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# ***Federal spending***

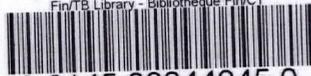
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## **Background**

January 1994



**Canada**



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# ***Federal spending***

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## **Background**

January 1994



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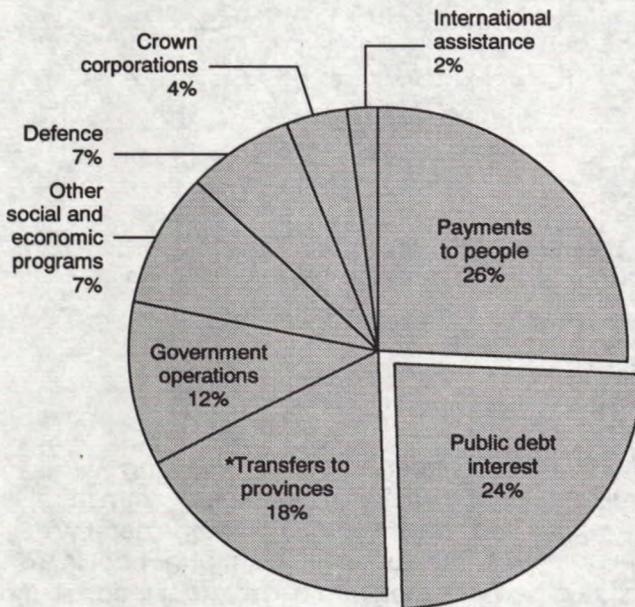
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## INTRODUCTION

The federal government's budgetary spending was \$161.9 billion in 1992-93 – equal to almost a quarter of Canada's annual economic output.

To help Canadians better understand how this money was spent, the government has released a brief booklet entitled *Basic Facts on Federal Spending*. This summarizes spending as it is presented in the federal budget and the public accounts. These spending categories are illustrated in Chart 1.

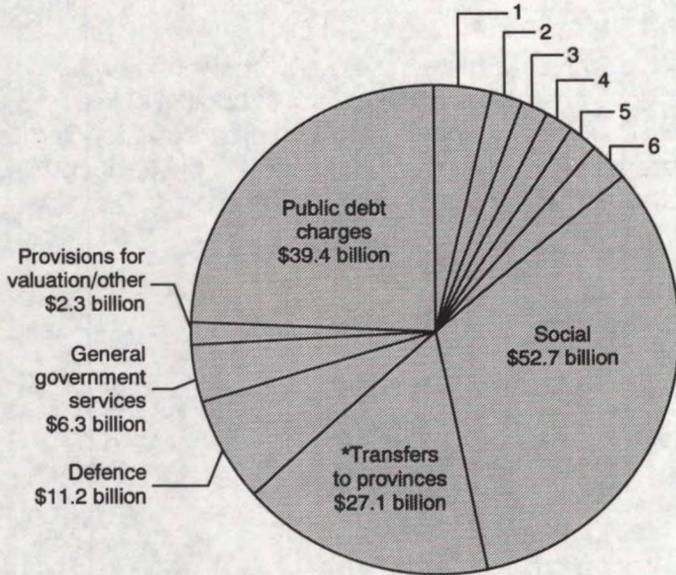
**Chart 1**  
Budgetary expenditures – \$161.9 billion



\*This amount represents the value of federal cash transfers to the provinces. In addition the federal government makes tax point transfers to provinces which provide provincial governments with tax revenues that would otherwise go to the federal government.

This longer background document looks at federal budgetary spending from a slightly different perspective, as shown in Chart 2. For those who have read the *Basic Facts* booklet, the differences bear some explanation.

**Chart 2**  
**Budgetary expenditures – 1992-93**



1. Natural resource-based programs - \$6.2 billion
2. Industrial, regional and scientific-technological support - \$3.4 billion
3. Transport - \$2.9 billion
4. Communications and culture - \$3 billion
5. Justice and legal - \$3.2 billion
6. External Affairs and international assistance - \$4.2 billion

\*Does not include tax point transfers of nearly \$12 billion.

- This document includes a larger number of spending categories which more fully illustrate the range of activities supported by federal spending. It also brings together a wide array of social programs that appear in the shorter booklet as part of sections entitled: Payments to people, Other social and economic programs and Crown corporations.
- Spending is also shown for several other program areas – such as Natural resources, Transportation, Justice and legal – that are contained in Other social and economic programs and Government operations in the shorter booklet.
- Instead of being included in a general Government operations category, departmental operating and capital costs are grouped with their related programs and services. This gives a better picture of the full cost of delivering programs to Canadians.

Program descriptions in the following pages are meant to be illustrative rather than exhaustive. Those seeking further information may wish to look at the 1992-93 Public Accounts – for the 12 month period ending March 31, 1993 – to be tabled in the House of Commons shortly after the opening of Parliament early in 1994.

It should be noted that a number of the departments under which 1992-93 spending is listed in this backgrounder have subsequently been merged with other departments.

It will be evident from this backgrounder that there is no perfect way of grouping spending programs to show the full support provided by government for all of the specific purposes to which it is directed.

- For example, significant spending in support of science and technology, small business, agriculture, regional development and other important areas may not be limited to their one specific section, but also appear under a variety of other headings.
- A large portion of federal payments to provinces represents additional federal support for social programs.

### **NON-BUDGETARY SPENDING**

*The budgetary spending total of \$161.9 billion for 1992-93 represents direct program spending over which the federal government has responsibility and control. As such, it does not include:*

- *tax expenditures in support of a wide range of social and economic goals, which show up as a reduction in taxes otherwise owing;*
- *expenditures under the Canada Pension Plan, which is jointly administered by the federal and provincial governments;*
- *expenditures under certain trust accounts which are managed by the federal government for a third party – for example, pension payments from federal government employees' pension plans.*

*This backgrounder takes note of a number of important non-budgetary and tax expenditures in the context of related program spending.*

Information on expenditures through the tax system will soon be available in a publication entitled, *Government of Canada Personal and Corporate Income Tax Expenditures*, to be published by the Department of Finance.

Copies of *Basic Facts on Federal Spending*, this backgrounder, the tax expenditure document and other background information on the fiscal and economic situation in Canada may be obtained from:

Distribution Centre  
Department of Finance  
Ottawa K1A 0G5  
Tel: (613) 995-2855  
Fax: (613) 996-0518

## **PUBLIC DEBT CHARGES**

While the government's budgetary spending was \$161.9 billion in 1992-93, revenues were \$121.4 billion. This produced a 1992-93 deficit of \$40.5 billion. Added to previous years' deficits, this brought Canada's net federal public debt to \$465 billion at year's end. This was equal to 68 per cent of the country's yearly economic output.

The net public debt consists of the federal government's total liabilities less its financial assets. In 1992-93 total liabilities amounted to \$504.9 billion, while financial assets, primarily in the form of loans and investments to Crown corporations and reserves held in the Foreign Exchange Accounts, amounted to \$39.6 billion.

The government's total liabilities were primarily financed by borrowings from financial markets in the form of Treasury bills, Canada Savings Bonds and marketable bonds. In 1992-93, these "unmatured debt transactions" amounted to \$382.7 billion.

The government also borrows from the non-budgetary transactions accounts. Total borrowings from these accounts, by 1992-93, amounted to \$122.2 billion. The largest source of these funds – \$87.9 billion – is from the federal government employees' pensions plans.

As a result of its borrowing obligations, both on unmaturing debt transactions and from the non-budgetary accounts, the federal government spent \$39.4 billion to pay the interest costs on the federal debt in 1992-93. This amounted to almost one-quarter of total federal government spending and was exceeded only by payments in support of social programs.

Public debt charges include interest payments on unmaturing debt (\$30.6 billion) and on non-budgetary accounts (\$9.0 billion) as well as the costs of issuing new loans, and premiums and commissions associated with issuing the debt (\$32 million).

Excluding interest payments, federal spending is called program spending – as it supports the programs and services government provides. In 1992-93, program spending was \$122.5 billion. Major elements of this spending are summarized in the following sections.

## NATURAL RESOURCE-BASED PROGRAMS

Federal spending on natural resource-based programs applies to agriculture, forestry, fisheries, energy, minerals and the environment – the historical roots of Canada's economy.

- Total spending on natural resource-based programs in 1992-93 was \$6.2 billion.
- Over 45 per cent of resource-program spending (about \$2.9 billion) was in the form of transfers – subsidies and other payments – to individuals, other levels of government, and private sector firms and organizations. The bulk of these transfers (\$2.2 billion) went to assist agricultural producers hurt by low prices on world commodity markets, especially for grain.
- Spending on the operations of federal departments and agencies (including salaries and capital costs) in the natural-resource sector was \$3.4 billion. This includes funding for a wide range of scientific and technological research and information services.

### Agriculture – \$3 billion

Nearly half of federal spending on resource-based programs – \$3 billion – was directed to the agricultural sector.

Some 75 per cent of agriculture spending (\$2.2 billion) was in the form of **transfers** – direct cash payments – provided to agricultural producers, organizations and other levels of government.

The largest transfer program was the **Gross Revenue Insurance Program (GRIP)** – with 1992-93 federal payments of \$804 million. This program supplements conventional crop insurance programs by offering combined price support and yield protection. It is a shared-cost program funded by federal and provincial governments and producers themselves.

- Other transfer spending fell under **Special Grains Assistance** (\$351 million); the **Farm Income Protection Act** (\$248 million); the **Crop Insurance Program** (\$237 million); and the **Net Income Stabilization Account** (\$135 million).

Significant support is also provided to the agriculture sector through government regulation. For example, Canada's supply management systems insulate the prices for dairy, egg and poultry products from world prices.

Spending on **operations** for the delivery of programs, research and administration by the Agriculture Canada department was \$846 million. These funds support programs and services including:

- Produce and livestock grading and inspection; seed certification; regulation of pesticides, feeds and fertilizers; scientific research; international agricultural liaison; and farm loan and advisory services. Diagnostic and control programs for animal diseases; market development programs; and market forecasts and reports also come under Agriculture Canada jurisdiction.

### **Energy and Mineral Resources – \$937 million**

Spending on energy and mineral resources totalled \$937 million in 1992-93.

- **Transfer payments** in 1992-93 were \$240 million. The bulk of this was government support for the Hibernia offshore oil project (\$136 million) and the Canada-Newfoundland Development Fund (\$53 million).
- **Operating costs** – such as salaries and capital spending – were \$451 million. This funded programs under the former Department of Energy, Mines and Resources (now Natural Resources Canada) including: research into oil sands recovery and processing; development of and information on energy conservation and alternate energy technology; mapping services; geophysical research; and mining industry health and safety programs.
- Energy-related spending in 1992-93 also included funding for three federal organizations: **Atomic Energy of Canada Ltd.** (\$180 million) which researches and develops nuclear power systems, and supplies radio-isotopes for medical use; the **Atomic Energy Control Board** (\$38 million); and the **National Energy Board** (\$27 million).

## **Environment – \$1 billion**

Funding for programs under Environment Canada – including environmental conservation and protection programs; weather research and information; and Parks Canada – was \$1 billion in 1992-93.

- Over half this spending (\$546 million) was **operating costs** (including salaries and capital spending) for a range of departmental programs. This included programs related to acid rain; toxic chemicals management; research into sustainable development; environmental impact assessments; inland waters research and information; and the Canadian Wildlife Service.
- Another \$405 million was funding for **Parks Canada** (now part of the revamped Heritage Canada department), which manages national parks and historic sites.
- **Transfers** under Environment Canada programs were about \$61 million. This included grants under the Environmental Partners Fund, which assists community projects that clean up, restore or enhance the natural environment.

