor General and Lieutenant-Governors.....	0.5	0.5	
Industry.....	0.7		0.7
Insurance.....	1.4	1.4	
National Film Board.....	5.7	5.6	0.1
National Gallery of Canada.....	1.1	1.0	0.1
Public Archives and National Library.....	1.1	1.0	0.1
Public Printing and Stationery.....	2.1	2.0	0.1
Office of the Representation Commissioner.....	0.1		0.1
Secretary of State.....	3.8	3.5	0.3
	44.2	40.6	3.6

<sup>(1)</sup>See also under defence expenditures at the beginning of this section.

Expenditures of the Emergency Measures Organization which in previous years were included in the expenditures of the Department of National Defence and the Privy Council are now included as a separate heading under All Other Departments. Expenditures of the National Museum of Canada which in previous years were included in the expenditures of the Department of Northern Affairs and National Resources are now included in the expenditures of the Department of the Secretary of State. Expenditures in respect of patents, copyrights and trademarks which in previous years were included in the expenditures of the Department of the Secretary of State are now included in the expenditures of the Department of Justice. For purposes of comparison previous years figures have been adjusted accordingly.

#### 4. STATEMENT OF ASSETS AND LIABILITIES OF CANADA AS AT MARCH 31, 1964

The assets and liabilities of the Government of Canada at March 31, 1964, the comparable balances at March 31, 1963 and the changes in each category during 1963-64, are shown in condensed form in the following table.

TABLE 44  
SUMMARY OF ASSETS AND LIABILITIES OF CANADA  
(in millions of dollars)

	Balance at March 31		Increase or decrease (-)
	1964 (estimated)	1963	
<b>LIABILITIES</b>			
Current and demand liabilities.....	1,587.3	1,631.3	-44.0
Deposit and trust accounts.....	200.7	225.2	-24.5
Annuity, insurance and pension accounts.....	5,133.2	4,747.0	386.2
Undisbursed balances of appropriations to special accounts.....	103.7	120.0	-16.3
Deferred credits.....	122.3	107.7	14.6
Suspense accounts.....	6.1	6.1	
Unmatured debt.....	18,718.6	17,961.8	756.8
<b>Total liabilities.....</b>	<b>25,871.9</b>	<b>24,799.1</b>	<b>1,072.8</b>
<b>ASSETS</b>			
Current assets.....	1,030.6	820.3	210.3
Advances to the exchange fund account.....	2,688.0	2,736.0	-48.0
Sinking fund and other investments held for retirement of unmatured debt.....		22.3	-22.3
Loans to, and investments in, Crown corporations.....	4,627.8	4,468.1	159.7
Loans to national governments.....	1,197.7	1,210.8	-13.1
Other loans and investments.....	1,211.0	1,110.7	100.3
Securities held in trust.....	32.7	26.0	6.7
Deferred charges—			
Unamortized portions of actuarial deficiencies—			
Canadian forces superannuation account.....		524.8	-524.8
Public service superannuation account.....	276.7	276.7	
Royal Canadian Mounted Police superannuation account.....		3.5	-3.5
Unamortized loan flotation costs.....	123.0	131.6	-8.6
Suspense accounts.....	399.7	396.6	-536.9
Capital assets.....	0.2	0.2	
Inactive loans and investments.....	94.8	94.8	
<b>Total assets.....</b>	<b>11,282.5</b>	<b>11,425.8</b>	<b>-143.3</b>
<i>Less</i> reserve for losses on realization of assets.....	-546.4	-546.4	
<b>Net assets.....</b>	<b>10,736.1</b>	<b>10,879.4</b>	<b>-143.3</b>
<b>Net debt, represented by excess of liabilities over net assets....</b>	<b>15,135.8</b>	<b>13,919.7</b>	<b>(2)1,216.1</b>

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

(2) Reflecting the budgetary deficit of \$685 million plus an adjustment of \$531.1 million in respect of prior years' transactions.

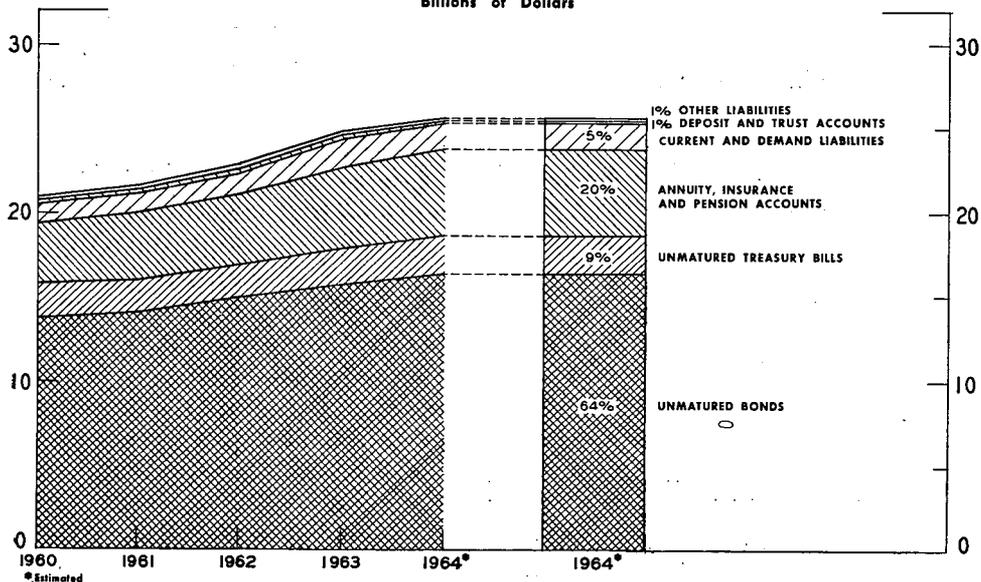
#### SUMMARY

The gross liabilities of the government are estimated at \$25,872 million as at March 31, 1964 compared with \$24,799 million at March 31, 1963. The main items effecting the increase of \$1,073 million are increases of \$757 million in unamatured debt, \$386 million in annuity, insurance and pension accounts and a decrease of \$44 million in current and demand liabilities.

Net assets are estimated at \$10,736 million as at March 31, 1964, a decrease of \$143 million from the total at March 31, 1963. The main changes are a decrease of \$537 million in deferred charges and increases of \$210 million in current assets, \$160 million in loans to, and investments in, Crown corporations and \$100 million in other loans and investments.

The net debt of Canada, or the excess of liabilities over net assets, in the amount of \$15,136 million is \$1,216 million higher than the March 31, 1963 total of \$13,920 million. The increase reflects the budgetary deficit of \$685 million plus an adjustment of \$531 million in respect of prior years' transactions.

**TOTAL LIABILITIES**  
Fiscal Years Ended March 31  
Billions of Dollars



CHANGES IN LIABILITY ACCOUNTS

**Current and demand liabilities**

These consist of obligations of the government payable currently or on demand.

During 1963-64 a net decrease of \$44 million in these obligations brings the total at March 31, 1964 to \$1,587 million.

TABLE 45  
(in millions of dollars)

CURRENT AND DEMAND LIABILITIES	Balance at March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Outstanding treasury cheques.....	276.4	266.4	10.0
Accounts payable.....	317.4	267.4	50.0
Non-interest-bearing notes payable to—			
The international development association.....	25.0	19.3	5.7
The international monetary fund—			
Canada's subscription.....	370.0	370.0	
Other.....	214.0	368.0	-154.0
	609.0	757.3	-148.3
Matured debt outstanding.....	44.4	32.4	12.0
Interest due and outstanding.....	93.0	79.5	13.5
Interest accrued.....	215.0	197.0	18.0
Post office—outstanding money orders.....	27.1	26.2	0.9
Outstanding letter of credit cheques.....	4.6	4.6	
Other current liabilities.....	0.4	0.5	-0.1
	1,587.3	1,631.3	-44.0

The main changes are a decrease of \$148 million in non-interest-bearing notes and increases of \$50 million in accounts payable, \$12 million in matured debt outstanding, \$18 million in interest accrued, \$14 million in interest due and outstanding and \$10 million in outstanding treasury cheques.

Non-interest-bearing notes are those portions of Canada's equities in the capital of certain international agencies which are not covered by cash or gold. During 1963-64 notes in respect of the international monetary fund were reduced by \$154 million to a balance of \$584 million at March 31, 1964 and notes in respect of the international development association increased by \$6 million.

### Deposit and trust accounts

Sundry funds, deposited with, or held in trust by, the Receiver General of Canada for various purposes are recorded in these accounts.

TABLE 46  
(in millions of dollars)

DEPOSIT AND TRUST ACCOUNTS	Balance at March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Indian trust funds.....	29.2	28.9	0.3
Post office savings bank.....	24.1	25.9	-1.8
Crown corporations deposits—			
Atomic Energy of Canada Limited.....		16.4	-16.4
Crown Assets Disposal Corporation.....	0.4	0.4	
Eldorado Mining and Refining Limited.....	13.2	13.2	
	13.6	30.0	-16.4
Contractors securities—sundry departments—			
Bonds.....	5.4	8.2	-2.8
Cash.....	2.0	3.6	-1.6
Certified cheques.....	0.6	1.2	-0.6
	8.0	13.0	-5.0
Contractors holdbacks.....	13.4	17.7	-4.3
Korean operations pool.....	5.0	16.1	-11.1
Instalment purchase of bonds, public service.....	13.3	12.3	1.0
United States of America.....	4.8	5.9	-1.1
Canadian Arsenals Limited pension fund.....	1.4	1.5	-0.1
Canadian Pension Commission—administration trust fund...	13.6	13.0	0.6
Guarantee deposits—			
National Revenue.....	4.5	4.4	0.1
Northern Affairs and National Resources.....	23.2	8.1	15.1
	27.7	12.5	15.2
National Harbours Board—special accounts.....	11.7	7.8	3.9
Army benevolent fund.....	5.7	6.0	-0.3
Soldier settlement and veterans land acts trust account—			
general.....	3.9	3.7	0.2
Permanent services deferred pay.....	3.7	3.2	0.5
Common school funds—Ontario and Quebec.....	2.7	2.7	
Veterans care trust fund.....	2.5	2.4	0.1
National Research Council—special fund.....	2.3	2.0	0.3
Emergency gold mining assistance—holdbacks.....	2.0	1.5	0.5
Canadian National Railways.....		7.6	-7.6
Other.....	12.1	11.5	0.6
	200.7	225.2	-24.5

There is a net decrease of \$25 million in these accounts during the year. Decreases of \$16 million in Crown corporations deposits, \$11 million in the Korean operations pool, \$8 million in respect of the Canadian National Railways, \$5 million in contractors securities and \$4 million in contractors holdbacks are partly offset by increases of \$15 million in guarantee deposits of the Department of Northern Affairs and National Resources and \$4 million in the National Harbours Board—special accounts.

### Annuity, insurance and pension accounts

Recorded herein are moneys held in the consolidated revenue fund to the credit of various annuity, insurance and pension accounts.

During 1963-64 an increase of \$386 million brings the total balance to \$5,133 million as at March 31, 1964. The main changes are increases of \$218 million in the Canadian forces superannuation account, \$135 million in the public service superannuation account and \$21 million in the government annuities account.

TABLE 47  
(in millions of dollars)

ANNUITY, INSURANCE AND PENSION ACCOUNTS	Balance at March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Unemployment insurance fund.....	12.6	26.4	-13.8
Less investment in bonds and accrued interest.....		-11.8	11.8
Uninvested funds on deposit with the government.....	12.6	14.6	-2.0
Government annuities.....	1,285.1	1,264.4	20.7
Public service superannuation account.....	1,859.4	1,724.1	135.3
Canadian forces superannuation account.....	1,823.9	1,605.8	218.1
Royal Canadian Mounted Police superannuation account.....	46.0	37.3	8.7
Other.....	106.2	100.8	5.4
	5,133.2	4,747.0	386.2

#### *Unemployment insurance fund*

The estimated balance in the fund as at March 31, 1964 is \$13 million. However, there is a liability of \$18 million for unredeemed warrants and deposits from employers. At March 31, 1963 the balance was \$26 million (of which \$17 million represented a liability for unredeemed warrants and deposits from employers) and consisted of \$12 million invested in special government bonds (plus accrued interest) and \$14 million on deposit with the Receiver General of Canada.

Receipts during the fiscal year of \$357 million include employees and employers contributions of \$297 million, the government's contribution of \$59 million and \$1 million in interest from investments. As benefit payments total \$372 million there is a deficit for the year of \$15 million. In 1962-63 receipts totalled \$346 million (including employees and employers contributions of \$286 million, the government's contribution of \$57 million and \$3 million in interest from investments) and total expenditures were \$403 million for benefit payments, resulting in a deficit of \$57 million for the year.

