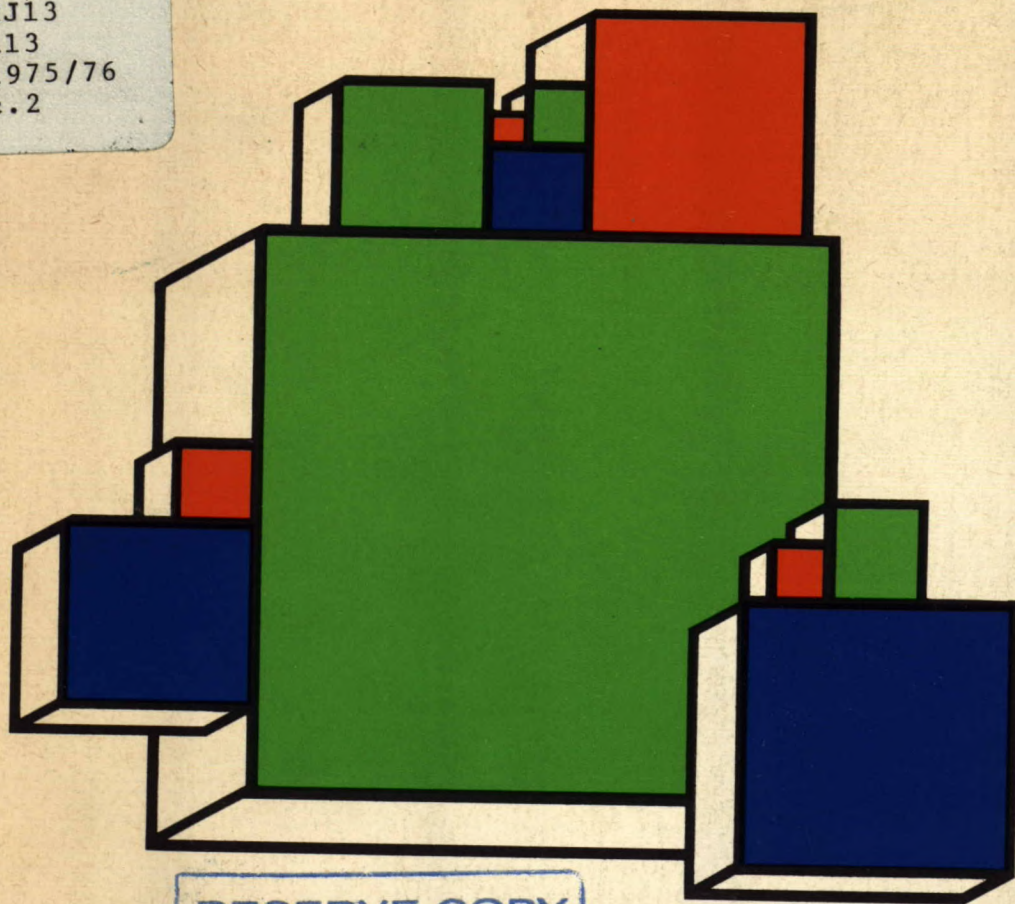


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75 76 How your tax dollar is spent



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75 76 **How your
tax dollar
is spent**

An introduction to the spending plans of
the Government of Canada for the fiscal
year beginning April 1, 1975

Design: Charles Mitchell, N.E.W. Design

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Ottawa, 1975

Catalogue No. BT47-1/1976

07KX 24062-4-5142
Richelieu Graphics Ltd.

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Introduction

The Main Estimates are a request by the government for authority from Parliament to spend public funds for specified purposes during the course of the coming fiscal year. The presentation to Parliament of the Main Estimates in the form of the "Blue Book", as the document is known, is the culmination of the long process by which the government develops its plans and decides on the way it will use available resources.

When approved by Parliament, the Main Estimates become the framework within which the programs and activities of the federal government are managed, and subsequently accounted for.

Viewed in the aggregate, the Main Estimates also represent a comprehensive expenditure plan or expenditure budget for the allocation of a given level of resources in accord with the government's judgment as to the requirement for, and priority of, public expenditure for various purposes.

Since virtually every function of government entails the expenditure of money, whether for the payment of family allowances, or the construction of public buildings, or the provision of an inspection service, the Main Estimates are by far the most comprehensive single statement of current and prospective federal government programs and activities.

Due to its comprehensive nature, and the fact that it must contain many details to meet the needs of members of the House of Commons and the Senate, ministers and government officials, the Blue Book is a complex document. While the proposed expenditures for individual programs and activities may be fairly easily ascertained, the over-all nature and direction of the government's expenditure budget for the fiscal year may be less immediately apparent.

Because of these considerations, an explanatory booklet has been published since 1971 concurrently with the annual presentation of the Main Estimates. Its main purpose has been to provide a brief summary in non-technical form of the programs and activities for which spending authority was being requested.

Since the booklet appears to have proven useful to Parliament, the news media, and the public, an expanded version has been prepared this year to give a more comprehensive summary of the spending proposals for specific programs and activities, together with some additional commentary of a general nature about the Main Estimates as the government's expenditure budget for 1975-76.

This booklet contains three chapters:

- Chapter 1 sets out a summary of the proposed levels of expenditure,

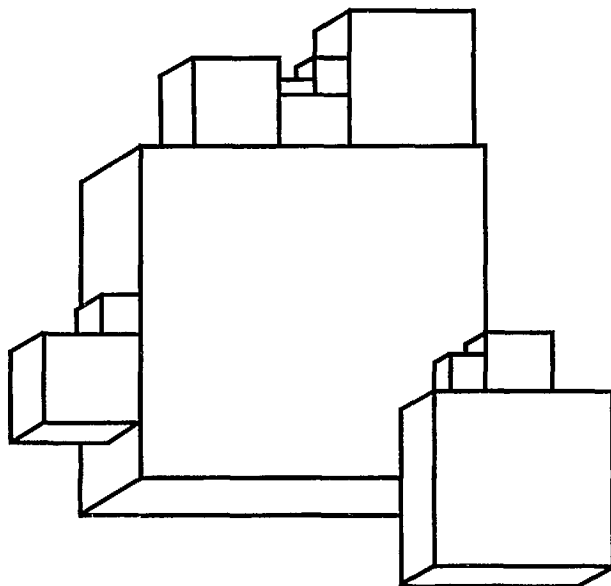
gives an outline of the structure of the expenditure budget and provides information on total government expenditures as a percentage of Gross National Product (GNP).

- Chapter 2 provides information on the major continuing and new programs in each of the 11 functional categories into which the federal government's expenditures are customarily grouped; and
- Chapter 3 describes the budgetary process and accountability of the government to Parliament for actual expenditure.

I hope the booklet proves useful in contributing to an understanding of a complex and important subject.

A handwritten signature in cursive script, reading "Jean Chrétien".

JEAN CHRÉTIEN
President of the Treasury Board
Ottawa, February, 1975



Chapter 1

The 1975-76 expenditure budget in summary

The 1975-76 Main Estimates* propose budgetary expenditures of \$28.2 billion. This is \$6.2 billion (28 per cent) more than 1974-75 Main Estimates and \$2.8 billion (11 per cent) above forecast expenditure for 1974-75, taking into account approved and expected 1974-75 Supplementary Estimates. It is also anticipated that there will be \$2.7 billion in loans, investments and advances in 1975-76, as compared with \$2.4 billion forecast for 1974-75. Comparisons of proposed budgetary expenditures and of loans, investments and advances to the corresponding values for the nine previous years are given in Table 1 on page 8. The distribution of the proposed budgetary expenditure in 1975-76 by function is also given in Table 1.

Although the percentage distribution of budgetary expenditures by function in 1975-76 is changed only marginally from 1974-75, the cumulative effect of government decisions, reflecting its priorities and changing circumstances, is more discernible in the longer perspective. The table below indicates the percentage of budgetary expenditure for each function in 1966-67 and that proposed in the 1975-76 Main Estimates:

Function	1966-67	1975-76
	%	%
Health and welfare	22.7	27.8
Economic development and support	13.7	16.5
Public debt	13.5	12.6
Defence	18.8	9.9
Fiscal transfers to provinces	5.9	9.3
Transportation and communications	10.7	7.4
General government services	4.2	5.1
Internal overhead expenses	4.4	4.1
Foreign affairs	2.6	2.5
Culture and recreation	2.5	2.4
Education assistance	1.0	2.4

Budgetary expenditures comprise the operating and capital costs of departments, the operating deficits of Crown corporations, the cost of carrying the public debt, and the transfer payments which the federal government makes to other levels of government, to individuals and to companies and institutions.

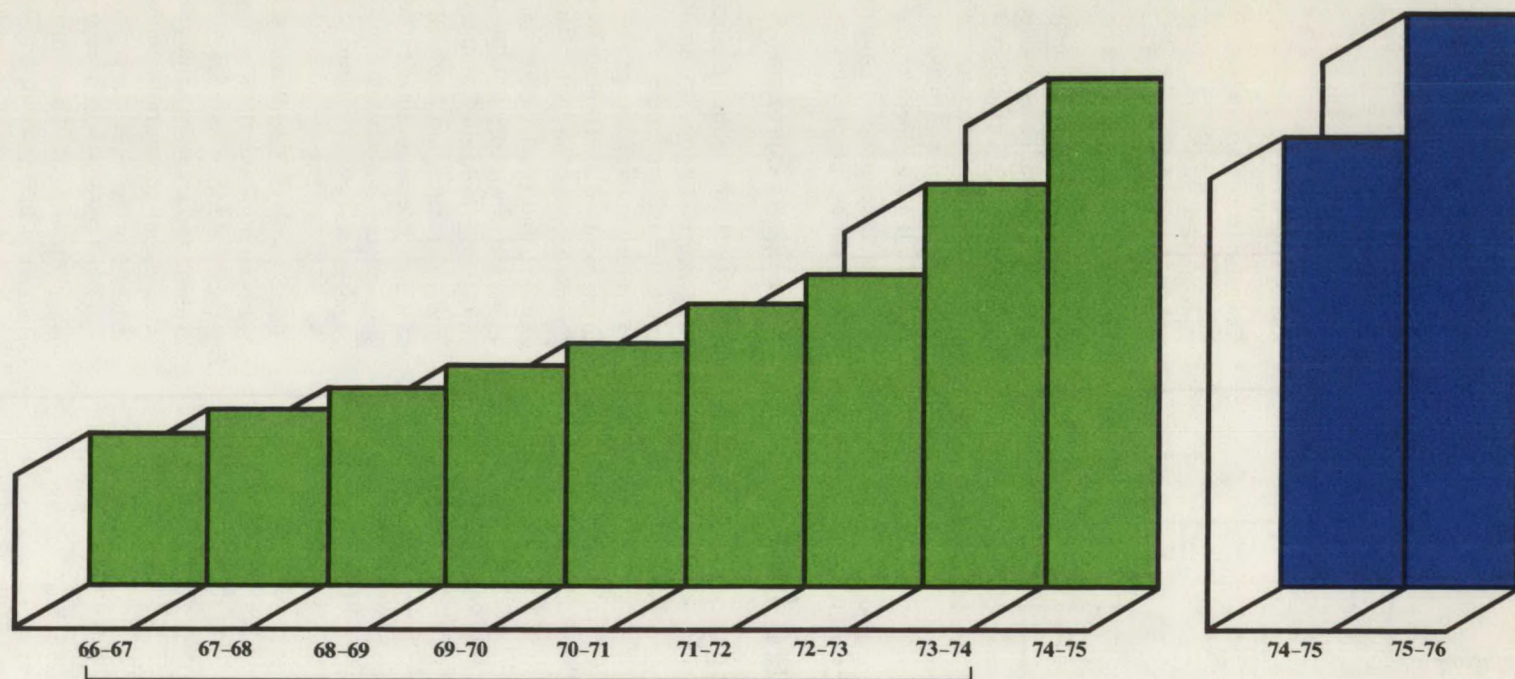
Non-budgetary expenditure

The 1975-76 Main Estimates include proposed non-budgetary authorities which total \$1.3 billion. These proposed non-budgetary authorities are for loans, investments and advances to certain Crown corporations, international organizations, and other borrowers. Other loans to Crown corporations, not shown in the 1975-76 Main Estimates, are made under continuing authority in existing statutes. The net outlays for loans, investments and advances in 1975-76 are expected to be \$2.7 billion.

These outlays constitute only part of the total non-budgetary transactions expected during the 1975-76 fiscal year. Non-budgetary transactions in total comprise all those transactions which increase or decrease the government's asset and liability accounts and do not enter into the calculation of the annual budgetary surplus or deficit. In addition to the loans, investments and advances referred to, these transactions include payments and receipts of the various social security accounts, the foreign exchange account, annuity, insurance and pension accounts, and deposit and trust accounts held or administered by the government.

*The 1975-76 Main Estimates relate to the federal government fiscal year which begins April 1, 1975, and ends March 31, 1976.

Table 1—Budgetary expenditures and loans, investments and advances



Budgetary expenditures by function	Actual*									Forecast		Main Estimates	
	\$ millions											\$ millions	
Health and welfare	1,994	2,154	2,384	2,734	3,182	3,633	3,789	5,674	7,023	6,813	7,854		
Economic development and support	1,205	1,473	1,527	1,777	1,862	2,167	2,419	2,870	4,342	2,759	4,657		
Public debt	1,191	1,301	1,480	1,717	1,823	2,010	2,321	2,592	3,175	2,925	3,575		
Defence	1,651	1,760	1,762	1,792	1,821	1,898	1,908	2,236	2,512	2,365	2,802		
Fiscal transfer payments to provinces	515	738	867	932	1,229	1,426	1,501	1,874	2,631	1,839	2,625		
Transportation and communications	941	1,018	932	893	890	1,023	1,164	1,556	1,934	1,588	2,080		
General government services	372	378	413	508	580	698	819	965	1,214	1,105	1,437		
Internal overhead expenses	391	439	644	640	787	763	793	734	887	969	1,149		
Foreign affairs	230	217	227	243	281	314	384	439	512	507	701		
Culture and recreation	218	280	244	258	264	348	435	482	580	554	690		
Education assistance	90	114	287	315	463	561	588	617	643	599	672		
Total budgetary expenditures	8,798	9,872	10,767	11,809**	13,182	14,841	16,121	20,039	25,453	22,023	28,242		
Loans, investments and advances (not included in graph)	1,564	1,471	1,056	1,157	1,364	1,668	1,503	1,871	2,350	2,350	2,650		

* Data for the years 1966-67 to 1973-74 are taken from the Public Accounts of Canada

** Does not include Expo write-off of \$122.9 million

Major increases

Chapter 2 of this booklet provides detail about different levels of expenditure, function-by-function, program-by-program, between 1974-75 and 1975-76 Main Estimates. However, 72 per cent of the total increase of \$6.2 billion is accounted for by a few items:

	\$ millions	% of total increase
The new program introduced in 1974 of payments to importers of oil to cushion Canadian consumers from the effects of higher international oil prices	1,300	21.0
Larger transfer payments to certain provinces to compensate them for the deficiencies in their tax bases relative to the tax base of the wealthier provinces	786	12.7
Larger public debt carrying costs because of a larger debt and higher interest rate	650	10.5
Additional payments to the provinces for the major health, welfare and post-secondary education programs for which the federal government absorbs about one-half of the operating costs	628	10.1
The adjustment of the budget for the Department of National Defence to meet higher price and salary costs and to provide for increased capital expenditures	437	7.0
Expansion of mail services and higher prices and salary costs in the Post Office	203	3.3
Increases in family allowance payments because of changes in the cost of living index	171	2.7
Larger grants to developing countries under Canada's external aid program	149	2.4
Increases in costs of adult occupational training and carry-over of local initiatives projects (LIP)	141	2.3
Total	4,465	72.0

Budgetary expenditure by degree of commitment

The federal government's expenditures involve different degrees of commitment. The degree to which an expenditure is committed by statute and by other long-term financial arrangements and policies limits the discretion of the government to change expenditure levels.

Budgetary expenditures are classified in the table on page 11 according to a roughly descending scale of commitment as follows.

Statutory payments—These must be made according to the specific provisions of some law and must continue to be made until the law is changed.

Contractual payments—These are made according to prior agreements such as those under which the Central Mortgage and Housing Corporation reimburses municipalities for losses suffered in the operation of public housing projects.

Formula payments—These are made pursuant to a formula such as the assessment on Canada for membership in an international organization.

Essential support programs—The government provides certain essential financial support to a wide variety of social, educational, research and development programs, for example, programs which aid native peoples.

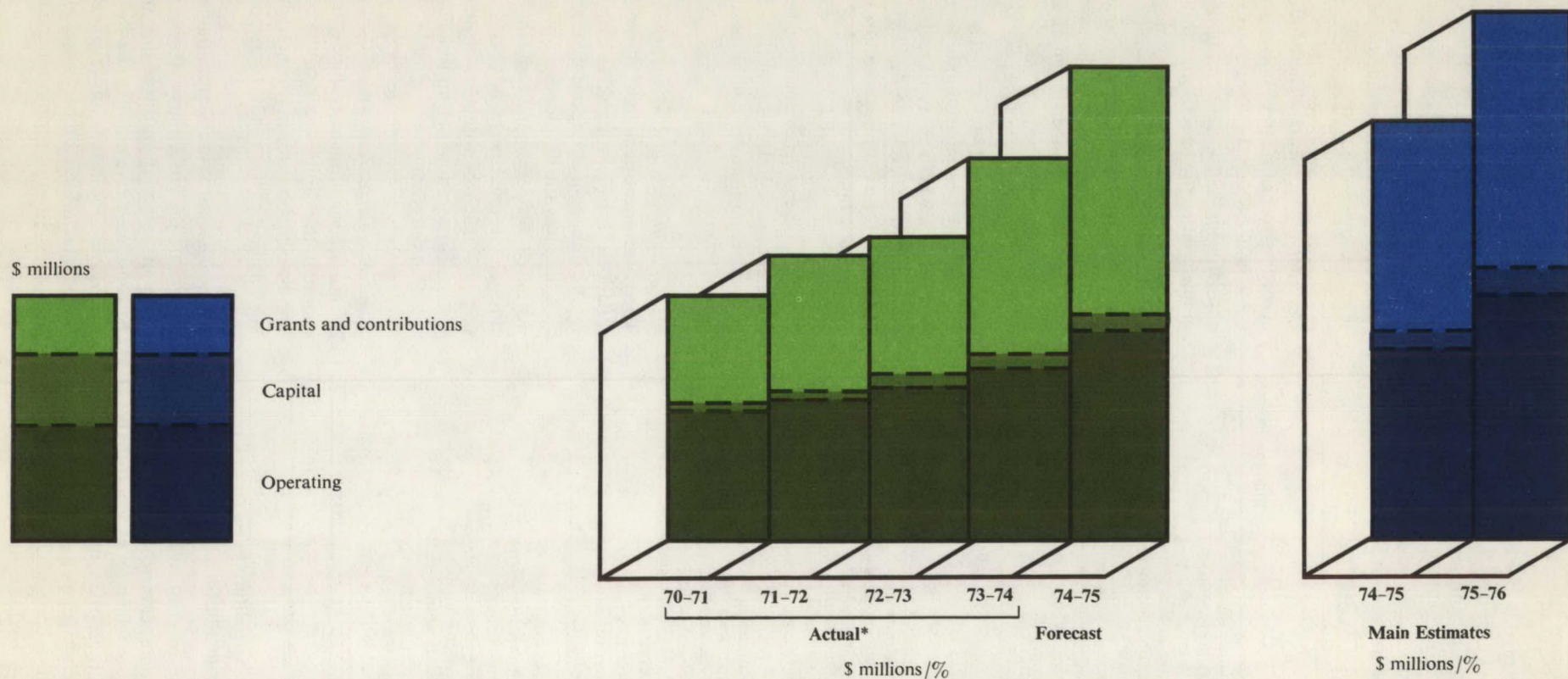
Defence—The government provides a level of defence expenditure to meet its international commitments and domestic requirements.

Operating deficits of Crown corporations—The government pays most of the cost of a national broadcasting service operated by the Canadian Broadcasting Corporation, finances the development of an advanced nuclear energy capability through Atomic Energy of Canada and pays the deficit of a number of other Crown corporations set up to achieve national purposes.

Capital expenditures—The government spends a large amount each year to maintain the capital stock of the country and to increase it for new requirements, such as new parks, roads, or airports.

The remainder—This is the amount spent to operate the government. It covers a range of services from those that would be considered essential like the Post Office and food inspection to some which might be considered more optional, such as the provision of certain information bulletins.