However, federal spending on environment-related programs also takes place under other departments, such as Transport and Natural Resources. Environment Canada manages only 40 per cent of spending under the federal Green Plan. The combination of all departmental programs means that total spending on the environment by the federal government exceeds \$2 billion.

## **Fisheries and Oceans – \$937 million**

Spending related to fisheries and oceans was \$937 million in 1992-93.

- **Transfer** spending – cash income supplements and other payments – in 1992-93 was \$270 million.
- The largest transfer program – \$183 million – was income replacement for fishermen and plant workers affected by the Northern Cod Moratorium imposed as the result of drastically reduced fish stocks. Other 1992-93 transfers were for aboriginal fisheries agreements; retiring commercial salmon licences; and the Plant Worker Adjustment Program.

- **Operating costs** for departmental programs, including salaries and capital spending, were \$668 million. This included the charting work of the Canadian Hydrographic Service; the Fish Inspection program; supervision of some 2,300 small-craft harbours and marine facilities; and research regarding fish stocks, oceanography, aquaculture and pollution.

### **Forestry – \$234 million**

Spending on forestry programs and development in 1992-93 was \$234 million, primarily in the areas of science and research, regional development and sustainable development.

- Over half this spending (\$134 million) was **operating costs** – including salaries, administration and capital funding for Forestry Canada. This bulk of this (\$68 million) supported science and technology programs; \$28 million was used for regional development, technology transfer and management of federal and aboriginal forest lands; and \$37 million financed general administration, research facilities, and policy work.
- **Transfer payments** relating to forestry were \$100 million. The bulk of payments were made to private land owners, Indian bands and provinces under regional development agreements. Also included are aid for environmental and sustainable development programs under the federal Green Plan and transfers to forest products-related research.

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**Natural resource-based programs, 1992-93**


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(millions of dollars)

**A. Agriculture Canada****Transfer payments**

|   |         |
|---|---------|
| Crop insurance program                      | 237.0   |
| <i>Farm Income Protection Act</i>           | 248.0   |
| <i>Western Grain Stabilization Act</i>      | -24.0   |
| Gross Revenue Insurance Program             | 803.8   |
| Net Income Stabilization Account            | 135.1   |
| Special Grains assistance                   | 391.5   |
| Deficiency payments to Canadian Wheat Board | 0.9     |
| Farm Debt Review Boards                     | 49.0    |
| Other                                       | 351.0   |
| Total transfers                             | 2,192.3 |

**Operations**

|                             |         |
|-----------------------------|---------|
| Programs and administration | 761.1   |
| Capital                     | 84.4    |
| Total operations            | 845.5   |
| Canadian Dairy Commission   | 3.5     |
| Total Agriculture           | 3,041.3 |

**B. Energy, Mines and Resources****Transfer payments**

|  |       |
|--|-------|
| Nova Scotia Drilling Assistance              | 4.3   |
| Canada/Nova Scotia Development Fund          | 1.8   |
| Canada/Newfoundland Offshore Petroleum Board | 2.3   |
| Canada/Newfoundland Development Fund         | 52.5  |
| Canada/Nova Scotia Petroleum Board           | 0.8   |
| Hibernia                                     | 135.8 |
| Interprovincial Pipeline                     | 16.0  |
| Other  | 26.0  |
| Total transfers                              | 239.5 |

**Operations**

|                             |       |
|-----------------------------|-------|
| Programs and administration | 404.0 |
| Capital                     | 47.4  |
| Total operations            | 451.4 |

|                              |       |
|------------------------------|-------|
| Atomic Energy Control Board  | 38.2  |
| Atomic Energy of Canada Ltd. | 180.3 |
| National Energy Board        | 27.4  |

---

|                                   |       |
|-----------------------------------|-------|
| Total Energy, Mines and Resources | 936.8 |
|-----------------------------------|-------|

**C. Environment Canada**

|                          |      |
|--------------------------|------|
| <b>Transfer payments</b> | 60.7 |
|--------------------------|------|

**Operations**

|                             |       |
|-----------------------------|-------|
| Programs and administration | 545.8 |
| Capital                     | 61.3  |
| Total operations            | 607.1 |

|              |       |
|--------------|-------|
| Parks Canada | 405.0 |
|--------------|-------|

---

|                   |         |
|-------------------|---------|
| Total Environment | 1,072.8 |
|-------------------|---------|

**D. Fisheries and Oceans****Transfer payments**

|                                     |       |
|-------------------------------------|-------|
| East Coast fisheries                | 183.0 |
| Aboriginal fisheries agreements     | 21.1  |
| Retiring commercial salmon licences | 26.0  |
| Plant Worker Adjustment Program     | 10.9  |
| Other                               | 28.1  |
| Total transfers                     | 269.1 |

**Operations**

|                             |       |
|-----------------------------|-------|
| Programs and administration | 595.4 |
| Capital                     | 72.7  |
| Total operations            | 667.6 |

---

|                            |       |
|----------------------------|-------|
| Total Fisheries and Oceans | 937.2 |
|----------------------------|-------|

**E. Forestry Canada**

|                   |       |
|-------------------|-------|
| Transfer payments | 100.0 |
|-------------------|-------|

**Operations**

|                             |       |
|-----------------------------|-------|
| Programs and administration | 121.7 |
|-----------------------------|-------|

|         |      |
|---------|------|
| Capital | 12.4 |
|---------|------|

|                  |       |
|------------------|-------|
| Total operations | 134.1 |
|------------------|-------|

---

|                |       |
|----------------|-------|
| Total Forestry | 234.1 |
|----------------|-------|

**Summary – Natural resource-based programs**

|                   |         |
|-------------------|---------|
| Transfer payments | 2,861.7 |
|-------------------|---------|

|            |         |
|------------|---------|
| Operations | 3,360.6 |
|------------|---------|

---

|       |         |
|-------|---------|
| Total | 6,222.3 |
|-------|---------|

Note: Numbers in these tables may not add due to rounding.

## **REGIONAL, INDUSTRIAL AND SCIENTIFIC DEVELOPMENT**

Federal government spending in 1992-93 supported a range of programs aimed at assisting regional and industrial development, and boosting Canada's scientific and technological capability. A growing focus was support for small business.

Government assistance for business and technology included direct grants and contributions programs; financing and financial intermediation programs; and information services and other operations of federal departments, such as Industry and Science Canada and Consumer and Corporate Affairs.

In addition to such spending, the government also assists business and technology through the tax system. For example, Canada provides the most generous research-and-development tax credits among the G-7 largest industrial economies.

Highlights of federal spending related to industrial, regional and scientific development include:

- Budgetary spending for programs related to business, general regional development and a range of science-technology activities in 1992-93 was \$3.3 billion.
- Over half of federal spending on business and technology – \$1.8 billion – took the form of **direct grants and contributions** (also called transfers) to companies, non-government organizations and researchers.
- Spending on government departmental **operating costs** to deliver programs (including salaries and capital costs) for business and technology programs was \$870.9 million. This was 26 per cent of total budgetary spending in the category.
- The remaining \$637.2 million – or 19 per cent – was **funding for federal agencies** related to commercial and scientific activities. These included the Export Development Corporation and the Canadian Space Agency.

### **Regional Development Agencies – \$646.3 million**

The federal government funds three major regional development agencies: the Atlantic Canada Opportunities Agency; the Federal Office of Regional Development – Quebec; and Western Economic Diversification Canada.

Total funding for the three organizations was \$646.3 million. Over 80 per cent of this funding (\$539.2 million) was passed on as grants, contributions and loans for private sector projects. This included regional spending under the *Small Business Loans Act* (\$2 million in the Atlantic region; \$18.6 million in Quebec; and \$6.2 million in Western Canada).

However, total regional assistance spending is not limited to the activities of these three agencies. Individual federal departments also administer programs under specific Economic Regional Development Agreements (ERDAs) with provinces, in areas such as agriculture, highways, environment, fisheries and culture.

- **Atlantic Canada Opportunities Agency (ACOA).** The Action and Cooperation programs constitute the core funding activities of this agency. The Action program provides assistance to businesses and has a component assisting non-profit organizations providing support to the business community. The Cooperation program works in partnership with provinces, other federal departments or the private sector to assist the development of sectors or activities of common interest.

Total funding in 1992-93 was \$278.4 million, of which \$224.9 million took the form of contributions and loans to business ventures, and loan liabilities. This support included assistance for plant establishment, modernization or expansion, innovation projects, supplier development and other business activities.

ACOA is largely oriented to providing assistance for smaller and medium-sized businesses. Since inception (1987), the average-sized project being supported was \$231,000, and the average level of assistance provided by ACOA was \$78,000.

- **Federal Office of Regional Development – Quebec (FORD-Q).** Funding for this agency in 1992-93 was \$171 million, of which \$148 million was provided for transfers to private sector recipients in the form of repayable contributions and grants.

The agency, which is the main vehicle in Quebec for federal-provincial cooperation in economic development, has a dual focus: broad-based development in the resource-based regions of the province; and enhancing competitiveness (with emphasis on small and medium-sized businesses) and technical research and development in urban centres.

- **Department of Western Economic Diversification (WED):** Spending on this office in 1992-93 was \$196.9 million. Over \$166 million of this went directly to the private sector in the form of repayable loans, grants and loan liabilities.

The WED mandate is to support economic diversification of the Western provinces, rather than simply support already-established operations. It also focuses strongly on small and medium firms, with close to 70 per cent of the projects it supports being valued at under \$100,000.

## **Industry and Science – \$989 million**

Federal spending directly managed by Industry Canada (formerly the Department of Industry, Science and Technology) was \$988.9 million in 1992-93.

Over 70 per cent (\$705 million) of this spending was passed on to clients in the form of grants, loans and other transfers; the balance was departmental operating and capital costs. Transfers took place under a range of programs including:

- **The Defence Industries Productivity Program (DIPP) – \$178 million.** This is the longest-standing federal industrial development program. It provides repayable contributions to Canadian companies involved in the development or production of defence or defence-related products for export. Funding is for research activity; to help firms meet quality standards in order to become certified suppliers to foreign manufacturers and markets; and capital assistance for plant and equipment modernization.
- **Industry and development:** This includes support for private sector projects providing significant national or regional benefits. For example, this spending included additional payments – \$125 million – for the navy's Canadian Patrol Frigates (CPF).
- **Aboriginal economic development – \$64 million.** Departmental programs include the Aboriginal Business Development Program, which provides financial and advisory assistance; the Joint Venture Program, which supports partnering of aboriginal businesses with established firms; and the Aboriginal Capital Corporations Program, which aims at enhancing access to loan financing for aboriginal businesses.

- **Other programs:** These include regional development for Northern Ontario; loans under the *Small Business Loans Act*; funding under the small-business oriented Enterprise Development Program; and support for science coordination and advocacy.

### **Research and Granting Councils – \$925.6 million**

One aspect of federal government support for scientific and technological research and development includes the funding of two major research councils focused on engineering and natural sciences. Combined spending for these agencies in 1992-93 was \$922.9 million – of which 65 per cent (\$600 million) was in the form of grants and contracts to third parties.

*Note: Federal government assistance to scientific and other research is not limited to the following programs, but involves a wide range of other activities, departments and agencies. This is summarized in an overview included in this section.*

- **The National Research Council of Canada (NRC) – \$423.6 million.** The NRC is the premier federal research organization. It also plays an important role in assisting businesses and other organizations through the operations of its Canadian Institute for Scientific and Technical Information (CISTI).