TABLE 48  
(in millions of dollars)

UNEMPLOYMENT INSURANCE FUND	Fiscal year ending March 31				
	1960	1961	1962	1963	1964 (esti- mated)
Revenue—					
Contributions—					
Employees and employers <sup>(1)</sup> .....	228.6	275.2	277.8	286.4	296.4
Government <sup>(2)</sup> .....	45.7	55.1	55.5	57.3	59.3
Net income from investments.....	8.4	2.7	6.2	2.5	1.3
Other income.....	0.1	0.1	0.1	0.1	0.1
	282.8	333.1	339.6	346.3	357.1
Expenditure—					
Benefit payments.....	-415.2	-513.9	-454.7	-403.2	-371.6
Interest on loans.....	-1.5	-0.4	-3.0		-0.3
Excess of expenditure over revenue.....	-133.9	-181.2	-118.1	-56.9	-14.8
Balance at credit of fund at fiscal year-end.....	365.9	184.7	66.6	9.7	-5.1
Government loans.....		67.0			
Unredeemed benefit warrants and deposits from employers.....	11.4	12.9	11.6	16.7	17.7
	377.3	264.6	78.2	26.4	12.6
Investment in bonds and accrued interest.....	-354.5	-247.0	-63.6	-11.8	
Balance on deposit with the government.....	22.8	17.6	14.6	14.6	12.6

<sup>(1)</sup>Contributions by employees and employers are on an equal basis.

<sup>(2)</sup>Government contribution is equal to 20 per cent of the combined employee-employer contributions.

#### *Government annuities account*

An increase of \$21 million in this account during the year brings the balance to \$1,285 million as at March 31, 1964. Receipts of \$78 million include \$30 million from premiums and \$48 million in interest from the government. Disbursements of \$57 million consist mainly of vested annuity and commuted value payments and refunds of premiums. In 1962-63 receipts amounted to \$85 million and disbursements were \$56 million.

#### *Public service superannuation account*

The balance of \$1,859 million in this account as at March 31, 1964 is \$135 million higher than the balance at the previous fiscal year-end.

Receipts of \$186 million consist of contributions of \$57 million by individuals, \$54 million by the government, \$3 million by certain Crown corporations and interest of \$72 million credited to the account by the government. Contributions by the government and Crown corporations are equal to the estimated current and prior service payments of individuals in 1962-63.

Disbursements of \$51 million include \$43 million in annuities and \$8 million in withdrawals of contributions.

In 1962-63 receipts were \$189 million and disbursements were \$52 million.

*Canadian forces superannuation account*

The balance of \$1,824 million in this account reflects an increase of \$218 million during the fiscal year.

Receipts of \$239 million consist of \$37 million in contributions by personnel, \$60 million in contributions by the government at the rate of one and two-thirds times the current and prior service contributions by personnel, \$66 million in interest credited by the government and a contribution of \$76 million to provide, subject to parliamentary approval, for additional liabilities resulting from increased rates of pay.

Disbursements of \$21 million include \$13 million in pensions and retiring allowances and \$8 million in cash termination allowances and return of contributions.

In 1962-63 receipts were \$344 million and disbursements were \$18 million.

*Royal Canadian Mounted Police superannuation account*

A balance of \$46 million in this account as at March 31, 1964 compares with \$37 million at March 31, 1963.

Receipts of \$10 million consist of \$2 million in contributions by personnel, \$3 million in contributions by the government, \$2 million in interest credited by the government and a credit of \$3 million in respect of additional liabilities resulting from increased rates of pay.

Disbursements are due mainly to annuities and allowances of \$300 thousand and cash termination allowances and return of contributions of \$200 thousand.

In 1962-63 receipts were \$6 million and disbursements were \$1 million.

*Old age security fund*

Under the Old Age Security Act, as amended, pensions at \$75 per month (increased from \$65 per month effective October 1, 1963) are paid, without a means test, from the old age security fund to all eligible persons seventy years of age or over.

During 1963-64 pension payments at \$809 million are \$64 million more than receipts of \$745 million of which \$327 million is from the 3 per cent sales tax, \$302 million from the tax on personal incomes which was increased effective January 1, 1964 to 4 per cent with a maximum tax of \$120 from 3 per cent with a maximum tax of \$90, and \$116 million from the 3 per cent tax on corporation profits.

During the year additional temporary loans of \$64 million from the Minister of Finance to cover the 1963-64 deficit in the fund brings the total of temporary loans to \$105 million as at March 31, 1964.

In 1962-63 pension payments of \$734 million exceeded receipts of \$691 million by \$43 million. As there was a balance of \$2 million in the fund at the beginning of the 1962-63 fiscal year temporary loans of \$41 million were required to meet the 1962-63 deficit.

TABLE 49  
(in millions of dollars)

OLD AGE SECURITY FUND	Fiscal year ending March 31				
	1960	1961	1962	1963	1964 (estimated)
Tax receipts—					
Sales tax.....	270.0	270.2	284.9	302.2	327.0
Personal income tax.....	185.6	229.4	259.0	273.7	302.0
Corporation income tax.....	91.3	103.5	100.1	115.2	116.0
Total tax receipts.....	546.9	603.1	644.0	691.1	745.0
Pension payments.....	-574.9	-592.4	-625.1	-734.4	-809.0
Excess of receipts over payments.....	-28.0	10.7	18.9	-43.3	-64.0
Temporary loans brought forward.....		-28.0	-17.3		-41.7
Balance in fund brought forward.....				1.6	
Temporary loans from the Minister of Finance to cover deficit in fund.....	28.0	17.3		41.7	105.7
Balance in fund.....			1.6		

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

TABLE 50  
(in millions of dollars)

OLD AGE SECURITY PAYMENTS	Fiscal year ending March 31		Increase
	1964 (estimated)	1963	
Newfoundland.....	15.4	14.0	1.4
Nova Scotia.....	37.1	33.8	3.3
Prince Edward Island.....	6.5	6.0	0.5
New Brunswick.....	27.3	24.9	2.4
Quebec.....	172.0	155.4	16.6
Ontario.....	293.0	265.7	27.3
Manitoba.....	48.9	44.6	4.3
Saskatchewan.....	50.7	46.3	4.4
Alberta.....	54.8	49.8	5.0
British Columbia.....	102.7	93.4	9.3
Northwest and Yukon Territories.....	0.6	0.5	0.1
	809.0	734.4	74.6

### Undisbursed balances of appropriations to special accounts

These special accounts record the undisbursed balances of appropriations for which moneys have been appropriated by Parliament and from which disbursements may be made for authorized purposes in periods subsequent to that in which the appropriation was made. There is a net decrease of \$16 million in these accounts during the fiscal year bringing the balance as at March 31, 1964 to \$104 million.

During the fiscal year a grant of \$42 million was credited to the Colombo plan fund and charged to budgetary expenditure. Disbursements of \$50 million result in a balance of \$77 million in the fund as at March 31, 1964. In 1962-63 there was a grant of \$42 million and disbursements were \$34 million resulting in a balance of \$85 million at March 31, 1963.

TABLE 51  
(in millions of dollars)

UNDISBURSED BALANCES OF APPROPRIATIONS TO SPECIAL ACCOUNTS	Balance at March 31,		Increase, or decrease (-)
	1964 (estimated)	1963	
Colombo plan fund.....	77.1	85.3	-8.2
Railway grade crossing fund.....	17.7	26.7	-9.0
National capital fund.....	5.8	6.8	-1.0
Centennial of confederation fund.....	3.0	1.0	2.0
Other.....	0.1	0.2	-0.1
	103.7	120.0	-16.3

The balance in the railway grade crossing fund as at March 31, 1964 of \$18 million is \$9 million less than at the previous year-end. The decrease is the result of disbursements of \$14 million exceeding the \$5 million credited to the fund and charged to budgetary expenditure.

The balance in the national capital fund as at March 31, 1964 of \$6 million is \$1 million less than the balance at the previous year-end. Disbursements of \$9 million from the fund exceed credits of \$8 million to the fund by the government.

The centennial of confederation fund in the amount of \$3 million reflects a grant of \$2 million by the government in 1963-64 and \$1 million in 1962-63. There have been no disbursements from the fund.

### Deferred credits

Recorded in these accounts are amounts due the government in respect of which payment has been deferred. These are contra accounts to corresponding items under the following asset categories: "Loans to, and investments in, Crown corporations", "Loans to national governments" and "Other loans and investments". There is a net increase of \$15 million in these accounts during the fiscal year, bringing the balance at March 31, 1964 to \$122 million.

TABLE 52  
(in millions of dollars)

DEFERRED CREDITS	Balance at March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Deferred interest—			
The St. Lawrence Seaway Authority.....	66.3	49.4	16.9
United Kingdom Financial Agreement Act, 1946.....	44.2	44.2	
Northern Canada Power Commission.....	1.5	1.5	
	112.0	95.1	16.9
Balances receivable under agreements of sale of Crown assets.....	4.6	6.7	-2.1
Crown Assets Disposal Corporation—			
Government equity in agency account.....	5.7	5.9	-0.2
	122.3	107.7	14.6

Deferred interest in respect of The St. Lawrence Seaway Authority, which is a contra account to a corresponding item in "Loans to, and investments in, Crown corporations", increased by \$17 million during the year bringing the balance at March 31, 1964 to \$66 million.

Balances receivable under agreements of sale of Crown assets are contra accounts to corresponding items under the asset category "Other loans and investments". During the year payments of \$2 million leave an outstanding balance of \$5 million as at March 31, 1964. There were no new agreements of sale during the year.

The government equity in the agency account of Crown assets disposal corporation is a contra account to a corresponding asset account under "Other loans and investments". The balance in the account as at March 31, 1964 is \$6 million, approximately the same as at the previous fiscal year-end.

### Suspense accounts

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

TABLE 53  
(in millions of dollars)

SUSPENSE ACCOUNTS	Balance at March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Replacement of materiel, sec 11, National Defence Act.....	1.0	1.1	-0.1
Unclaimed cheques.....	1.4	1.4	
Other.....	3.7	3.6	0.1
	6.1	6.1	

The replacement of materiel account, which was 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 procurement of replacement materiel. During 1963-64 credits and disbursements are each under \$500 thousand resulting in the balance remaining approximately the same as at March 31, 1963.

### Unmatured debt

The unmaturred debt at the close of the 1963-64 fiscal year is estimated at \$18,719 million, \$757 million more than at the close of the previous fiscal year. Obligations payable in Canada are \$18,342 million and those payable in New York \$377 million. At March 31, 1963 unmaturred debt consisted of \$17,551 million payable in Canada, \$34 million payable in London and \$377 million payable in New York.

TABLE 54  
(in millions of dollars)

UNMATURED DEBT	Balance at March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Payable in Canada—			
Marketable bonds.....	11,041.4	10,792.2	249.2
Non-marketable bonds—			
Canada savings bonds.....	5,070.8	4,582.1	488.7
Unemployment Insurance Commission.....	16,112.2	15,385.8	726.4
Treasury bills.....	2,230.0	2,165.0	65.0
	18,342.2	17,550.8	791.4
Payable in London <sup>(1)(2)</sup> .....		34.6	-34.6
Payable in New York <sup>(1)(3)</sup> .....	376.4	376.4	
	18,718.6	17,961.8	756.8

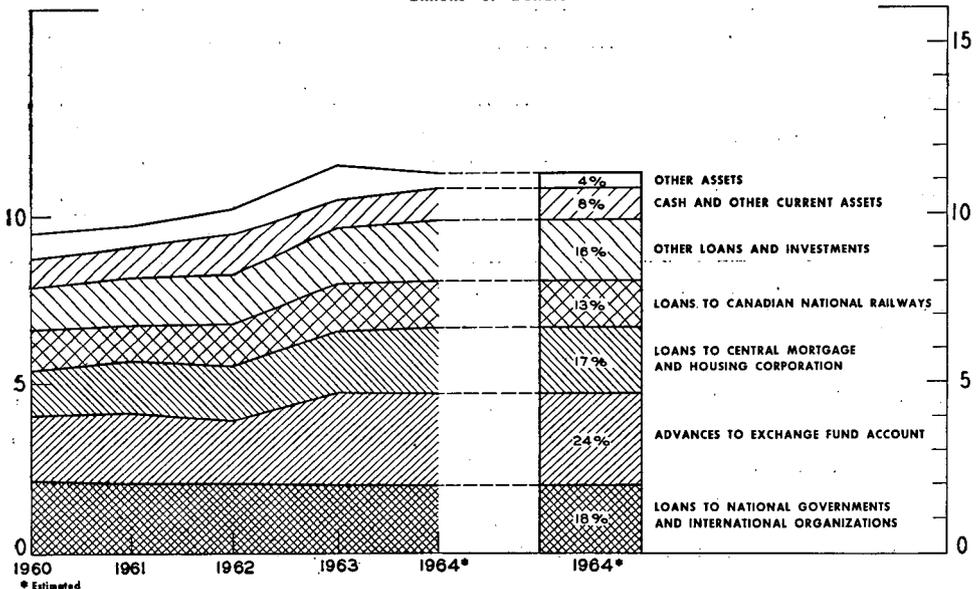
<sup>(1)</sup>Marketable bonds.