Table 2—Budgetary expenditures by type

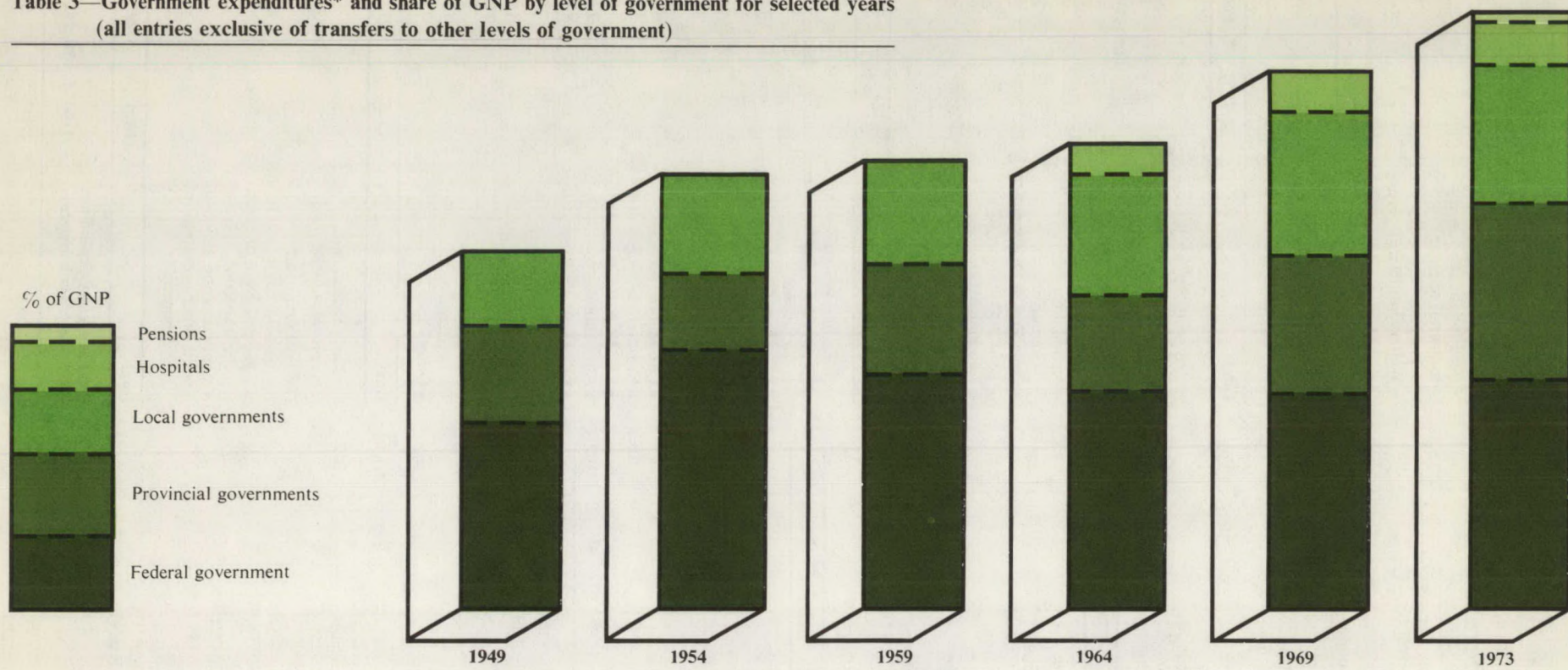


	Actual*					Forecast		Main Estimates	
	\$ millions / %					\$ millions / %		\$ millions / %	
Operating	6,514 49.4	7,226 48.7	7,986 49.5	9,102 45.4	10,858 42.6	10,270 46.6	12,471 44.2		
Capital	616 4.7	708 4.8	722 4.5	949 4.7	1,139 4.5	1,121 5.1	1,502 5.3		
Grants and contributions (including transfer payments)	6,052 45.9	6,907 46.5	7,413 46.0	9,988 49.9	13,456 52.9	10,632 48.3	14,269 50.5		
Total budgetary expenditures	13,182	14,841	16,121	20,039	25,453	22,023	28,242		

* Data for the years 1970-71 to 1973-74 are taken from the Public Accounts of Canada.

Category	1975-76 Main Estimates (\$ millions)	Category	1975-76 Main Estimates (\$ millions)
1. Statutory payments		• Feed freight assistance	21
• Interest on the Public Debt	3,575	• Industrial research assistance	17
• Fiscal transfers to provinces	2,469	• Welfare grants	17
• Family allowances	2,007	Total	(10.8%) 3,057
• Hospital care	1,546	5. Defence—(excluding statutory contributions to pension plans)	
• Unemployment Insurance— government cost	890	Total	(8.7%) 2,468
• Medicare	862	6. Operating deficits of Crown corporations	
• Canada Assistance Plan	701	• Canadian Broadcasting Corporation	353
• Post-secondary education assistance	511	• Atomic Energy of Canada Limited	94
• Military pensions	330	• National Capital Commission	41
• Railway subsidies	196	• Cape Breton Development Corporation	28
• Payments to Quebec in lieu of conditional grants	156	• National Arts Centre	7
• Other statutory expenditure	664	• Farm Credit Corporation	5
Total	(49.3%) 13,907	• Company of Young Canadians	5
2. Contractual payments		Total	(1.9%) 533
• Occupational training	486	7. Capital expenditures not provided for in the other categories	
• Reimbursements to Central Mortgage and Housing Corporation	252	• Public works—accommodation—other	306
• Fiscal transfers to the territories	145	• Transport	201
• Public Service employee fringe benefits	96	• Environment	87
• Reimbursement to provinces for legal aid services	11	• Parks	69
Total	(3.5%) 990	• Correctional services	56
3. Formula payments		• Northern development	37
• Veterans pensions and allowances	516	• RCMP	36
• External aid grants	481	• Agriculture	27
• Municipal grants	76	• Communications	22
• Grants to international organizations	36	• External Affairs	22
Total	(3.9%) 1,109	• Regional Economic Expansion	16
4. Essential support programs		• Veterans Affairs	16
• Oil compensation payments	1,300	• National Health and Welfare	13
• Indians and Eskimos	435	• Other capital	38
• Regional Economic Expansion grants	400	Total	(3.5%) 977
• Manufacturing milk subsidies	262	8. The remainder not provided for above	
• Industrial development grants	163	The Post Office, air transportation, the RCMP, the collection of taxes, the inspection of food products and almost all the other operations of government.	
• Bilingualism—grants to the provinces—Public Service training	105	Total	(18.4%) 5,201
• National Research Council scholarships and grants in aid of research	82	Total budgetary expenditure 1975-76 Main Estimates (100%) 28,242	
• Canada Council grants for the arts and humanities	56		
• Canadian Transport Commission—(Railway Grade Crossing Fund, Maritime Freight Rates Agreement etc.)	53		
• Student summer employment	48		
• Medical Research Council grants	48		

**Table 3—Government expenditures* and share of GNP by level of government for selected years
(all entries exclusive of transfers to other levels of government)**



	<i>S Millions / % of GNP</i>					
All governments	3,824 22.8	7,981 27.4	10,647 28.9	14,905 29.6	27,226 34.1	44,755 37.6
Federal government**	2,028 12.1	4,224 16.3	5,598 15.2	6,758 13.4	10,743 13.5	17,595 14.8
Provincial governments	983 5.9	1,348 5.2	2,492 6.8	3,245 6.5	7,157 9.0	12,993 10.9
Local governments	813 4.8	1,519 5.9	2,557 6.9	3,848 7.7	7,138 8.9	10,500 8.8
Hospitals	—	—	—	1,054 2.1	2,111 2.6	3,261 2.7
Pensions	—	—	—	—	77 .1	406 .3

* Expenditures are on a national accounts basis and for calendar years.

** Federal government transfers to other levels of government were:

Federal to provincial governments	187	428	856	1,199	2,632	4,695
Federal to local governments	—	2	24	53	94	112

Proposed expenditure by type

The 1975-76 Main Estimates are made up of \$12.5 billion (44 per cent) in budgetary expenditure for operating costs, \$1.5 billion (five per cent) for capital, and \$14.3 billion (51 per cent) for contributions, grants and other transfer payments. Previous years' expenditures under these classifications are summarized in Table 2 on page 10.

Operating expenditures comprise \$5.7 billion for personnel costs and \$6.7 billion for other goods and services required for the day-to-day operations of government.

Man-Years

The 1975-76 Main Estimates show the following figures on government employment as measured in man-years:

Public Service employees*	296,167
Members of the RCMP	15,127
Members of the Canadian Forces	78,033
Other employees of federal government agencies	36,063
Total	425,390

Not included in the Main Estimates are figures on employment for certain Crown corporations such as the Canadian National Railways and Air Canada.

Under the Financial Administration Act, the Treasury Board has control over the number that may be employed in all of the departments and some agencies.

The numbers of man-years shown in the Main Estimates and subject to this control are the most reliable indication of Public Service growth. The 1975-76 Main Estimates include 317,184 man-years in this category, an increase of 4.1 per cent over the 304,692 listed in 1974-75 Main Estimates. Rates of growth in these numbers in the previous two years have been higher, averaging 7.1 per cent in the two year period ending 1974-75. The growth in numbers in a few departments (such as the Post Office, the RCMP and Transport) concerned with basic, labour-intensive services account for most of the increase in man-years.

Expenditure by levels of government**

An understanding of the growth in government expenditures requires consideration of expenditures at the provincial and municipal levels, as well as at the federal level. Total government expenditures by all levels for selected years between 1949 and 1973 (the last year comparable data are available for all) are summarized in Table 3 on p. 12.

Excluding intergovernmental transfers (federal transfers of funds to other levels of government, these funds subsequently being included in the expenditure levels of the governments receiving them), federal government expenditure has risen from \$2 billion in 1949 to \$17.6 billion in 1973 that is, from 12.1 per cent to 14.8 per cent of the Gross National Product. During this period the percentage rose as high as 16.3 per cent.

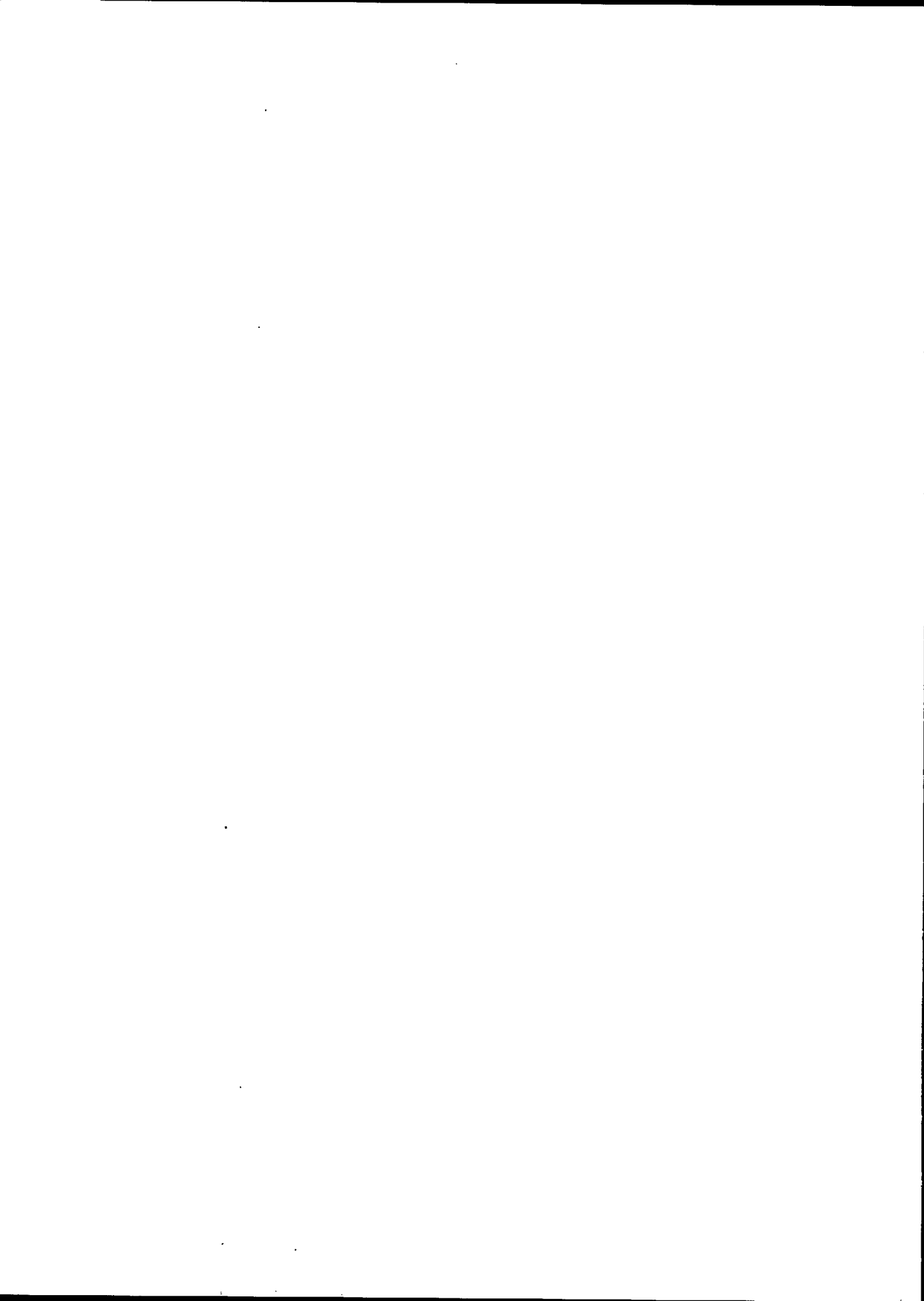
However, total government expenditures in Canada during the same period have risen more markedly relative to the Gross National Product from \$3.8 billion or 22.8 per cent of GNP in 1949 to \$44.8 billion or 37.6 per cent of GNP in 1973.

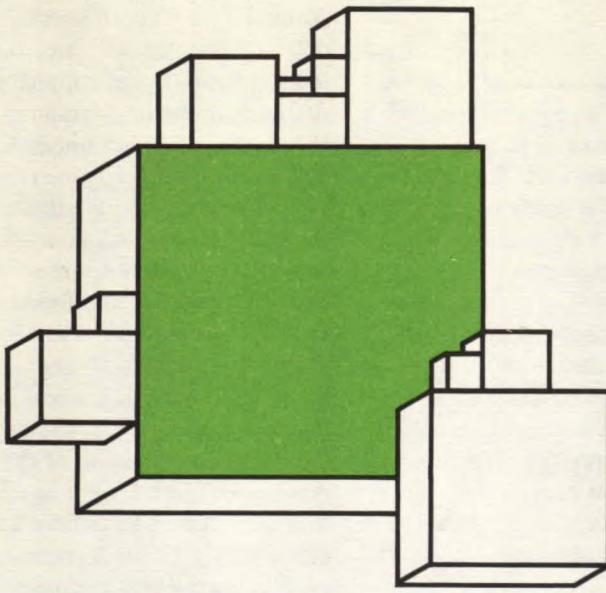
The main increases in total government expenditures from 1949 to 1973 as a per cent of the GNP, detailed in Table 3, are as follows:

- Federal government: from 12.1 per cent to 14.8 per cent
- Provincial governments: from 5.9 per cent to 10.9 per cent
- Local governments: from 4.8 per cent to 8.8 per cent

*Positions covered by the Public Service Employment Act.

**The only data compiled on a comparable basis for all levels of governments relate to the calendar year rather than the federal government's fiscal year used elsewhere in this booklet.





Chapter 2

Proposed expenditure by function

The expenditures proposed in the Main Estimates are traditionally divided into 11 categories indicating general purpose or "function"—such as health and welfare, economic development and support, defence, general government services, etc. Table 1 on page 8 shows the total budgetary expenditure proposed for each function in 1975-76 Main Estimates and, for comparison, gives a summary of expenditure by function over the nine previous years. The change in the distribution of total expenditures among functions in the 10-year span from 1966-67 to 1975-76 is also given in Table 1.

The 11 sections in this chapter describe the nature and purpose of expenditures in each function. Each section also outlines major continuing programs and new initiatives. Tables are provided to show the division of expenditures in each function by related programs.

No attempt is made to describe every departmental program which appears in the Main Estimates, nor every item which appears in the tables that accompany the text since this would require more than a booklet. However attention is given to the more significant items of expenditure.

Health and welfare

The largest single share of the federal budget is for health and welfare. Expenditures on programs included in this function take four forms: direct payments to persons, transfer payments to the provinces, grants and contributions to organizations, and the operational expenditures of federal departments and agencies. A summary of total transfer payments from the federal government to the provinces for health and welfare programs is included in Table 5 on page 37. It should be noted that the Main Estimates do not include either payments from the Old Age Security Fund or the value of tax points allocated to the Province of Quebec in lieu of direct contributions for hospital insurance and the Canada Assistance Plan.

Medical care

Medical care services, covering principally the federal share of the cost of services performed by physicians and surgeons, will increase from \$762 million in 1974-75 Main Estimates to \$862 million in 1975-76. About 50 per cent of this increase is due to the greater use of physicians' services and to more complex types of treatment. The growth in the Canadian population and increases in fees account for the balance. Payments for medical care are made by the provinces with the federal government contributing about half the cost.

Contributions of an additional \$37 million under the Health Resources Fund Act will be made to the provinces in 1975-76 to assist in the expansion and creation of new medical training facilities.

The federal government makes a major contribution to medical research through the Medical Research Council. In 1974-75 the council provided support for more than 1,300 research projects involving some 800 scholars, fellows, students, associates and other researchers and research trainees. An indirect benefit of the program is the maintenance and upgrading of research in Canadian medical schools. In 1975-76 the budget of the council will be increased by \$8 million to \$49 million to allow for some expansion of the program.

Hospital care

The estimated federal share of hospital insurance services will be \$1.5 billion in 1975-76, an increase of \$342 million over 1974-75 Main Estimates. While increased capacity and a wider range of services (e.g., artificial kidneys, and open-heart surgery) will contribute to the higher expenditures, most of the increase is required to meet higher operating costs, particularly in salaries and wages for hospital personnel. Increased costs for out-patient services and drugs account for the balance of the projected increase. The federal government contributes approximately 50 per cent of the total eligible cost of insured services.

In the Yukon and Northwest Territories, the federal government operates most of the direct health care facilities including hospitals, nursing stations and a number of health centres scattered over a vast area from Baffin Island in the Eastern Arctic to Old Crow in the Yukon Territory. Expenditures for Northern Health Services are expected to rise from \$21 million in 1974-75 Main Estimates to \$25 million in 1975-76. The major portion of the increase will be the capital expenditures required to build or replace hospitals and nursing stations.

Public health

The 1975-76 Main Estimates provide \$51 million for public health. This includes a program to identify environmental pollutants that can be injurious to humans and to survey the atmosphere and major water systems in Canada to determine the level of pollution which may exist. In 1975-76 Main Estimates, \$32 million is provided for this purpose. Contributions of \$2.3 million will also continue to be made to the provinces towards the cost of training medical personnel.

Income maintenance and social assistance

During 1974, the Ministers of Welfare of Canada continued their comprehensive review of social security systems in Canada. Two federal-provincial conferences were held to consider income support and supplementation measures, social services and community employment. At their November conference, the

Ministers of Welfare selected for more detailed examination three options for income support and supplementation designed to assure adequate incomes for those who are either unemployed or who derive insufficient income from employment. Areas to be investigated included the possible establishment of national norms for assistance, future administrative arrangements and financing mechanisms. Consideration was also given to alternative systems for the delivery and financing of social services, and in particular, a review of the problems in the present application of the Canada Assistance Plan. Earlier in the year, the ministers agreed to initiate a three-year evaluation which will commence in 1975, of the effectiveness of community employment programs in securing employment for those who have experienced difficulty in obtaining and retaining jobs. The ministers have indicated their intention to conclude their review during 1975, after which appropriate program adjustments will follow.

The largest part of the federal government welfare expenditures are taken up in universal payments to families with children under 18 and to individuals aged 65 and over.

The Family Allowances Program provides taxable benefits for all non-taxpaying children under the age of 18 years. Every month cheques are sent out to some 3.4 million families, covering 7.3 million children. This program was substantially modified in 1974 to increase the benefit level and to give provinces the opportunity to vary the benefit level, within certain limits, according to the age of the children and/or the size of the family. To date, only Alberta and Quebec have varied their allowances from the basic monthly per capita allowance.