As well as its in-house work and programs, the NRC applied 27 per cent of its funding (\$117.5 million) to outside projects and support for industry. This includes funding to universities to operate major facilities (such as the Canada-France-Hawaii telescope); contracted research projects; and the Industrial Research Assistance Program (IRAP) which assists small and medium-sized businesses on the application of new technology.

- **The Natural Science and Engineering Research Council (NSERC) – \$499.3 million.** This council provides grants and scholarships to researchers and students in scientific disciplines (excluding health sciences). This assistance represented over 96 per cent of NSERC's federal funding (\$482.7 million) in 1992-93. Council administration and capital costs were \$16.6 million.

## **SUPPORT FOR SCIENCE: AN OVERVIEW**

*Federal assistance for science, technology and other research extends well beyond the work of the NRC and NSERC. Taking into account all activities – including research tax credits – total federal support related to science, technology and research in 1992-93 reached an estimated \$7 billion.*

*Science and technology-related programs included:*

- *Funding for two other university granting councils (for medical research, and the social sciences) which are included under sections covering Social programs and Culture and Communications spending respectively.*
- *Further research and development conducted in government facilities or contracted by departments and agencies such as Agriculture Canada, Environment Canada, Natural Resources Canada, Forestry Canada and the Canadian Space Agency. This is included under departmental and agency operating budgets in various categories.*
- *Support through Scientific Research and Experimental Development (SRED) tax incentives. These provide companies a minimum 20 per cent tax credit on eligible research expenditures (30 per cent for SRED expenditures in Atlantic provinces, and 35 per cent for small businesses). Total values of these credits in 1992-93 was \$1 billion, including \$250 million in refundable credits paid to small business.*

### **Canadian Space Agency – \$362 million**

Support for scientific and industrial research and development also includes the operations of the **Canadian Space Agency** – at \$362 million. This agency is responsible for research, development and applications in space science and technology. Major programs included Canadian participation in the U.S. space station project; the RADARSAT remote sensing satellite program; participation in R&D by the European Space Agency (to support the involvement of Canadian technology firms); and the Canadian astronaut program.

## **Consumer and Corporate Affairs – \$166 million**

The former department of Consumer and Corporate Affairs (now part of the revamped Industry Canada) managed programs to foster a more effective and efficient market system, at a cost of \$165.9 million.

Activities included the regulation of product safety and consumer protection; standards, weights and measures regulation; corporate affairs and bankruptcy legislation and regulation; and federal competition law and policy. Virtually all federal spending for CCAC was for operating and capital costs.

## **Other Agencies – \$265 million**

Federal spending on activities related to industrial and technological development in 1992-93 included ongoing funding of a range of agencies and other organizations with specific mandates. These included:

- **Export Development Corporation** – \$195.7 million. The EDC assists Canadian exporters with concessional financing to help them compete in higher-risk situations or where such support is a condition established by the purchasing nation. These repayable loans are targeted to opportunities in key developing-market areas that combine good creditworthiness and potential for further long-term sales (such as India, Indonesia and China).
- **Federal Business Development Bank** – \$16 million. This agency acts as a lender (on a cost-recovery basis) to small and medium-sized businesses, particularly in non-metropolitan and rural areas. It is intended to provide supplemental financing beyond that available from banks. Its \$16 million operating budget includes provision of management services to client businesses.
- **Other agencies.** These included the federal Competition Tribunal; Copyright Board; Hazardous Materials Information Review Board; Patented Medicine Prices Review Board; Standards Council of Canada; the Cape Breton Development Corporation; and Investment Canada.

## SUPPORT FOR SMALL BUSINESS: AN OVERVIEW

The federal government focuses strongly on providing assistance to the small and medium-sized business sector (sometimes defined as firms with fewer than 100 employees). This support recognizes the fact that small businesses have created over 80 per cent of all new jobs over the last decade.

Direct assistance includes funding through the three regional development agencies (with a combined budget of \$646 million), and programs under Industry Canada and other departments.

Further support in the form of loan financing is also available under two programs:

- **The Small Business Loans Act.** This program is administered by Industry Canada and funded by the department and the regional development agencies. It provides guarantees to commercial banks for loans made to small businesses. Its loan portfolio at the end of 1992 stood at \$1.1 billion.
- **The Federal Business Development Bank.** This agency provides supplemental loans to small firms. Its current loan portfolio stands at \$2.7 billion.

Another vital form of assistance for the small business sector is provided through the federal tax system. This includes a lower rate for small firms; special treatment of capital gains; and enhanced incentives for research and development. **These measures are estimated to reduce federal taxes for small business by more than \$3 billion annually.**

- **Lower tax rates.** Canadian-controlled private corporations are eligible for a special deduction that reduces their federal income tax rate to 12.8 per cent (from the normal 28.8 per cent) on the first \$200,000 of business income. By contrast, the preferential small business tax rate treatment in the U.S. applies to only the first US\$75,000 of income.
- **Capital gains exemption.** Canada's lifetime capital gains exemption provides an incentive for individuals to invest in small business. Sales of qualified small business shares are eligible for an exemption of \$500,000.
- **Research and development.** Small businesses are eligible for an increased incentive under the Scientific Research and Experimental Development (SRED) Tax Credit. Eligible Canadian-controlled private corporations may earn tax credits at 35 per cent (compared to the normal 20 per cent). The credits are also refundable – paid directly in cash – up to certain limits. Such payments were about \$250 million in 1992-93.

**Industrial, regional, and scientific-technological  
research, 1992-93**

(millions of dollars)

**A. Regional Agencies****Atlantic Canada Opportunities Agency**

Transfer payments 224.9

**Operations**

Program and administration 42.0

Capital 1.5

Enterprise Cape Breton 10.1

Total ACOA 278.4

**Federal Office of Regional  
Development - Québec**

Transfer payments 148.0

**Operations**

Program and administration 20.9

Capital 2.1

Total FORD-Q 171.0

**Western Economic Diversification Office**

Transfer payments 166.3

**Operations**

Programs and administration 30.0

Capital 0.6

Total WED 196.9

Total Regional Agencies 646.3

**B. Consumer and Corporate Affairs**

Transfer payments 1.7

**Operations**

Programs and administration 147.3

Capital 16.9

Total Consumer and Corporate Affairs 165.9

**C. Industry, Science and Technology****Transfer payments**

|   |       |
|---|-------|
| Policy Development and Advocacy         | 1.7   |
| Industry and technology development     |       |
| Defence Industries Productivity Program | 178.0 |
| Contribution to Quebec re CFP/TRUMP     | 125.4 |
| Other                                   | 146.2 |
| Operations                              |       |
| Industrial and Regional Development     | 7.3   |
| ERDAs                                   | 8.9   |
| Enterprise Development Program          | 16.8  |
| Liabilities under <i>Small Business</i> |       |
| <i>Loans Act</i>                        | 13.5  |
| Other                                   | 113.7 |
| Science coordination/advocacy           | 20.2  |
| Regional Development Quebec/Ontario     | 8.8   |
| Aboriginal economic program             | 64.0  |
| Total transfers                         | 704.6 |

**Operations**

|                             |       |
|-----------------------------|-------|
| Programs and administration | 276.9 |
| Capital                     | 7.3   |
| Total operations            | 284.3 |

|  |       |
|--|-------|
| Total Industry, Science and Technology | 988.8 |
|--|-------|

**D. Research Councils****National Research Council of Canada**

|                             |       |
|-----------------------------|-------|
| Transfer payments           | 117.5 |
| Operations                  |       |
| Programs and administration | 260.3 |
| Capital                     | 45.8  |
| Total NRC                   | 423.6 |

**Natural Sciences and Engineering Research Council**

|                   |       |
|-------------------|-------|
| Transfer payments | 482.7 |
| Administration    |       |
| Operating         | 15.9  |
| Capital           | 0.6   |
| Total NSERC       | 499.2 |

|                                 |       |
|---------------------------------|-------|
| <b>E. Canadian Space Agency</b> | 361.7 |
|---------------------------------|-------|

**F. Agencies**

|  |       |
|--|-------|
| Competition Tribunal                         | 1.2   |
| Copyright Board                              | 0.9   |
| Hazardous Materials Information Review Board | 1.4   |
| Patented Medicine Prices Review Board        | 3.3   |
| Procurement Review Board                     | 0.8   |
| Standards Council of Canada                  | 5.8   |
| Export Development Corporation               | 195.7 |
| Cape Breton Development Corporation          | 31.0  |
| Federal Business Development Bank            | 16.0  |
| Investment Canada                            | 9.3   |
| <hr/>  |       |
| Total agencies                               | 265.4 |

**Summary – Industry, Regional Assistance and Science****Transfer payments**

|   |         |
|---|---------|
| Regional Agencies                               | 539.2   |
| Industry, Science and Technology                | 704.6   |
| Granting Councils                               | 600.2   |
| Consumer and Corporate Affairs                  | 1.7     |
| <hr/>   |         |
| Total transfers                                 | 1,845.7 |
| <b>Operations</b>                               | 870.9   |
| Agencies  | 637.2   |
| <hr/>   |         |
| Total Industry, Regional Assistance and Science | 3,353.8 |

## TRANSPORTATION

The federal government supports national transportation activity through the programs of Transport Canada and the National Transportation Agency. This includes the operation of certain airports and public harbours; the activities of the Canadian Coast Guard; and air and marine certification and licensing.

Transportation funding also includes aspects of regional assistance, especially to Western farmers through shipping subsidies under Western grain transportation support.

Total spending under transportation in 1992-93 was \$2.9 billion.

- Over half of all federal spending on transportation in 1992-93 was **transfers** – direct grants and subsidies to Crown corporations, agencies and private sector firms. These totalled \$1.6 billion. Major transfers included:
  - Rail freight subsidies under the *Western Grain Transportation Act* – \$723 million.
  - Subsidies to **VIA Rail**, to support passenger rail service – \$366 million.
  - Funding for **Marine Atlantic**, the Crown corporation operating freight and ferry services – \$131 million.
- **Operating costs** – including capital spending – for transportation programs were \$1.2 billion. These included:
  - Operating cost of programs and services of Transport Canada – \$758 million. Examples are: operating airports and ports; aircraft registration; emergency response services at federal airports; the Canadian Coast Guard; ice-breaking and search-and-rescue services; railway safety monitoring; and transportation research and policy development.
  - Capital spending at \$500 million, including airport and port improvements, and highway programs.
- Spending on transportation also includes \$26 million to operate the Transportation Safety Board of Canada.

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**Transportation programs, 1992-93**


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(millions of dollars)

**Transport Canada****Transfer payments**

|   |               |
|---|---------------|
| Marine Atlantic                         | 131.3         |
| VIA Rail                                | 366.3         |
| Pilotage Authorities                    |               |
| Laurentian                              | 4.9           |
| Great Lakes                             | 1.2           |
| St. Lawrence Seaway                     | 29.0          |
| Jacques Cartier Bridge                  | 31.5          |
| Payments under <i>Railway Act</i>       | 11.5          |
| <i>National Transportation Act</i>      | 22.3          |
| Atlantic Region Freight                 | 99.3          |
| Maritime Freight Assistance             | 10.9          |
| <i>Western Grain Transportation Act</i> | 722.7         |
| Canartic Shipping Company               | 8.1           |
| Policy and coordination                 | 165.5         |
| Marine/Canadian Coast Guard             | 1.6           |
| Aviation                                | 0.9           |
| Airports                                | 28.5          |
| Surface                                 | 7.8           |
| Departmental/other                      | 2.8           |
| Total transfers                         | <hr/> 1,646.0 |

**Operations**

|  |               |
|--|---------------|
| Programs and administration  | 757.9         |
| Capital  | 499.9         |
| Total operations   | <hr/> 1,257.8 |
| Civil Aviation Tribunal  | 0.9           |
| Canadian Transportation Accident<br>Investigation and Safety Board | 25.9          |
| Total Transportation   | <hr/> 2,930.7 |

## COMMUNICATIONS AND CULTURE

Federal spending tied to communications and culture in 1992-93 was \$3 billion. This includes support for the CBC; funding of national museums; assistance to provinces for official languages education; grants for researchers, artists, writers and performers; and broadcasting and telecommunications regulation.