<sup>(2)</sup>Converted at the official parity rate of £1=\$3.027 Can.

<sup>(3)</sup>Converted at the official parity rate of \$1 U.S. = \$1.08108 Can.

The details of the various loan issues, maturities, redemptions and conversions resulting in the net increase are described more fully in the section "The Public Debt".

TOTAL ASSETS  
Fiscal Years Ended March 31  
Billions of Dollars



### CHANGES IN ASSET ACCOUNTS

#### Current assets

These accounts consist of working capital advances and revolving funds, the securities investment account and various cash accounts.

Total current assets estimated at \$1,031 million reflect an increase of \$210 million during the year. The main changes are increases of \$218 million in cash in current and special deposits and \$42 million in the securities investment account and a decrease of \$68 million in the agricultural commodities stabilization account.

TABLE 55  
(in millions of dollars)

CURRENT ASSETS	Balance at March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Cash in current and special deposits <sup>(1)</sup> .....	595.5	377.3	218.2
Cash in hands of collectors and in transit.....	134.1	134.1	
Departmental working capital advances and revolving funds—			
Agricultural commodities stabilization account.....	71.0	139.0	-68.0
Defence production revolving fund.....	37.0	39.1	-2.1
Royal Canadian Mint.....	30.7	27.2	3.5
Miscellaneous departmental imprest and advance accounts.....	20.0	19.7	0.3
Stockpiling of uranium concentrates (Trade and Commerce).....	15.0		15.0
Other.....	19.1 192.8	18.3 243.3	0.8 -50.5
Securities investment account.....	75.4	33.5	41.9
Moneys received after March 31 but applicable to the current year.....	16.7	16.7	
Post Office—cash on hand and in transit.....	16.1	15.4	0.7
	1,030.6	820.3	210.3

<sup>(1)</sup> Receiver General year-end balances in London, New York, Paris and Bonn are at the Canadian dollar equivalent of exchange rates at March 31.

The agricultural commodities stabilization account records the operations of the Agricultural Stabilization Board. During 1963-64 it is estimated that the board's operations will result in a net decrease in the account of \$68 million bringing the balance as at March 31, 1964 to \$71 million.

The balances of \$31 million in the Royal Canadian Mint bullion and coinage accounts are \$4 million higher than at March 31, 1963.

Stockpiling of uranium concentrates is a new account to record the acquisition of uranium concentrates in accordance with contracts to be entered into with the approval of the Governor in Council by the Eldorado Mining and Refining Limited on behalf of Her Majesty in right of Canada with certain mining companies. The balance as at March 31, 1964 is estimated at \$15 million.

### Advances to the exchange fund account

Advances during the year to the exchange fund account to finance the purchase of gold and foreign exchange amount to \$754 million and repayments to \$802 million, a decrease of \$48 million bringing outstanding advances to \$2,688 million at March 31, 1964.

During 1962-63 advances were \$1,991 million, repayments were \$1,048 million and outstanding advances were \$2,736 million at March 31, 1963.

### Sinking fund and other investments held for the retirement of un-matured debt

As the 1933-63 Newfoundland stock matured on July 1, 1963, the holdings of that stock in this account were liquidated leaving a nil balance in the account at March 31, 1964.

### Loans to, and investments in, Crown corporations

Loans and investments in this category total \$4,628 million, an increase of \$160 million over the total at March 31, 1963.

TABLE 56  
(in millions of dollars)

LOANS TO, AND INVESTMENTS IN, CROWN CORPORATIONS	Balance at March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Atomic Energy of Canada Limited.....	58.8	53.3	5.5
Bank of Canada.....	5.9	5.9	
Canadian Arsenals Limited.....	6.5	7.5	-1.0
Canadian Broadcasting Corporation.....	3.0	3.0	
Canadian Commercial Corporation.....	8.5	9.5	-1.0
Canadian National Railways.....	1,415.9	1,434.7	-18.8
Trans-Canada Air Lines.....	4.6	4.6	
	1,420.5	1,439.3	-18.8
Canadian National (West Indies) Steamships Limited.....	0.3	0.3	
Canadian Overseas Telecommunication Corporation.....	60.3	49.3	11.0
Central Mortgage and Housing Corporation.....	1,924.8	1,802.8	122.0
Eldorado Mining and Refining Limited.....	8.2	8.2	
Export Credits Insurance Corporation.....	66.9	34.9	32.0
Farm Credit Corporation.....	341.0	269.0	72.0
National Capital Commission.....	55.2	40.9	14.3
National Harbours Board.....	198.5	192.6	5.9
Northern Canada Power Commission.....	22.5	19.0	3.5
Northern Ontario Pipe Line Crown Corporation.....		110.6	-110.6
Polymer Corporation Limited.....	30.0	30.0	
The St. Lawrence Seaway Authority—			
Loans.....	349.5	341.5	8.0
Deferred interest.....	66.3	49.4	16.9
	415.8	390.9	24.9
Other Crown Corporations.....	1.1	1.1	
	4,627.8	4,468.1	159.7

#### Canadian National Railways (including Trans-Canada Air Lines)

Outstanding advances to the Canadian National Railways at March 31, 1964 of \$1,420 million compare with \$1,439 million at the previous fiscal year-end, a decrease of \$19 million.

TABLE 57

(in millions of dollars)

ADVANCES TO THE CANADIAN NATIONAL RAILWAYS	Balance at March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Capital Revision Act, 1952—			
Preferred stock.....	995.5	970.7	24.8
Twenty year obligation.....	100.0	100.0	
Refunding Act, 1955.....	238.0	283.8	-45.8
Financing and Guarantee Acts.....	55.4	63.2	-7.8
Canadian Government Railways.....	17.0	17.0	
Canadian National Railways—income deficit, 1964.....	10.0		10.0
Trans-Canada Air Lines—income deficits.....	4.6	4.6	
	1,420.5	1,439.3	-18.8

During the 1963-64 fiscal year the government made available to the company \$82 million and received repayments of \$101 million. The amount of advances to the company outstanding at March 31, 1964 is therefore decreased by \$19 million.

TABLE 58

(in millions of dollars)

ADVANCES TO, AND REPAYMENTS BY, THE CANADIAN NATIONAL RAILWAYS	Fiscal year ending March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Advances—			
For the refunding of debt.....		250.0	-250.0
For capital expenditures.....		5.8	-5.8
For interim financing of income deficits—			
Canadian National Railways.....	53.0	41.3	11.7
Trans-Canada Air Lines.....	4.6	5.9	-1.3
Total advances.....	57.6	303.0	-245.4
Purchase of 4 per cent preferred stock (C.N.R. Capital Revision Act, 1952).....	24.8	18.9	5.9
	82.4	321.9	-239.5
Repayments—			
Advances for capital and refunding purposes.....	-53.6		-53.6
Advances for interim financing of income deficits—			
Canadian National Railways.....	-43.0	-41.3	-1.7
Trans-Canada Air Lines.....	-4.6	-6.3	1.7
	101.2	-47.6	-53.6
Net decrease during the fiscal year.....	-18.8	274.3	-293.1

To assist the company to finance further capital expenditure during the year, the government will have purchased \$25 million of the 4 per cent preferred stock of the company. This stock is issued under the authority of the Canadian National Railways Capital Revision Act, 1952, in an amount equal to 3 per cent of the gross revenue of the company.

The government also provided the company with temporary loans of \$43 million in respect of its 1963 income deficit which will be repaid when the company's income deficit is charged to 1963-64 budgetary expenditure and \$10 million in respect of its 1964 deficit.

At March 31, 1963 temporary loans of \$4 million and \$1 million were outstanding to the Trans-Canada Air Lines in respect of its 1963 and 1962 income deficits, respectively. These were repaid by the company during 1963-64. However, additional loans of \$5 million have been made in respect of the 1964 deficit.

#### *Central Mortgage and Housing Corporation*

The balance in this account at March 31, 1964 of \$1,925 million is \$122 million over the balance at March 31, 1963, and comprises the Crown's investment of \$25 million in the capital of the corporation and \$1,900 million in loans and advances.

Loans and advances to the corporation are \$260 million in 1963-64 and repayments are \$138 million. In 1962-63 advances were \$182 million and repayments were \$80 million.

TABLE 59  
(in millions of dollars)

ADVANCES TO, AND REPAYMENTS BY, CENTRAL MORTGAGE AND HOUSING CORPORATION	Fiscal year ending March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Advances—			
Direct lending and limited dividend housing.....	195.6	136.5	59.1
Federal-provincial projects—			
Municipal sewage treatment.....	38.0	24.1	13.9
Housing.....	8.0	11.2	-3.2
University housing.....	18.5	10.0	8.5
	64.5	45.3	19.2
	260.1	181.8	78.3
Repayments—			
Direct lending and limited dividend housing.....	-127.3	-69.0	-58.3
Federal-provincial projects—			
Municipal sewage treatment.....	-5.9	-3.8	-2.1
Housing.....	-4.8	-2.8	-2.0
University housing.....	-0.1		-0.1
	-10.8	-6.6	-4.2
Housing.....		-4.4	4.4
	-138.1	-80.0	-58.1
	122.0	101.8	20.2

Advances comprise \$196 million for direct lending and limited dividend housing and \$64 million for federal-provincial projects, of which \$38 million is in respect of municipal sewage treatment, \$8 million for housing and \$18 million for university housing.

Repayments comprise \$127 million for direct lending and limited dividend housing and \$11 million for federal-provincial projects (\$6 million in respect of municipal sewage treatment and \$5 million in respect of housing).

#### *Northern Ontario Pipe Line Crown Corporation*

During the fiscal year 1963-64 Trans-Canada Pipe Lines Limited exercised its option to purchase from the Northern Ontario Pipe Line Crown Corporation the Northern Ontario section of the natural gas pipe line. As a result of this transaction the corporation repaid the government all its outstanding loans.

#### *Farm Credit Corporation*

The government provides loans to the corporation which makes loans on farm property. The balance in the account at March 31, 1964 of \$341 million consists of the Crown's investment of \$13 million in the capital of the corporation and \$328 million in loans and advances. At March 31, 1963 the balance was \$269 million consisting of capital investment of \$10 million and loans and advances of \$259 million.

During 1963-64 transactions in the account consist of additional subscriptions by the government of \$3 million to the capital of the corporation, loans and advances of \$77 million and repayments by the corporation of \$8 million.

#### *The St. Lawrence Seaway Authority*

At March 31, 1964 outstanding loans in this account in the amount of \$350 million compare with \$342 million at March 31, 1963. Loans during 1963-64 total \$8 million. There are no repayments.

Deferred interest increased by \$17 million during the fiscal year bringing the balance at March 31, 1964 to \$66 million.

#### *Atomic Energy of Canada Limited*

The outstanding balance in this account as at March 31, 1964 amounts to \$59 million, an increase of \$6 million over the previous fiscal year-end.

A refund of \$14 million was received from the company and was applied as a reduction in capital stock under authority of P.C. 1963-840, May 30, 1963, reducing capital stock to a balance of \$15 million as at March 31, 1964. Additional advances of \$20 million brings the balance of loans to \$44 million at the fiscal year-end.

#### *Other Crown Corporations*

Loans to the Export Credits Insurance Corporation are estimated to increase by \$32 million during the fiscal year, loans to the National Capital Commission by \$14 million, loans to the Canadian Overseas Telecommunication Corporation by \$11 million, loans to the National Harbours Board by \$6 million and advances to the Northern Canada Power Commission by \$4 million and loans to the Canadian Commercial Corporation to decrease by \$1 million.

### **Loans to national governments**

There is a net decrease of \$13 million in this category during 1963-64 bringing total balances to \$1,198 million as at March 31, 1964 from \$1,211 million at the previous fiscal year-end.

The United Kingdom repaid \$18 million of the \$1,185 million loan made under the \$1,250 million credit authorized by the United Kingdom Financial Agreement Act, 1946, reducing the principal to \$995 million at March 31, 1964.