The increase in total payments by \$171 million to \$2 billion in 1975-76 results from the linking of benefits on an annual basis to the consumer price index. This increase is marginally offset by a decrease of 100,000 in the expected number of eligible children. The average monthly payments per child in 1975 will be \$22.08, compared with \$20 per month in 1974.

Old Age Security Act (OAS) payments are expected to increase from \$3.4 billion in 1974-75 to \$4 billion in 1975-76.

As previously noted, these payments are not included in the Main Estimates in the same way as budgetary items. The Act provides that a portion of federal personal income and corporation income tax and sales tax receipts are to be allocated directly to a fund used solely for the payment of OAS pensions and the guaranteed income supplement. Approximately 1.9 million Canadians will receive the basic pension of \$120.06 a month effective January 1, 1975, and approximately 59 per cent will also receive a guaranteed income supplement of up to \$84.21 a month, depending on their income from other sources and their marital status. Both payments are subject to quarterly adjustment on the basis of changes in the consumer price index. The increase of over \$500 million in 1975-76 reflects increases in the cost of living index and also a small growth in the number of pensioners.

The Unemployment Insurance Commission pays benefits to those who meet the eligibility requirements of the Unemployment Insurance Act and who are either unemployed or unable to work because of sickness or pregnancy. The commission also administers a program of special benefits for self-employed fishermen during the period December 1 to May 15.

Unemployment insurance benefits are financed from employer and employee contributions supplemented by a federal government contribution established in relation to such factors as unemployment rate, duration of unemployment, and labour force attachment. The federal government's contribution of \$864 million in the 1975-76 Main Estimates is a payment in arrears for 1974, as required by legislation.

In addition, outlays of \$26 million are expected to be incurred in the provision of fishermen's benefits for an over-all unemployment insurance expenditure by the federal government of \$890 million. The comparable Main Estimates provision for 1974-75 was \$923 million.

The provision of \$33 million less in government unemployment insurance expendi-

ture in 1975-76, despite an increase of just under 10 per cent in average weekly payouts for each claimant, is largely due to the increased effectiveness of control activities.

Further federal expenditures on social services and income support to persons in need take place through the Canada Assistance Program (CAP) which is administered by the provinces with the federal government providing about half the necessary funds. CAP enables the federal government to share in income support payments and to reimburse up to 50 per cent of the costs of child welfare services, counselling services, special work activity programs such as sheltered workshops, and other services extended either to persons in need or likely to become in need. Federal payments under CAP in 1975-76 are estimated at \$242 million for social services and \$459 million for income support payments. CAP payments for social services have increased \$28 million over those of the previous year, mainly because of price increases and the increased use by the provinces of CAP for day-care services and work activity projects. The increase of \$41 million in income support payments reflects, primarily, higher benefit levels in accordance with rising costs of living.

Special provision has been made in the 1975-76 Main Estimates for \$14 million to reimburse the provinces of Ontario and New Brunswick for the cost of services provided to young offenders, who come under the jurisdiction of correctional authorities rather than child welfare authorities and consequently were excluded in the past from cost-sharing under the provisions of CAP.

Similarly \$52 million is included in the 1975-76 Main Estimates to compensate provinces for their loss of federal revenues under CAP because of their introduction of universal nursing home programs. The transition from a needs-tested to a universal social service disqualifies the program from cost-sharing under CAP legislation. This special compensation is intended to avoid this loss of revenue previously received under CAP legislation.

Other cost-sharing programs are the Vocational Rehabilitation of Disabled Persons (VRDP) and specific allowances to disabled and blind persons. The VRDP program supports social services which are oriented towards productive employment of disabled persons and will require \$15 million in 1975-76. The latter allowances will decline in 1975-76, and will be phased out entirely by 1981 since the recipients will be eligible to receive higher allowances under provincial programs, with costs shared by the federal government under CAP.

A significant expansion is provided for New Horizons grants, which will increase from \$8 million to \$12 million. This program is aimed at supporting senior citizen groups who organize activities to alleviate the social isolation of the elderly. The budget of the Company of Young Canadians will be increased from \$3.1 million to \$4.9 million. The additional \$1.8 million will allow a larger total number of volunteers (350) to participate in community development projects and to provide them with higher allowances to offset cost of living increases.

Veterans' benefits

During 1974, the War Veterans' Allowances Act and the Civilian War Pensions and Allowances Act were amended to introduce quarterly indexing of allowances and to introduce an additional allowance for dependent children of recipients. These amendments are the main cause of the increase for veterans welfare services to \$163 million in 1975-76 Main Estimates from \$126 million in 1974-75 Main Estimates. In addition to an income support payment, veterans may also receive disability pensions based on war injuries; \$353 million is included in the 1975-76 Main Estimates for this purpose. The amount of these pensions is also linked to the cost of living. The increase in the cost of living is the principal reason for an increase of \$31 million over that provided in last year's Main Estimates.

Medical treatment and nursing care of veterans is provided by the Department of Veterans Affairs. Consistent with the federal government policy of transferring

veterans' hospitals to the provinces where arrangements to do so can be concluded, an agreement was reached in 1974 under which the Government of British Columbia assumed responsibility for the operation of Shaughnessy Hospital in Vancouver and the Victoria Veterans Hospital. A reduction of 1,567 man-years is reflected in the 1975-76 Main Estimates as a result of this transfer. Total expenditures for veterans treatment services have increased, however, from \$97 million in 1974-75 to \$109 million in 1975-76, due to increased operating costs for the remaining six hospitals and three nursing homes operated by the department, as well as the continuing payments for hospital care extended to veterans in non-departmental facilities.

The federal government will cease to accept new loan applications for veterans' housing under the Veterans' Land Act in 1975-76 under conditions established by existing legislation. Outstanding commitments, as well as extensions to dwellings whose acquisition was funded under the program, will require \$45 million in loans in 1975-76.

Indians and Eskimos

The federal government's particular responsibility for the welfare of registered Indians residing on reserves is reflected in expenditures of the Community Affairs Branch of the Department of Indian Affairs and Northern Development. The 1975-76 Main Estimates provide \$178 million for this activity, an increase of \$29 million over that in 1974-75 Main Estimates.

Social assistance payments of \$65 million for income support make up a significant portion of this expenditure. Social services for child and adult care will require an additional \$17 million. The standards of income support and social services benefits to Indians on a reserve follow the rates and criteria of the province in which the reserve is located. The increase of \$11 million over 1974-75 Main Estimates reflects primarily the higher benefit levels of provincial programs in response to cost of living increases.

Capital expenditures for the Community Affairs activity amount to \$53 million in 1975-76, an increase of \$6 million from the previous year. Grants of \$29 million will be provided to erect housing on Indian reserves, \$3 million more than in the previous year because of increased construction costs. An estimated 2,300 housing units will be built and 1,000 units renovated in 1975-76, comparable with the numbers in each of the past two years. Total housing units on Indian reserves are estimated at 36,000. During the next five to six years, 20,000 new or replacement housing units will be required. In addition, 9,000 homes require major renovation. The remaining \$25 million in capital funds is allocated for water, sewer and road services and for the provision of electricity to the reserves. While an estimated 82 per cent of houses have electricity, only one-third have running water and sewer systems.

Also included in the Community Affairs activity is \$21 million to support the development and maintenance of administrative structures within each Indian band that can assume responsibility for administration of its own community development and education programs. Community improvement projects for Indians will receive another \$7 million.

Education of Indians will require \$188 million in 1975-76. This increase of \$20 million from 1974-75 is due to higher teachers' salaries and living allowances to maintain children in the schools. Over 72,000 Indian children were enrolled in primary and secondary schools in 1973-74, compared with 66,000 in 1969-70. Education expenditures will include the cost of maintaining secondary-school students away from their homes where adequate schools are not provided within daily commuting distance of the reserves.

Increased emphasis will be placed on programs to enhance the registered Indian's ability to become self-supporting. During 1974, the Indian Economic Development Fund, established in 1970 at a level of \$40 million for both direct loans from the federal government and the guarantee of loans provided by Canadian financial institutions, was significantly amended. Through 1974-75

Supplementary Estimates, a separate authority for guarantees was established at \$30 million, while the direct loan authority was increased to \$60 million, with the result that total lending authority for economic development was increased to \$90 million. The Main Estimates provide for an additional increase of \$10 million in direct lending authority, in anticipation of increased demand for development loans.

The Main Estimates provide \$38 million for budgetary expenditures on economic development in 1975-76. Grants and contributions in support of business enterprises will increase in 1975-76 from \$2 million to \$9 million, a reflection of initiatives introduced in 1974 to increase the attractiveness of development projects on reserves and to provide for the creation of industries near reserves which will undertake to employ Indians. The cost of installing the infrastructure necessary to support industrial development on the reserves is also being financed with grants. The program will continue to provide "start-up" grants to Indian businesses.

The expansion of the Indian Arts and Crafts Central Marketing Service Revolving Fund from \$700,000 to \$1.4 million in 1974 has also facilitated the marketing of traditional native art and artifacts.

The federal government provides medical and hospital services to eligible registered Indians on the basis of need. The Department of National Health and Welfare operates hospitals, nursing stations and health care centres, on or near Indian reserves and in remote areas where normal services under provincial jurisdiction are not available to native peoples. If requested, the federal government makes contributions to share in the construction costs of municipal health care facilities, proportionate to the number of registered Indians in the area.

In 1974-75 the Indian Health Services for native people living in the provinces were projected to cost \$52 million. These costs are expected to rise to \$64 million in 1975-76. The increase is partly due to increases in the use of these services as well as to increased operating costs and

the escalating cost of construction. New programs to involve the Indian people in their own health care and to improve health care facilities to Indians have also been developed. Alcohol abuse is considered a serious threat to health and a major initiative for prevention and rehabilitation, managed by the Indian people, is planned in 1975-76.

Housing and urban renewal

The Ministry of State for Urban Affairs endeavours to ensure that federal government policies and programs contribute to the optimum pattern and quality of urban development in Canada. Much of its work relates to evaluation and formulation of policy for urban development and to related research. Because of its interest in an area of provincial jurisdiction that is of direct concern to municipal governments, the ministry is extensively involved in tri-level intergovernmental consultations. It also provides financial assistance for urban development studies. In 1974, the ministry assumed new responsibilities in connection with the relocation of railways in urban areas. To that end, it subsidizes studies dealing with the urban implications of such moves and the elaboration of appropriate strategies. The total expenditures of the ministry in 1975-76 will be \$20 million, including \$7 million in grants and contributions.

Canada will be hosting the United Nations Conference-Exposition on Human Settlements in Vancouver, in June, 1976. The purpose of the conference is to focus world attention on human settlements with a view to improving the human environment. The exposition will provide a forum to highlight innovative projects of participating countries which demonstrate solutions to specific settlement problems. The Ministry of State for Urban Affairs is responsible for coordinating Canada's participation in the conference and is encouraging the development of solutions to Canadian urban settlement problems through the financing of demonstration projects from a \$100-million fund to be disbursed over five years. Allocations from the fund in 1975-76 for specific projects are expected to total \$6 million, the balance to be included in future years' estimates.

The Central Mortgage and Housing Corporation (CMHC) is responsible for the direct implementation of federal housing policy. In recent years, this policy has been directed increasingly at relieving the difficulties lower income families experience in securing suitable shelter. Some \$1 billion, about 72 per cent of the corporation's total commitment authority provided in its 1975 capital budget, will relate to this aspect of its activities. The corporation's housing commitment authority for 1975 is \$108 million (11.8 per cent) higher than the corresponding authority provided in 1974. This increase is related to financing construction of 44,150 new housing units in 1975.

The budgetary expenditure for the corporation's housing activities, namely grants and subsidies of various kinds, together with administrative expenses incurred in the delivery of the services concerned, is estimated to be \$190 million in 1975-76, \$71 million (60 per cent) more than the corresponding expenditure provided for in 1974-75 Main Estimates and Supplementary Estimates in that year. This increase is distributed among a number of activities: the Assisted Home Ownership Program (\$6 million); the inception of the first-time home buyers grant (\$10 million); increased subsidies for public housing projects (\$21 million); forgiveness on loans for the rehabilitation of housing (\$13 million); and the reimbursement of subsidies contributed by the corporation by lending at rates below its borrowing rates for certain low-income housing programs (\$7 million).

CMHC also provides financial assistance to provinces and municipalities for land assembly, neighbourhood improvement and sewage treatment projects. The corporation's capital budget for 1975 includes commitment authorities totalling \$295 million for such undertakings for an increase of \$29 million (11 per cent) over the total of the corresponding authorities in the 1974 capital budget. The estimated 1975-76 budgetary expenditure pertaining to this aspect of the corporation's activities will be about \$53 million, \$35 million over the comparable outlays expected to be made in 1974-75. The substantial increase in budgetary expenditures related to these

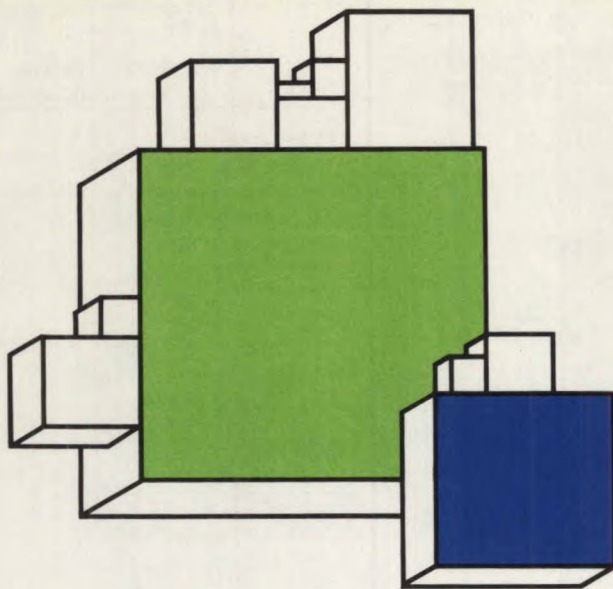
projects reflects the implementation of commitments from previous years. A considerable expansion in the volume of commitments under these programs occurred in 1973 and 1974 as a result of the expansion of sewage treatment assistance and the maturing of the Neighbourhood Improvement Program.

In December, 1974, the federal government introduced legislation to stimulate the supply and hold down the cost of housing in the low and medium-price range, both for home ownership and for rental. The legislation provides interest-reducing grants on privately arranged loans for the purchase of newly-constructed housing units, insured under the National Housing Act and to persons who qualify under the same terms and conditions as the present Assisted Home Ownership Program. Grants may be extended up to a maximum of \$600 a year, the actual amount being scaled to family income and determined by the requirement that not more than 25 per cent of the family income will be used to meet costs of mortgage loan repayments and municipal taxes. The same scale of benefits will be extended directly to tenants occupying a newly-constructed unit where the owner has entered into an agreement with CMHC that he will charge fair and reasonable rents. The significant difference between this program and the existing legislation is the granting of subsidies related to loans arranged privately, rather than with the corporation. Funds for subsidies under the proposed legislation are not included in 1975-76 Main Estimates pending the approval of the program by Parliament.

Health and Welfare

	1975-76 Main Estimates (\$ millions)	1974-75 Main Estimates (\$ millions)
Public health		
Environmental protection and health services	31.9	25.0
Public health	29.3	25.7
Medical care		
Medicare payments to provinces	862.3	762.2
Health resources fund	37.0	36.0
Medical Research Council—grants, scholarships, administration	49.4	41.2

	1975-76 Main Estimates (\$ millions)	1974-75 Main Estimates (\$ millions)
Hospital care		
Hospital insurance payments to provinces	1,546.0	1,204.1
Other health, including northern health services	45.0	37.4
Income maintenance		
Family and youth allowances	2,006.9	1,836.0
Government's contribution to unemployment insurance account	890.0	923.0
Government annuities administration	1.7	1.5
Transitional assistance and adjustment assistance benefits	.5	.5
Social assistance		
Canada Assistance Plan, payments to provinces	766.3	631.8
Aid to the blind and handicapped	16.4	14.4
Guaranteed income experimental projects	3.3	3.0
Company of Young Canadians	4.9	3.1
Other social assistance	62.4	52.0
Veterans benefits		
Administration	6.9	6.2
Welfare services	192.0	151.2
Pensions	361.3	330.5
Bureau of Pensions Advocates	2.1	1.8
Treatment services—health and rehabilitation	108.7	96.1
Veterans' Land Act	12.7	11.6
Indians and Eskimos		
Administration, Indian Affairs and Northern Development	20.9	15.6
Indian and Eskimo affairs—welfare, education, etc.	435.0	360.1
Indian health services	63.9	52.3
Housing and urban renewal		
Urban Affairs Ministry	20.0	18.1
Housing research and community planning	15.7	16.6
Housing grants, contributions	165.1	90.8
Infrastructure grants, contributions and subsidies	76.4	55.8
Rural and native housing assistance	9.1	—
Other		
Administration, National Health and Welfare	10.8	8.9
Total	7,853.9	6,812.5



Economic development and support

The broad theme underlying planned expenditures for economic development and support in 1975-76 continues to be that of encouraging stable and balanced growth of the national economy and a more equitable distribution of income and employment throughout Canada.

Agriculture

The 1975-76 Main Estimates request \$671 million in support of agricultural and food policy objectives, an increase of \$203 million over that contained in 1974-75 Main Estimates. Of the total, \$547 million is for the Department of Agriculture, \$96 million for the Grains and Oilseeds Program of the Department of Industry, Trade and Commerce, and \$28 million for certain special agencies such as the Canadian Dairy Commission and the Canadian Livestock Feed Board.

The Health of Animals Program is intended to assure the health of Canadian livestock and the wholesomeness of meat food products for domestic use and export trade. Through the prevention, control and eradication of animal diseases, the Canadian public is protected against animal diseases that are communicable to man. Inspection services for the slaughtering of animals and for meat food production processes assure

the consumer of a healthy product. As a result of cost increases and growth in demand for regulatory services, total expenditures in 1975-76 for the Health of Animals Program are forecast to increase by \$11 million to a level of \$50 million. The increase allows for basic cost increases in services, for contributions to veterinary colleges for capital expansion and for the construction of a quarantine facility at the new Mirabel International Airport near Montreal. It also allows for higher compensation payments to farmers for animals condemned as a result of infection by contagious diseases such as brucellosis and that have been ordered slaughtered in accordance with the terms of the Animal Contagious Diseases Act.

Proposed expenditures on the Production and Marketing Program in 1975-76 are \$348 million, an increase of 37 per cent from 1974-75 Main Estimates. The major component of the increase is the higher level of stabilization payments on manufacturing milk and cream. These subsidies are designed to ensure reasonable return to producers of manufacturing milk and to reduce the impact of rising production costs on consumer prices of manufacturing milk products such as butter, cheese, ice cream and skim milk powder.

The costs of crop insurance, at \$35 million, will be \$12 million higher as a result of a forecast 12 per cent growth in producer-participation and the increased value of insured crops. The Crop Insurance Act provides for federal reimbursements to the provinces for a portion of administrative and premium costs incurred on behalf of producers. This program is intended to encourage production by sharing with farmers the risk of extensive crop loss due to natural hazards.

Cost increases within the Production and Marketing Program have been offset by the termination of the Grasslands Incentives Program and the phasing-out of both prairie farm assistance administration and consumer subsidies on fluid milk. The consumer subsidy on skim milk powder, however, will be continued in 1975-76.

The increased expenditures for the Grains and Oilseeds Program is largely due to

the proposed \$55 million expenditure for the delivery of the first of 4,000 covered grain hopper cars being purchased by the Canadian Wheat Board on behalf of the Crown. This specialized rolling stock is required to assure adequate transportation capacity and to improve handling efficiency in the movement of Prairie grains to domestic and commercial export terminals as well as to help fulfill Canada's commitment of food assistance to developing countries. Other significant expenditures include \$23 million in subsidies for Credit Grain Sales (an increase of \$8 million) and \$4.2 million for the cost of storing up to 10 million bushels of feed-grains for the domestic market. The latter is a feature of the new feed-grain policy, which, coupled with \$21 million for Feed Freight Assistance, is designed to provide stability in the marketing of feed-grains within Canada and a balance in the geographical distribution of livestock production throughout Canada.

The government has introduced a Two-Price Wheat Bill to implement the price stabilization policy announced in September, 1973. Payments of \$79 million for the 1973-74 crop year were authorized in 1974-75 Supplementary Estimates. When parliamentary approval is obtained for the Bill, additional payments estimated at \$72 million in the 1974-75 fiscal year and over \$100 million in the 1975-76 fiscal year are expected. By fixing the domestic price of wheat for human consumption at \$3.25 per bushel, the Two-Price Wheat Program is intended to protect Canadian consumers against high wheat prices during periods of international shortages and to protect producers from unusually low prices during periods of over-supply in the international market. Since Parliament has not yet passed the Bill, the potential payments are not shown in the 1975-76 Main Estimates.