Over \$2.5 billion (85 per cent) of this spending was in transfers – direct cash payments, grants and subsidies – to Crown corporations, individuals, provinces and community organizations. Operating and capital costs for federal departments and agencies involved in culture and communications were \$453 million.

**Transfers** supported the following major activities and programs:

- **The Canadian Broadcasting Corporation (CBC)** – which received \$1.1 billion.
- **Communications Canada** programs – \$251 million. This federal department provided grants, contributions and other financial assistance to a wide range of activities, such as book publishing and promotion; regional and community museums and cultural organizations; and non-profit sound-recording organizations. Also included was a \$126 million payment to **Canada Post** to subsidize below-commercial mail rates for books, periodicals and other publications.
- **Canadian Film Development Corporation** (now Telefilm Canada) – \$137 million, to assist in development and production by the Canadian film, television and video industry.
- **National Museums** – \$115 million. This covered funding for the operations of the four Ottawa-based national museums: Museum of Civilization; Museum of Nature; National Gallery of Canada; and the Museum of Science and Technology.
- **Canada Council** – \$108 million. This agency provides a wide range of grants and services to professional Canadian artists and arts organizations in dance, music, opera, theatre, writing, publishing and the visual arts.
- **Social Sciences and Humanities Research Council** – \$101 million. This is one of the three major granting councils funded by government. It provides grants and other assistance for academic research projects.

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**Communications and culture, 1992-93**


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(millions of dollars)

**Transfer payments**

|   |               |
|---|---------------|
| Communications Canada                   |               |
| Cultural Affairs/Broadcasting           | 104.8         |
| Telecommunications and Informatics      | 14.3          |
| Corporate Policy                        | 5.1           |
| Other                                   | 0.4           |
| Canada Post Corporation                 | 126.0         |
| Canadian Broadcasting Corp.             | 1,109.7       |
| Canada Council                          | 108.0         |
| Social Sciences and Humanities          |               |
| Research Council                        | 101.6         |
| Canadian Film Development Corp.         | 137.0         |
| National Arts Centre                    | 22.1          |
| National Film Board                     | 82.2          |
| National Library                        | 41.1          |
| Public Archives                         | 51.3          |
| Museums                                 |               |
| Canadian Museum of Civilization         | 39.2          |
| Canadian Museum of Nature               | 18.6          |
| National Gallery of Canada              | 41.1          |
| National Museum of Science & Technology | 16.1          |
| Official Languages                      |               |
| Education                               | 268.6         |
| Promotion                               | 47.3          |
| Social Development                      | 86.3          |
| State Ceremonial                        | 40.1          |
| Multiculturalism and Citizenship        | 50.3          |
| External Affairs                        |               |
| CBC International                       | 14.7          |
| Other                                   | 23.4          |
| Total transfers                         | <hr/> 2,549.3 |

**Operations**

|  |               |
|--|---------------|
| Programs and administration                                    | 363.6         |
| Capital  | 54.8          |
| Total operations   | <hr/> 418.4   |
| Canadian Radio-television and<br>Telecommunications Commission | 34.6          |
| Total Communications and culture                               | <hr/> 3,002.3 |

- **Official languages** – \$316 million. This includes funding to provinces and organizations for education and promotion in support of Canada's two official languages.

**Operating costs**, mostly for Communications Canada, cover a wide range of programs, especially in technological areas. Programs include broadcast spectrum management; radio equipment test methodology development; telecommunications terminal equipment certification; and informatics systems interconnection research.

There is also funding for the **Canadian Radio-television and Telecommunications Commission (CRTC)** at \$35 million. This agency regulates and supervises all aspects of Canadian broadcasting industries. It also has authority over federally regulated telecommunications carriers.

## **JUSTICE AND LEGAL PROGRAMS**

Federal spending on justice and legal programs was \$3.2 billion in 1992-93. The largest single budgetary item was the operations of the Royal Canadian Mounted Police (\$1.2 billion). Other major spending categories included federal courts, correctional services, and the Canadian Security Intelligence Service.

### **Justice**

Spending related to the federal Department of Justice was about \$736 million of the total. This covered the operation of courts and other agencies; assistance to provinces for certain legal programs; and the government's own legal services.

- **Transfer payments** – cash grants – were \$279 million. Most of this funding went to provinces to ensure a minimum level of legal aid across Canada; and for shared-cost programs related to juvenile justice services. Other transfers supported federal-provincial programs to assist victims of crime; legal studies for aboriginal people; human rights information; and legal research and scholarships.
- **Operating costs** for the Department of Justice and federal courts were about \$457 million. The largest component of this spending was salaries for federal judges (\$185 million, paid through the Office of the Commissioner for Federal Judicial Affairs). Departmental operating costs – including providing legal services for other government departments and agencies – were \$178 million. Other administration spending included the operations of the Canadian Human Rights Commission.

### **Police, Security and Correctional Services**

Spending under the Department of the Solicitor General – responsible for federal police and related services – was almost \$2.5 billion in 1992-93.

- Nearly 50 per cent of this spending – \$1.2 billion – was for the **Royal Canadian Mounted Police**.

- Canada's federal **Correctional Services** – including federal penitentiaries, for offenders serving sentences of two years or more – cost \$960 million. This included facility and salary costs; medical and health care services for offenders; and community release programs that involve housing and employment assistance, and substance abuse treatment programs.
- Spending on the **National Parole Board** was \$25 million.
- Funding for the **Canadian Security Intelligence Service (CSIS)** was \$225 million. This agency collects and analyzes information on activities that may constitute a threat to the internal security of Canada. It also provides security assessments for employment in federal departments.

## Justice and legal programs, 1992-93

(millions of dollars)

**A. Justice****Transfer payments**

|                                  |       |
|----------------------------------|-------|
| Legal Aid system                 | 86.6  |
| Victims of crime                 | 9.9   |
| <i>Young Offenders Act</i>       |       |
| Cost-sharing of juvenile justice | 158.0 |
| Other                            | 24.5  |
| Total transfers                  | 278.9 |

**Administration**

|  |       |
|--|-------|
| Department                                     |       |
| Operating                                      | 178.3 |
| Capital  | 7.0   |
| Commissioners for Federal Judicial Affairs     |       |
| Operating                                      | 4.9   |
| Judges' salaries                               | 185.0 |
| Federal Court of Canada                        |       |
| Operating                                      | 23.3  |
| Capital  | 4.4   |
| Law Reform Commission                          |       |
| Operating                                      | 1.9   |
| Office of Information and Privacy Commissioner |       |
| Operating                                      | 6.2   |
| Capital  | 0.3   |
| Supreme Court of Canada                        |       |
| Operating                                      | 13.3  |
| Judges' salaries                               | 1.2   |
| Capital  | 1.2   |
| Tax Court of Canada                            |       |
| Operating                                      | 10.2  |
| Capital  | 1.0   |
| Canadian Human Rights Commission               |       |
| Operating                                      | 18.3  |
| Capital  | 0.4   |
| Total  |       |
| Operating                                      | 442.6 |
| Capital  | 14.2  |
| Total administration                           | 456.8 |
| Total Justice                                  | 735.7 |

**B. Solicitor General Canada**

|            |      |
|------------|------|
| Department |      |
| Operating  | 33.1 |
| Capital    | 1.0  |
| Transfers  | 27.0 |
| <hr/>      |      |
| Total      | 61.0 |

**C. Correctional Service**

|           |       |
|-----------|-------|
| Operating | 834.8 |
| Capital   | 122.0 |
| Transfers | 2.4   |
| <hr/>     |       |
| Total     | 959.2 |

**D. National Parole Board**

|           |      |
|-----------|------|
| Operating | 24.4 |
| Capital   | 0.8  |
| <hr/>     |      |
| Total     | 25.2 |

**E. Royal Canadian Mounted Police**

|           |         |
|-----------|---------|
| Operating | 1,022.5 |
| Capital   | 127.1   |
| Transfers |         |
| Pensions  | 30.6    |
| Other     | 7.8     |
| Total     | 38.4    |
| <hr/>     |         |
| Total     | 1,188.0 |

|  |         |
|--|---------|
| RCMP – External Review Committee           | 0.8     |
| RCMP – Police Public Complaints Commission | 3.1     |
| Canadian Security Intelligence Service     | 225.4   |
| Security Intelligence Review Committee     | 1.4     |
| <hr/>                                      |         |
| Total – Justice and Legal                  | 3,199.8 |

## **EXTERNAL AFFAIRS AND INTERNATIONAL ASSISTANCE**

The federal government spent \$4.2 billion in 1992-93 on programs directed toward carrying out Canada's foreign policies, representing Canada's interests abroad and providing assistance to developing countries.

The programs were carried out by the Departments of External Affairs and Finance, the Canadian International Development Agency (CIDA) and other agencies such as the International Development Research Centre (IDRC).

Almost \$2.6 billion of this spending was in transfers – contributions, loans and other assistance – that went to other governments, aid groups, and institutions and organizations. Operating spending included administration and capital costs to deliver programs and represent Canada internationally.

### **External Affairs – \$1.35 billion**

Spending involved with Canada's relations with other governments and world bodies was \$1.35 billion in 1992-93.

Some \$392 million of this spending was **transfers** – membership obligations and contributions – mostly to international organizations. These were managed by the Department of External Affairs and International Trade (now Foreign Affairs) under the Canadian Interests Abroad Program.

- Transfers spending under **Political Affairs** amounted to \$215 million in 1992-93. The most significant contributions were made to international organizations such as the United Nations; the World Health Organization; the United Nations Educational, Scientific and Cultural Organization; and United Nations peacekeeping.
- **Bilateral Relations** manages Canada's relations with specific countries and regions and the delivery of specific programs abroad. Each program delivered abroad has a different regional emphasis; for example, trade and tourism interests tend to dominate in the developed world and aid interests in the developing world.

Spending on bilateral relations in 1992-93 amounted to \$128 million and included assistance for Central and Eastern Europe, the former Soviet Union, the Humanitarian Assistance Program, the Organization of American States, the Yeltsin Fellowship Fund and the Pan American Health Organization.

- More than half of the \$28 million in funding spent on **International Economic, Trade and Aid Policy** went in support of international trade and economic institutions such as the General Agreement on Tariffs and Trade (GATT), the International Atomic Energy Agency and the Organization for Economic Cooperation and Development (OECD).
- **Operating costs** for External Affairs in 1992-93 totalled \$966 million. These represented the costs of operating and staffing embassies, consulates and other offices around the world, and policy and planning staff and programs in Canada. In addition, \$16 million in support was provided for **International Trade Development** which sustains and develops international export markets for Canadian goods and services.

## **Official Development Assistance – \$2.7 billion**

The larger part of Canada's Official Development Assistance activity (ODA) is managed by the Canadian International Development Agency (CIDA). Spending on CIDA programs and operations in 1992-93 totalled \$2.2 billion, of which less than 5 per cent (\$113 million) was for internal CIDA administration.

The program provides bilateral and multilateral aid, food, special development programs and international emergency relief.