TABLE 60  
(in millions of dollars)

LOANS TO NATIONAL GOVERNMENTS	Balance at March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Loan to United Kingdom—			
The United Kingdom Financial Agreement Act, 1946...	995.1	1,012.8	-17.7
Deferred interest.....	44.2	44.2	
	1,039.3	1,057.0	-17.7
Loans under the Export Credits Insurance Act, Part II—			
Belgium.....	30.0	32.3	-2.3
France.....	67.0	67.0	
The Netherlands.....	32.1	32.1	
	129.1	131.4	-2.3
Special loans to Colombo plan countries to finance the purchase of wheat and flour from Canada—			
Ceylon.....	1.1	1.4	-0.3
India.....	15.4	20.1	-4.7
	16.5	21.5	-5.0
Miscellaneous loans and advances—			
France—interim credit—consolidated interest.....	0.7	0.7	
India—loans for the purchase in Canada of aircraft and associated spare parts and equipment.....	12.0		12.0
Other.....	0.1	0.2	-0.1
	12.8	0.9	11.9
	1,197.7	1,210.8	-13.1

Advances under Part II of the Export Credits Insurance Act to Belgium, France and The Netherlands to assist them in the purchasing of goods in Canada were reduced by repayments of \$2 million during the fiscal year. The balance at March 31, 1964 was \$129 million.

Special loans from Canada to Colombo plan countries to finance the purchase of wheat and flour by them amount to \$16 million, a decrease of \$5 million from the previous fiscal year.

Loans amounting to \$12 million were made during the fiscal year 1963-64 to the Government of India for the purchase in Canada of aircraft and associated spare parts and equipment.

### Other loans and investments

Balances in these accounts total \$1,211 million at March 31, 1964, \$100 million more than at the end of the previous fiscal year.

Canada's subscriptions to the capital of international organizations increased by \$8 million during the year due to additional subscriptions of \$8 million to the international development association. Working capital advances and loans to international organizations are approximately the same as at the previous fiscal year-end.

Loans to provincial governments are estimated to increase by \$2 million due mainly to increases of \$5 million in loans to New Brunswick and \$2 million in loans to Nova Scotia and decreases of \$3 million in loans to British Columbia and \$2 million in the provincial tax collection agreements account.

Advances are made by the government under the Veterans Land Act for the acquisition, by the Director, of properties, buildings, materials, live stock,

farm equipment and commercial fishing equipment for purposes of the act, for sale to qualified veterans of world war 2 and Korea under sale agreements which carry specified conditional benefits if the terms of such agreements are adhered to by the veteran. Advances during the year of \$43 million and repayments of \$22 million bring outstanding advances at March 31, 1964 to \$245 million. This is partially offset by a reserve for conditional benefits amounting to \$27 million, resulting in a balance in this account of \$218 million at the year-end.

TABLE 61  
(in millions of dollars)

OTHER LOANS AND INVESTMENTS	Balance at March 31		Increase or decrease (-)
	1964 (estimated)	1963	
Subscriptions to capital of, and working capital advances and loans to, international organizations—			
Canada's subscription to capital of—			
International bank for reconstruction and development.....	80.5	80.5	
International development association.....	32.8	24.9	7.9
International finance corporation.....	3.5	3.5	
International monetary fund.....	577.3	577.3	
Working capital advances and loans to international organizations.....	8.1	7.8	0.3
	<b>708.2</b>	<b>694.0</b>	<b>8.2</b>
Loans to provincial governments—			
Alberta.....	6.8	7.2	-0.4
British Columbia.....	15.1	18.4	-3.3
Manitoba.....	11.6	12.3	-0.7
New Brunswick.....	36.2	31.1	5.1
Newfoundland.....	0.6	0.5	0.1
Nova Scotia.....	9.5	7.3	2.2
Saskatchewan.....	28.3	26.9	1.4
Provincial tax collection agreements account.....	10.7	13.1	-2.4
	<b>118.8</b>	<b>116.8</b>	<b>2.0</b>
Veterans land act advances.....	245.4	224.5	20.9
Less reserve for conditional benefits—			
Veterans Land Act, 1942.....	-26.8	-28.5	1.7
	<b>218.6</b>	<b>196.0</b>	<b>22.6</b>
Miscellaneous—			
Assisted passage scheme.....	2.6	2.2	0.4
Balances receivable under agreements of sale of Crown assets.....	6.0	8.3	-2.3
City of Montreal—			
Atwater tunnel.....	1.9	2.0	-0.1
St. Remi tunnel.....	1.1	1.1	
City of Whitehorse.....	2.0	2.1	-0.1
Construction of dock and rail facilities for Steep Rock Iron Mines Limited.....	1.3	1.5	-0.2
Crown Assets Disposal Corporation—			
Government equity in agency account.....	5.6	5.9	-0.3
Dominion Coal Company Limited.....	5.0	5.9	-0.9
Hamilton Harbour Commissioners.....	1.3	1.3	
Housing projects for Canadian forces.....	18.6	12.5	6.1
Municipal Improvements Assistance Act, 1938.....	1.1	1.3	-0.2
New Westminster Harbour Commission.....	1.4	1.9	-0.5
Northwest Territories.....	3.2	2.4	0.8
Old age security fund—temporary loans.....	105.7	41.7	64.0
Town of Oromocto, New Brunswick.....	3.7	3.9	-0.2
Town of Oromocto Development Corporation.....	1.1	1.2	-0.1
Yukon Territory.....	4.2	3.4	0.8
Other.....	5.6	5.3	0.3
	<b>171.4</b>	<b>103.9</b>	<b>67.5</b>
	<b>1,211.0</b>	<b>1,110.7</b>	<b>100.3</b>

Miscellaneous loans and investments in the amount of \$171 million reflect a net increase of \$68 million over the March 31, 1963 total. The increase is due mainly to additional temporary loans of \$64 million to the old age security fund by the Minister of Finance.

### **Securities held in trust**

Recorded herein are the security holdings of various deposit and trust accounts and annuity, insurance and pension accounts. Bonds and certified cheques held in connection with contractors' securities included in the deposit and trust category are also recorded under this heading. The balance at March 31, 1964 of \$33 million is \$7 million more than at the end of the previous fiscal year.

### **Deferred charges**

The balance of \$400 million in this category is \$537 million less than at March 31, 1963, reflecting a write-off to net debt, subject to parliamentary approval, of \$528 million representing the unamortized portions of the actuarial deficiencies in the Canadian forces superannuation account and the Royal Canadian Mounted Police superannuation account and a decrease of \$9 million in unamortized loan flotation costs.

#### *Unamortized portions of actuarial deficiencies*

These accounts record the unamortized portions of the actuarial deficiencies in the public service, the Canadian forces and the Royal Canadian Mounted Police superannuation accounts which have been set up as deferred charges.

The deficiencies are based on actuarial valuations made as at December 31, 1957 for the public service superannuation account, December 31, 1960 for the Canadian forces superannuation account and December 31, 1961 for the Royal Canadian Mounted Police superannuation account.

The decrease of \$528 million in the unamortized portions of actuarial deficiencies consists of \$525 million in respect of the Canadian forces superannuation account and \$3 million in respect of the Royal Canadian Mounted Police superannuation account. These amounts plus an additional amount of \$3 million credited during 1963-64 to the Royal Canadian Mounted Police superannuation account will be charged to net debt during 1963-64 upon parliamentary approval.

#### *Unamortized loan flotation costs*

This account records the residual balances of discounts, commissions, redemption bonuses and conversion premiums on loan flotations that have not been charged to budgetary expenditure. The balance at March 31, 1964 of \$123 million is \$9 million less than the previous year-end balance.

Cost of new loans issued during 1963-64 and charged to the account amount to \$43 million, of which \$14 million is in respect of treasury bill discounts which will be charged to interest on public debt in 1964-65 and \$3 million is an adjustment due to exchanges of unmatured loans prior to their maturity date. Credits to the account are \$51 million of which \$36 million is a charge to the budgetary expenditure item "Annual amortization costs" and \$15 million (representing discount applicable to 1963-64 on treasury bills sold in 1962-63) is a charge to the budgetary item "Interest on public debt".

TABLE 62

(in millions of dollars)

UNAMORTIZED LOAN FLOTATION COSTS	Fiscal year ending March 31	
	1964 (estimated)	1963
Balance of account at beginning of fiscal year.....	131.6	121.3
New flotation costs to be amortized—		
3½% loan June 1, 1963—July 1, 1964.....	1.2	
5% loan June 1, 1963—June 1, 1968.....	1.8	
3½% loan Oct. 1, 1963—Oct. 1, 1964.....	2.0	
4½% loan Oct. 1, 1963—Apr. 1, 1965.....	0.7	
5% loan Oct. 1, 1963—Oct. 1, 1968.....	0.1	
3½% loan Dec. 15, 1963—Dec. 15, 1964.....	2.1	
4½% loan Dec. 15, 1963—Dec. 15, 1966.....	0.3	
3½% loan Feb. 1, 1964—Feb. 1, 1965.....	0.6	
3½% loan Feb. 1, 1964—Feb. 1, 1966.....	2.2	
4½% loan Feb. 1, 1964—Jan. 15, 1968.....	2.4	
5% loan Feb. 1, 1964—June 1, 1968.....	2.3	
Adjustments <sup>(1)</sup> .....	3.2	1.3
Treasury bills discount.....	13.7	14.9
Canada savings bonds—adjustment of previous issues.....	1.0	0.9
Canada savings bonds—new issue.....	9.0	14.6
3½% loan May 1, 1962—Oct. 1, 1967.....		1.8
5½% loan Aug. 1, 1962—Oct. 1, 1969.....		1.1
5½% loan Aug. 1, 1962—Aug. 1, 1980.....		3.1
4½% loan Oct. 1, 1962—Apr. 1, 1965.....		1.6
5½% loan Oct. 1, 1962—Apr. 1, 1969.....		0.8
3½% loan Dec. 15, 1962—Feb. 1, 1965.....		4.9
3½% loan Feb. 1, 1963—Feb. 1, 1964.....		1.0
3½% loan Feb. 1, 1963—Feb. 1, 1966.....		6.6
5% loan Oct. 15, 1962—Oct. 15, 1987 <sup>(2)</sup> .....		0.4
	42.6	53.0
Less—		
Amortization applicable to fiscal year—		
Canada savings bonds and general loans.....	-36.3	-32.7
Discount on treasury bills charged to interest on public debt.....	-14.9	-10.0
	-51.2	-42.7
Increase or decrease (-) during the year.....	-8.6	10.3
Balance of account at end of fiscal year.....	123.0	131.6

<sup>(1)</sup> Adjustments due to cancellations, exchanges, conversions and additional issues of existing loans.<sup>(2)</sup> Loan issued in New York.

### Suspense accounts

The only item in this category is the cheque adjustment suspense account which reflects unadjusted balances resulting from the reconciliation of payments for redemption of paid cheques with the amount of those cheques as subsequently determined in adjustment of the outstanding cheque account.

### Capital assets

Assets of the government such as land, buildings, works and equipment, etc., that are charged to budgetary expenditure at the time of acquisition or construction, are included in this category and are shown on the statement of assets and liabilities at a nominal value of \$1.

### Inactive loans and investments

Loans and investments which are not currently revenue-producing or realizable are recorded herein. 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 \$15 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, 1964 being \$546 million, unchanged from the end of the previous year.

### INCREASE IN NET DEBT

The net debt of Canada, or the excess of liabilities over net assets, in the amount of \$15,136 million at March 31, 1964 is \$1,216 million higher than at March 31, 1963. The increase reflects the 1963-64 budgetary deficit of \$685 million plus an adjustment of \$531 million in respect of prior years' transactions.

The adjustment of \$531 million covers the write-off to net debt, subject to parliamentary approval, of the unamortized portions of actuarial deficiencies in the amounts of \$525 million in respect of the Canadian forces superannuation account and \$6 million in respect of the Royal Canadian Mounted Police superannuation account.

## 5. THE CASH POSITION

The government's bank balances are expected to amount to \$596 million at March 31, 1964, an increase of \$218 million over the total at March 31, 1963.

The government's cash position is affected not only by budgetary transactions but also by changes in the government's outstanding unmatured debt and other non-budgetary transactions. Non-budgetary transactions are those which affect the government's asset and liability accounts and must be taken into account when considering the full scope of the government's financial operations and their effect on the economy of the country.

In 1963-64 an estimated deficit of \$685 million in budgetary transactions and estimated cash receipts of \$166 million in non-budgetary transactions (excluding unmatured debt transactions) result in a net cash requirement of \$519 million. As outstanding unmatured debt is estimated to increase by \$737 million, an increase of \$218 million is reflected in Receiver General bank balances. In 1962-63 there was a budgetary deficit of \$692 million and a net requirement of \$772 million in non-budgetary transactions which was financed by an increase of \$1,064 million in outstanding unmatured debt and a draw-down of \$400 million from the government's cash deposits.

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 liability 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 1963-64 and indicates how they affect the government's cash position. For purposes of comparison the corresponding figures for 1962-63 are also shown.