The objectives of the Research Program are to increase the efficiency and productivity of Canadian agriculture. Higher priority has been assigned recently to projects to increase the quantity and reduce the cost of meat production, to adapt new crops to Canadian agriculture, and to improve agricultural

engineering and mechanization. The operating costs of the Research Program are estimated to increase by \$10 million to a level of \$72 million in 1975-76, largely because of price and salary increases. Capital expenditures for this year will increase by \$11 million to \$19 million, the principal project being the construction of a new research office-laboratory at the Lethbridge Research Station.

Fisheries, forestry and water resources

The Department of the Environment was established in 1971 with a broad mandate which covers environmental concerns as well as renewable resources, such as water, fish, forests and wildlife. Total expenditures for the department are proposed at a level of \$411 million for 1975-76 compared with \$351 million for 1974-75. Of the amount for 1975-76, \$207 million is contained in the Fisheries and Marine Program, \$187 million is in the Environmental Services Program and \$17 million is allocated for administration.

The Fisheries and Marine Program is directed at conserving Canada's renewable marine resources, improving resources management, increasing economic returns from fisheries resources, meeting statutory obligations with respect to the use of marine and navigable inland waters and providing increased understanding of the dynamics of ocean behaviour.

Over 75,000 Canadians are directly dependent on the fisheries industry for their livelihood. Proposed budgetary expenditures on the Fisheries Management and Research component of the program for 1975-76 are \$155 million. The prime focus of this activity is the conservation, management and development of fisheries resources, product development and marketing, and enforcement of fishing regulations. Major program increases in 1975-76 relate to the resources management systems applicable to coastal fisheries over the continental shelf, assistance in the stabilization of the Canadian groundfish industry (an additional \$5 million) and an increase in activity in the Small Craft Harbours Program, which is designed to develop and administer fishing harbours and marine facilities.

In the other major component of the program, Ocean and Aquatic Affairs, the total proposed expenditures for 1975-76 is \$52 million. This activity is primarily concerned with oceanographic research, hydrographic surveys and navigational chart production. There are increases in all operating programs of this activity in 1975-76 including two major capital projects of particular note, the Institute for Ocean Sciences at Patricia Bay, B.C. and the extension of the Bedford Institute of Oceanography at Dartmouth, N.S. Total cost of these two capital projects is now estimated at \$34 million, with \$11 million required in 1975-76.

The Environmental Services Program is concerned with protecting and enhancing the quality of the environment and improving the management and utilization of forest, wildlife and inland water resources. A wide variety of programs are undertaken in co-operation with the provinces. The Environmental Management Service is one major activity under this program, with expenditures of \$109 million being proposed for 1975-76. This activity includes the Canadian Wildlife Service, the Canadian Forestry Service and programs directed at the management of inland water resources. Expenditures on the latter are being increased in 1975-76 by \$4 million for expansion of water basin studies and the implementation of flood-control measures. In co-operation with the lumber and forestry industries, assistance will be provided for the establishment of a forest engineering research institute to conduct research on forest harvesting technology. Additional expenditures of \$1.1 million are proposed to acquire land for the conservation of wildlife in co-operation with the provinces.

The Environmental Protection Service is another major activity in this program with proposed expenditures of \$27 million in 1975-76. A new program will be initiated with planned expenditures of \$3 million in 1975-76 to support research and development on new technology for pollution abatement. Increased resources are also provided for environmental assessment and review of proposed new projects to be undertaken or financed by the federal

government, and for development of a program for solid waste management. The program to clean up existing sources of pollution in federal government facilities will be accelerated with expenditures increasing from \$12 million to \$15 million in 1975-76. Funds for this program are included in the estimates for the appropriate departments and agencies and specifically reserved for this purpose. An example is the allocation of \$3.2 million in the Defence Services Program to install pollution control and waste treatment equipment on ships and at bases across the country.

Minerals and energy

International and domestic events in the energy field, particularly those related to petroleum and nuclear power, have had a major impact on the federal budget. The decisions on national energy policy, made in the last year, are likely to have further impact on both the program structure and expenditures of the federal government in the years to come.

Exclusive of the oil import compensation payments, the proposed budgetary expenditures of the Department of Energy, Mines and Resources are estimated to increase to \$107 million in 1975-76, from a 1974-75 Main Estimates level of \$90 million. New initiatives are being undertaken to reduce consumption of non-renewable resources, and to find more efficient technologies and new sources of energy supplies.

Through the specialized services of its Geological Surveys, Surveys and Mapping and Earth Physics Branches, the department has continued its emphasis on the interpretation and assessment of Canada's frontier oil and gas resources—offshore and in the Arctic—in collaboration with other departments and the petroleum industry. Contracts and contributions to other levels of government account for about \$5 million of the department's budgetary growth. Its number of man-years is forecast to grow by about two per cent in 1975-76, while its budget will grow by almost 20 per cent, to a level of \$107 million.

The federal government has taken direct responsibility for encouraging the exploration and development of energy resources. It has undertaken to set up a new Crown corporation, Petro-Canada, and to finance uranium exploration programs through cost-sharing arrangements with provinces and through Eldorado Nuclear Limited, a federal Crown corporation.

Another new program involves sharing with the provinces the costs of regional electrical interconnections. In 1975-76 \$40 million in loans will be made available in support of approved electrical interconnection projects.

The total budgetary appropriation requested in 1975-76 Main Estimates for Atomic Energy of Canada Limited (AECL) is \$94 million. Its revenues of \$38 million and retained earnings of \$2 million will be added to this amount to permit a total expenditure of \$134 million. These expenditures are for operating and capital costs related to nuclear research and development and for the development and utilization of atomic energy for peaceful purposes. The revenues are derived primarily from the sales of services related to power reactor design, reactor systems, and sales of isotopes.

Authority is also requested in the 1975-76 Main Estimates for loans to AECL to finance a share of the construction costs of nuclear generating stations at Gentilly, Que., and Lepreau, N.B., under agreements with Hydro Quebec and the New Brunswick Electric Power Commission. Similar authority is also proposed for loans to finance the construction of the Laprade heavy water plant at Gentilly, for rehabilitation of the heavy water plant at Glace Bay, N.S., and for the purchase of the Port Hawkesbury, N.S., heavy water plant. These projects involve loans and investments which will total \$200 million in 1975-76.

Secondary industry

Secondary industry is supported through the Trade-Industrial Program of the Department of Industry, Trade and Commerce. Budgetary expenditures of \$234 million for secondary industry are included in 1975-76 Main Estimates, an

increase of \$22 million over 1974-75. These expenditures are part of the support provided to promote sound economic growth in Canada and more specifically are provided to help Canadian industry adjust to, and take advantage of, changing economic conditions.

Promotion of industrial growth is effected through the provision of financial incentives to firms to expedite the development and commercial application of advanced technological projects. It is estimated that \$124 million will be spent in 1975-76 for grants and contributions to industry for research and development and for the modernization of specific industries.

In addition, \$40 million has been earmarked in the 1975-76 Main Estimates for commercial and fishing vessel construction subsidies. The subsidies are designed to help maintain employment in the industry and to help the industry compete more successfully with foreign shipyards.

During the 1974-75 fiscal year, the federal government purchased the deHavilland Aircraft Company, a foreign-owned Canadian manufacturer of well-known utility aircraft (the Beaver, Twin Otter and Buffalo). This company is at present developing, with the assistance of the Department of Industry, Trade and Commerce, an entirely new utility aircraft with STOL (short take-off and landing) capabilities, the DHC-7. The purchase of this company constituted a major first step towards restructuring the Canadian aerospace industry and repatriating control over it. An additional \$38 million has been set aside in the 1975-76 Main Estimates to further these objectives by exercising an option to purchase Canadair Limited, another major foreign-owned Canadian aerospace enterprise and a manufacturer of airframes and aircraft components.

As the pace of conversion to the metric system continues to gain momentum in industry (and in the North American economies generally), incremental resources were required by the Metric Commission. The latter is the government's instrument for co-ordinating and integrating the metric conversion efforts of various industrial sectors.

Total estimates for the commission amount to \$3.4 million, an increase of \$1.1 million over 1974-75.

The Foreign Investment Review Agency became operational on April 1, 1974, with its initial mandate limited to the review and processing of applications for foreign takeovers of existing companies. As its mandate is extended to include new investment, the agency is expected to build up its establishment to the 160 man-year level by mid-1975.

Foreign trade

The international trade activity of the Department of Industry, Trade and Commerce includes trade policy, bilateral and multilateral trade relationships, plus policy development and international negotiations related to these matters. In this context, Canada traditionally has employed Trade Commissioners in many foreign countries to intensify the exploitation of existing markets, and to develop new markets for Canadian products abroad. With the increasing involvement of many foreign governments in international trade through their regulatory activities, their direct purchases, and their equity participation in commercial enterprises, the role of the Trade Commissioner Service is acquiring a further dimension. The 1975-76 Main Estimates provide a total of \$34 million for the international trade activity, of which the Trade Commissioner service will account for approximately \$15 million.

Tourism

The 1975-76 Main Estimates provide \$25 million for tourism development, an increase of \$1.5 million over 1974-75, mostly because of higher costs of promotional activities. Approximately \$15 million is to be used for the promotion of travel to and within Canada, using mass communication techniques such as television, advertising and direct mail campaigns. As well, there are 26 offices abroad engaged in market development to stimulate travel to Canada. Regional tourism offices are being established in Canada to achieve better liaison with provincial governments and the travel industry. In recent years, the tourism

program has increased emphasis on its "Explore Canada" promotion, designed to encourage Canadians to travel in their own country. This trend will continue in 1975-76 along with current efforts to improve the capacity of the Canadian travel industry to receive visitors.

Working conditions

The Department of Labour will continue to promote productive employer-employee relations and the improvement and maintenance of adequate employment standards in industries coming under federal jurisdiction and in companies under contract with federal departments and agencies. Total expenditures by the Department of Labour for this purpose will be \$17 million. This excludes the grants and contributions by this department for adjustment assistance and transitional assistance benefits which are included in the health and welfare function and for compensation for Public Service employees.

Training

The Department of Manpower and Immigration seeks to promote an optimum equilibrium of supply and demand in the labour market by counselling, training and referring individuals in search of employment to jobs. An expenditure of \$688 million is proposed in the 1975-76 Main Estimates to meet the department's manpower objectives compared with the \$532 million in 1974-75 Main Estimates.

A major portion of this expenditure is required for occupational training for adults to improve the employability of workers and the productivity of industries by raising the level of skills available in the labour force in the occupations and numbers demanded by the market. An expenditure of \$486 million is proposed for purchases of institutional training from the provinces, payments of trainee allowances, and outlays in respect of industrial training agreements for an increase of \$111 million (30 per cent) over the corresponding outlays authorized in 1974-75 Main Estimates. The increase is required to cover the additional costs of new

occupational training agreements to be signed with the provinces in 1975-76 and the general rise in costs of training courses.

The operation of the employment and counselling services of the department are expected to require an expenditure of \$125 million in 1975-76. Operation of the Canada manpower centres and the regional offices will require an expenditure of \$117 million. Increases in expenditure are required for the introduction of new departmental programs such as the Special Job Finding and Placement Drive which provides more intensive counselling services and for the expansion of existing services to cope with the natural increase of the Canadian labour force.

Other labour force programs

Permanent direct job creation will require \$17 million, an increase of 38 per cent over the sum allocated for this purpose in 1974-75. The launching of the experimental phase of the Community Employment Strategy accounts for much of the increase. The department's budget for 1975-76 also includes \$29 million for costs of projects funded by the 1974-75 Local Initiatives Program (LIP) which are being carried into 1975-76.

The Department of Manpower and Immigration will again operate a Student Summer Employment and Activities Program (SSEAP) in the summer of 1975 for which \$48 million has been provided in the Treasury Board's Main Estimates, including \$28 million for the Opportunities for Youth program.

In summary, about \$26 million of the additional expenditure required for the department's manpower programs in 1975-76 is needed to accommodate the increase in workload anticipated by the department to meet its manpower objectives. About \$56 million is needed for implementation of new initiatives, such as the Special Job Finding and Placement Drive, the Community Employment Strategy and new adult occupational training agreements with provincial governments, and the remaining \$74 million for anticipated salary and price increases.

Immigration

The number of immigrants to Canada has risen sharply in recent years from 122,000 in 1972 to between 215,000 and 225,000 in 1974. The expenditures proposed in 1975-76 on the immigration program to select immigrants, to assist their movement to Canada and to enforce Canada's immigration regulations are \$52 million and represent an increase of \$9 million (21 per cent) over that provided in 1974-75 Main Estimates.

The recruitment and selection of immigrants and the assistance provided for their settlement in Canada will cost an estimated \$17 million and will require 722 man-years. Over 230 of these man-years are required for processing immigration applications in the department's 60 offices in 39 foreign countries. However, the largest part of the additional man-years for 1975-76 will be needed in Canada to handle the increased number of sponsored and nominated immigrant applications from within the country.

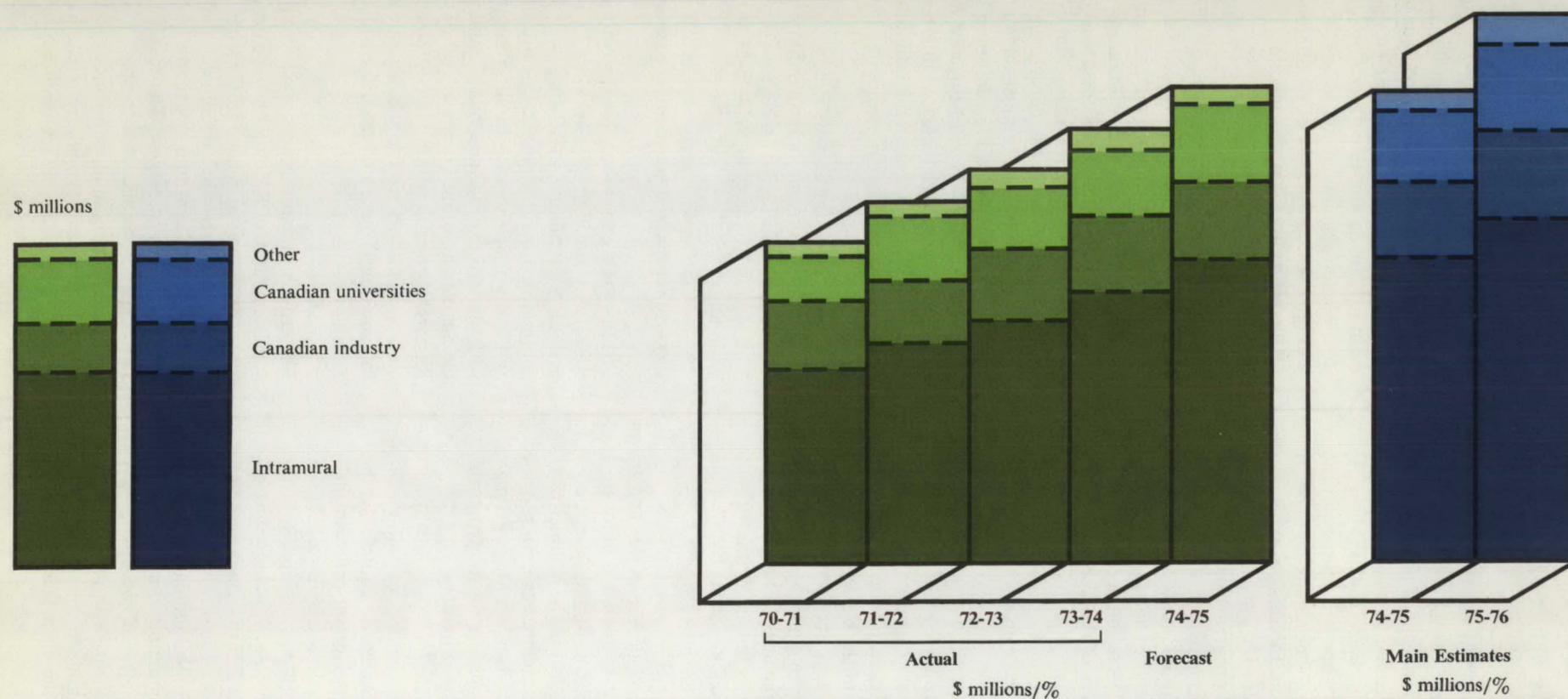
The enforcement of Canada's immigration regulations will require an expenditure of \$23 million in 1975-76, an increase of \$3.3 million over that in 1974-75 Main Estimates.

Physical science and social science research

The proposed expenditure for the National Research Council in 1975-76 Main Estimates is \$188 million. NRC's major continuing programs are the Engineering and Natural Sciences Research Program with planned expenditures of \$97 million, the Scholarships and Grants in Aid of Research Program which will cost \$83 million, and the Scientific and Technical Information Program which will cost \$8 million.

The growth in expenditures of \$29 million consists mainly of \$23 million to cover the increased costs, in each of the three programs, of personnel, equipment and services, and to continue or expand projects already underway. The remaining \$7 million will be allocated to new initiatives such as support for industrial research, food and agriculture research, and co-operative aerospace development projects with the United States.

Table 4—Budgetary expenditures on science



	Actual					Forecast	
	\$ millions/%						
Canadian universities	145 17.0	159 16.7	163 15.8	185 16.3	198 15.7	184 14.8	217 15.2
Canadian industry	158 18.5	163 17.1	170 16.5	191 16.7	196 15.6	195 15.6	225 15.7
Intramural*	509 59.9	588 61.6	656 63.6	721 63.2	803 63.7	803 64.4	915 64.0
Other	39 4.6	44 4.6	42 4.1	43 3.8	63 5.0	64 5.1	73 5.1
Total	850	955	1,031	1,140	1,260	1,246	1,430

* Performed within the federal government

The Ministry of State for Science and Technology plans expenditures of \$5 million in 1975-76. The objective of the ministry is to assure the optimum use of science and technology in support of national objectives. In order to meet this objective, the ministry will spend \$1.5 million on the development of policies for science; about \$600,000 on the review and assessment of government scientific programs; and \$1.5 million on the acquisition and exchange of information on scientific activities.

During 1975-76, total expenditures by all federal government departments on scientific activities are expected to be \$1.4 billion. As science expenditure is meaningful only in the context of the specific program it supports, it is allocated by departments and agencies in relation to their particular objectives and programs (and thus distributed across several functional categories). Table 4, on page 28, illustrates the growth in total expenditure on scientific activity from 1970-71 to 1975-76. Expenditure on science activity is broken down into four subdivisions according to the sector in which it is made. Three of these sectors are completely Canadian (Intramural, Canadian industry and Canadian universities) while the fourth includes all foreign agencies as well as such Canadian organizations as private non-profit institutions, other levels of government and private individuals.

While expenditures on science are allocated by departments and agencies in conjunction with their program objectives, these expenditures are subject to some general government policies relating to science. One such policy is the "Make or Buy" policy intended to increase the amount of mission-oriented research and development conducted in industry. The effect of its implementation can be seen in the fact that industrial contracts for mission-oriented research and development have increased from a proposed \$53 million for 1974-75 to a proposed \$74 million for 1975-76, an increase of 40 per cent. This increase has only a moderate effect on the figures for total spending in the industrial sector shown in Table 4 since mission-oriented research and development contracts represent less

than one-third of the total support for scientific activities in industry.

The ministry's expenditures are projected to increase by \$910,000 with \$624,000 going for increased costs of existing operations, and \$286,000 for expanded activities, primarily in the area of program review and assessment.

The budget of the Economic Council of Canada is to be increased to \$4.4 million from \$4 million in 1974-75 Main Estimates. This advisory body has responsibility for the provision of independent economic research and the formulation of recommendations for the Canadian economy.

Until recently, the most frequently used measures of Canadian well-being were economic indices such as those for the Gross National Product, prices and unemployment rates. The council has extended its measurement of well-being to include social indicators in an attempt to identify what constitutes and what affects the quality of life in Canadian society. To date, initial indicators have been developed for housing, health, and the natural environment. Additional indicators are being developed to reflect both the quantitative and subjective assessments of well-being.

Statistics Canada is the central statistical agency of the federal government, providing statistical information needed for the understanding of the Canadian economy, institutions and population. Its Main Estimates for 1975-76 are \$101 million, an increase of \$12 million over that of 1974-75. The principal reasons for the increase are requirements for the 1976 quinquennial census and increased salary costs.