As well, the Department of Finance provides support to international financial institutions such as the World Bank and also funds multilateral agreements for bilateral debt reduction (\$545 million).

### **ODA programs**

The bulk of funding transfers related to Canadian ODA come under two programs – a Partnership Program that is shaped by the initiatives of the government's many Canadian and international development partners; and a National Initiatives Program that includes bilateral assistance and other contributions to development projects sponsored by the Canadian government.

- **Partnership Program:** CIDA's share of the Partnership Program (\$930 million) finances the efforts of national and international partners who plan and implement their own programs and projects. In 1992-93, this included financing for international financial institutions, voluntary sector support, international non-governmental organizations, industrial cooperation, multilateral technical cooperation and multilateral food aid.

In 1992-93, the Partnership Program also provided funding for the World Bank Group and for grants and contributions administered by External Affairs.

- **National Initiatives Program:** CIDA's share of the National Initiatives Program (\$1.2 billion) supports bilateral food aid, scholarships, international humanitarian assistance, development information and geographic programs – five programs in which the federal government plays a direct role in determining which projects and activities will be funded.

In 1992-93, the National Initiatives Program also supported funding under multilateral debt reduction initiatives; the Canadian Commonwealth Scholarship and Fellowship Plan; and foreign student support.

### **Agencies – \$138 million**

An additional \$138 million went in support of the activities of a number of Canadian-based agencies. Most of this funding (\$117 million) went to the International Development Research Centre, which works to help developing countries identify their own long-term solutions to pressing development problems.

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**External affairs and international assistance 1992-93**


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(millions of dollars)

**A. External Affairs – Department****Transfers**

## Political Affairs

|                                   |             |
|-----------------------------------|-------------|
| United Nations Organization       | 40.3        |
| World Health Organization         | 13.1        |
| United Nations Educational – etc. | 12.3        |
| United Nations Peacekeeping       | 78.2        |
| Other                             | 71.3        |
| Total                             | <hr/> 215.1 |

## Bilateral relations

|                                    |             |
|------------------------------------|-------------|
| Eastern Europe/Former Soviet Union | 36.2        |
| Humanitarian Assistance Program    | 51.2        |
| Organization of American States    | 7.8         |
| Yelstin Fellowship Fund            | 6.0         |
| Pan American Health Organization   | 8.5         |
| Other                              | 17.9        |
| Total                              | <hr/> 127.6 |

## International trade development

|                    |            |
|--------------------|------------|
| Export development | 14.4       |
| Other              | 1.2        |
| Total              | <hr/> 15.5 |

International economic, trade,  
and aid policy

|                                    |            |
|------------------------------------|------------|
| OECD                               | 8.6        |
| International Atomic Energy Agency | 7.9        |
| GATT                               | 3.2        |
| Other                              | 8.6        |
| Total                              | <hr/> 28.3 |

## Other

|                 |             |
|-----------------|-------------|
| Other           | 5.3         |
| Total transfers | <hr/> 391.9 |

**Operations**

|                             |         |
|-----------------------------|---------|
| Programs and administration | 847.9   |
| Capital                     | 118.4   |
| Total External Affairs      | 1,358.2 |

**B. Canadian International Development Agency/Finance****Transfer payments**

|                                       |         |
|---------------------------------------|---------|
| Partnership programs                  | 929.8   |
| National Initiatives                  | 1,177.1 |
| International Financial Organizations | 449.2   |
| Other (loan repayments)               | -193.0  |
| Total transfers                       | 2,363.1 |

**Operations**

|                             |         |
|-----------------------------|---------|
| Programs and administration | 338.3   |
| Capital                     | 3.4     |
| Total CIDA/Finance          | 2,704.7 |

**C. Agencies**

|  |       |
|--|-------|
| Canadian Institute for International Peace | 2.0   |
| Canadian Secretariat                       | 1.6   |
| International Centre for Ocean Development | 11.9  |
| International Research Development Centre  | 117.1 |
| International Joint Commission             | 5.7   |
| Total                                      | 138.2 |

**Summary – External Affairs and international assistance**

|                   |         |
|-------------------|---------|
| Transfer payments | 2,755.0 |
| Administration    | 1,308.0 |
| Agencies          | 138.2   |
| Total             | 4,201.2 |

## SOCIAL PROGRAMS

Federal social spending encompasses a range of programs designed to enhance the quality of life of Canadians, particularly those who have modest incomes or who are disadvantaged. It includes income support – most notably for the elderly and unemployed; transfers to the provinces for health, education and social assistance; and programs for aboriginal Canadians.

Social programs constitute by far the largest category of federal program spending – totalling \$52.7 billion in 1992-93. In addition, nearly \$18 billion was provided in direct cash transfers to the provinces for education, health care and social assistance to bring total program spending in this area to more than \$70 billion. A further amount of about \$12 billion was provided to the provinces in the form of tax transfers.

Direct income support for individuals (\$42 billion) accounts for more than a quarter of all federal spending. The bulk of these payments went to unemployment insurance benefits (\$19.1 billion) and elderly benefits, such as old age security and the guaranteed income supplement (\$19.1 billion). A further \$2.2 billion was spent on family allowance payments, while \$1.4 billion went towards veterans' benefits.

A further \$2 billion was provided to the Canada Mortgage and Housing Corporation, mandated to assist Canadians in obtaining affordable housing, while some \$500 million went towards Canada Student Loans and \$1.3 billion was spent for worker training, adjustment and related expenses under the Canadian Jobs Strategy.

About \$3.5 billion was spent directly on programs for aboriginal Canadians under the Department of Indian and Northern Affairs and Department of Health's Indian and Northern Health Services program.

Operating costs arising from the delivery of these programs, including certain regulatory and administrative functions, totalled \$3.3 billion in 1992-93 – just under 5 per cent of total spending in this category.

## **Employment and Immigration – \$21.8 billion**

The federal government funded three major programs under employment and immigration in 1992-93, at a cost of about \$20.6 billion: unemployment insurance (\$19.1 billion); the Canadian Jobs Strategy (\$1.3 billion); and the Immigration program (\$235 million).

An additional \$1.1 billion was spent on operating and administration costs, while some \$86 million went towards operating agencies: the Immigration and Refugee Board (\$73 million), as well as the Advisory Council on the Status of Women and the office of its Co-ordinator (\$13 million).

### **Unemployment insurance**

Unemployment insurance payments totalled \$19.1 billion in 1992-93. Administration expenses added a further \$1.5 billion to the cost of this program. Unemployment insurance contributions by employees and employers totalled \$17.5 billion. On average, about 1.4 million Canadians received unemployment insurance benefits each month in 1992.

Benefits under the unemployment insurance program are paid from the unemployment insurance account. Since 1990, the unemployment insurance account has been financed entirely through employee and employer contributions, with employers paying 1.4 times the premium rate of their employees. These contributions are forwarded to Revenue Canada and considered part of federal revenue, and unemployment insurance payments are included in federal budgetary spending. The law requires the account to be in balance over time. But deficits or surpluses are permitted over a limited number of years. At the end of 1992, the cumulative deficit in the unemployment insurance account was about \$6 billion.

Workers can qualify for unemployment insurance benefits if they were engaged in "insurable employment" and made unemployment insurance premium contributions. "Insurable employment" does not include self-employment (except in the case of fishermen) or employment for less than 15 hours a week with earnings below a certain minimum. About 95 per cent of Canadian workers are protected by unemployment insurance.

## Unemployment insurance benefit payments by type (1992)

(billions of dollars)

|  |      |
|--|------|
| Regular                                | 15.1 |
| Sickness, maternity, parental/adoption | 1.8  |
| Fishing                                | 0.3  |
| Development uses                       | 1.9  |
| Total benefits                         | 19.1 |

- **Regular Benefits:** The principal function of unemployment insurance is to provide temporary income support for people who have lost their jobs. Regular unemployment insurance benefits accounted for over \$15 billion of the \$19.1 billion paid out in unemployment insurance benefits.
- **Special Benefits – sickness, maternity, parental and adoption:** These benefits provide income replacement for people who are unable to work because of maternity, parental obligations or sickness. The government paid out \$440 million in sickness benefits, \$840 million in maternity benefits, and \$500 million in parental and adoption benefits – for a total of almost \$1.8 billion in 1992.
- **Fishermen’s Benefits:** Self-employed fishermen may claim benefits in accordance with special rules established specifically for them. The unemployment insurance account paid out \$300 million in such benefits.
- **Developmental Uses:** In recent years, the unemployment insurance account has provided increasing support for “developmental uses” – active measures intended to speed re-integration into employment. The total cost of developmental uses was almost \$2 billion.

Unemployment insurance benefits are taxable as income and unemployment insurance premiums give rise to a tax credit. In addition, claimants whose annual net income (including unemployment insurance benefits) is more than one-and-a-half times the maximum insurable earnings (i.e. \$55,380 in 1992 and \$58,110 in 1993) must repay 30 per cent of those unemployment insurance benefits that make up the excess.

### **Canadian Jobs Strategy**

This program provides employment adjustment aid for those not eligible for unemployment insurance through training programs, educational upgrading and other services. The program gives special attention to the needs of women, visible minorities, aboriginal people, and persons with disabilities. The total cost of this program in 1992-93 was about \$1.3 billion.

### **Immigration program**

This program develops immigration policy, manages immigration levels and assists newly arrived immigrants to adapt and settle. In 1992-93, about \$235 million was spent to provide settlement and integration services (including income support and language instruction) to newcomers to Canada.

In addition to the \$235 million in direct transfer payments, the Department of Employment and Immigration and a number of other federal government departments and agencies incur expenditures to deliver the immigration program, through activities such as the determination of refugee status, prosecution of immigration violators, processing of citizenship, etc. The total expenditure for all of the immigration activities, including direct transfer payments, was about \$950 million.

### **Indian and Northern Affairs – \$3.3 billion**

In the 1992-93 fiscal year, the federal government spent over \$5 billion in support of aboriginal peoples. On a per capita basis, federal spending on status Indians and Inuit amounted to about \$13,000 for every Indian and Inuit living on a reserve or Crown land.

About two-thirds of federal spending on aboriginal Canadians – some \$3.3 billion – is dispensed by the Department of Indian and Northern Affairs (DIAND). Most DIAND spending now flows as transfers to Indian governments, not as federally delivered programs. As a result, Indian governments generally control how these funds are used.

Other government departments and agencies which provided funding to aboriginals include: Health; Canada Mortgage and Housing; Industry and Science; Employment and Immigration; Canadian Heritage; Solicitor General; Fisheries and Oceans; the Public Service Commission; and Justice.

Further spending on aboriginals is provided through federal transfers to the provinces, tax credits such as the GST credit and the child tax benefit, and programs of general application, such as unemployment insurance and old age security.

Of the \$3.3 billion spent by DIAND, just under \$3 billion took the form of transfers – direct cash payments – while administration costs accounted for approximately \$400 million. Most of the cash payments were directed towards program funding to provide Indians on reserves with access to public services other Canadians would receive from provincial governments (such as education, social services, community infrastructure and housing), or towards self-government agreements (including transfer payments that fund public services), and spending related to land claims. Major examples of spending on aboriginal programs include the following:

- Education – (schools, infrastructure, tuition) including elementary, secondary and post-secondary education – \$870 million;
- Social development – to provide financial assistance and welfare services to eligible Indians on reserve and Inuit who need financial assistance and to help maintain health, safety, dignity and family unity – \$750 million;
- Capital facilities (such as community infrastructure) – nearly \$650 million;
- Band management – \$260 million;
- Economic development – including sustainable economic development opportunities, employment and training, and fisheries co-management – \$76 million.