TABLE 63  
(in millions of dollars)

CHANGES IN CASH POSITION	Fiscal year ending March 31	
	1964 (estimated)	1963
<b>Budgetary transactions—</b>		
Revenues.....	6,207.0	5,878.7
Expenditures.....	-6,892.0	-6,570.3
Budgetary deficit.....	-685.0	-691.6
<b>Non-budgetary transactions (excluding unmatured debt transactions) (net)—</b>		
Receipts and credits.....	813.7	-564.7
Disbursements and charges.....	-647.6	-207.6
Net amount received from, or required for (-), non-budgetary transactions.....	166.1	-772.3
<b>Overall cash requirement to be financed by increase in debt or decrease in cash balances.....</b>	<b>-518.9</b>	<b>-1,463.9</b>
<b>Net increase in unmatured debt outstanding in hands of public—</b>		
Unmatured debt—		
Bonds <sup>(1)</sup> .....	691.8	736.1
Treasury bills.....	65.0	280.0
Securities investment account <sup>(2)</sup> .....	-42.0	50.5
Sinking fund and other investments.....	22.3	-2.9
	737.1	1,063.7
<b>Net increase or decrease (-) in Receiver General bank balances</b>	<b>218.2</b>	<b>-400.2</b>

<sup>(1)</sup>Includes decreases of \$12 million in 1963-64 and \$51 million in 1962-63 in special non-marketable bonds issued to the Unemployment Insurance Commission.

<sup>(2)</sup>Excluding securities other than government issues.

### Non-budgetary receipts and credits (excluding unmatured debt transactions)

Non-budgetary receipts and credits, as already indicated, amount to \$814 million in 1963-64 as shown in the following table:

TABLE 64  
(in millions of dollars)

NON-BUDGETARY RECEIPTS AND CREDITS	Fiscal year ending March 31	
	1964 (estimated)	1963
Repayments of loans, investments and working capital advances (net)—		
Agricultural commodities stabilization account.....	68.0	-6.2
Agricultural products board account.....	0.8	-1.2
Canadian Arsenals Limited.....	1.0	
Canadian Commercial Corporation.....	1.0	0.5
Canadian National Railways (including Trans-Canada Air Lines)...	18.8	-274.3
Defence production revolving fund.....	2.1	-11.8
Exchange fund account.....	48.0	-943.0
Northern Ontario Pipe Line Crown Corporation.....	110.6	8.4
Provincial tax collection agreements account.....	2.4	-13.1
United Kingdom (1946 loan).....	17.7	17.5
Special loans to India and Ceylon (re purchase of wheat and flour from Canada).....	5.0	5.0
Other loans to national governments.....	2.4	106.5
Other.....		13.0
	277.8	-1,098.7
Net government annuities account receipts—		
Premium receipts less payments to beneficiaries.....	-27.6	-18.3
Interest paid by government.....	48.3	47.4
	20.7	29.1
Net insurance and pension accounts receipts—		
Employee contributions less payments to beneficiaries.....	26.8	38.0
Government contributions.....	120.4	114.9
Special government contribution to the Canadian forces superannuation account.....	76.5	198.5
Special credit to the Royal Canadian Mounted Police superannuation account.....	2.8	
Interest paid by government.....	141.0	122.0
Old age security fund.....		-1.6
Net decrease in unemployment insurance fund cash on deposit with government.....	-2.0	0.1
	365.5	471.9
Net increase in—		
Current and demand liabilities—		
Accrued interest.....	18.0	22.4
Interest due and outstanding.....	13.5	5.6
Matured debt.....	12.0	-4.0
Outstanding treasury cheques.....	10.0	0.7
Accounts payable.....	50.0	-13.3
Other.....	0.8	0.5
Deposit and trust accounts—guarantee deposits.....	15.2	2.1
Undisbursed balances of appropriations—centennial of confederation fund.....	2.0	1.0
Deferred credits—The St. Lawrence Seaway Authority—deferred interest.....	16.9	15.7
Suspense accounts.....		0.8
	138.4	31.5
Net decrease in sundry asset accounts—		
Unamortized loan flotation costs.....	8.6	-10.3
Other.....	2.7	11.8
	11.3	1.5
	813.7	-564.7

## Non-budgetary disbursements and charges (excluding unmatured debt transactions)

Non-budgetary disbursements and charges total \$648 million in 1963-64 as shown in the following table:

TABLE 65  
(in millions of dollars)

NON-BUDGETARY DISBURSEMENTS AND CHARGES	Fiscal year ending March 31	
	1964 (estimated)	1963
<b>Loans, investments and working capital advances (net)—</b>		
Atomic Energy of Canada Limited.....	5.5	-12.5
Canadian Overseas Telecommunication Corporation.....	11.0	11.4
Central Mortgage and Housing Corporation.....	122.0	101.8
Export Credits Insurance Act (sec. 21A).....	32.0	19.6
Farm Credit Corporation.....	72.0	59.0
Housing projects for Canadian forces.....	6.1	6.1
International organizations.....	8.2	34.1
National Capital Commission.....	14.3	9.4
National Harbours Board.....	5.9	13.8
Northern Canada Power Commission.....	3.5	-7.2
Old age security fund.....	64.0	41.7
Provincial governments.....	4.4	5.8
Royal Canadian Mint.....	3.5	6.6
The St. Lawrence Seaway Authority.....	24.9	22.7
Special loan to India re purchase of aircraft.....	12.0	
Stockpiling of uranium concentrates.....	15.0	
Veterans Land Act advances.....	22.6	18.6
Governments of Yukon and Northwest Territories.....	1.6	3.9
	428.5	334.8
<b>Net disbursements from liability accounts—</b>		
Current and demand liabilities—		
Non-interest-bearing notes payable on demand.....	148.3	-385.3
Deposit and trust accounts—		
Canadian Arsenals Limited pension fund.....	0.1	10.6
Canadian National Railways.....	7.6	-7.6
Crown corporations deposits.....	16.4	-5.8
Korean operations pool.....	11.1	
Provincial tax collection agreements account.....		38.0
Other.....	4.5	8.3
Undisbursed balances of appropriations—		
Colombo plan fund.....	8.2	-7.7
Railway grade crossing fund.....	9.0	7.1
Other.....	1.1	-3.3
Deferred credits—		
Miscellaneous.....	2.3	3.0
	208.6	-342.7
<b>Net increases in sundry asset accounts—</b>		
Cash in hands of collectors and in transit.....		16.3
Securities held in trust.....	6.7	0.1
Unamortized portion of actuarial deficiency in the Canadian forces superannuation account.....		198.5
Other.....	3.8	0.6
	10.5	215.5
	647.6	207.6

## 6. THE PUBLIC DEBT

### Gross and net debt

The gross debt of Canada is estimated at \$25,872 million as at March 31, 1964. Unmatured debt, including treasury bills, in the amount of \$18,719 million account for approximately 73 per cent of the total. The remaining liabilities, consisting of current and demand liabilities, deposit and trust accounts, annuity, insurance and pension accounts, undisbursed balances of appropriations

to special accounts, deferred credits and sundry suspense accounts, amount to \$7,153 million or approximately 27 per cent of the total debt.

The net debt of Canada in the amount of \$15,136 million at March 31, 1964 is \$1,216 million more than the net debt at March 31, 1963. Total liabilities of \$25,872 million are \$1,073 million higher and net assets of \$10,736 million are \$143 million lower than the March 31, 1963 totals.

TABLE 66

STATEMENT OF PUBLIC DEBT, UNMATURED DEBT, RECORDED NET ASSETS AND NET DEBT OF CANADA  
(in millions of dollars)

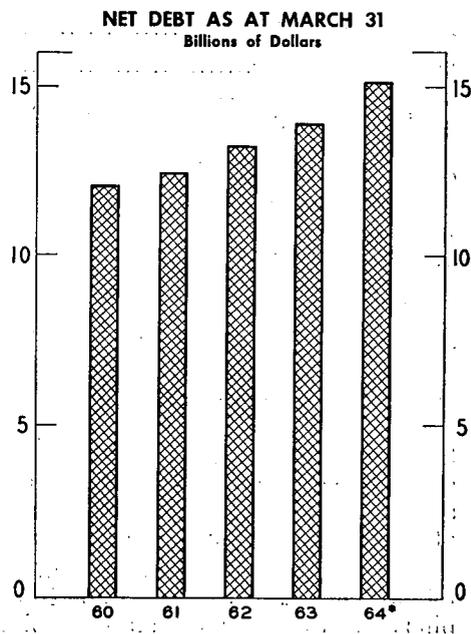
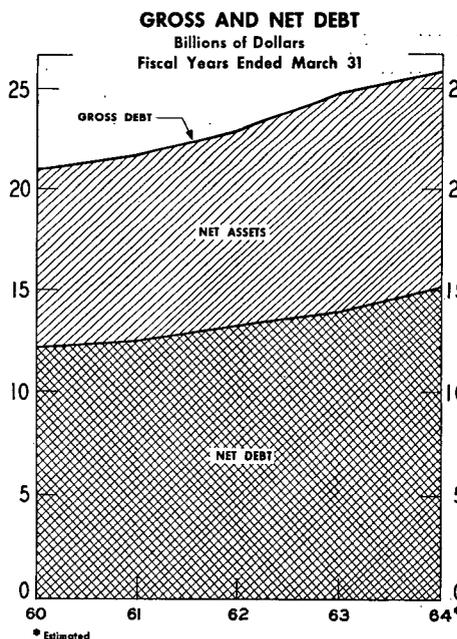
As at March 31	Gross Public Debt			Less recorded net assets	Net debt	Increase in net debt during fiscal year
	Unmatured debt.	Other liabilities	Total			
1960.....	15,890.1	5,096.3	20,986.4	8,897.2	12,089.2	410.8
1961.....	16,067.9	5,534.9	21,602.8	9,165.7	12,437.1	347.9
1962.....	16,945.7	5,962.1	22,907.8	9,679.7	13,228.1	791.0
1963.....	17,961.8	6,837.3	24,799.1	10,879.4	13,919.7	691.6
1964 (estimated).....	18,718.6	7,153.3	25,871.9	10,736.1	15,135.8	1,216.1

### Unmatured debt

The total ununmatured debt of Canada at March 31, 1964 in the amount of \$18,719 million is \$757 million more than at the end of the previous fiscal year.

The government's holdings of its own securities are \$74 million, all of which are held in the securities investment account, an increase of \$42 million. At March 31, 1963 holdings were \$54 million of which \$32 million were in the securities investment account and \$22 million in the sinking fund and other investments account.

The sinking fund and other investments account was liquidated during the year due to the maturing on July 1, 1963 of the Newfoundland 3% guaranteed stock.



Of the total unmatured debt, \$18,342 million or approximately 98 per cent is payable in Canada and \$377 million in New York. Securities payable in New York have been valued at the official parity rate of \$1 U.S. = \$1.08108 Can.

TABLE 67  
(in millions of dollars)

UNMATURED DEBT TRANSACTIONS	Fiscal year ending March 31	
	1964 (estimated)	1963
Balance at beginning of year.....	17,962	16,946
New issues—		
For cash—		
Canada savings bonds series 16.....		78
Canada savings bonds series 17.....	106	1,634
Canada savings bonds series 18.....	1,061	
Marketable bonds.....	1,725	1,347
Non-marketable bonds (Unemployment Insurance Commission).....	66	86
Treasury bills (net).....	65	280
	<b>3,023</b>	<b>3,425</b>
By renewals and conversions—		
Marketable bonds.....	266	960
Total new issues.....	<b>3,289</b>	<b>4,385</b>
Adjustments due to conversion of securities payable in London and New York at the official parity rates <sup>(1)</sup> .....		10
	<b>3,289</b>	<b>4,395</b>
Less—		
Matured marketable bonds.....	-1,510	-984
Redeemed non-marketable bonds (Unemployment Insurance Commission).....	-77	-137
Conversions.....	-266	-960
Canada savings bonds redeemed or matured.....	-679	-1,185
Unmatured marketable bonds (purchased and cancelled).....	-2,532	-3,266
	<b>-2,532</b>	<b>-113</b>
Increase in unmatured debt.....	757	1,016
Balance at end of year.....	18,719	17,962

<sup>(1)</sup>Official parity rates at March 31, 1963 were £1=\$3.027 Can. and \$1 U.S.= \$1.08108 Can.

*Summary of security issues and maturities, redemptions and conversions*

During the year ended March 31, 1964 it is estimated that the government will have issued securities payable in Canada in the principal amount of \$3,289 million (excluding the refunding of treasury bills which mature weekly).

Securities payable in Canada amounting to \$2,497 million are expected to mature, be redeemed or converted in 1963-64. Securities payable in London amounting to \$34 million matured during the year.

During 1963-64 net sales of Canada savings bonds series 18 are estimated at \$1,061 million and additional sales of Canada savings bonds series 17 at \$106 million. Canada savings bonds series 7 outstanding in the amount of \$19 million matured on August 1, 1963 and redemptions prior to maturity of series 7 to 17 are expected to amount to \$660 million. The net increase for all series is \$488 million and the amount outstanding and unmatured for all series at March 31, 1964 is \$5,071 million.