Regional development

The Main Estimates for the Department of Regional Economic Expansion (DREE), including budgetary expenditures and loans, remain at \$513 million with a greater portion going into budgetary expenditures and a smaller portion into loans.

In the 1974-75 fiscal year, a new approach to regional development was taken in the

establishment by DREE of individually-tailored federal-provincial action programs under the General Development Agreements signed with the provinces in 1974.

The programs being financed by DREE are in many cases outgrowths of provincial development strategies. Approximately 20 subsidiary agreements, having two to five-year implementation periods, have been signed and at least an equal number of new agreements are expected to be signed during 1975-76.

In addition to these new agreements, there are other important elements in the government's efforts to reduce regional disparities. DREE's traditional federal-provincial programs, such as those carried out under the authority of the Agricultural and Rural Development Act, the Fund for Rural Economic Development and Special Areas Programs, will require as much as \$120 million.

In addition, there are two traditional and completely federal programs; the Regional Development Incentives Program which provides grants and loan guarantees for the establishment or modernization of industry in designated geographical areas; and the Prairie Farm Rehabilitation Administration (PFRA) which is responsible for certain capital works in the rural areas and small towns of Western Canada. In 1975-76, it is expected that incentives to industry will be about \$92 million, while PFRA costs will amount to \$31 million.

Some of the department's infrastructure programs involve loans as well as grants and contributions. The \$42 million proposed for loans and investments in 1975-76 is related to previous commitments to Atlantic and Prairie municipal infrastructure projects and represents a reduction of \$31 million from the level approved through 1974-75 Main Estimates.

In order to obtain more efficient program planning and implementation, the Department of Regional Economic Expansion has decentralized its operations to the extent that almost 70 per cent of its more than 2,000 employees now work outside the National Capital Region in regional and provincial offices.

Another aspect of the government's approach to regional development programs is its recognition that a single department's actions will not by themselves produce satisfactory long-term results, and that greater co-ordination and re-direction of related federal programs are required. The subsidiary agreements provide the most flexible instrument to bring many other departments and agencies into specific action programs. Thus, departments like Transport, Energy, Mines and Resources, and Environment are participating in special regional development agreements that deal with matters within their spheres of responsibility.

The budgetary requirements of the Cape Breton Development Corporation's Coal Division are forecast to be \$28 million in 1975-76, representing a reduction of \$20 million from 1974-75 Main Estimates. With modernization financed by the federal government as well as the improved coal economics resulting from increased world fuel prices, the corporation has been able to change its emphasis from the maintenance of employment for social reasons to the expansion of production on a more commercial basis.

This expansion program includes the development of a new mine, which will be financed through a \$7-million loan included in the Main Estimates. Other capital improvements include expansion of the coal preparation plant, upgrading of railway equipment and lines and improvements to ensure increased safety throughout its operations. The total cost of these other capital improvements is forecast at \$23 million, of which more than \$5 million will be available from an operating surplus on its coal operations.

The Northern Affairs Program of the Department of Indian Affairs and Northern Development manages natural resources and environmental programs in the North and co-ordinates other federal government programs there. The 1975-76 Main Estimates provide more funds for forest fire-fighting activities and for several environmental clean-up projects. In addition, increased funds are provided for the development of Eskimo culture and expanded on-the-job training for

native Northerners in the public and private sectors.

In 1975-76, the government will be heavily involved in providing federal assistance to a Canadian company developing a lead-zinc mine at Strathcona Sound on Baffin Island in the Northwest Territories. The assistance, to take the form of contributions and loans totalling \$18 million from several departments over a period of three years, will be used to construct a dock, an airport, roads and a nursing station. The objectives of federal participation in the project are to generate employment opportunities for Northern residents, to obtain further knowledge on the operation of resource projects in the High Arctic, and to advance Canada's role in Arctic shipping.

The government plans major investments of \$34 million in Northern highways and \$30 million in loans to the Northern Canada Power Commission for power projects in line with the government's objective of developing Canada's North and bringing greater social and economic benefits to its residents.

Other economic support and development

In recognition of its responsibilities to maintain a regional balance in oil prices and to cushion Canadians against the rapid rise in world petroleum prices, the government introduced new measures in March, 1974. With the agreement of all provinces, a national oil price of \$6.50 per barrel was established, well below international price levels which are now in excess of \$10. The government introduced an Oil Import Compensation Program of payments to refiners and other importers of foreign petroleum supplies in return for their agreement to keep prices of imported crude oil and petroleum products in line with domestic prices. Payments of about \$1.3 billion are included in 1975-76 Main Estimates. Nothing was provided in 1974-75 Main Estimates for this program, but subsequently an amount of \$1.2 billion was authorized through 1974-75 Supplementary Estimates. This new program is administered by the Energy Supplies Allocation Board, a small agency created

in 1974 with a broad mandate to prepare and administer contingency plans for the allocation of energy supplies.

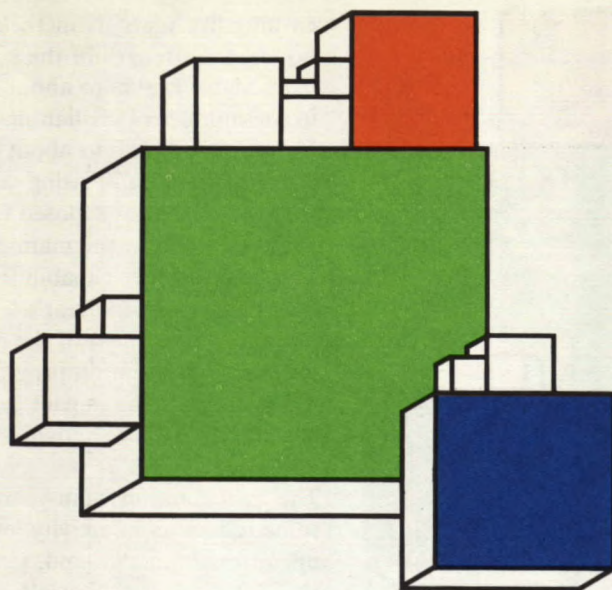
Another activity included in economic development and support is the Atmospheric Environment Service (AES) which is responsible for weather and ice forecasting and research and development of air quality objectives. Proposed expenditure for 1975-76 is \$80 million, \$30 million of which will be recovered from other government agencies that use weather forecasting and other services provided by AES.

Economic development and support

	1975-76 Main Estimates (\$ millions)	1974-75 Main Estimates (\$ millions)
Agriculture		
Administration (including CANFARM)	33.0	29.0
Research	91.9	70.6
Production and marketing administration and operations	42.0	36.6
Agricultural commodities stabilization-dairy subsidies, etc.	271.2	179.5
Grassland incentives	—	15.0
Crop insurance	35.0	22.7
Health of animals program	50.1	39.1
Canadian Grain Commission	23.8	21.4
Feed freight assistance	21.8	21.7
Farm Credit Corporation	4.8	5.3
Advance grain payments	2.5	2.5
Grains marketing, Industry, Trade and Commerce	39.3	24.2
Canadian Dairy Commission	1.0	.9
Grain handling and transportation	55.0	—
Fisheries, forestry and water resources		
Fisheries management and research	155.2	121.1
Ocean and Aquatic affairs	51.6	37.4
Environmental management	109.6	94.3
International Joint Commission	2.4	1.3
Minerals		
Mineral and energy resources	52.1	38.7
Energy		
Energy Development	6.5	5.5

	1975-76 Main Estimates (\$ millions)	1974-75 Main Estimates (\$ millions)
Atomic Energy of Canada Limited	93.6	86.9
Grants for Atomic Energy research	9.1	7.4
Atomic Energy Control Board	2.1	1.3
Energy Supplies Allocation Board administration	1.9	—
National Energy Board	7.3	5.9
Other		
Department of Energy, Mines and Resources administration	9.4	12.8
Department of the Environment, planning and administration	17.1	26.6
Secondary industry		
Grants and contributions to industry for indus- trial research and development and to modernize specific industries	155.6	153.7
Commercial and fishing vessel construction subsidy	39.5	26.5
Corporate Affairs, sur- veillance, research, bankruptcy, patents and other administration	15.3	13.7
Canadian Film Develop- ment Corporation	.5	.4
Foreign Investment Review Agency	3.5	—
Standards Council	2.2	1.2
Working conditions		
Labour Department, administration and operations	17.1	15.4
Canada Labour Relations Board	2.4	1.7
Training		
Employment and counselling services	125.2	124.3
Occupational training for adults	485.8	374.5
Manpower mobility— grants for workers moving to jobs	13.1	12.0
Immigration		
Immigration program	52.0	43.4
Other labour force programs		
Special Employment Program	29.4	—
Departmental and pro- gram administration, Manpower and Immigration	61.6	42.8
Summer students	48.0	42.0
Planning and research	6.8	8.1
Tourism		
Tourism Development	24.5	23.1
Foreign trade		
Anti-Dumping Tribunal	.6	.5

	1975-76 Main Estimates (\$ millions)	1974-75 Main Estimates (\$ millions)
Market development	34.1	29.6
World exhibitions	1.0	.4
Social science research		
Statistics Canada— administration, operations and census	101.2	89.1
Economic Council of Canada	4.4	4.0
Social sciences and humanities	24.8	22.9
Physical science research		
Ministry of State for Science and Technology	5.0	4.1
Science Council of Canada	2.1	1.7
National Research Council operations	88.2	71.6
Other research	9.3	8.4
University grants	83.0	72.1
Unsolicited proposals for research and development, Supply and Services	10.0	—
Regional development		
Northern Economic Development	66.3	55.1
Regional Economic Expansion, grants to industry and provinces and other spending in less favoured regions	471.4	439.8
Payments to Cape Breton Development Corpora- tion including coal subsidies and industry rationalization	27.8	47.8
Other economic development		
Earth sciences surveys	32.3	24.6
Forgiveness, develop- ment loans to provinces	50.0	30.0
Administration, Industry, Trade and Commerce	21.7	17.0
Oil compensation payments	1,300.0	—
Guaranteed loans, Finance	1.3	.9
Atmospheric environment, Environment	50.4	48.7
Total	4,656.7	2,758.8



corporations, agencies and departmental loan programs. These activities generate a return on investments which is recorded as a budgetary receipt. Although not netted out against public debt charges, the return on investments may be considered as an offset to public debt charges. The total return on investments in 1973-74 was almost \$1.5 billion.

Public debt

	1975-76 Main Estimates (\$ millions)	1974-75 Main Estimates (\$ millions)
Spending on the Public Debt—interest, amortization, servicing cost and cost of issuing new loans	3,575.0	2,925.0
Total	3,575.0	2,925.0

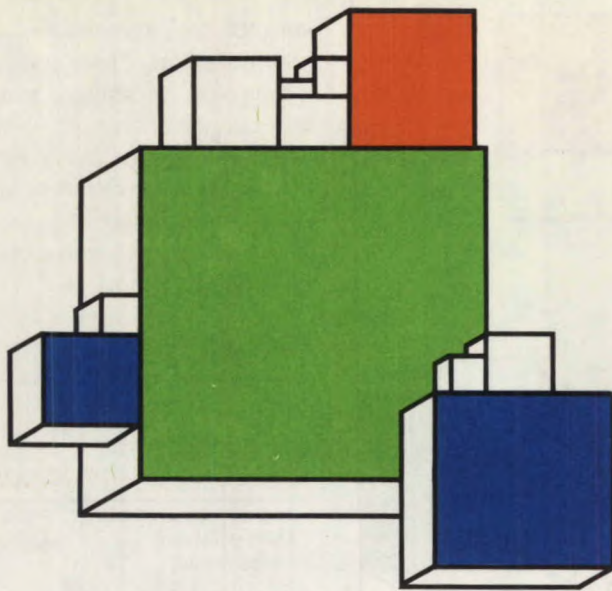
Public debt

When budgetary and non-budgetary expenditures cannot be met through taxation, returns on assets and sales of assets, the government must borrow funds from the general public. The government does this primarily through the issue and sale of such obligations as Treasury Bills, marketable Government of Canada Bonds and Canada Savings Bonds. The contributions of federal government employees to their pension funds have been another major source of funds in recent years.

Gross public debt comprising unmatured debt and other liabilities totalled \$55.6 billion on March 31, 1974, compared with \$51.7 billion on March 31, 1973. Taking into account recorded assets, Canada's net public debt at that date was \$18.1 billion compared with \$17.5 billion on March 31, 1973.

The total cost of the public debt, including interest, amortization of discounts on bond issues, premiums paid for conversions, and commissions on sale of new bond issues is forecast at \$3.6 billion for the 1975-76 fiscal year.

The increase in public debt charges should not be considered in isolation. A major portion of the requirements arises from the government's role as a financial intermediary extending loans to Crown



Defence

Expenditure proposed under the Defence Services Program is intended to provide for the security of Canada and to contribute to the maintenance of world peace. In this respect, the priority roles as outlined in the 1971 White Paper on Defence are protection of Canada, North American defence, contribution to NATO defence and contribution to international stability. The Canadian Forces maintained for these purposes are also used to assist other government departments and to contribute to national development.

Total expenditures falling within the defence function include those of the Department of National Defence for the Defence Services Program and those of a number of other departments and agencies on small related programs. Total budgetary expenditure on defence provided for in the 1975-76 Main Estimates is \$2.8 billion compared with \$2.4 billion in 1974-75 Main Estimates.

Main Estimates for 1975-76 for the Department of National Defence proper total \$2.8 billion, \$437 million (18.5 per cent) over that approved in the 1974-75 Main Estimates. The increase in the expenditure by the department substantially exceeds that which would have been provided under the financing formula announced in September, 1973, whereby the department's budget was to be increased by seven per cent a year for the

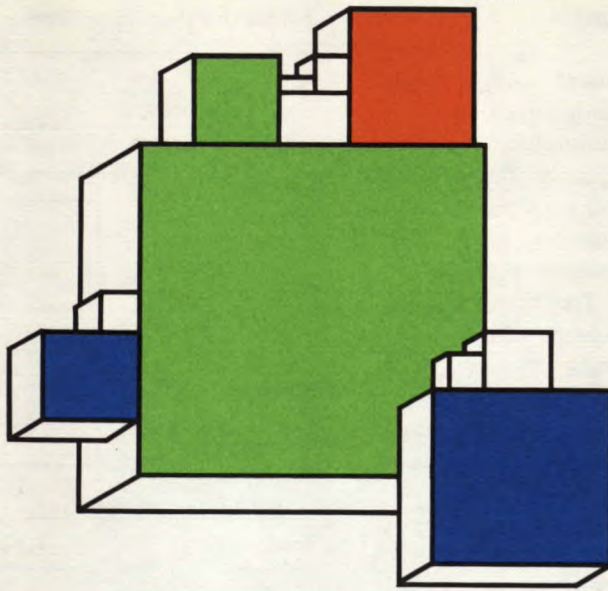
ensuing five years. Nonetheless, a reduction in the strength of the armed forces from about 82,350 to about 78,000 and in the number of civilian man-years from about 39,700 to about 37,800 is expected because of rising costs. The increase in funds proposed for 1975-76 is intended to allow the maintenance of Canadian defence capabilities at approximately the previous year's level, to continue the enrichment of the capital budget for the modernization program, and to offset much of the impact that inflation has had on defence activities.

The reduction in man-years will require some reduction in activity levels in certain operational units in land, sea and air elements and some consolidation of support units. However, it will not require the termination of any current international commitments or the dropping of any essential defence capabilities. The total proposed capital expenditure of \$346 million represents an increase of \$56 million above the amount included in 1974-75 Main Estimates and will account for 12.4 per cent of total expenditure by the department.

Some of the major new capital projects, approved since presentation of the 1974-75 Main Estimates which require expenditure in 1975-76 include five new Hercules transport aircraft, new 1½-ton trucks, modifications to Tutor aircraft, camouflage nets, replacement of ultra-high frequency ground radio equipment, rehabilitation and improvement of Canada's most northern outpost at Alert on Ellesmere Island, and implementation of bilingualism training at the Canadian military colleges. Further new capital projects to be carried out within the proposed 1975-76 capital allocation are expected to be approved and to get underway during the course of the fiscal year.

Defence

	1975-76 Main Estimates (\$ millions)	1974-75 Main Estimates (\$ millions)
Department of National Defence	2,797.9	2,360.9
Other	4.2	3.8
Total	2,802.1	2,364.7



Fiscal transfers to provinces

This function combines under one heading a number of unconditional transfers of money by the federal government to the provinces provided for by various legislative arrangements. These transfers range from subsidies paid under the British North America Act to payments under the Federal Provincial Fiscal Arrangements Act. They are referred to as unconditional since the funds involved are given to the provinces for their unconditional use. Conditional transfers, on the other hand, relate to specific programs, and are mentioned under other functions.

Statutory subsidies

The oldest of the fiscal transfer payments is the subsidy paid to each province as part of the terms of Confederation. These are estimated to amount to \$34 million in 1975-76. They take several forms, including a grant in support of provincial legislatures, a per capita grant and an allowance which is paid to provinces whose debt on entering Confederation fell short of the amount of debt allowed for each province.

Fiscal arrangements

The most significant unconditional transfers in terms of the amounts involved are equalization payments for which the

1975-76 Main Estimates provide \$2 billion. The object of these payments is to ensure that every province has sufficient funds from its own resources and from equalization payments to provide a standard level of service to its population that is equivalent to the general level of services provided by all provinces. Calculations for these payments are based on about 20 different sources of potential tax revenue with an identified tax base for each. For example, the tax base for sales of motor fuels is the number of gallons sold. When a province's percentage share of the tax base for any source is less than its percentage share of the total population of Canada, that province is entitled to an equalization payment. If its share of another tax base is proportionally higher, this reduces the amount of equalization to which it is entitled.

The 1975-76 Main Estimates provide for equalization payments to all provinces except Ontario, Alberta and British Columbia.

Two further payments to the provinces are authorized under Parts IV and V of the Federal-Provincial Arrangements Act. Part IV authorizes revenue guarantee payments to meet a commitment that the federal government made to the provinces when the income tax structure was reformed in 1972. To encourage the provinces to adopt the salient features of the reformed federal income tax, the federal government undertook, for a five-year period, to compensate the provinces for any revenue which they might lose through conformity. The 1975-76 Main Estimates provide for revenue guarantee payments of \$340 million. Under Part V of the Federal-Provincial Arrangements Act, the federal government agreed to share with the provinces the federal withholding tax on pre-reform corporate retained earnings which corporations distribute to their shareholders subsequent to tax reform. The withholding tax is only paid if corporations wish to place these retained earnings tax-free into the hands of their shareholders. The 1975-76 Main Estimates provide \$14 million for this purpose.

Other fiscal transfer payments

The federal government collects income tax from corporations involved in the distribution or generation for distribution of electrical energy, gas and steam to the public. It then pays 95 per cent of the tax collected from these corporations to the provinces under provisions of the Public Utilities Income Tax Transfer Act. The amount estimated to be payable for 1975-76 is \$36 million.

Under a "contracting out" arrangement, Quebec has chosen to assume financial and administrative responsibility for certain federal-provincial cost-sharing programs in return for the federal government's abating of federal income tax in Quebec by a specified number of points. The programs and associated individual income tax points abated are: hospital insurance—16 points; Canada Assistance Plan—five points; and the former Youth Allowance Program—three points.

To ensure equal treatment with the other nine provinces who remained parties to the joint cost-sharing programs, operating cost adjustments are made to Quebec. These adjustments may be payments or recoveries to ensure that the net revenues accruing to Quebec are equal to the amount it would have received from the federal government if it had remained in the cost-sharing arrangements. The operating cost adjustment payments to Quebec are estimated at \$156 million in the 1975-76 Main Estimates.

Table 5 on the following page provides a summary of all transfer payments to the provinces, with a distribution by province. The amounts include conditional grants and the value of income tax abatements as well as the fiscal transfer payments included in this functional category.