### **Labour Canada – \$325 million**

Labour Canada promotes stable industrial relations. It provides a legislative and administrative framework for employment and industrial relations, and its responsibilities include the establishment of standards for wages, working conditions, and occupational health and safety, as well as programs designed to promote understanding and partnership between labour and management, including labour arbitration services.

Spending by Labour Canada totalled some \$325 million in 1992-93.

Of this amount, some 60 per cent – \$193 million – took the form of payments to workers, principally under two programs:

- **Adjustment programs for older workers:** This category includes the Program for Older Worker Adjustment (\$69 million), financed by the federal and provincial/territorial governments on a 70/30 basis, which provides financial assistance to older workers involved in major permanent layoffs that occurred after January 1, 1988.

In addition, payments for ongoing commitments under an earlier program, the Labour Adjustment Benefits program, totalled \$63.5 million in 1992-93. Another \$9 million was spent for the Income Supplement Program for Older Workers, a jointly funded and administered assistance program for older workers laid off as a result of the restructuring at Algoma Steel.

- **Injury compensation:** This program provides statutory employment injury benefits to federal government employees and merchant seafarers and/or their dependants, as well as adjudication of claims made by federal inmates and survivors of federal employees slain on duty. Its cost in 1992-93 was just under \$47 million.

In carrying out its substantial regulatory and administrative role, Labour Canada spent \$119 million on operations in 1992-93. Additional Labour costs included the Canada Labour Relations Board (\$9.4 million) and the Canada Centre for Occupational Health and Safety (\$4.5 million).

## **Health and Welfare – \$23.3 billion**

Health and welfare spending in 1992-93 included a broad range of programs ranging in size from elderly benefits to much smaller programs like Fitness and Amateur Sport. (Related spending under Established Programs Financing and the Canada Assistance Plan is covered under the Federal Transfers to Provinces Section.)

### **Elderly benefits**

More than 3.2 million seniors received \$19.1 billion through old age security payments, the guaranteed income supplement and spouses' allowances in 1992-93. All payments are fully indexed to inflation.

- **Old age security (OAS):** This is a monthly payment of \$385 which is made to all Canadians aged 65 and over. Over \$14.4 billion was paid out under OAS in 1992-93. OAS payments are taxable and are recovered from high-income seniors at the end of the taxation year. Payments are currently recovered at a rate of 15 per cent of individual income over \$53,000. This means that OAS is fully recovered at an income of \$84,000.
- **Guaranteed income supplement (GIS):** This non-taxable supplement is paid to lower-income OAS recipients on the basis of family income. It guarantees a basic level of income support. The maximum monthly payment is currently about \$460 for a single pensioner and \$300 each for married pensioners. Hence, maximum monthly benefits, including OAS, are \$845 for a single pensioner and \$685 for each married pensioner. The maximum income, including OAS, below which GIS is payable is about \$15,600 for a single pensioner and about \$23,600 for married pensioners. The cost of this program in 1992-93 was \$4.25 billion.
- **Spouses' allowance (SPA):** This is a non-taxable benefit of up to \$685 per month for low-income individuals aged 60 to 64 who are the spouses or widow(er)s of seniors. Like the GIS, it is based on net family income. The maximum net family income, including OAS, below which regular SPA is payable is \$25,200. For widowed SPA recipients, that maximum is \$15,000. In 1992-93, this program cost \$435 million.

These three programs are funded out of general government revenues and involve direct government spending. Elderly Canadians are also eligible for two tax credits which are subtracted from income tax and are not included in budgetary spending:

- **The pension income credit**, which was introduced in the 1970s to help compensate seniors for high inflation. It is a credit of 17 per cent on the first \$1000 of private pension income and reduces federal and provincial income tax by up to \$269.
- **The age credit** for individuals 65 and over, which was introduced before OAS existed. It reduces federal and provincial income tax by about \$935. Both of these credits are non-refundable – that is, they may only be claimed as a deduction from tax owing. Together, they represent a \$1.8 billion reduction in federal tax revenues.

In addition to these programs and credits, the Canada and Quebec Pension Plans (C/QPP) provide monthly payments related to past earnings and contributions. These non-budgetary payments, which amounted to some \$19 billion in 1992-93, are funded through employee/employer contributions and do not directly affect government deficits.

Overall, 45 per cent of the income of the elderly comes from the above-mentioned benefits. About 65 per cent of these benefits go to individuals with family incomes below \$20,000.

### **Family allowances/Child benefits**

The government made direct cash payments of \$2.2 billion under the family allowance program in 1992-93. These went to some 3.7 million families with dependent children under 18 years of age. However, they were partially or fully recovered through the income tax system from individuals earning more than \$53,000.

Further assistance to families was provided through the child credit and refundable child tax credit. These benefits were subtracted from income tax and were not included in budgetary spending.

Starting January 1, 1993, all three programs – family allowance and the two tax credits – were replaced by a new program, the child tax benefit. This new credit, which enriches assistance to low- and modest-income families, has two main components: a basic benefit and an earned income supplement.

Maximum benefits under the new system are available to families with net incomes below \$21,000. Over that amount, the earned income credit is recovered at a rate of 10 per cent of income. The basic credit is recovered from families whose net income exceeds \$26,000 – at a rate of 5 per cent of income (or 2.5 per cent if there is only one child).

Total benefits for children exceeded \$5 billion in 1992-93. Because the new child tax benefit is delivered through the tax system, it is not included in budgetary spending.

Additional federal support for many families came through the GST credit. These were cash payments of \$2.5 billion to assist low- and modest-income Canadians. Since these payments are subtracted from GST revenues, they are not included in budgetary spending.

**Indian and Northern health services**

This program is designed to ensure that status Indians, Inuit and residents of the Yukon have access to health services and attain a level of health which is comparable to that of other Canadians living in similar locations. It includes provision of community health services (health education, immunization, emergency treatment); the National Native Alcohol and Drug Abuse Program; hospital services; and support for the transfer of control over health services to Indian communities.

In 1992-93, over \$210 million was provided in transfers to Indian bands for the provision of health services under this program. (A further \$540 million was spent in the direct provision of health services by Health and Welfare – bringing the total cost of this program to some \$752 million.)

**Vocational rehabilitation of persons with disabilities**

Federal spending on vocational rehabilitation for disabled Canadians was \$182 million in 1992-93. This is a shared-cost program undertaken in concert with provinces.

**Operating costs**

Operating costs – such as salaries, administration and capital spending – represents the cost of developing, delivering and monitoring health and welfare related programs to Canadians. In 1992-93, this cost was about \$1.1 billion.

**Medical Research Council**

Federal spending on health in 1992-93 also included funding to the Medical Research Council (MRC) of \$256 million. Most of this funding – \$249 million – went for research grants to universities, hospitals and institutes; and for university-industry research collaboration (such as Centres of Excellence).

The council is one of the three major research granting organizations of the government (along with the Natural Sciences and Engineering Research Council, and the Social Sciences and Humanities Research Council). Total direct payments to Canadian research and scientific development by all three agencies combined in 1992-93 was \$833 million.

### **Canada Mortgage and Housing – \$2 billion**

Nearly \$2 billion in direct funding went to the Canada Mortgage and Housing Corporation (CMHC) in 1992-93. In addition to assisting the housing industry and providing mortgage insurance, CMHC has a major social housing function that includes providing housing and shelters for lower income Canadians, native Canadians, the disabled and victims of family violence. Most of the \$2 billion expenditures on social housing were to support ongoing commitments in respect of existing social housing units.

### **Education-Related Spending – \$500 million**

The Department of the Secretary of State provided some \$500 million in support for post-secondary education through the Canada Student Loans programs. Costs were mainly for interest payments on loans and defaults on loan repayment.

The federal government also provided support for education through additional expenditures accounted for elsewhere. These included \$6.5 billion in assistance in the form of cash and tax transfers to the provinces under Established Programs Financing (see discussion under Federal Transfers to Provinces). In addition, direct federal support was provided for the education of aboriginal Canadians (\$870 million), for university research through a variety of granting councils (\$833 million), for official languages training (\$300 million), and over \$400 million in other support. A further \$1.3 billion went towards direct and indirect support for training under the Canadian Jobs Strategy.

### **Veterans' Affairs – \$2 billion**

A range of benefits and services are provided to veterans and their dependants, to survivors of veterans and to eligible civilians. They include disability benefits, income support, health care and other benefits. Direct spending on veterans' disability pensions and other income support for veterans was nearly \$1.5 billion in 1992-93. The cost of other health-related programs, operations and veteran-related agencies was \$525 million.

Of the \$1.5 billion of direct spending, about \$1.1 billion took the form of disability pensions paid to some 150,000 veterans or their dependants. In addition, nearly \$155 million in war veterans' allowances was paid to enhance social assistance benefits for approximately 40,000 veterans.

A further \$168 million went towards the provision of services under the Veterans Independence Program (home care, transportation, home adaptation).

Neither War Veterans Allowances nor disability benefits are taxable.

**Social programs, 1992-93**

(millions of dollars)

**A. Employment and Immigration****Transfer payments**

|                                 |                 |
|---------------------------------|-----------------|
| Canadian Jobs Strategy          | 1,292.0         |
| Unemployment insurance benefits | 19,065.0        |
| Immigration program             | 234.8           |
| Total transfers                 | <u>20,591.8</u> |

**Operations**

|                             |                |
|-----------------------------|----------------|
| Programs and administration | 1,081.5        |
| Capital                     | 22.9           |
| Total operations            | <u>1,104.4</u> |

**Agencies**

|                                  |                 |
|----------------------------------|-----------------|
| Immigration Appeal Board         | 73.4            |
| Status of Women                  |                 |
| Advisory Council                 | 3.3             |
| Office of Co-ordinator           | 9.4             |
| Total agencies                   | <u>86.2</u>     |
| Total Employment and Immigration | <u>21,782.4</u> |

**B. Indian and Northern Affairs****Transfer payments**

|                            |                |
|----------------------------|----------------|
| Self government            | 13.2           |
| Economic development       | 76.1           |
| Lands, revenues and trusts | 68.8           |
| Education                  | 867.1          |
| Social development         | 747.6          |
| Capital facilities         | 644.7          |
| Band management            | 264.9          |
| Comprehensive claims       | 82.6           |
| Other transfers            | 156.1          |
| Total transfers            | <u>2,921.0</u> |

**Operations**

|                                   |              |
|-----------------------------------|--------------|
| Programs and administration       | 366.3        |
| Capital                           | 29.0         |
| Total operations                  | <u>395.3</u> |
| Total Indian and Northern Affairs | 3,316.3      |

**C. Labour Canada**

**Transfer payments**

|                                     |              |
|-------------------------------------|--------------|
| Program for Older Worker Adjustment |              |
| Labour Adjustment Support Program   | 63.5         |
| Older Worker Adjustment             | 74.3         |
| Injury compensation                 | 46.9         |
| Other                               | 8.2          |
| Total transfers                     | <u>192.8</u> |

**Operations**

|                             |              |
|-----------------------------|--------------|
| Programs and administration | 116.7        |
| Capital                     | 2.1          |
| Total operations            | <u>118.8</u> |

**Agencies**

|  |             |
|--|-------------|
| Canada Labour Relations Board                    | 9.4         |
| Canada Centre for Occupational Health and Safety | 4.5         |
| Total agencies                                   | <u>13.9</u> |
| Total Labour Canada                              | 325.6       |