Treasury bills outstanding at March 31, 1964 in the amount of \$2,230 million consist of \$1,350 million in three-month bills, \$780 million in six-month bills and \$100 million in one-year bills.

TABLE 68  
DEBT MATURED, REDEEMED OR CONVERTED DURING THE FISCAL YEAR ENDING  
MARCH 31, 1964 (estimated)

	Matured	Redeemed	Converted	Total
	\$	\$	\$	\$
3% 1945-63.....	223,020,200			223,020,200
3½% 1958-65.....			(1)266,000,000	266,000,000
5½% 1960-63.....	12,802,000			12,802,000
4% 1960-63.....	300,000,000			300,000,000
2½% 1962-63.....	275,000,000			275,000,000
2½% 1962-63.....	300,000,000			300,000,000
3½% 1963-64.....	365,000,000			365,000,000
3% 1933/34-1943/63.....	32,445,301			32,445,301
3½% 1938-1958/63.....	2,138,751			2,138,751
Canada savings bonds S.7.....	18,459,300			18,459,300
Canada savings bonds S.7-17.....		660,161,448		660,161,448
Unemployment Insurance Commission (non-marketable bonds)—				
3½%.....		29,000,000		29,000,000
4½%.....		36,500,000		36,500,000
5½%.....		11,500,000		11,500,000
	1,528,865,552	737,161,448	266,000,000	2,532,027,000

(1) Exchanged for 5% loan due Oct 1, 1968.

TABLE 69  
NEW SECURITIES ISSUED DURING YEAR ENDING MARCH 31, 1964 (estimated)

	Price to government	Yield at price to government	Total amount issued	Renewals or conversions included in amount issued	Amount issued for cash
	\$	per cent	\$	\$	\$
Marketable bonds—					
Loan due June 1, 1967, 4½%.....	99.00	4.53	175,000,000		175,000,000
Loan due Apr. 1, 1965, 4½%.....	99.50	4.51	60,000,000		60,000,000
Loan due Feb. 1, 1964, 3½%.....	99.20	4.23	240,000,000		240,000,000
Loan due July 1, 1964, 3½%.....	99.35	3.87	175,000,000		175,000,000
Loan due June 1, 1968, 5%.....	99.00	5.07	100,000,000		100,000,000
Loan due Oct. 1, 1964, 3½%.....	99.00	4.28	185,000,000		185,000,000
Loan due Apr. 1, 1965, 4½%.....	99.40	4.67	90,000,000		90,000,000
Loan due Oct. 1, 1968, 5%.....	100.00	5.00	316,000,000	(1)266,000,000	50,000,000
Loan due Dec. 15, 1964, 3½%.....	99.15	4.13	225,000,000		225,000,000
Loan due Dec. 15, 1966, 4½%.....	99.85	4.55	75,000,000		75,000,000
Loan due Feb. 1, 1965, 3½%.....	99.15	4.38	65,000,000		65,000,000
Loan due Feb. 1, 1966, 3½%.....	98.10	4.50	105,000,000		105,000,000
Loan due Jan. 15, 1968, 4½%.....	98.25	4.74	130,000,000		130,000,000
Loan due June 1, 1968, 5%.....	96.25	5.27	50,000,000		50,000,000
Non-marketable bonds—					
Unemployment Insurance Commission, 3½%.....	100.00	3.87	29,000,000		29,000,000
Unemployment Insurance Commission, 4½%.....	100.00	4.37	36,500,000		36,500,000
Canada savings bonds—					
Nov. 1, 1962—Nov. 1, 1976, 4½-5½%, S. 17.....	100.00	5.11(2)	106,103,000		106,103,000
Nov. 1, 1963—Nov. 1, 1975, 4½-5½%, S. 18.....	100.00	5.03(2)	1,061,167,000		1,061,167,000
Treasury bills (net).....	various	various	65,000,000		65,000,000
			3,288,770,000	266,000,000	3,022,770,000

(1) In exchange for 3½% loan due Sept. 1, 1965.

(2) If held to maturity.

### Interest rates

The average interest rate on the government's unmatured debt did not vary to any great extent in 1963-64. It is estimated at 4.22 per cent as at March 31, 1964 compared with 4.15 per cent at the end of the previous fiscal year.

The yield on three-month treasury bills at tender on March 28, 1963 was 3.62 per cent. On June 13, 1963 it was 3.19 per cent and on February 27, 1964 it was 3.88 per cent.

The yield on six-month treasury bills at tender on March 28, 1963 was 3.74 per cent. On May 30, 1963 it was 3.30 per cent and on February 27, 1964 it was 4.02 per cent.

The following table shows the high and low yields together with the yield on the latest issue of three-month and six-month bills for the fiscal years 1959-60 to 1963-64 inclusive:

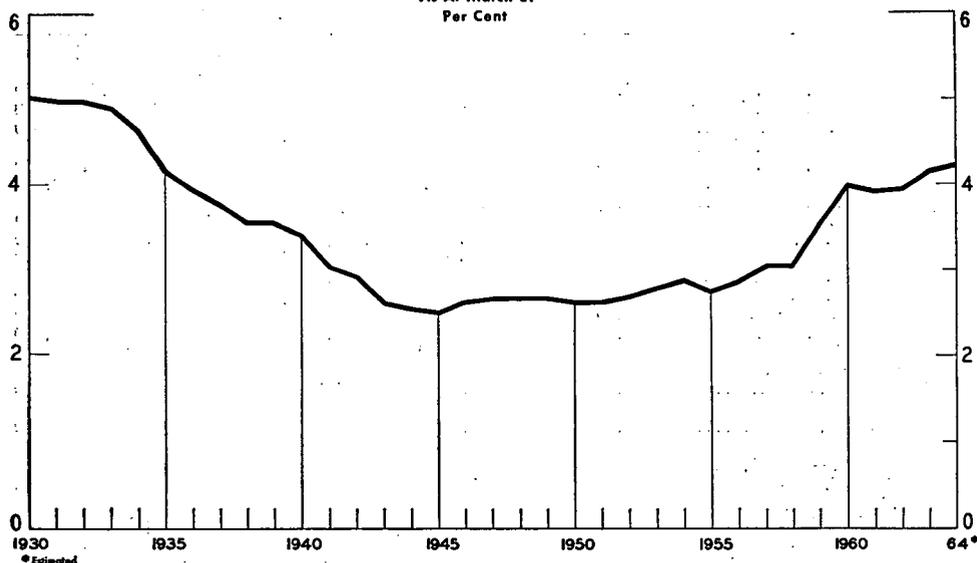
TABLE 70  
TREASURY BILL YIELDS AT TENDER

Fiscal year ending March 31	High per cent	Low per cent	Last issue per cent
<b>Three-month bills—</b>			
1960.....	6.16	3.01	3.01
1961.....	3.95	1.68	3.21
1962.....	3.34	2.26	3.12
1963.....	5.51	3.04	3.62
1964.....	3.88	3.19	(1)3.88
<b>Six-month bills—</b>			
1960.....	6.87	3.23	3.23
1961.....	4.07	1.99	3.37
1962.....	3.49	2.53	3.29
1963.....	5.74	3.19	3.74
1964.....	4.02	3.30	(1)4.02

(1) At tender on February 27, 1964.

#### AVERAGE INTEREST RATE ON UNMATURED DEBT

As At March 31  
Per Cent



#### 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, 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 loans under the National Housing Act, 1954 is \$4,499 million at December 31, 1963 compared with \$4,123 million at December 31, 1962.

TABLE 71

## SUMMARY OF INDIRECT DEBT OR CONTINGENT LIABILITIES AS AT MARCH 31, 1964 (estimated)

	Amount of guarantee authorized	Amount outstanding March 31, 1964
	\$	\$
Railway securities guaranteed as to principal and interest <sup>(1)</sup> —		
1. Canadian National 5½% due December 15, 1964.....	196,508,000	196,508,000
2. Canadian National 3% due January 3, 1966.....	35,000,000	35,000,000
3. Canadian National 2½% due January 2, 1967.....	50,000,000	50,000,000
4. Canadian National 4½% due April 1, 1967.....	75,000,000	72,300,000
5. Canadian National 5% due May 15, 1968.....	60,000,000	55,800,000
6. Canadian National 2½% due September 15, 1969.....	70,000,000	70,000,000
7. Canadian National 2½% due January 16, 1971.....	40,000,000	40,000,000
8. Canadian National 5½% due December 15, 1971.....	2,492,000	2,492,000
9. Canadian National 3½% due February 1, 1974.....	200,000,000	200,000,000
10. Canadian National 2½% due June 15, 1975, U.S. \$6,000,000.....	6,486,480	6,486,480
11. Canadian National 5% due May 15, 1977.....	90,000,000	84,150,000
12. Canadian National 4% due February 1, 1981.....	300,000,000	300,000,000
13. Canadian National 5½% due January 1, 1985.....	100,000,000	99,500,000
14. Canadian National 5% due October 1, 1987.....	175,000,000	167,125,000
	<u>1,400,486,480</u>	<u>1,379,361,480</u>
Other outstanding guarantees and contingent liabilities—		
15. Deposits maintained by the chartered banks in the Bank of Canada <sup>(2)</sup> .....	Unstated	817,380,310
16. Loans made by lenders under Part IV of the National Housing Act, 1954, for home extensions and improvements <sup>(3)</sup> .....	25,000,000	14,490,893
17. Insured loans made by approved lenders under the National Housing Act, 1954 <sup>(4)</sup> .....	6,000,000,000	4,499,000,000
18. Liability for insurance and guarantees and other commitments with respect to long-term financing under sections 21 and 21A of the Export Credits Insurance Act.....	700,000,000	378,404,945
19. Loans made by chartered banks under the Farm Improvement Loans Act <sup>(5)</sup> .....	Indeterminate	57,673,374
20. Loans made by chartered banks under the Veterans' Business and Professional Loans Act <sup>(3)</sup> .....	Indeterminate	34,389
21. Loans made by chartered banks and credit unions under the Fisheries Improvement Loans Act <sup>(5)</sup> .....	Indeterminate	187,066
22. Loans made by chartered banks under the Prairie Grain Producers' Interim Financing Act, 1956 <sup>(6)</sup> .....	Indeterminate	4,956
23. Loans made by chartered banks under the Prairie Grain Loans Act <sup>(5)</sup> .....	Indeterminate	1,086
24. Loans made by chartered banks under the Small Businesses Loans Act <sup>(3)</sup> .....	30,000,000	7,429,154
25. Loans made by chartered banks to the Canadian Wheat Board <sup>(1)</sup> .....	180,000,000	968,121
		<u>5,775,574,294</u>
26. Loans maintained by approved lending institutions under National Housing Acts prior to 1954 Act.....	Unstated	Indeterminate
27. Guarantees to owners of returns from moderate rental housing projects <sup>(6)</sup> .....	Unstated	Indeterminate

<sup>(1)</sup> As at January 31, 1964.

<sup>(2)</sup> As at February 19, 1964.

<sup>(3)</sup> As at December 31, 1963.

<sup>(4)</sup> As reported (in accordance with Sec. 45, National Housing Regulations) by approved lenders at December 31, 1963.

<sup>(5)</sup> As at March 31, 1963.

<sup>(6)</sup> Funds totalling \$3,933,453 are held by Central Mortgage and Housing Corporation for the purpose of settling claims. In 1963 rental guarantee contracts totalled \$14,786,770.