Fiscal transfers to provinces

	1975-76 Main Estimates (\$ millions)	1974-75 Main Estimates (\$ millions)
Statutory subsidies		
Subsidies under the British North America Act	33.8	33.8
Fiscal arrangements		
Revenue equalization and estate tax sharing	2,399.6	1,623.3
Other		
Utilities income tax transfers	35.6	33.6
Payments to Quebec— established programs	155.6	148.4
Total	2,624.6	1,839.1

Table 5—Estimated federal payments to provinces and municipalities¹ 1975-76

	(\$ millions)										
	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Total
Statutory subsidies—BNA Act	9.7	0.7	2.2	1.8	4.5	5.5	2.1	2.1	3.1	2.1	33.8
Equalization	203.4	48.7	243.2	217.1	1,033.4	—	124.4	115.4	—	—	1,985.6
a. adjustments for prior years ²	—	—	—	—	—	—	—	—	—	—	60.0
Revenue guarantee ²	—	—	—	—	—	—	—	—	—	—	340.0
Part V payment—undistributed income on hand	0.3	..	0.3	0.3	3.3	5.9	0.7	0.2	1.1	1.9	14.0
Public utilities income tax transfer	2.1	0.5	—	—	3.7	14.4	0.5	—	12.2	1.8	35.2
Total unconditional payments	215.5	49.9	245.7	219.2	1,044.9	25.8	127.7	117.7	16.4	5.8	2,468.6
Hospital insurance ³	47.4	9.4	78.6	61.8	602.7	747.3	104.6	88.4	178.2	225.5	2,143.9
Medicare	20.6	4.4	30.6	25.4	233.3	311.0	39.5	34.5	67.6	93.3	860.2
Professional training	0.1	..	0.1	0.1	0.6	0.8	0.1	0.1	0.2	0.2	2.3
Health Resources Fund	4.7	0.2	3.2	1.0	14.3	4.2	3.0	2.0	1.0	3.4	37.0
Canada Assistance Plan ³	36.9	6.8	31.5	37.9	461.4	295.8	46.1	42.3	79.7	118.6	1,157.0
Total health and welfare	109.7	20.8	144.0	126.2	1,312.3	1,359.1	193.3	167.3	326.7	441.0	4,200.4
Post-secondary education ⁴ —cash transfer	7.1	1.6	21.4	8.8	216.8	148.2	17.6	15.5	55.4	18.6	511.0
—income tax offset ⁵	9.5	1.9	18.9	13.5	191.7	360.4	29.6	24.8	79.4	104.5	834.2
—total	16.6	3.5	40.3	22.3	408.5	508.6	47.2	40.3	134.8	123.1	1,345.2
Municipal grants in lieu of taxes	0.5	0.1	6.2	0.8	17.4	33.0	5.3	2.0	4.3	6.0	75.6
Economic development—general	32.7	—	23.5	29.1	50.1	22.2	11.8	10.8	4.9	0.9	186.0
—other ⁶	13.0	28.0	21.2	14.3	48.6	3.6	15.1	23.3	15.4	7.0	189.5
Bilingualism development	0.2	0.2	1.0	7.8	62.1	27.6	2.4	0.7	1.1	1.2	104.3
Total other—excluding income tax offset	53.5	29.9	73.3	60.8	395.0	234.6	52.2	52.3	81.1	33.7	1,066.4
—including income tax offset	63.0	31.8	92.2	74.3	586.7	595.0	81.8	77.1	160.5	138.2	1,900.6
Total payments to provinces (excluding income tax offset)	378.7	100.6	463.0	406.2	2,752.2	1,619.5	373.2	337.3	424.2	480.5	7,735.4
Equalization payments—dollars per capita	372	409	296	322	167	—	124	127	—	—	—

¹ Total may not agree with Main Estimates because of transfers to the Yukon and Northwest Territories, because of inclusion where applicable of tax abatements to Quebec and because of rounding.

² The distribution of the prior year equalization adjustment and revenue guarantee payments are not available by province.

³ Payments to Quebec for hospital insurance and Canada Assistance Plan include the value of an individual income tax abatement of 16 points and 5 points valued at \$619.7 million and \$183.6 million respectively.

⁵ Value of income tax offset associated with post-secondary education program

(a) individual 4.357 points

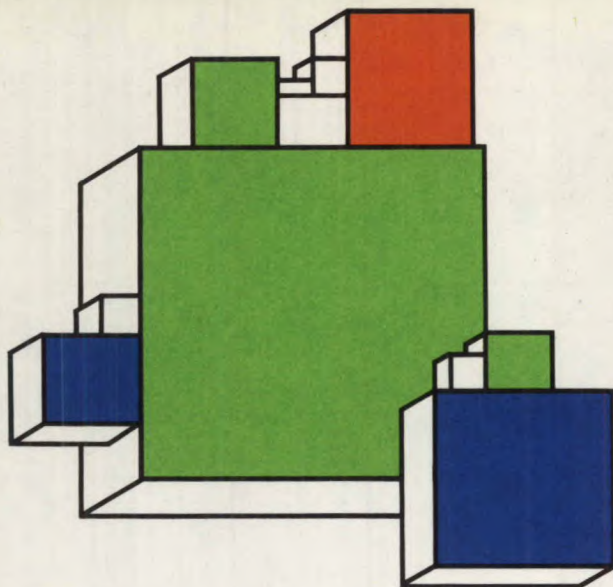
(b) corporation 1 point

⁶ Includes grants paid under A.R.D.A., special areas, and FRED programs.

⁴ The federal government has undertaken to bear 50% of the eligible operating costs of post-secondary education in each province. The contribution takes the form of (a) a federal individual income tax abatement of 4.357 points and a federal corporation income tax of 1 point, (b) where applicable the equalization arising from those tax points, and (c) a cash transfer equivalent to the eligible contributions less the value of the tax points abated and the associated equalization. The federal contribution for a fiscal year for all provinces may not exceed 115% of the federal contribution to all provinces in the immediately preceding year.

8.0 1.6 16.2 11.2 160.0 293.7 24.3 19.2 49.4 85.0 668.6

1.5 0.3 2.7 2.3 31.7 66.7 5.3 5.6 30.0 19.5 165.6



Transportation and communications

The federal government discharges its vast responsibilities in the transportation field through the programs of the Department of Transport itself; through the Department of Public Works; through a number of Crown corporations to which it gives capital financing and operating subsidies; through its regulatory agency the Canadian Transport Commission; and through several forms of subsidization of passenger and freight rates. There is a departmental program for each mode of transportation—air, marine and surface—as well as a research and development agency. The Crown corporations, which are engaged in transportation operations and to which the federal government provides some financing, include the Canadian National Railways, Air Canada, the National Harbours Board, the Northern Transportation Company Limited, the St. Lawrence Seaway Authority and four regional pilotage authorities. All these elements, excluding the programs of the Department of Public Works, make up the Ministry of Transport through which co-ordination of the various programs is planned and executed.

The Canadian Transport Commission, in addition to its judicial functions pertaining to transport regulation, administers rail, maritime, air, and trucking subsidy programs.

The 1975-76 Main Estimates provide \$1.1 billion for transport programs compared to \$851 million in 1974-75 Main Estimates. Of the total increase of \$282 million, about \$188 million is required to provide for increases in salaries, wages and other costs as a result of inflationary pressures and the growth in public demand for on-going services. A further \$29 million will be used to facilitate improvements in existing services and the introduction of required new services. The balance of \$65 million provides for an increase in capital expenditures from \$160 million in 1974-75 Main Estimates to \$225 million in 1975-76.

Air transport

The Department of Transport's Air Transportation Program covers the operation of international airports and domestic airports, as well as the maintenance and operation of air traffic control facilities in Canada and the exercise of a number of regulatory and licensing functions. The federal government owns 143 airports and operates 85 of them, leaving the operation of the others mainly to municipalities. There are 340 other airports in Canada which the federal government does not own.

Over the past several years, large increases in the volume of passengers and cargo and the introduction of today's large jet aircraft have placed heavy demands on the air transport system. The number of passengers flying to and from Canadian airports has steadily increased from 18 million in 1968, to 30 million in 1973, to the 33 million expected in 1975. Similarly, the volume of cargo has grown from 228,000 tons in 1968 to 408,000 tons in 1973, with 500,000 tons expected in 1975.

Operating costs of \$184 million for this purpose are provided in the 1975-76 Main Estimates, \$28 million more than in 1974-75 Main Estimates. The increase is due to higher price and salary levels and to the cost of improvements in services at airports.

Capital expenditures of \$111 million are provided to improve and expand aircraft, passenger and baggage-handling facilities at many airports, and to introduce

advanced communications and navigational equipment for air traffic control. This is \$35 million more than in 1974-75. New capital projects are to be undertaken in every region of Canada. These include the construction of a new airport at Strathcona Sound in the Arctic for \$3.5 million, the resurfacing and rebuilding of runways and the installation of navigational aids at Fredericton for \$1.3 million, and the replacement of the instrument landing system and the building of a new air traffic control tower at Goose Bay, Labrador, for \$1.6 million. Projects begun in previous years will continue, such as the major expansion of the Calgary Airport, Alberta, where it is expected that expenditures of \$30 million will be made in 1975-76.

The capital and operating expenditures of the large Montreal and Toronto airports at Dorval, Mirabel and Malton have for some years been handled through a separate system of accounts known as a revolving fund. The federal government lends money at interest to this fund which must be paid back. All receipts from operations at these airports are credited to the fund. The intent of this arrangement is to make these airports financially self-supporting. The airport at Vancouver was brought under the same arrangement during 1974-75. Authority for loans of \$154 million to this revolving fund is being sought through the 1975-76 Main Estimates, with an expected revenue of \$86 million.

Substantial improvements in capacity are planned for Malton Airport and large expenditures will be necessary to complete the new Mirabel International Airport located 30 miles northwest of Montreal. Construction of this airport began in 1969 and it is scheduled to open in the fall of 1975.

Water transport

A large part of Canada's huge international trade are goods carried by water. Vessels involved in this trade currently make about 50,000 voyages a year to carry more than 175 million tons of cargo. In addition the coastal trade between Canadian harbours requires over 100,000 voyages a year and the transport of more than 60 million tons. Numerous services are provided by the

federal government to facilitate this form of transportation. Coastal approaches and river channels must be kept clear and navigational aids maintained. Search and rescue services and facilities to deal with pollution emergencies must be available. Icebreakers are required to free harbours and channels. Regulations must be maintained and administered to ensure the competence and safety of sailors and the adequacy and safety of vessels.

The Marine Services Program of the Department of Transport operates 300 public harbours, 600 public wharves and a fleet of 150 vessels and maintains 4,000 navigational lights, 400 fog signals and 15,000 channel markers as well as an extensive chain of radio stations and electronic navigational aids. The program also includes the personnel to carry out the department's responsibility for the certification of ship personnel and the safety inspection of vessels. Total expenditures of \$182 million are included in the 1975-76 Main Estimates for this program, the \$30 million increase being essentially to accommodate price increases and greater workload. This includes capital expenditures of \$49 million, most of which is required for projects started in other years. About \$6 million will be required for new projects in 1975-76 including the acquisition of an ice-breaking tug, dredging in the St. Lawrence and wharf construction in the Arctic. The Canadian Coast Guard Service is an important element of this program. Its responsibilities include search and rescue at sea, icebreaking and Arctic resupply.

There is also a Marine Program in the Department of Public Works which is responsible for the construction and maintenance of structures such as wharves, breakwaters, locks and dams, and the dredging of some ship channels. The department's 1975-76 Main Estimates include \$12 million for operations and \$10 million for capital, the latter to be spent on a variety of projects including harbour improvements in the Atlantic provinces, shore protection work in Quebec and diking in British Columbia.

The National Harbours Board is responsible for the administration of the 11 principal harbours of Canada, two grain

elevators and the operation of two bridges in the Montreal harbour area. It has fixed assets valued in excess of \$400 million. Capital expenditures are financed in part from operating revenues and in part from loans received from the federal government. The 1975-76 capital budget is estimated at \$50 million, \$34 million of this being requested in the form of loans. Projects, either planned or now underway, include the construction, improvement or expansion of large terminal facilities in locations such as Halifax, Saint John, Montreal, Churchill, Vancouver and Prince Rupert. The estimated operating expenses of the National Harbours Board's facilities, about \$50 million in 1975-76, are to be met from user charges.

The St. Lawrence Seaway Authority is responsible for the development and operation of the Canadian sections of the waterways between Montreal and Lake Ontario, Lake Ontario and Lake Erie (the Welland Canal) and two small non-toll canals (the Lachine and Third Welland Canals). Revenues from the operation of the Montreal and Lake Ontario section are adequate to cover all operating costs. Welland Canal revenues cover only about 25 per cent of that canal's operating expenses. As a result funds have been voted each year by Parliament for this portion of the Seaway. Appropriations are also provided to cover the costs of the non-toll canals.

Despite rising labour and material costs, the \$35 million being requested in 1975-76 represents an increase of only \$500,000 over 1974-75 Main Estimates. Cost reductions are being achieved through the transfer in 1974 of the two non-toll canals to the Department of Public Works and by significant economies in administration. Largely because of completion of the Welland By-Pass project and reorganization of engineering services throughout the Seaway, the number of employees was reduced by 76 in 1974 and will be reduced by a further 63 in 1975 bringing the total to less than 1,400.

The 1975-76 Main Estimates of the Canadian Transport Commission include \$12 million for steamship subsidies to coastal shipping services. These subsidies are designed to ensure that private operators carry on essential coastal shipping and

ferry services where other means of transport do not exist or are inadequate.

Rail transport

Under the authority of the Railway Act, the Canadian Transport Commission provides railway subsidies to compensate the railways for uneconomic branch lines and passenger services that they are required to operate as a public duty. Payments are based on claims submitted by the railways and disbursements are made only after officials of the commission have carried out detailed audits of the claims. The 1975-76 Main Estimates include an amount of \$196 million for these subsidies. This amount represents the best estimate that can be made before claims are received and audited. In the case of 1974-75, the \$140 million requested in Main Estimates fell short of requirements and an additional amount of \$66 million will be required for this fiscal year. Included in the railway subsidies are special payments to the railways to encourage the use of the St. Lawrence River and Canadian East Coast ports for exporting grain and flour.

Maritime Freight Rate Subsidies and Atlantic Region Freight Assistance have been of particular importance in offsetting the handicap of high transportation costs in the Atlantic region and in fostering industry and trade within the area. An estimated \$37 million in subsidies will be available in 1975-76 to assist atlantic producers in marketing their products in central Canada at transportation costs competitive with those of products produced closer to the market. A 15 per cent subsidy is available for shipments strictly within the Atlantic region. For shipments destined for other parts of Canada, a 30 per cent subsidy is available for the portion of truck and rail transportation costs incurred within the Atlantic region.

In 1974 after consultation with the premiers of the Atlantic provinces, the government expanded the assistance program. A further subsidy is now available for the transport of the region's fish, agricultural and manufactured products to improve their competitive position in other parts of Canada. This subsidy

applies to that portion of the cost which is incurred within the Atlantic region. Some \$5 million of the estimated increase in payments under the Atlantic Region Freight Assistance Act will be applied to the new subsidy program.

Main Estimates for 1975-76 include three major non-budgetary expenditures related to the Canadian National Railways (CNR). In 1974-75, advances of \$8 million were authorized to cover the federal government's share of building certain railway lines to facilitate the development of northern British Columbia and the Yukon. As the necessary agreements between Canada and British Columbia were not concluded, the funds were not used and provision (in the amount of \$9 million) is for these advances to be made in 1975-76. The other two items would provide authority for the federal government to purchase CNR preferred stock (\$66 million) and to lend \$135 million to the CNR for capital expenditures on rolling stock and plant and installations necessary to maintain adequate capacity and ensure safe and efficient operation of the railway system.

For several years, the federal government has purchased CN preferred stock in an amount equivalent to three per cent of the annual gross revenue of the system to enable development of the railway system to be financed in part by equity. The purchase of \$55 million of preferred stock was authorized in 1974-75.

The federal government provides facilities, services and subsidies under a program of surface transportation relating to ferries, railways and aspects of road transport. The total proposed expenditure in 1975-76 Main Estimates for this program is \$211 million with the major expenditure components as follows: the provision of coastal shipping and ferry services on the East Coast, mainly in fulfilment of constitutional obligations (\$126 million); administration of legislation pertaining to highway and motor vehicle safety (\$12 million); and, commencing in 1975-76, the financing of the cost of relocating railways operations from urban core areas to promote urban

redevelopment (\$15 million). Transportation commitments to the western provinces arising from the Western Economic Opportunities Conference totalling \$35 million for 1975-76, are also included.

Federal responsibility for ferry services to Prince Edward Island dates back to the 1865 Terms of Confederation. Under the Terms of Union with Newfoundland, the federal government also assumed responsibility for the provision of marine and ferry services to that province. In addition the federal government provides a service between Yarmouth, N.S., and Bar Harbour, Maine. These services are provided by the CNR, which operates a fleet of 22 government-owned vessels.

Total gross expenditures for 1975-76 on the coastal and ferry service are estimated at \$148 million, comprising \$122 million for operations and \$26 million for additional vessels and terminal facilities. Allowing for \$22 million in passenger and freight revenues, a net operating deficit of \$100 million is anticipated. The distribution of the deficit by service is as follows:

	\$ (millions)
	1975-76
Newfoundland Gulf Services	62.0
Newfoundland Coastal Services	23.0
P.E.I.—New Brunswick Service	12.0
Yarmouth-Bar Harbour Service	1.8
Other services	1.2
Total	100.0

While a deficit of \$58 million was estimated in the 1974-75 Main Estimates, the actual deficit in 1974-75 is now forecast to be \$92 million. The difference is a result of higher traffic volumes and higher operating costs.

A number of major improvements are in progress to provide adequate services to accommodate the steadily increasing volume of freight and passenger traffic. These include the chartering for the Gulf Service (with options to purchase) of two large ferries with capacities of 1,200 passengers and 275 vehicles each; \$16 million for new and improved terminal

facilities at Port-aux-Basques, North Sydney and at other locations; and \$8 million towards the design and construction of six additional vessels including a new railcar ferry, now under construction for use in the Gulf Service.

Road transport

The federal government undertakes work in the field of road and vehicle traffic safety relating to the development of vehicle safety standards, to the inspection and testing of vehicles and components, to the investigation of complaints and to the necessary follow-up action with manufacturers on recall of vehicles when required. Physical testing of vehicles and components is an essential element of this program. The federal government has decided, therefore to construct a test track and laboratory facility. The 1975-76 Main Estimates include \$6 million to start construction of a \$10-million installation for this purpose near the Mirabel Airport in Quebec. Research is being conducted on ways of reducing accidents and traffic fatalities, in close co-operation with the provinces, the National Highway Safety Council and other interested organizations.

Public concern about urban transportation was reflected in the Railway Relocation and Crossing Act of 1974. This legislation is intended to assist municipalities in urban redevelopment and provides for the removal of railway operations from core areas with appropriate compensation to the railways for any costs involved. An amount of \$15 million has been provided in the 1975-76 Main Estimates to finance projects covered by this legislation.

Other federal government actions to promote urban and inter-urban transportation systems include a \$1.7 million concept-definition study by the Transportation Development Agency for an intermediate capacity rapid transit system which would use presently unused or lightly used railway rights-of-way, and a \$10-million contribution to the Province of Ontario for the purchase of rolling stock for its proposed GO train service between Richmond Hill and Toronto.

The federal government has for many years paid large sums into the Railway Grade Crossing Fund which is used to give financial assistance for work done for the protection, safety and convenience of the public at railway crossings. The Canadian Transport Commission administers the fund and uses it to contribute up to \$1 million towards the cost of a subway or overpass at a railway crossing at grade level, and up to \$650,000 for the reconstruction or improvement of an existing grade separation. Contributions towards the cost of placing reflective markers on railway cars and revolving lights on locomotives are also available from the fund. The balance in the fund at December 31, 1974, stood at \$50 million. Parliament voted \$25 million to replenish it in 1974-75 and a similar amount is requested in 1975-76 Main Estimates.

The Department of Public Works constructs and maintains certain roads and bridges, for example, the Northwest Highway System, the portions of the Trans-Canada Highway which pass through National Parks and Canada's share of international and interprovincial bridges and tunnels. The operational costs for these facilities are estimated at \$11 million in 1975-76, almost all of which is for the maintenance and repair of the Alaska Highway system. Capital expenditures are estimated at \$15 million, mostly for projects started in prior years such as the reconstruction of the Alaska Highway between Fort Nelson and Fort St. John, B.C. The major new project to begin in 1975-76 will be the reconstruction of a 50-mile section of the Alaska Highway near Whitehorse.

Funds are also provided through programs of the Department of Indian Affairs and Northern Development and the Department of Regional Economic Expansion for construction and maintenance of roads, these expenditures being included in other functions.

Other

Transportation was one of the major topics discussed at the Western Economic Opportunities Conference (WEOC) held in Calgary in July, 1973. At that time, the federal and western provincial

governments reached agreement on a number of joint measures to be taken to improve transportation in Western Canada. A continuing federal-provincial committee on western transportation was established for which the federal government agreed to provide a secretariat. It also agreed to finance two-thirds of the cost of a number of major studies relating to rail freight costs, common roadbeds, etc. The 1975-76 Main Estimates contain just under \$1 million for these purposes. The bulk of these studies should be completed early in 1975 and are expected to provide a basis for the development of new national transportation policies, especially with respect to such major issues as the grain transportation systems, the Crowsnest Pass rates and the operation of the railways' roadbeds.