**D. National Health and Welfare**

**Transfer payments**

|   |                 |
|---|-----------------|
| Income security                               |                 |
| Elderly benefits                              |                 |
| Old age security                              | 14,421.2        |
| Guaranteed income supplement                  | 4,249.9         |
| Spouses' allowances                           | 434.6           |
| Total   | <u>19,105.6</u> |
| Family allowances                             | 2,194.6         |
| Vocational rehabilitation of disabled persons | 182.0           |

|                                       |                 |
|---------------------------------------|-----------------|
| Indian and Northern Health Services   | 210.3           |
| Child care                            | 16.4            |
| Seniors program                       | 26.8            |
| Fitness and Amateur Sport             | 82.0            |
| Other                                 | 91.4            |
| Total transfers                       | <u>21,909.0</u> |
| <b>Operations</b>                     |                 |
| Programs and administration           | 1,043.2         |
| Capital                               | 56.3            |
| Total operations                      | <u>1,099.5</u>  |
| Medical Research Council              |                 |
| Operating                             | 6.8             |
| Capital                               | 0.3             |
| Transfers                             | 249.3           |
| Total Medical Research Council        | <u>256.3</u>    |
| Total Health and Welfare              | <u>23,248.4</u> |
| <b>E. Canada Mortgage and Housing</b> | 1,979.5         |
| <b>F. Secretary of State</b>          |                 |
| <b>Transfer payments</b>              |                 |
| Education support                     |                 |
| Student loans – interest payments     | 498.5           |
| Other                                 | 1.7             |
| Total transfers                       | <u>500.2</u>    |
| <b>G. Veterans Affairs</b>            |                 |
| <b>Transfer payments</b>              |                 |
| Pensions                              | 1,095.7         |
| Allowances                            | 154.7           |
| Health care                           | 168.3           |
| Other                                 | 40.1            |
| Total transfers                       | 1,458.8         |
| <b>Operations</b>                     |                 |
| Programs and administration           | 504.1           |
| Capital                               | 4.8             |
| Total operations                      | <u>508.9</u>    |

**Agencies**

|                             |         |
|-----------------------------|---------|
| Canadian Pension Commission | 5.2     |
| Bureau of Pension Advocates | 7.8     |
| Veterans Appeal Board       | 3.0     |
| Total agencies              | 16.0    |
| <hr/>                       |         |
| Total Veterans Affairs      | 1,983.7 |

**Summary social programs**

|                       |          |
|-----------------------|----------|
| Transfer payments     | 47,473.7 |
| Administration        | 2,831.6  |
| Agencies (incl. CMHC) | 2,351.9  |
| <hr/>                 |          |
| Total social programs | 52,757.2 |

## FEDERAL TRANSFERS TO PROVINCES

These large and growing transfers help the provinces in providing services such as medicare, education and social assistance. They also help to ensure that all Canadians receive reasonably comparable public services at comparable levels of taxation.

In 1992-93 the federal government transferred about \$40 billion to provincial, territorial and municipal governments. About 90 per cent of this was provided under three major programs: Established Programs Financing, the Canada Assistance Plan and Equalization. Of this, \$28 billion was transferred in cash payments and a further \$12 billion took the form of "tax point transfers", which provide provincial governments with a portion of taxes that would otherwise go to the federal government.

### Total federal transfers to provinces, 1992-93 <sup>1</sup>

|                              | Cash                  | Tax  | Total             |
|------------------------------|-----------------------|------|-------------------|
|                              | (billions of dollars) |      |                   |
| Major transfers              |                       |      |                   |
| EPF                          | 11.2                  | 11.2 | 22.4              |
| Equalization                 | 7.4                   | —    | 7.4               |
| CAP                          | 6.7                   | 0.6  | 7.3               |
| Total                        | 25.3                  | 11.8 | 36.3 <sup>2</sup> |
| Other transfers              | 3.4                   | 0.4  | 3.8               |
| Total transfers <sup>2</sup> | 28.8                  | 12.2 | 40.2              |

<sup>1</sup> Only the cash portion is recorded in the public accounts.

<sup>2</sup> Equalization associated with the EPF tax transfer, which is paid under the Fiscal Equalization program, appears under both programs. To avoid double counting in totals, the Associated Equalization is deducted in the total column.

### Established Programs Financing – \$22.4 billion

Established Programs Financing was introduced in 1977 and is the main federal program providing provinces with support for health care and post-secondary education. It is also the largest single federal transfer to provinces, accounting for about \$22 billion in 1992-93 of which \$11.2 billion was cash payments.

EPF payments are determined by a formula, under which each province receives an equal amount for each resident. Federal contributions are not related to provincial expenditures in the program areas. Due to an expenditure program freeze, total EPF payments now grow year to year only as the population grows – about 1 per cent nationally.

EPF payments are separately allocated for education and for health care and include both cash and tax transfers. EPF transfers amounted to almost \$16 billion in 1992-93 for health care and some \$6.5 billion for post-secondary education. Transfers can be withheld if provinces violate the principles of the Canada Health Act.

### **Canada Assistance Plan – \$7.3 billion**

Through the Canada Assistance Plan the federal government pays half the cost of provincial social assistance and welfare services. In 1992-93, federal CAP entitlements amounted to nearly \$7.3 billion. Of this, the cash portion was \$6.7 billion.

The primary objectives of CAP are to help the provinces provide:

- Adequate levels of social assistance and institutional care for persons in need; and
- Welfare services which lessen, remove or prevent the causes and effects of poverty, child neglect or dependence on public assistance.

Since 1990, spending-control legislation has limited the increase in federal CAP payments to the three higher-income provinces – Alberta, B.C. and Ontario – to no more than 5 per cent yearly. For all other provinces, the federal government continues to match provincial social assistance spending dollar for dollar.

### **Equalization – \$7.4 billion**

In 1992-93, a total of \$7.4 billion in Equalization support was paid to the provinces.

The principle underlying Equalization is that all provinces, regardless of their fiscal capacity, should have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation.

Equalization payments are unconditional – how they are spent is entirely up to the receiving provinces.

Equalization payments are calculated on the basis of a formula which compares the provinces' relative abilities to raise revenues if they levied the same taxes on common tax bases at the same rates. Called the "Representative Tax System", the formula calculates a standard per-capita revenue level. Provinces with per-capita revenue levels below that standard receive Equalization payments to compensate for the shortfall.

- Provinces with income-raising capacity above the Canadian average – Alberta, British Columbia and Ontario – do not receive Equalization.
- Among the other provinces, per capita Equalization entitlements in 1992-93 ranged from a low of \$420 in Saskatchewan and \$503 in Quebec to a high of \$1,511 in Newfoundland.
- Similarly, Equalization as a share of provincial revenues ranged from 10 per cent in Quebec to 27 per cent in Newfoundland.

### **Other Transfers – \$3.8 billion**

Over and above these major transfer programs are about \$3.8 billion in other federal cash and tax transfers. Most are described below although some are described elsewhere in this document (e.g. Gross Revenue Insurance Plan, official languages in education, justice, transportation).

### **Territorial governments – \$1.1 billion**

In 1992-93, the federal government paid nearly \$1.1 billion in cash transfers to territorial governments under the Territorial Formula Financing Agreements. These cash transfers help provide public services. They are the counterparts to the Equalization program, which does not apply to the governments of the Northwest Territories and Yukon. (The territories also receive EPF and CAP transfers along with the provinces.)

Of these cash transfers, over \$822 million was provided to the government of the Northwest Territories, while \$251 million was paid to the government of Yukon.

**Municipal grants – \$426 million**

These grants go to municipal governments in place of property taxes (which, under the constitution, cannot be levied against the federal government). They ensure that the federal government contributes to local services as would any other property owner and employer.

**Public utilities income tax transfer – \$203 million**

Under the Public Utilities Income Tax Transfer Act (PUITTA), the federal government transfers back to the provinces most of the corporate income tax revenues it receives from privately-owned public utilities companies (electricity, gas and steam). By returning these taxes, the government ensures similar treatment for privately-owned utilities and those owned by the provincial governments, which pay no income tax.

**Fiscal stabilization – \$334 million**

The Fiscal Stabilization Program compensates provinces for year-over-year revenue decreases which are attributable to changes in economic circumstances. A rarely used program over the years, many provinces have recently made claims under the Fiscal Stabilization Program.

**Other fiscal arrangement – \$210 million**

This category includes the provinces' share of Preferred Share-Dividend Taxes, which are collected by the federal government (\$172 million), and Statutory Subsidies (\$38 million). The latter are a variety of minor provincial entitlements under the *Constitution Act 1867*, compensating them for the loss of customs revenues on entering Confederation.

**Recovered amounts**

Total fiscal arrangement transfers are balanced – or netted against – certain payments received from provinces.

Most of this (\$376 million) was recovered under the arrangements for provinces which opt out of certain federal programs. Such provinces receive personal income tax abatements in place of federal contributions. Where, because of the abatement formula, the abatement exceeds the amount that the federal government

would have contributed had the province not opted out, the province must repay the excess.

Fiscal arrangements are also balanced by a further \$7 million recovered for certain provincial commodities levies that were paid by the federal government.

**Federal transfers to other levels of government,  
1992-93**

|  | (millions of dollars) |
|--|-----------------------|
| Established Programs Financing               |                       |
| Health                                       | 8,306.6               |
| Post-secondary education                     | 2,887.1               |
| Canada Assistance Plan                       | 6,686.0               |
| Equalization                                 | 7,376.9               |
| Statutory subsidies                          | 37.6                  |
| Fiscal stabilization                         | 334.0                 |
| Preferred share-dividend taxes               | 172.2                 |
| PUITTA                                       | 202.9                 |
| Youth allowances recovery                    | -376.1                |
| Transfer payments to territorial governments |                       |
| Yukon  | 251.0                 |
| Northwest Territories                        | 822.2                 |
| Municipal grants                             | 426.0                 |
| Reciprocal taxation                          | -7.2                  |
| Total transfers                              | 27,119                |

## DEFENCE

Defence spending amounted to \$11.2 billion in 1992-93.

- **Operating costs** accounted for about two-thirds of total spending. These costs included wages, salaries and benefits for close to 80,000 military and more than 30,000 civilian personnel; and fuel, maintenance and supplies. Personnel costs accounted for the majority of operational spending.
- **Capital costs** were close to 25 per cent of total defence spending, with the balance made up of grants, contributions and statutory pension payments.

### Defence Services Program

The Defence Services Program brings together the activities and resources which enable the Department of National Defence (DND) and the Canadian Forces to carry out their defence roles. In 1992-93, four of the Program's eight activities – Maritime Forces, Land Forces in Canada, Air Forces in Canada, and Canadian Forces in Europe – provided direct combat capabilities. (In 1993-94, Canada completed its withdrawal of Canadian Forces in Europe.) The other four activities provided command and control, communications, and logistics and personnel support functions.

**Maritime Forces** are involved in the surveillance and control of Canadian territorial waters, adjacent ocean areas and the Arctic Archipelago; North American defence; NATO collective defence measures; and emergency or disaster assistance.

**Land Forces in Canada** are involved in surveillance, control over and security within Canada; North American defence; NATO collective defence measures; United Nations peacekeeping operations; and emergency or disaster assistance.

**Air Forces in Canada** are involved in surveillance and control over Canadian airspace; North American defence; air support for Maritime and Land Forces in Canada; Canadian Forces' airlift requirements; search and rescue operations; and emergency or disaster assistance.

**Canadian Forces in Europe** provided land and air forces to meet Canada's commitments to collective defence in Europe. The decision to close Canada's two bases in Germany in 1992-93 has now resulted in forces being withdrawn.