## 7. SUPPLEMENTARY DETAILED TABLES

REVENUES

EXPENDITURES

ANNUAL CHANGES IN LOANS AND INVESTMENTS

UNMATURED DEBT

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

	1959-60	1960-61	1961-62	1962-63	1963-64 (estimated)
	\$	\$	\$	\$	\$
<b>TAX REVENUES</b>					
Income tax—					
Personal <sup>(1)</sup> .....	1,566.6	1,711.2	1,792.7	1,744.6	1,863.0
Corporation <sup>(1)</sup> .....	1,142.9	1,276.6	1,202.0	1,182.8	1,249.0
On dividends, interest, etc., going abroad.....	73.4	88.2	112.3	129.2	127.0
	<b>2,782.9</b>	<b>3,076.0</b>	<b>3,107.0</b>	<b>3,056.6</b>	<b>3,239.0</b>
Excise taxes—					
Sales tax <sup>(1)(2)</sup> .....	732.7	720.6	759.7	806.0	930.0
Other excise taxes—					
Automobiles.....	64.3	59.6	25.3	(3)	(3)
Cigarettes, tobacco and cigars.....	185.5	193.7	207.6	217.8	223.8
Electric power export.....	1.3	1.6	1.0	0.5	0.1
Jewellery, watches, orna- ments, etc.....	5.6	5.9	5.6	5.8	6.3
Matches and lighters.....	0.8	0.8	1.1	1.2	1.3
Television sets, radios, tubes and phonographs.....	17.8	15.9	18.4	19.9	21.9
Toilet preparations.....	7.7	8.4	9.4	10.2	11.0
Wines.....	3.0	3.2	3.3	3.7	3.9
Sundry commodities.....	1.2	1.1	1.1	1.2	1.2
Interest and penalties.....	0.6	0.8	0.7	0.5	0.8
Less refunds.....	-0.4	-0.3	-11.0	-0.4	-0.3
	<b>287.4</b>	<b>290.7</b>	<b>262.5</b>	<b>280.4</b>	<b>270.0</b>
Customs import duties.....	525.7	498.7	534.5	645.0	580.0
Excise duties—					
Spirits.....	102.4	103.5	114.1	122.1	127.0
Beer.....	90.7	91.0	92.7	98.2	102.0
Cigarettes, tobacco and cigars..	146.2	149.6	160.5	166.5	171.0
Licences.....	(3)	(3)	(3)	(3)	(3)
Less refunds.....	-4.1	-4.2	-4.5	-4.9	-5.0
	<b>535.2</b>	<b>544.9</b>	<b>562.8</b>	<b>581.9</b>	<b>595.0</b>
Estate tax <sup>(4)</sup> .....	88.4	84.9	84.6	87.1	90.0
Miscellaneous tax revenues.....	(3)	(3)	0.1	(3)	(3)
<b>Total tax revenues.....</b>	<b>4,752.3</b>	<b>5,015.8</b>	<b>5,111.2</b>	<b>5,237.0</b>	<b>5,504.0</b>
<b>NON-TAX REVENUES</b>					
Return on investments.....	239.7	283.8	307.5	311.9	364.0
Post office—net postal revenue.....	167.6	173.6	183.7	192.8	199.0
Other.....	130.2	144.5	127.2	137.0	140.0
<b>Total non-tax revenues.....</b>	<b>537.5</b>	<b>601.9</b>	<b>618.4</b>	<b>641.7</b>	<b>703.0</b>
<b>Total revenues.....</b>	<b>5,289.8</b>	<b>5,617.7</b>	<b>5,729.6</b>	<b>5,878.7</b>	<b>6,207.0</b>

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

	1959-60	1960-61	1961-62	1962-63	1963-64 (estimated)
Personal income tax.....	185.6	229.4	259.0	273.7	302.0
Corporation income tax.....	91.3	103.5	100.1	115.2	116.0
Sales tax.....	270.0	270.2	284.9	302.2	327.0

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

(3) Less than \$50,000.

(4) Includes duties levied under the Dominion Succession Duty Act.

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

(in millions of dollars)

	1959-60	1960-61	1961-62	1962-63	1963-64 (estimated)
<b>AGRICULTURE—</b>					
Administration and general.....	2.8	3.1	4.2	3.5	5.7
Agricultural commodities stabilization account—net operating loss.....	57.7	53.4	22.0	71.8	122.0
Agricultural products board account— net operating loss.....			4.9	0.9	1.0
Board of Grain Commissioners.....	6.1	6.3	6.5	6.2	6.7
Prairie farm emergency fund—deficit..	12.5	9.2	47.7	7.3	1.9
Production and marketing branch.....	25.4	29.3	33.9	32.1	30.4
Contributions to Alberta, Saskatch- ewan and Manitoba—unhar- vested crops.....	4.7	1.4			
Payments to western grain producers.		40.5	40.1	0.1	
Freight assistance on western feed grains.....	23.8	19.2	17.5	14.5	18.0
Premium on hog and lamb carcasses suitable for export to United King- dom.....	8.2	6.6	7.6	6.1	8.0
Rehabilitation and reclamation proj- ects.....	17.6	20.2	26.1	29.6	35.9
Research branch.....	25.6	26.2	26.8	27.0	27.5
	184.4	215.4	257.3	199.1	257.1
<b>ATOMIC ENERGY.....</b>					
	30.1	38.9	34.7	63.2	45.7
<b>AUDITOR GENERAL'S OFFICE.....</b>					
	0.9	0.9	1.1	1.2	1.3
<b>BOARD OF BROADCAST GOVERNORS.....</b>					
	0.2	0.3	0.3	0.4	0.4
<b>CANADIAN BROADCASTING CORPORATION—</b>					
Grants toward the net operating and capital requirements of the radio broadcasting and television services	61.9	64.9	76.5	79.0	85.0
International service.....	2.0	1.9	1.7	1.8	1.9
	63.9	66.8	78.2	80.8	86.9
<b>CENTRAL MORTGAGE AND HOUSING COR- PORATION.....</b>					
	2.4	3.7	5.8	8.7	14.5
<b>OFFICE OF THE CHIEF ELECTORAL OFFICER.....</b>					
	0.3	0.6	0.4	11.8	11.8
<b>CITIZENSHIP AND IMMIGRATION—</b>					
Administration and general.....	2.1	2.4	2.6	2.7	2.8
Immigration branch.....	11.7	12.3	12.0	12.5	13.6
Indian affairs branch.....	41.1	46.4	50.4	51.0	56.3
	54.9	61.1	65.0	66.2	72.7
<b>CIVIL SERVICE COMMISSION.....</b>					
	3.7	4.2	4.7	4.8	5.2
<b>DEFENCE PRODUCTION—</b>					
Defence expenditures.....	17.6	20.4	23.9	28.8	40.3
Non-defence expenditures.....	2.1	2.1	2.1	2.0	2.0
	19.7	22.5	26.0	30.8	42.3
<b>EMERGENCY MEASURES ORGANIZATION.....</b>					
	2.3	3.4	4.8	5.4	7.0
<b>EXTERNAL AFFAIRS—</b>					
Administration and general.....	36.5	35.6	28.9	23.7	32.7
External aid.....	50.6	55.8	53.9	46.5	48.7
Representation abroad.....	10.1	11.6	12.8	15.0	16.4
	97.2	103.0	95.6	85.2	97.8
<b>FINANCE—</b>					
Administration and general.....	10.8	19.9	19.5	23.5	24.0
Office of the Comptroller of the Treas- ury.....	18.2	19.8	21.3	22.5	22.6
Grants to municipalities in lieu of taxes on federal property.....	22.5	24.5	24.7	29.2	30.8
Grants to universities.....	26.1	19.0	19.4	26.3	26.8

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

(in millions of dollars)

	1959-60	1960-61	1961-62	1962-63	1963-64 (estimated)
<b>FINANCE—Concluded</b>					
Government's contribution with respect to the public service superannuation account.....	40.0	41.4	46.9	51.1	54.0
Payments to provinces—					
Statutory subsidies.....	20.8	20.7	23.5	23.5	23.6
Tax-sharing arrangements, 1956 act..	485.4	504.9	503.3		218.9
Fiscal arrangements, 1961 act.....				241.8	
Transfer of certain public utility tax receipts.....	4.8	4.2	6.4	10.0	9.9
Transitional grant to Newfoundland.	0.7	0.3			
Additional grants to Newfoundland.	7.3	7.7	8.0		
Premium, discount and exchange.....	0.2			9.4	1.4
Public debt charges—					
Interest on public debt.....	735.6	756.7	802.9	881.6	952.0
Cost of issuing new loans and annual amortization of bond discounts and commissions.....	47.3	40.2	35.3	34.6	37.6
Servicing of public debt.....	0.5	0.7	0.8	1.6	1.2
	1,420.2	1,480.0	1,512.0	1,555.1	1,402.8
<b>FISHERIES.....</b>	19.9	19.2	23.1	23.3	24.1
<b>FORESTRY.....</b>	9.9	10.1	14.7	16.2	18.1
<b>GOVERNOR GENERAL AND LIEUTENANT-GOVERNORS.....</b>	0.4	0.4	0.5	0.5	0.5
<b>INDUSTRY.....</b>					0.7
<b>INSURANCE.....</b>	1.2	1.3	1.4	1.4	1.4
<b>JUSTICE—</b>					
Administration and general.....	8.1	8.6	9.5	9.8	11.5
Office of the Commissioner of Penitentiaries.....	19.7	19.1	23.1	24.7	29.5
Patents, copyrights and trade marks..	2.7	2.7	2.8	2.5	2.5
	30.5	30.4	35.4	37.0	43.5
<b>LABOUR—</b>					
Administration and general.....	12.9	15.6	31.6	34.9	47.7
Government annuities—amount required to maintain reserve.....	0.2				
Technical and vocational training assistance payments to provinces.....	8.2	8.5	35.7	207.9	138.5
Unemployment Insurance Commission—					
Administration and general.....	35.9	42.1	46.0	48.1	49.8
Government's contribution.....	45.7	55.1	55.6	57.3	58.8
	102.9	121.5	168.9	348.2	294.8
<b>LEGISLATION—</b>					
House of Commons.....	5.6	6.3	6.2	5.9	10.2
Library of Parliament.....	0.3	0.3	0.3	0.4	0.4
Senate.....	1.8	1.9	1.9	1.8	2.5
	7.7	8.5	8.4	8.1	13.1
<b>MINES AND TECHNICAL SURVEYS—</b>					
Administration and general.....	23.7	27.7	35.3	35.5	34.6
Dominion Coal Board.....	17.6	19.3	19.9	20.4	20.0
Emergency gold mining assistance.....	13.1	12.1	12.4	15.2	15.3
	54.4	59.1	67.6	71.1	69.9
<b>NATIONAL DEFENCE—</b>					
Defence forces, army, naval and air services.....	1,397.1	1,406.0	1,502.8	1,433.8	1,430.9
Defence research and development....	39.2	41.9	40.4	41.1	47.8
Government's contributions with respect to Canadian forces superannuation account.....	51.8	40.5	56.0	58.1	59.7

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

(in million of dollars)

	1959-60	1960-61	1961-62	1962-63	1963-64 (estimated)
	\$	\$	\$	\$	\$
<b>NATIONAL DEFENCE—Concluded</b>					
Special government contribution to the Canadian forces superannuation fund.....					76.5
Mutual aid to NATO countries.....	18.4	14.6	11.1	25.0	29.5
Pensions—payments under Defence Services Pension Act.....	6.3	6.7	7.3	7.5	7.9
Other.....	2.1	5.6	5.4	5.6	6.4
	1,514.9	1,515.3	1,623.0	1,571.1	1,663.7
<b>NATIONAL FILM BOARD.....</b>	4.6	4.9	5.1	5.6	5.7
<b>NATIONAL GALLERY OF CANADA.....</b>	0.7	0.9	1.0	1.0	1.1
<b>NATIONAL HEALTH AND WELFARE—</b>					
Administration and general.....	4.0	4.5	4.9	6.0	6.5
National health branch—					
General health grants and hospital construction grants.....	46.0	48.0	49.0	50.3	53.0
Government's contributions under the Hospital Insurance and Diagnostic Services Act.....	150.6	189.4	233.9	336.7	390.0
Medical services.....	25.6	26.8	28.1	28.9	30.9
Other.....	5.0	5.6	6.0	6.3	7.3
Welfare branch—					
Family allowances.....	491.2	506.2	520.8	531.6	538.6
Fitness and amateur sport payments			0.2	1.0	2.0
Old age assistance, blind persons and disabled persons allowances.....	50.6	51.3	51.4	62.7	64.7
Unemployment assistance.....	40.2	51.5	92.0	96.5	106.0
Other.....	3.0	3.3	3.3	3.4	3.9
	816.2	886.6	1,039.6	1,123.4	1,202.9
<b>NATIONAL RESEARCH COUNCIL, INCLUDING THE MEDICAL RESEARCH COUNCIL..</b>	31.5	34.4	38.8	40.6	47.2
<b>NATIONAL REVENUE.....</b>	68.7	73.3	75.3	78.6	83.6
<b>NORTHERN AFFAIRS AND NATIONAL RESOURCES.....</b>	70.7	70.8	78.4	86.4	84.3
<b>POST OFFICE.....</b>	165.8	178.4	185.0	189.4	207.7
<b>PRIVY COUNCIL, including Prime Minister's Office.....</b>	1.3	1.3	3.5	3.4	8.2
<b>PUBLIC ARCHIVES AND NATIONAL LIBRARY</b>	0.7	0.8	1.0	1.0	1.1
<b>PUBLIC PRINTING AND STATIONERY—</b>					
Publications.....	1.4	1.4	1.9	2.0	2.1
<b>PUBLIC WORKS—</b>					
Administration and general.....	156.0	142.2	132.7	116.7	111.7
National Capital Commission.....	6.2	6.3	8.7	13.0	12.3
Trans-Canada highway contributions.....	53.3	48.7	41.6	33.0	47.1
	215.5	197.2	183.0	162.7	171.1
<b>OFFICE OF THE REPRESENTATION COMMISSIONER.....</b>					0.1
<b>ROYAL CANADIAN MOUNTED POLICE.....</b>	52.4	56.0	60.5	65.4	67.3
<b>SECRETARY OF STATE.....</b>	2.6	3.0	3.1	3.5	3.8
<b>TRADE AND COMMERCE—</b>					
Administration and general.....	18.5	22.7	39.6	27.0	28.7
Assistance re storage costs of grain....	42.3	48.2	48.8	35.2	39.6
Canadian government travel bureau....	3.0	2.7	3.0	3.4	3.8
National Energy Board.....	0.2	0.4	0.5	0.5	0.6
	64.0	74.0	91.9	66.1	72.7