The federal government also agreed to share in the costs of a number of specific projects to improve transportation facilities in Western Canada in support of national economic or social objectives. One of these projects is the strengthening of large sections of the primary highway systems in Manitoba, Saskatchewan and Alberta to permit the removal of weight restriction differences among the four western provinces. These restrictions have been a barrier to fully effective inter-provincial trucking services. It is expected that this project will cost the federal government \$16 million a year for five years. Another joint program involves the extension and upgrading of the road network in the northern portions of the four western provinces to connect some of the more isolated larger centers and provide better economic and social development opportunities. Interim agreements have been negotiated with the provinces concerned under which the federal government will make payments of \$20 million a year to be drawn from the resources voted for the Department of Regional Economic Expansion and the Ministry of Transport. This program is expected to continue for five to 10 years.

Other WEOC transportation initiatives include a \$20-million port and harbour development at Prince Rupert, B.C., by the National Harbours Board and joint financing with the British Columbia

government of major rail line extensions in northern British Columbia and a connecting link between Ashcroft and Clinton, B.C. These moves will ultimately provide an all-Canadian rail access route to the Yukon and assist in the development of the natural resources of northern British Columbia and the Yukon. The 1975-76 Main Estimates provide \$18 million for these joint programs.

The Transportation Development Agency was set up in Montreal in 1970 to serve as the research and development branch of the Ministry of Transport. Since then a number of projects have been completed. These include an analysis of Canada's highway systems, a major concept study of the feasibility of transporting oil and gas from the Mackenzie and Prudhoe Bay areas by rail, the initiation of dial-a-bus demonstration projects, the evaluation of air-cushion and other off-road vehicles for transportation in remote areas, and a number of studies underlying the STOL (short take-off and landing) demonstration project between Ottawa and Montreal. It has also been instrumental in furthering the development and testing of the light, rapid, comfortable (LRC) passenger train.

As transportation research, development and demonstration projects are considered to be key elements in developing the transportation services and facilities which will be needed to meet Canada's requirements to the end of this century and beyond, the agency's budget is being increased to \$15 million in 1975-76, compared with \$7 million in 1974-75 Main Estimates. This will permit it to complete a number of projects currently underway and undertake several new ones (in conjunction with other agencies) including concept studies for an intermediate capacity rapid transit system, hovercraft freight and passenger demonstration services to isolated St. Lawrence River communities and continued development of the LRC train. It will also continue to monitor and support the STOL demonstration service between Ottawa and Montreal, which is operated under a contract with Air Transit Canada, a subsidiary corporation of Air Canada established specifically for this purpose.

The Transportation Development Agency also provides post-graduate fellowships for continued studies in transportation at Canadian universities and in support of transportation research centres at six Canadian universities. The 1975-76 Main Estimates include \$1 million for these fellowships.

The Ministry of Transport headquarters program co-ordinates the various programs of the ministry and provides central executive direction on matters of policy, planning, finance and personnel. Also provided are necessary support services such as legal, information, and computer services to all components of the ministry.

The headquarters includes the Arctic Transportation Agency which works to co-ordinate federal transportation services and facilities in the Yukon and Northwest Territories. The 1975-76 Main Estimates include \$20 million for the operating requirements of the headquarters.

An important headquarters' initiative, for which \$1.1 million is allocated, is the transportation policy review announced in the 1974 Speech from the Throne. This review, now underway, involves a comprehensive examination of the ability of existing ground, air and marine transportation systems to meet present and future demands up to 1990 for the movement of passengers and goods. The examination includes the roles of the various bodies which manage, operate, and regulate the transportation systems. Various alternatives for meeting the demands of the future and their impacts on capital, human and economic resources as well as their social implications will be assessed. The objective is to devise policies and develop programs which can be implemented over the next few years—at a rate within the federal government's financial capacity—to produce modern, safe, efficient and co-ordinated transportation systems.

A further \$1.6 million will be used to provide public information on various ministry projects, such as the Coast Guard recruitment program, motor vehicle safety, and the expansion and improvement of airport facilities.

The 1975-76 Main Estimates include capital expenditures of \$9 million towards the construction of a \$32-million training facility at Cornwall, Ontario. This institution will provide specialized training to air traffic controllers, radio operators, technicians and transportation managers.

The Canadian Transport Commission (CTC) is an independent regulatory agency consisting of 17 members who are appointed by the Governor-in-Council, plus their support staff. The CTC is a court of record which exists to protect the public interest and promote the co-ordination and harmonization of transportation through effective economic regulation. While its activities in conducting hearings on proposals for increased transportation and telecommunication charges are well known they represent only a part of the commission's duties.

To ensure the provision of essential transportation services and to alleviate regional disparities, the CTC administers various subsidy programs. The most significant of these is the compensation payment to railway companies for the branch lines and passenger services they are required to operate as public duty (described on page 40). In addition the commission administers subsidies for certain essential regional air and coastal shipping services, together with special assistance to alleviate the burdens of transportation costs in the Atlantic region.

Because of concern at the number of accidents on Canadian railways in recent years, the Commission undertook a thorough re-examination of its role and its rail safety programs. This study has led to a number of organizational changes which are expected to improve its ability to promote and ensure the safe operation of Canadian railways.

The costs of operating the Canadian Transport Commission in 1975-76 are estimated to be \$20 million, an increase of \$4 million over 1975-76 Main Estimates. Price and salary increases and the costs of handling the Commission's growing workload, particularly for the processing and payment of trucking subsidies in the Atlantic region, require an additional

\$2.9 million; new initiatives in the area of railway relocation and railway safety account for a further \$1 million.

Post Office

The amount to be voted for the Post Office in 1975-76 Main Estimates is \$892 million. However, when other factors are taken into account, such as the capital expenditures of the Post Office, the value of services to be received without charge from other departments and the portion of operating expenditures which will be paid direct from postal revenues (\$119 million), the total cost for postal services in 1975-76, including capital expenditure, is expected to be about \$1.1 billion. Against this, the department expects to generate about \$661 million in revenues—the \$119 million already mentioned and \$542 million which will go into the general receipts of the federal government. Excluding capital expenditures of \$61 million, the net deficit for the year is expected to stand at \$371 million.

The Post Office is continuing the mechanization of many of its operations and the implementation of the postal code. About \$46 million will be invested in new equipment for mail processing and, as described under another function later in this chapter, the Department of Public Works will be spending large amounts on behalf of the Post Office for new facilities required for the mechanization of mail processing in Montreal and Toronto. From these two centers, 45 per cent of the entire national mail volume originates; in total, approximately 60 per cent of all mail passes through one or the other city.

Total man-years planned in 1975-76 for the Post Office are 59,239, an increase of 5,021 man-years over those approved for 1974-75. In percentage terms, this increase accounted for 40 per cent of the total growth in the Public Service in 1975-76. This growth is necessary primarily to provide additional services to meet urban growth, such as new post offices and letter carrier routes (about 2,600 man-years), to handle the four per cent increase in volume of mail (about 1,500 man-years) and full utilization of fringe

benefits in collective agreements (about 900 man-years).

Telecommunications

The federal government's 1973 green paper, entitled *Proposals for a Communications Policy for Canada*, recommended new policies for communications relating to broadcasting, cable television and the common carriers. Legislation is now before Parliament proposing the merger of the Canadian Radio Television Commission (CRTC) with the telecommunications segment of the Canadian Transport Commission (CTC). The CRTC has the licensing and regulatory responsibility for broadcasting and cable television, while the CTC has responsibility for the regulation of the common telecommunications carriers. Both the CRTC and the telecommunications segment of the CTC report to the Minister of Communications.

The total communications program cost is \$67 million of which \$12 million is obtained from revenues and \$55 million is provided in 1975-76 Main Estimates. This total includes \$35 million for telecommunications and space applications research and \$16 million for regulation and licensing services which provide for equitable and efficient access to, and utilization of, the radio frequency spectrum by the Canadian public.

It is expected that Telesat, Canada's domestic satellite communications system, will soon be supported by a third Anik satellite which is scheduled to be launched in March, 1975. The Anik series has been operational since early 1973. The Anik satellite has improved the main east-west telecommunications capability of the country's telephone system and has made radio, television, and telephone communications accessible to many remote northern communities. By the end of 1975, approximately 100 of these communities will receive a combination of radio, television, or telephone service through Anik.

In another field of satellite communications, the federal government has initiated work on the Canadian portion of an aeronautical satellite experiment (Aerosat) for aeronautical communications and naviga-

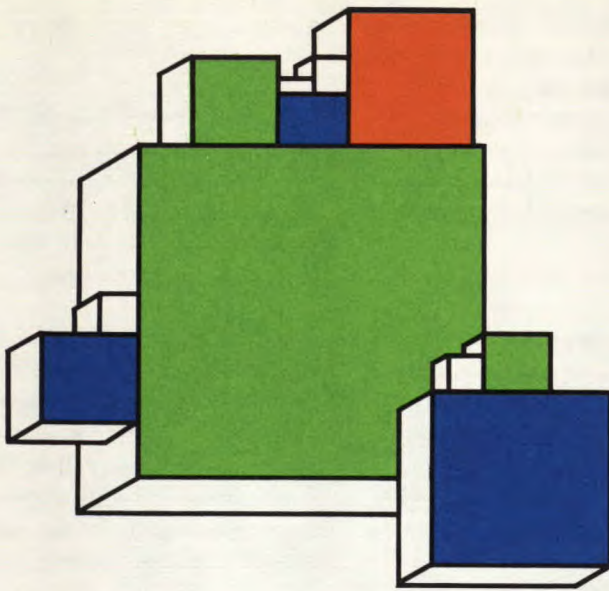
tion over the North Atlantic. Canadian membership in Aerosat is expected to be of prime importance in maintaining Canadian responsibility for North Atlantic air traffic control and sovereign control of Canadian domestic airspace. Contracts associated with the experiment will ensure the continuous development of Canadian expertise and capability in communications satellite technology. An amount of \$2 million is included for this experiment in the Main Estimates of the Department of Communications and the Department of Transport. Other partners in Aerosat are the European Space Research Organization and the United States.

In late 1969 the federal government approved a program for the construction of a Communications Technology Satellite (CTS) to be carried out by the Department of Communications and the National Aeronautics and Space Administration of the U.S.A. The principal technological objectives of this satellite are to resolve the unique communications problems of the Canadian North, to conduct satellite communication system experiments and to develop and test space craft and communications components. One of the most important technical experiments being carried out by CTS concerns the further development of high-powered transmissions from satellites in an endeavour to greatly reduce the cost and complexity of ground terminals. Many Canadians will participate in experiments utilizing CTS over its expected two-year life span. The satellite is scheduled to be launched in the fiscal year 1975-76. The current total cost to completion is estimated at \$63 million of which \$11 million is provided in the 1975-76 Main Estimates.

The Canadian Overseas Telecommunication Corporation maintains and operates a network for public telecommunications between Canada and overseas. Authorization for a loan of up to \$10 million in 1975-76 is proposed to assist in major capital undertakings to meet the ever increasing demand for reliable overseas telecommunications.

Transportation and communications

	1975-76 Main Estimates (\$ millions)	1974-75 Main Estimates (\$ millions)
Air transport		
Aviation Services— airports, air traffic control and aids to navigation, etc.	320.0	250.3
Water transport		
Marine Services— aids to navigation, ice breaking, pilotage, search and rescue, etc.	181.8	155.0
National Harbours Board	4.2	1.3
Steamship Subsidies	11.8	8.8
Marine Program— construction and operation of harbours, wharves, etc.	21.9	21.3
St. Lawrence Seaway Authority	35.1	34.6
Rail transport		
Railway Subsidies	196.0	140.0
Maritime Freight Rate Subsidies	14.6	13.5
Atlantic Region Freight Assistance	22.5	15.4
Road transport		
Railway Grade Crossing Fund	25.0	25.0
Other Road Transporta- tion	25.3	19.4
Post Office		
Cost of programs before deducting revenues	892.3	689.7
Telecommunications		
Department of Commu- nications—research, planning, adminis- tration	55.4	47.5
Other		
Surface Transportation	211.0	124.6
Transportation Develop- ment Agency	14.9	7.2
Ministry of Transport Headquarters	28.3	17.8
Canadian Transport Com- mission operations	20.1	16.3
Total	2,080.2	1,587.7



General government services

This function brings together the central core of government: its legislature; the central agencies of the executive which provide policy advice and co-ordination of departmental programs; the federal justice, police and penal systems; the operations of the tax system and the protection of consumers. It also includes the expenses of the National Capital Commission and the grants made by the federal government to the territorial governments of the Yukon and the Northwest Territories.

The 1975-76 Main Estimates for this function are \$1.4 billion. Most of this is required for a few operational programs: taxation in the Department of National Revenue and, in the Department of the Solicitor General, the penitentiary and parole systems, and the Royal Canadian Mounted Police.

Legislation and administration

The Department of National Revenue is continuing to expand and improve its computer facilities for processing tax returns to provide an acceptable level of service in the face of an increasing volume of work. A new and virtually instantaneous inquiry system has been established between each of the 28 district taxation offices across Canada and the Taxation Data Centre in Ottawa. Each district will have access to information

stored in computer files in the data centre, designed to supply answers to many of the questions posed by individual taxpayers. In addition, the special investigations units of the department will be expanded to improve their ability to detect cases of tax evasion and to permit greater co-operation with other agencies in combating fraudulent practices.

The Customs and Excise Division is responsible for assessing and collecting duties and excise taxes on imported and domestically-produced goods and of exercising control over international movements of persons and goods. The department continues to give attention to illicit drug traffic and other violations of Canadian customs laws and intends to improve its enforcement capability in 1975-76. In addition it will begin the introduction of a new, automated national cargo entry and control system with the first installation to be located at the port of Montreal. A computer system will link each of the major ports with a central information storage facility to increase the ability of customs officers across Canada to cope with the huge volume of goods entering Canada from abroad.

The 1975-76 Main Estimates provide \$157 million in support of the governments of the Yukon and Northwest Territories, an increase of \$61 million over 1974-75 Main Estimates. The major factor in the increase is due to a change in the method of providing capital financing to the territories from loans to grants. In 1975-76 these capital grants will total approximately \$42 million to provide for schools, sewer and water facilities, administrative facilities, and the like.

Operating grants in the amount of \$104 million are included in the Main Estimates. These operating grants make up the difference between revenues collected locally and total territorial operating expenditures. In 1975-76, the operating grant to the Northwest Territorial Government will be \$90 million; to the Yukon Territorial Government it will be \$14 million. Territorial government expenditures are made to maintain schools and hospitals and to provide for the development of local government in the North as well as over-all administrative

services. In both territories, increases in expenditures of approximately 25 per cent over 1974-75 are anticipated, mainly due to the increased cost of providing these services. Significant components of the increase are higher fuel oil prices, travel costs, hospital costs and public service salaries.

Protection of persons and property

The protection of persons and property will require total expenditures of \$732 million in 1975-76. Of the \$338 million proposed expenditure for the Royal Canadian Mounted Police, \$160 million is for general administration and the enforcement of federal statutes and executive orders and \$32 million is for the provision of national police services. Through the latter, all Canadian police forces are given cost-free access to a wide range of services including laboratories, fingerprint identification, a computerized information centre, registry records and the Canadian Police College. This college, located in Ottawa, is open to members of all Canadian police forces for professional police training.

The RCMP provides police services under contract in eight out of the 10 provinces. The services include the enforcement of provincial statutes and the policing of some municipalities. The estimated expenditures for 1975-76 are \$174 million of which \$78 million is expected to be recovered from the provinces and municipalities. The current 10-year agreement for these police services expires in 1976 and will require renewal for continuation of these services. Ontario and Quebec are the two non-participating provinces.

Expenditures on correctional services include the administration of court sentences and the rehabilitation of criminal offenders. Rehabilitation services cover the counselling and vocational training of inmates, and the counselling and supervision of persons who are on parole. Within the federal penitentiary system, psychiatric facilities are being extended to provide treatment to inmates whose criminal offences are related to latent or non-clinically evident psychiatric disorders. In addition medico-psychological therapy will be offered to inmates whose crimes

and histories suggest the possibility of mental illness.

Construction will begin on two more medium-security institutions smaller in size than their predecessors. These are designed for about 150 inmates to live and work together with their own correctional staff in groups of approximately 15 people.

The National Parole Board has been enlarged to provide for five regional panels of two members each. Individual parole applications will be heard by the panels in federal institutions across the country as well as by the nine centrally-located board members.

The proposed expenditure of \$51 million on justice includes salaries of judges and the administration of the courts, the Law Reform Commission and the Tax Review Board. It also includes the federal government's contribution of \$11 million to provincial legal aid programs, \$1 million for programs which compensate victims of violent crimes and \$1 million for the Native Court Workers Program.

The general government services function includes consumer protection services, provided in the main by the Department of Consumer and Corporate Affairs. The Consumer Affairs Program of that department will cost \$22 million compared with \$18 million in 1974-75 Main Estimates. In its effort to extend its services to as many Canadians as possible, that department has established five regional offices and 27 district offices throughout Canada. It is also continuing a program whereby Canadians may register their complaints through the mails by writing to Box 99 or to any of the regional offices. Another activity which is to be expanded is the regular inspection of retail facilities to ensure compliance with federal statutes and regulations for the protection of the consumer.

The Food Prices Review Board, established in 1973, has had its mandate extended until the end of 1975. The expenditure required for this agency to continue its work in 1975-76 will be \$1.9 million.

The federal government is also involved in consumer protection through the Health

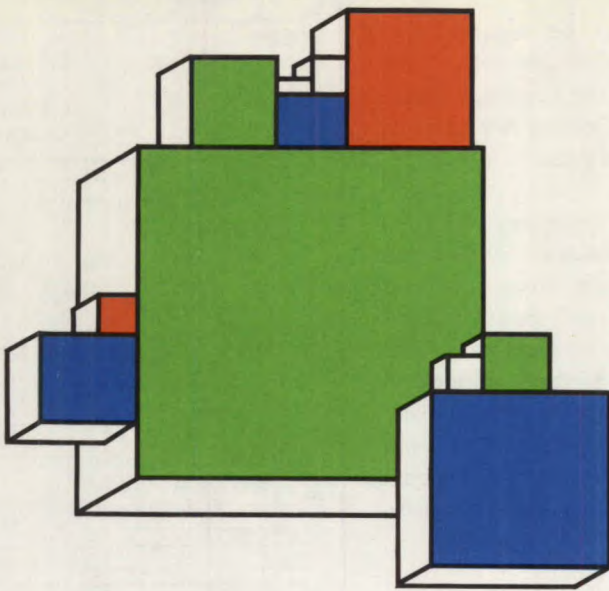
Protection Branch of the Department of National Health and Welfare. This branch administers the Food and Drugs Act, the Narcotics Control Act and the Hazardous Products Act.

The 1975-76 Main Estimates include \$33 million for the identification and control of quality of foods and drugs. Increasing emphasis is being placed on nutritional value and on microbiological hazards as well as on chemical dangers of food products. Under the Drug Quality Assessment Program, information is also being gathered on selected pharmaceutical products and reports are being published indicating relative quality and prices. These reports are circulated to those prescribing and selling drugs to assist them in serving consumers. Under the Medical Devices Program, the Health Protection Branch is reviewing and developing standards for some of the over 200,000 devices now being marketed and used in Canada for medical purposes.

	1975-76 Main Estimates (\$ millions)	1974-75 Main Estimates (\$ millions)
Law Reform Commission, Canadian Judicial Council and Tax Review Board	3.1	2.9
Correctional services	242.0	177.3
Royal Canadian Mounted Police	338.5	251.5
Consumer protection services including Food and Drug Administration	65.0	57.9
Combines investigation, Department of Insurance, Food Prices Review Board	8.3	7.2
Total	1,436.6	1,105.3

General government services

	1975-76 Main Estimates (\$ millions)	1974-75 Main Estimates (\$ millions)
Legislation and administration		
Legislative—salaries operating costs of Parliament, election expenses, Representation Commission, and Auditor General	72.0	60.0
Executive—Governor General and Lieutenant Governors, Privy Council, Canadian Inter-governmental Conference Secretariat, Commissioner of Official Languages, Department of Finance and Treasury Board administration	62.3	49.9
National Revenue—costs of collecting taxes, tariffs and duties	390.4	308.5
National Capital Commission	40.5	37.7
Information Canada	9.6	8.0
Yukon and Northwest Territories	156.9	100.8
Protection of persons and property		
Justice—administration, courts, judges salaries	48.0	43.6



Internal overhead expenses

This function brings together certain costs that it has not been found practical to distribute to the individual programs to which the costs actually pertain. Most of the costs in question are those incurred by the Department of Public Works for the construction, rental and maintenance of buildings which house federal government operations; those incurred by the Public Service Commission in recruiting public servants and providing them with training in a second language; the costs of translation of government documents; and the costs of government contributions as an employer to some of its employee benefit plans.