**Defence, 1992-93**

(millions of dollars)

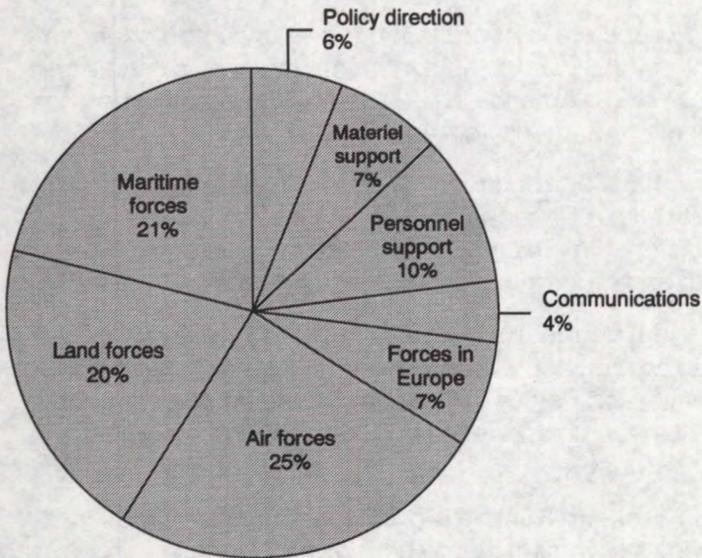
**Transfer payments**

|   |              |
|---|--------------|
| Defence Services Pension Continuation Act | 4.8          |
| Supplementary Retirement Benefits Act     | 36.8         |
| Other                                     | 200.9        |
| <b>Total transfers</b>                    | <b>242.5</b> |

**Administration**

|                             |                 |
|-----------------------------|-----------------|
| Military pensions           | 641.6           |
| Operating                   | 7,438.2         |
| Capital expenditures        | 2,847.3         |
| <b>Total administration</b> | <b>10,927.1</b> |
| <b>Total Defence</b>        | <b>11,169.5</b> |

**Chart 3**  
Defence expenditures by activity



Source: Estimates 1993-94.

## GENERAL GOVERNMENT SERVICES

General government services spending in 1992-93 covered a range of departments and agencies, most engaged in activities that support and coordinate the operations of other federal organizations. Budgetary spending for this category was \$6.3 billion – of which more than a third was for the operations of Revenue Canada.

### Finance and Statistics Canada – \$540 million

Spending on the administration of the Department of Finance and related agencies totalled \$260 million in 1992-93. This included:

- **Internal operations** for policy and economic planning, debt management, transfer payments to provinces, the federal budget and communications (\$62 million); and funding for the production of **domestic coinage** by the Royal Canadian Mint (\$43 million).
- The operations of the **Canadian International Trade Tribunal**, which conducts inquiries into possible unfair practices by Canada's trading partners (\$8.5 million); the **Office of the Superintendent of Financial Institutions**, which supervises federally registered financial institutions, such as banks, trust and insurance companies (\$105 million); and the office of the **Auditor General**, responsible for examining the public accounts of federal spending (\$56.5 million).

Funding for the operations of **Statistics Canada** was nearly \$280 million. This agency collects, analyzes and publishes information on virtually every aspect of Canada and its population, and provides reference and consultative services.

### National Revenue – \$2.3 billion

The cost of operations by Revenue Canada totalled almost \$2.3 billion in 1992-93, split almost equally between the Customs and Excise Branch, and the Taxation Branch. This includes customs' services and officers, and federal tax collection.

In addition to its primary activities, the department also carries out administrative functions on behalf of other federal programs, such as the collection of Canada Pension Plan contributions and unemployment insurance premiums, and collects income taxes and administers various tax credit measures on behalf of most provinces.

## **Parliament and the Governor General – \$299 million**

The cost of operating Canada's Parliament – including the salaries for Members, Senators and staff – was just under \$289 million in 1992-93. Most of this spending was for the **House of Commons** (\$232 million), with the **Senate** costing \$41.3 million, and the **Library of Parliament** at \$15.5 million.

Funding for the office of the Governor General was \$10.2 million.

## **Other Central Agencies – \$292 million**

Spending on a number of central agencies which contribute to government-wide operations and assist the Prime Minister and Parliament totalled \$292 million. The bulk of this spending went to two organizations:

- **Elections Canada**, which under the Chief Electoral Officer supervises the conduct of federal elections, undertakes enumeration, and trains returning officers. Spending in 1992-93 was about \$126 million.
- **Privy Council Office**, which provides advice and support to the Prime Minister regarding his/her range of functions and responsibilities as head of government. The PCO also provides support and advice to the Cabinet as a whole, to ensure the effective operation of its decision-making process. Spending in 1992-93 was \$118 million.

## **Public Works – \$1.2 billion**

The major responsibility of Public Works Canada (now amalgamated with Supply and Services Canada) is to provide general purpose office space for federal departments and agencies through construction, purchase or lease. Spending by this department in 1992-93 was \$1.2 billion – of which \$214 million was for capital spending.

Among other activities of the department, the most significant was the construction and maintenance of roads, bridges and marine structures and facilities under federal jurisdiction (\$1.1 billion). Other functions included:

- The provision of architectural, engineering and property services to other departments. These services are provided on a cost-recovery basis, with net cost to Public Works of just \$43 million.
- The disposal of surplus property.

### **National Capital Commission – \$90 million**

The mandate of the National Capital Commission (NCC) is to maintain and enhance the national capital's physical image as a meeting place for all Canadians. It also organizes and coordinates national events that build pride in Canada. Funding for the NCC in 1992-93 was just under \$90 million.

### **Public Service Commission – \$147 million**

The Public Service Commission (PSC) is the staffing arm of the federal public service. Its activities – in concert with operating departments – include overseeing recruitment, senior management staffing, appeals and investigations related to personnel matters, and special programs related to employment equity. Funding for the PSC was about \$147 million.

### **Supply and Services – \$582 million**

Supply and Services Canada (recently amalgamated with Public Works) acts as the chief purchasing agent and central accountant for the Government of Canada.

The department's functions include procurement standards and contracts; printing and publishing on behalf of other government departments; the management of federal government advertising; and the operation of the Government Travel Service, which coordinates travel arrangements for public servants.

Total funding for Supply and Services in 1992-93 was about \$582 million. Just as with Public Works, the department provides many of its services on a cost-recovery basis (with other departments paying for the services they use out of their operating budgets).

**General government services, 1992-93**

(millions of dollars)

**A. Finance**

**Operations**

|                             |       |
|-----------------------------|-------|
| Domestic coinage            | 42.5  |
| Programs and administration | 62.3  |
| Capital                     | 1.9   |
| Total operations            | 106.7 |

**Other**

|   |       |
|---|-------|
| Canadian International Trade Tribunal                 | 8.5   |
| Office of Superintendent of<br>Financial Institutions |       |
| Operating   | -16.5 |
| Special Programs                                      | 105.0 |
| Auditor General                                       | 56.5  |
| Total Finance   | 153.5 |

**B. Emergency Preparedness Canada** 26.3

**C. Statistics Canada** 279.8

**D. National Revenue**

|                        |         |
|------------------------|---------|
| Customs and Excise     | 1,024.1 |
| Taxation               | 1,258.6 |
| Total National Revenue | 2,282.7 |

**E. Parliament**

|                       |       |
|-----------------------|-------|
| Senate                | 41.3  |
| House of Commons      | 231.7 |
| Library of Parliament | 15.5  |
| Total Parliament      | 288.5 |

**Governor General** 10.2

Total Parliament and Governor General 298.7

**F. Other Central Agencies**

|   |             |
|---|-------------|
| Privy Council Office                          | 118.2       |
| Canadian Centre for Management<br>Development | 10.9        |
| Chief Electoral Officer                       | 125.7       |
| Commissioner of Official Languages            | 12.5        |
| Economic Council of Canada                    | 8.6         |
| Northern Pipeline Agency                      | 0.2         |
| Public Service Staff Relations Board          | 8.7         |
| <hr/> Total agencies                          | <hr/> 292.1 |

**G. Public Works Canada**

|                          |               |
|--------------------------|---------------|
| Operating                | 930.4         |
| Capital                  | 213.9         |
| Transfers                | 34.7          |
| Old Port of Montreal     | 23.5          |
| <hr/> Total Public Works | <hr/> 1,202.5 |

**H. National Capital Commission** 89.9

**I. Public Service Commission** 146.6

**J. Supply and Services**

|                                 |             |
|---------------------------------|-------------|
| Operating                       | 542.4       |
| Capital                         | 36.7        |
| Transfers                       | 2.5         |
| <hr/> Total Supply and Services | <hr/> 581.6 |

**K. Treasury Board**

|   |               |
|---|---------------|
| Secretariat                               | 78.1          |
| Office of the Comptroller General         | 16.9          |
| Employer contributions to insurance plans | 743.7         |
| <hr/> Total Treasury Board                | <hr/> 838.7   |
| <hr/> Total Government services           | <hr/> 6,299.2 |

### **Treasury Board – \$839 million**

The Treasury Board of Canada supervises the management of the government's financial, human and material resources.

While total spending in this area was almost \$839 million, most of this represented government **contributions to various employee insurance and pension plans** (about \$744 million). Operating costs of the Board's **Secretariat** – which develops and oversees administrative and personnel management policies – were \$78 million. As well, there was funding of \$17 million for the **Office of the Comptroller General**, which is responsible for financial management, program evaluation and auditing.

### **Provisions for Valuation – \$2.3 billion**

The federal government held financial assets in the form of loans, investments and advances with a net value of \$19 billion at the end of 1992-93.

These assets included equity investments in enterprise Crown corporations (such as CN); in projects such as the Hibernia oil field; and in international institutions, such as the World Bank. It also held loans to provincial governments; to individuals (student loans); to enterprises (such as under the Small Business Loans program); and to other nations (through the Export Development Corporation and the Canadian Wheat Board).

These loans, investments and advances are reviewed at the end of each fiscal year with the Auditor General, to assess the appropriate current value to attach to each item. Changes in valuation are recorded in the allowance for valuation, and are reflected in the government's asset account and the deficit (with estimated declines in asset values being recorded as a form of spending, under accepted accounting procedure).

The federal government's debt also includes provisions for liabilities which the government will ultimately have to discharge – for example, to public service pension accounts; to provincial governments under tax collection agreements; and to a variety of other parties with claims against Canada. The estimated value of these liabilities is often subject to wide variations. For this reason, increases in recognized liabilities are also reflected in the government's liability account and in the deficit as increased expenditures.

In 1992-93, the sum of increases in provisions and allowance for valuation amounted to \$2.5 billion. This increase related primarily to the re-assessment of the government's investment in Crown corporations, and certain loans, to more accurately reflect their current market value.

**Summary table:  
Total budgetary spending, 1992-93**

|   | (millions of dollars) |
|---|-----------------------|
| <b>Public debt charges</b>                                  | 39,394                |
| <b>Program spending</b>                                     |                       |
| Natural resource-based programs                             | 6,222                 |
| Industrial regional and<br>scientific-technological support | 3,354                 |
| Transport   | 2,931                 |
| Communications and cultural                                 | 3,002                 |
| Justice and legal   | 3,200                 |
| External Affairs and international assistance               | 4,201                 |
| Social  | 52,757                |
| Cash transfers to provinces                                 | 27,119                |
| Defence   | 11,170                |
| General government services                                 | 6,299                 |
| Provisions for valuation/other                              | 2,282                 |
| <b>Total</b>  | <b>122,537</b>        |
| <b>Total budgetary expenditures</b>                         | <b>161,931</b>        |