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

(in million of dollars)

	1959-60	1960-61	1961-62	1962-63	1963-64 (estimated)
	\$	\$	\$	\$	\$
<b>TRANSPORT—</b>					
Administration and general.....	4.6	5.0	8.4	8.8	9.6
Air services.....	124.1	133.9	150.0	136.9	123.0
Canadian Maritime Commission.....	6.7	6.9	10.2	31.0	40.8
Marine services.....	59.1	49.1	48.6	57.8	63.9
Non-active assets—					
National Harbours Board.....	2.0	0.6	4.9	5.2	0.4
Railway and steamships services.....	3.7	6.2	5.9	15.9	30.6
Deficits—					
Canadian National Railways.....	43.6	67.5	67.3	48.9	43.0
Newfoundland ferry and terminals	5.8	5.4	7.3	8.2	8.6
Prince Edward Island car ferry					
and terminals.....	2.6	2.6	3.0	3.3	3.4
Yarmouth—Bar Harbour ferry					
service.....	0.2	0.1	0.1	0.2	0.2
Freight Rates Reduction Act.....	7.8	20.4	19.0	20.6	20.0
Interim payments related to the recom-					
mendations of the Royal Com-					
mission on Railway Problems.....			50.0	50.0	50.0
Maintenance of trackage.....	7.0	7.0	7.0	7.0	7.0
Maritime Freight Rates Act.....	14.3	14.1	12.2	12.9	13.5
Contribution to the railway grade					
crossing fund.....	15.0	15.0	10.0	5.8	5.1
Trans-Canada Air Lines—deficit.....		2.6	6.5	3.5	
	296.6	336.4	410.4	416.0	428.1
<b>VETERANS AFFAIRS—</b>					
Administration and general.....	9.0	9.5	9.7	9.8	9.6
Hospital accommodation, additions,					
alterations and improvements.....	4.5	6.1	4.9	2.1	0.9
Pensions.....	149.7	150.7	177.9	175.9	173.4
Provision for reserve for conditional					
benefits.....	3.8	3.4	3.3	3.2	3.3
Soldier settlement and veterans land					
acts.....	5.2	5.2	4.6	4.6	4.6
Treatment and welfare services.....	48.7	48.5	47.7	48.8	50.4
Veterans allowances, treatment allow-					
ances and other benefits.....	64.5	66.0	83.3	90.2	92.1
War service gratuities and re-estab-					
lishment credits.....	2.9	2.9	1.8	1.0	0.4
	288.3	292.3	333.2	335.6	334.7
<b>TOTAL EXPENDITURES.....</b>	<b>5,702.9</b>	<b>5,958.1</b>	<b>6,520.6</b>	<b>6,570.3</b>	<b>6,892.0</b>

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

(in millions of dollars)

	1959-60	1960-61	1961-62	1962-63	1963-64 (estimated)
	\$	\$	\$	\$	\$
<b>Loans to, and investment in, Crown corporations—</b>					
Atomic Energy of Canada Limited....	0.6	1.5	4.9	-12.5	5.5
Canadian Arsenals Limited.....					-1.0
Canadian Broadcasting Corporation...		3.0			
Canadian Commercial Corporation....	2.0	1.0	3.0	-0.5	-1.0
Canadian National Railways.....	-261.4	-116.5	72.3	274.7	-13.8
Canadian National (West Indies) Steamships Limited.....	-0.2	-1.0	-0.7	-0.6	
Canadian Overseas Telecommunica- tion Corporation.....	9.6	9.1	6.2	11.4	11.0
Central Mortgage and Housing Corpo- ration.....	315.1	192.0	190.3	101.8	122.0
Export Credits Insurance Corporation.			5.2	19.6	32.0
Farm Credit Corporation.....	28.5	40.1	54.2	59.0	72.0
National Capital Commission.....	10.7	7.4	6.2	9.4	14.3
National Harbours Board.....	15.8	11.4	6.0	13.8	5.9
Northern Canada Power Commission.	5.0	0.9	-0.3	-7.2	3.5
Northern Ontario Pipe Line Crown Corporation.....	8.0	2.2	-4.7	-8.4	-110.6
The St. Lawrence Seaway Authority..	(1)33.1	24.0	(1)28.3	(1)22.7	(1)24.9
Trans-Canada Air Lines.....	1.0	1.3	0.2	-0.4	
Other.....	-0.1	0.1			
	167.7	176.5	371.1	482.8	159.7
<b>Loans to national governments—</b>					
<b>United Kingdom—</b>					
The United Kingdom Financial Agreement Act, 1946.....	-16.4	-16.7	-17.1	-17.5	-17.7
Export Credits Insurance Act.....	-17.9	-15.2	-15.3	-105.9	-2.3
Special loans to Colombo plan countries to finance the purchase of wheat and flour from Canada.....	0.5	-3.5	-5.0	-5.0	-5.0
Loan to India for the purchase in Canada of aircraft and associated spare parts and equipment.....					12.0
Other.....	-0.6	-0.9	-1.0	-0.6	-0.1
	-34.4	-36.3	-38.4	-129.0	-13.1
<b>Other loans and investments—</b>					
<b>Subscriptions to capital of, working capital advances and loans to, international organizations—</b>					
Canada's subscription to capital of—					
International monetary fund.....	235.4	15.0	21.0	12.6	
International bank for reconstruc- tion and development.....		2.8		6.8	
International development asso- ciation.....		8.5	7.9	8.5	7.9
Working capital advances and loans to international organizations.....	-0.1	-0.3	-0.1	6.2	0.3
Loans to provincial governments(2)....	1.9	-1.1	-0.5	5.8	4.4
Provincial tax collection agreements— advances.....				13.1	-2.4
Balances receivable under agreements of sale of Crown assets.....	-3.1	-3.9	-1.5	-2.3	-2.3
Housing projects for Canadian forces..	1.0	0.1	1.9	6.1	6.1
Old age security fund.....	28.0	-10.7	-17.3	41.7	64.0
Unemployment Insurance Commission		67.0	-67.0		
Veterans land act advances.....	0.6	14.5	11.3	18.6	22.6
Other.....	-4.4	0.3	2.5	-0.3	-0.3
	259.8	92.2	-41.8	116.8	100.3
<b>Net total of changes in loans and in- vestments.....</b>	<b>392.6</b>	<b>232.4</b>	<b>290.9</b>	<b>470.6</b>	<b>246.9</b>

(1)Includes deferred interest.

(2)Includes advances to Newfoundland, Nova Scotia and New Brunswick pursuant to the Atlantic Provinces Power Development Act.

UNMATURED DEBT INCLUDING TREASURY BILLS AS AT MARCH 31, 1964.  
AND THE ANNUAL INTEREST THEREON (estimated)

	Date of maturity	Rate per cent	Amount of loan	Annual interest
			\$	\$
<b>Payable in Canada—</b>				
Loan of 1961..... AT. 1	1964 May 1	4	360,000,000	14,400,000
Loan of 1963..... AT.20	July 1	3½	175,000,000	5,687,500
Loan of 1961..... AT. 8	Oct. 1	3½	250,000,000	8,125,000
Loan of 1963..... CT. 1	Oct. 1	3½	185,000,000	6,012,500
Loan of 1961..... AT. 5	Dec. 1	4	240,000,000	9,600,000
Loan of 1963..... CT. 4	Dec. 15	3½	225,000,000	7,312,500
Loan of 1962..... AT.17	1965 Feb. 1	3½	350,000,000	12,250,000
Loan of 1964..... CT. 6	Feb. 1	3½	65,000,000	2,275,000
Loan of 1962..... AT.15	Apr. 1	4½	110,000,000	4,675,000
Loan of 1963..... CT. 2	Apr. 1	4½	90,000,000	3,825,000
Conversion loan 1958..... T. 27	Sept. 1	3½	999,890,600	37,495,898
Canada savings bonds 1953..... S. 8	Nov. 1	3½	(1)53,749,000	2,015,587
Loan of 1963..... AT.19	1966 Feb. 1	3½	225,000,000	7,875,000
Loan of 1964..... CT. 7	Feb. 1	3½	105,000,000	3,675,000
Ninth victory loan..... P. 7	Sept. 1	3	245,202,200	7,356,066
Canada savings bonds 1954..... S. 9	Nov. 1	3½	(1)33,041,000	1,073,833
Loan of 1961..... AT. 6	Dec. 15	4½	175,000,000	7,875,000
Loan of 1963..... CT. 5	Dec. 15	4½	75,000,000	3,375,000
Loan of 1961..... AT. 9	1967 June 1	4½	275,000,000	11,687,500
Loan of 1962..... AT.12	Oct. 1	3½	100,000,000	3,750,000
Canada savings bonds 1955..... S. 10	Nov. 1	3½	(1)31,798,000	1,033,435
Loan of 1962..... AT.11	1968 Jan. 15	4½	250,000,000	10,625,000
Loan of 1964..... CT. 8	Jan. 15	4½	130,000,000	5,525,000
Refunding loan 1950..... P. 9	June 15	2½	308,581,000	8,485,977
Loan of 1963..... CT. 3	Oct. 1	5	316,000,000	15,800,000
Canada savings bonds 1959..... S. 14	Nov. 1	5	(1)972,506,000	48,625,300
Loan of 1962..... AT.16	1969 Apr. 1	5½	100,000,000	5,500,000
Loan of 1960..... T. 39	Apr. 1	5½	80,000,000	4,400,000
Canada savings bonds 1956..... S. 11	May 1	4	(1)56,289,000	2,251,560
Loan of 1962..... AT.13	Oct. 1	5½	80,000,000	4,400,000
Loan of 1958..... T. 24	1970 May 1	3½	200,000,000	7,000,000
Canada savings bonds 1957..... S. 12	Nov. 1	4½	(1)439,094,000	20,856,965
Canada savings bonds 1960..... S. 15	Nov. 1	4½	(1)454,408,000	21,584,380
Canada savings bonds 1961..... S. 16	1971 Nov. 1	4½	(1)397,907,000	17,905,815
Conversion loan 1958..... T. 28	1972 Sept. 1	4½	1,267,203,100	53,856,132
Canada savings bonds 1958..... S. 13	1973 Nov. 1	4½	(1)129,685,000	5,511,612
Loan of 1959..... T. 36	1975 Oct. 1	5½	310,361,000	17,069,855
Canada savings bonds 1963..... S. 18	Nov. 1	4½	(1)1,061,167,000	47,752,515
Loan of 1960..... T. 38	1976 Apr. 1	5½	436,198,000	23,990,890
Loan of 1954..... T. 11	June 1	3½	247,046,500	8,029,011
Canada savings bonds 1962..... S. 17	Nov. 1	4½	(1)1,441,164,000	64,852,380
Loan of 1953 and 1958..... T. 5	1978 Jan. 15	3½	207,911,500	7,796,681
Loan of 1954..... T. 13	1979 Oct. 1	3½	343,246,500	11,155,511
Loan of 1962..... AT.14	1980 Aug. 1	5½	120,000,000	6,600,000
Conversion loan 1958..... T. 29	1983 Sept. 1	4½	1,992,679,450	89,670,575
Loan of 1963..... AT.21	1988 June 1	5	100,000,000	5,000,000
Loan of 1964..... CT. 9	June 1	5	50,000,000	2,500,000
Conversion loan 1956..... T. 15	1998 Mar. 15	3½	197,045,000	7,389,188
Loan of 1936..... P. 1	Perpetual	3	55,000,000	1,650,000
Three-month treasury bills.....		(2)3.88	1,350,000,000	50,895,000
Six-month treasury bills.....		(2)4.02	780,000,000	30,732,000
365-day treasury bills.....		3.91	100,000,000	3,910,000
			18,342,172,850	772,696,166
<b>Payable in New York—</b>				
Loan of 1949.....	1974 Sept. 1	2½	(3)65,087,502	1,789,906
Loan of 1950.....	1975 Sept. 15	2½	(3)41,047,527	1,128,807
Loan of 1962.....	1987 Oct. 15	5	(3)270,270,000	13,513,500
			376,405,029	16,432,213
			18,718,577,879	789,128,379

NOTE: The interest shown is a projection for one year at the annual interest rates on the principal amounts outstanding at March 31, 1964. Where various rates of interest are applicable during the term of a loan the interest rate in effect at March 31, 1964 has been used.

(1) Estimated.

(2) Rate of discount at tender on February 27, 1964.

(3) Conversion rate \$1 U.S. = \$1.08108 Can.