Government support services

The 1975-76 Main Estimates include an increase of \$26 million and 1,877 man-years for language training, translation and other activities required for bilingualism in the Public Service. Translation services will cost \$32 million including the salaries of about 1,275 translators. The language training program will cost \$31 million, compared with \$13 million in 1974-75 Main Estimates. In addition, \$50 million has been provided to support other official language programs, including the cost of providing staff to replace personnel who are on language training. The expansion of the program is necessary to train approximately 18,000 unilingual public servants between now and the end of

1978. The goal of this program, based on the requirements of the Official Languages Act, is to ensure that Canadians may be served by the federal government in the official language of their choice, as well as to make sure that, in bilingual areas of Canada, public servants can work within the Public Service in the official language of their choice.

Capital expenditure proposed on accommodation by the Department of Public Works totals \$306 million compared with \$210 million in 1974-75 Main Estimates. While most of these funds will be used to continue with the implementation of major capital projects now under way, several new building starts are also to be made. With completion of the various new facilities now under construction, about 67 per cent of federal government space will be Crown-owned.

In the Hull area of the National Capital Region, phase three of the Place du Portage complex will near completion and preliminary work will begin on phase four. Renovations will be made to other facilities in Hull to permit the expansion of the language training program. The amount of construction in Hull reflects the government's objectives for the long-term development of the National Capital Region.

About 40 per cent of the total Department of Public Work's capital program is for postal facilities, mainly processing plants. The largest are the major postal plant (MAPP) facilities in Toronto and Montreal. The Toronto facility will be operational in 1975-76 and work will continue on construction of the plant in Montreal. Construction will also continue on postal plants in Saint John, N.B., and St. John's, Nfld., and starts will be made on plants for Halifax, Moncton, Victoria and Windsor. The total estimated cost of these postal facilities is \$419 million, of which \$118 million is included in 1975-76 Main Estimates.

A new Land Management and Development Program has been established in the Department of Public Works with the objective of managing and developing federal lands in such a way as to combine the efficient provision of government services with the achievement of wider

social, economic and environmental objectives. Under this program, properties will be developed for new federal uses. If properties are surplus to federal needs, the federal government will explore with provincial and municipal governments and private entrepreneurs possible opportunities for the development of the lands consistent with the program's objectives. Where opportunities exist, the land will be provided, through sale or long-term lease, to the organizations which will be responsible for carrying out an agreed plan for its use.

The Department of Supply and Services was established under the Government Organization Act, 1969. Its formation was based on recommendations of the Glassco Royal Commission on Government Organization and its purpose was to improve efficiency in the provision of certain common services. The Supply Administration purchases and, in some cases, produces goods and services required by government departments and agencies. The Services Administration offers a number of administrative management and advisory services, including accounting and audit, and is responsible for issuing all cheques on behalf of federal government departments and agencies. In 1975-76, the Department of Supply and Services will acquire more than \$1.6 billion worth of goods and services and will issue approximately 110 million cheques for government operations.

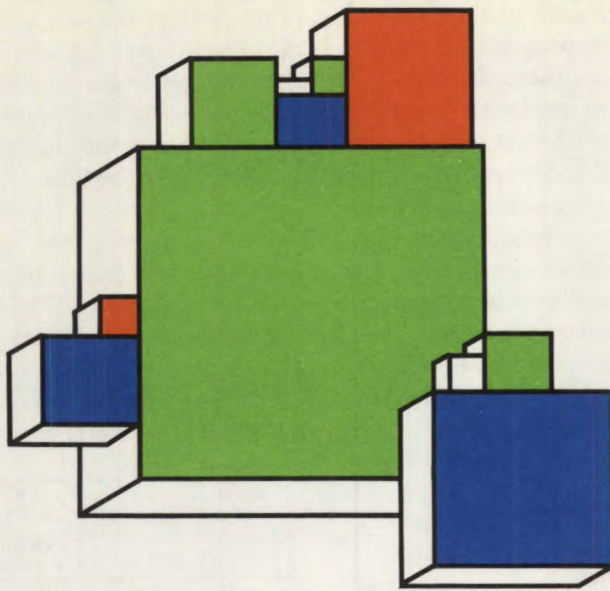
Certain significant transfers have been made from the internal overhead expenses function to other functions to give a better picture of actual program costs. Building alterations made at the request of tenant departments have previously been paid for by the Department of Public Works. In 1975-76, tenant departments will pay for these alterations. And as a result, \$32 million has been deleted from the estimates of the Department of Public Works. Similarly, departments will now pay the Services Administration for \$9 million worth of professional audit services they used to receive without charge. Finally, the government's contributions as an employer to the Canada Pension Plan, Quebec Pension Plan and Public Service

Death Benefit Account will be included in the estimates of the departments employing the personnel, rather than in the estimates of the Treasury Board. These contributions are estimated to be \$35 million for 1975-76.

Grants to municipalities and provinces in lieu of taxes on federal property will total \$76 million in 1975-76, up from \$72 million included in the 1974-75 Main Estimates.

Internal overhead expenses

	1975-76 Main Estimates (\$ millions)	1974-75 Main Estimates (\$ millions)
Government support services		
Accommodation—rent, maintenance, new buildings	543.3	436.0
Grants to municipalities in lieu of taxes on federal property	76.2	72.1
Translation services	31.7	23.6
Public Service bilingualism	50.0	50.0
Other administrative costs, including contingencies	344.0	259.8
Pension and medical plans		
Government contributions to public servants' insurance and medical plans	104.1	127.4
Total	1149.3	968.9



Foreign affairs

The total expenditure for foreign affairs is made up of Canada's program of diplomatic activities abroad and its external aid program.

External relations

Canada carries on diplomatic activities in 125 countries through 111 posts, to further those aspects of national objectives such as economic growth, sovereignty and peace and security, which can only be attained in co-operation with other countries and with the international community as a whole. The continued expansion in these activities reflects the increasing complexity of international relations and the emergence of new world problems such as the energy crisis, the world food shortage and international monetary problems, which are of vital significance to Canadians. The total estimated cost in 1975-76 will be \$197 million and will involve some 5,633 man-years, including non-Canadians hired to work in Canadian diplomatic and consular missions. This compares to a budget of \$157 million and 5,378 man-years in Main Estimates for 1974-75.

About \$14 million of the increase is accounted for by higher prices for goods, services and salaries, and higher cost of assessed contributions to the United Nations and other international organizations. A greater workload, and the

introduction of a long-term plan to reduce costs through buying rather than renting accommodation abroad, account for another \$17 million.

The balance of \$10 million (24 per cent) is proposed for the following initiatives: the opening of new missions in Baghdad and Strasbourg, the hosting arrangements for the United Nations Conference on Human Settlements to be held in 1976 in Vancouver, participation in the 1975 Okinawa International Ocean Exposition, and the expansion of consular services, cultural exchanges and information services abroad.

Some \$55 million (27 per cent) of the Department of External Affairs budget and some 2,451 man-years will be committed to the provision of integrated support services to other departments and agencies having extensive program activities abroad, such as the Canadian International Development Agency, the Department of Industry, Trade and Commerce, and the Department of Manpower and Immigration. In addition, a \$5-million capital expenditure is proposed for this purpose.

Canada will contribute \$36 million in grants and contributions (18 per cent of the department's budget) toward various international co-operation activities of the United Nations and of other international organizations such as the Food and Agriculture Organization, the International Labour Organization, the North Atlantic Treaty Organization, the Organization for Economic Co-operation and Development, the Pan American Health Organization, the UN Voluntary Fund for the Environment, the Agence de Coopération Culturelle et Technique, Commonwealth institutions and the United Nations Peacekeeping Emergency Force in the Middle East.

Assistance to developing countries

Many of the world's nations have not yet reached a level of development which permits their citizens to live a full life. As part of the continuing international effort to deal with this situation, Canada's program of development assistance, administered by the Canadian International Development Agency (CIDA),

will involve appropriations of \$712 million in 1975-76, excluding administrative costs. Of that amount, \$481 million will be budgetary expenditures (mostly grants) and \$231 million will be loans. The total is 30 per cent more than the 1974-75 appropriation of \$549 million. The increase marks a further step by Canada toward the internationally accepted target of seven-tenths of one per cent of each donor country's Gross National Product for development assistance.

In addition, it is planned to draw funds against unused appropriation authorities of earlier years to make a further \$55 million in budgetary expenditures and \$166 million in loans for development assistance and investment in international development institutions, for a grand total of \$933 million in disbursements for aid in 1975-76. This total level of disbursements is 27 per cent more than planned disbursements of \$733 million in 1974-75.

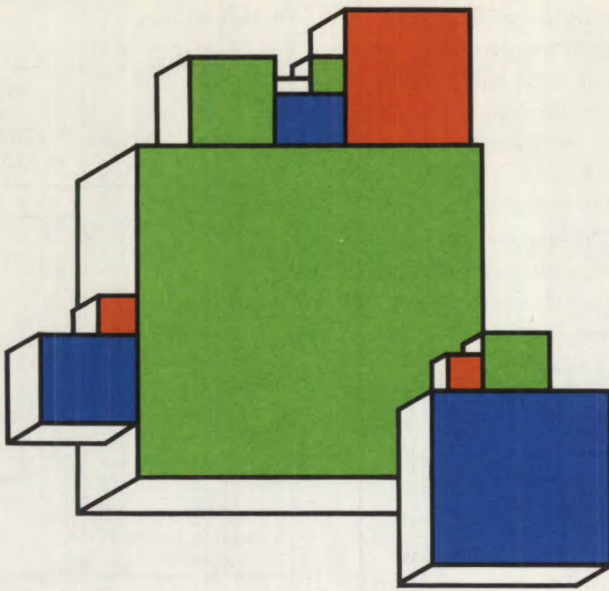
About \$249 million will be spent on food aid, largely in the form of cereal grains, to those areas of the world where local supplies are inadequate to feed the population. This amount is more than double the total which is now expected to be spent on food aid in 1974-75, and reflects the commitments made by Canada at the World Food Conference in Rome, Italy, in November, 1974. Grants for economic and technical assistance to developing countries (\$106 million), grants to international organizations for multi-lateral assistance programs (\$66 million), contributions toward the cost of development assistance projects and activities of Canadian and international non-governmental organizations (\$32 million), and a grant to the International Development Research Centre (\$27 million) are also included in the proposed budgetary expenditure for 1975-76.

CIDA will require \$23 million and 963 man-years in 1975-76 to administer the aid program, compared to \$19 million and 905 man-years in 1974-75. The additional expenditure is required because of salary and price increases and because of expansion in the aid program. This administration budget includes \$2 million and 51 man-years for CIDA's field staff, who are attached to Canadian missions in the developing countries.

Foreign affairs

	1975-76 Main Estimates (\$ millions)	1974-75 Main Estimates (\$ millions)
External relations		
Department of External Affairs	161.7	126.0
Canada's contribution to international organizations, etc.	35.7	30.6
Assistance to developing countries		
Aid to developing countries—grants, technical assistance etc.	480.9	332.0
Administration costs—Canadian International Development Agency	22.6	18.8
Total	700.9	507.4

Total aid in 1975-76 will be \$933.2 million (see text accompanying table).



Culture and recreation

A shorter work week and a higher standard of living have given Canadians a greater opportunity and need for leisure activities. In recognition of this, federal government expenditures in the cultural and recreational area have increased in the last five years, from \$298 million in 1971-72 to the \$690 million requested for 1975-76.

Film, television and radio

The Canadian Broadcasting Corporation (CBC) occupies a special place among national cultural institutions both in the size of its budget and in the influence it has on the daily lives of Canadians. The total budgetary expenditures for the CBC in 1975-76 are \$353 million, \$54 million higher than in 1974-75. Of this increase, \$32 million will be used to maintain present levels of service in the face of rising costs and \$11 million will be used to make a number of improvements to existing services. Some of the proposed improvements are the elimination of commercial advertising in television programs for children; an increase in the number of regionally-produced programs; and increased Canadian content. The proposed capital budget of \$59 million will be used to replace outdated equipment, continue the implementation of its accelerated coverage plan and its service plan for the northern regions, and to proceed with the consolidation of equip-

ment in a number of large centres, particularly Toronto and Vancouver.

The CBC will make some of its television programs available for educational institutions after they have been broadcast. The National Film Board (NFB) will also produce a number of educational films for use in schools. Both of these programs are designed to assist the provinces in increasing the Canadian content of teaching materials.

The National Film Board will increase its program of regionalizing production and distribution of its films. This program has the two-fold objective of stimulating film-making in the different regions of Canada while reflecting a clearer picture of local diversities in NFB films. Regional NFB production centres will be set up in Toronto, Winnipeg, Halifax and the one in Vancouver will be completed.

Cultural institutions

To further the objective of spreading cultural benefits to all Canadians, the 1975-76 Main Estimates request \$38 million for the National Museums. This increase from \$32 million in 1974-75 Main Estimates will be used to improve museum services to the Canadian public and, in particular, to add a second three-unit caravan to the "Museum-mobile" program. These caravans visit the more remote areas of Canada with exhibits that depict Canada's cultural and historical heritage.

An additional \$6 million is requested for aid to the performing arts through the Canada Council. This increase will enable the Canada Council to increase its contributions to the major cultural institutions and to place a greater emphasis on assisting lesser-known groups who show potential. Similarly, \$3 million is requested for the Arts and Cultural Program of the Secretary of State Department to establish a capital grants program for theatrical facilities and equipment. This program should also assist in reducing regional cultural disparities.

Recreation

To make Canada's national parks more accessible to all Canadians, \$132 million,

an increase of \$38 million over 1974-75 Main Estimates, is proposed for the Parks Canada budget. A little more than half of this increase will be used to offset increases in operating costs, and the costs of construction and equipment. About \$16 million will be used to improve services in existing parks and to develop new facilities subject to federal-provincial agreements.

Major projects to restore and reconstruct historical sites will be stepped up in 1975-76 with \$16 million proposed for this purpose. Some current projects include the Louisbourg Fortress, N.S., Artillery Park, Quebec City, Les Vieilles Forges, Quebec, and Lower Fort Garry, Manitoba. An increase of \$3.8 million is proposed to improve maintenance of eight historical canals to prevent deterioration. Finally, negotiations will be pursued with the provinces to undertake further joint projects in historic and tourist areas.

Other

The major objectives of the Fitness and Amateur Sport Program are to influence the life-styles of Canadians by encouraging a greater participation in sports and to develop new programs to meet these changes in life-styles. Expenditures for this program have increased from \$5 million in 1970 to the almost \$22 million proposed in 1975-76 Main Estimates. This increase reflects the additional grants being made to help the program realize its goals. Grants represent 77 per cent of total federal expenditures on fitness and amateur sports.

Amateur sports will be allocated the largest portion of available funds again this year. The 1975-76 Main Estimates include \$2 million for the first installment of the federal contribution to the Commonwealth Games being held in Edmonton in 1978, with an additional \$10 million to be paid in the following two fiscal years. About 30 per cent of the increase in the amateur sports program will be used to train the athletes who will represent Canada at the 1976 Olympic Games. Other subsidized sports activities include the training of coaches, support of sports associations and participation in international training sessions and competitions.

The 1976 Olympic Games are being financed in large part through the sale of special coins and stamps.

The "Participaction" program is also designed to change the life-styles of Canadians by making them more physically active. Proposed 1975-76 expenditure for this program, which makes extensive use of the media to carry its message to Canadians, is \$500,000. Some of Participaction's ongoing projects designed to get Canadians "involved" are: preparation of bicycle or exercise paths, development of a simple test administered in the home to determine a person's physical condition; and a program to encourage school-age children to improve their physical strength. Proposed new projects include training activities for leaders in the field of recreation and fitness, and assistance to special groups such as the handicapped and the underprivileged.

The Secretary of State Department's Citizenship Program promotes Canadian citizenship and encourages the participation of all Canadians in social and community life.

In 1974, 130,000 individuals obtained Canadian citizenship while about the same number of Canadians requested and received proof of their citizenship. Citizenship courts operate through the regional offices of the Secretary of State Department to assist immigrants in acquiring Canadian citizenship. Other means, such as mobile units and temporary offices set up in areas where immigrants reside are used to encourage eligible immigrants to obtain Canadian citizenship.

The mandate of the Citizenship Branch of the Secretary of State Department is broad, including policy development and implementation of programs to promote effective citizenship, national unity and understanding among individuals and groups. The number of departmental regional offices is growing every year to allow staff to have direct contact with the general public and, in particular, with those groups in greatest need of assistance to encourage their full participation in all aspects of social and community life.

Among these groups are voluntary organizations, native peoples, recent immigrants, and, on the occasion of International Women's Year, women's organizations which are striving to improve the status of women in all areas. The branch also offers support to minority groups through programs geared to their cultural, civic and social development. In addition, the multicultural program gives support to the cultural activities of minority groups.

The program for official language minorities has the objective of encouraging the cultural and linguistic development of such groups and of promoting a better understanding between the two language groups across the country.

Assistance to Canada's native peoples (Indians, Inuit and Métis) takes such forms as the provision of support to provincial Indian organizations and friendship centres established to assist Indians moving into urban areas. Highest priority in 1975-76 has been given by Indians to a communications program to promote the social development of native citizens. An amount of \$1.7 million is allocated for this program.

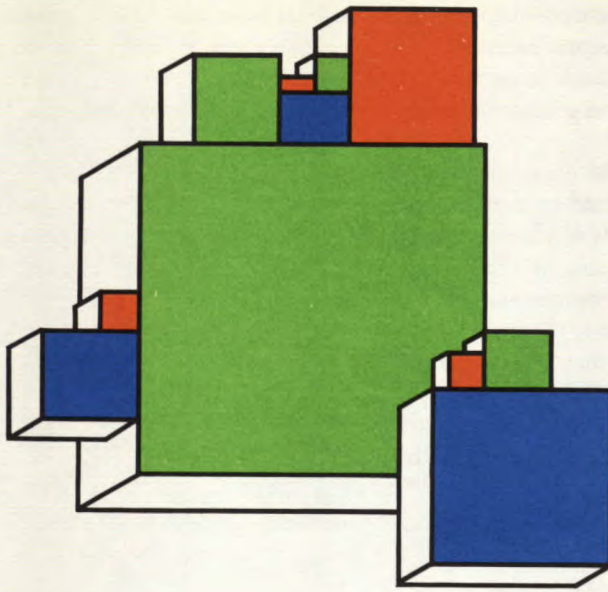
Multicultural activities receive support through a number of different programs: a grants program to assist ethnic group projects and activities, an ethnic identity program and programs for study and research in multiculturalism. The Council on Multiculturalism, with a membership of 100, provides advice to the minister responsible for multiculturalism regarding the effectiveness of existing programs and the criteria which should govern the creation of new ones. The council may also conduct studies and research projects in order to gain a better understanding of the groups they wish to serve and the impact of the Citizenship Branch programs in general.

As part of International Women's Year, the branch is responsible for administering a program of special grants and conferences, with a total proposed budget of \$2.5 million for the next two years. Available funds are allocated by region to foster the participation of women from across Canada in a variety of activities, including cultural programs, demonstration projects for new services, information

and reception centres designed to meet the particular needs of women, national or regional organizations aimed at promoting equality between the sexes and other efforts to increase awareness among Canadian women. This is just one part of Canada's active participation in International Women's Year as decreed by the United Nations.

Culture and recreation

	1975-76 Main Estimates (\$ millions)	1974-75 Main Estimates (\$ millions)
Cultural institutions		
Costs of National Museums, National Library, National Arts Centre, Public Archives	61.2	51.2
Recreation		
National Parks, historic sites and conservation	132.3	94.8
Film, radio and television		
Canadian Broadcasting Corporation	352.9	298.8
Canadian Radio-Television Commission	9.7	7.8
National Film Board	21.0	18.6
Other		
Fitness and amateur sport	21.8	17.2
Arts and cultural support	9.3	6.1
Citizenship	42.8	36.0
Canada Council support of the arts	30.9	18.0
Secretary of State, administration	8.5	5.7
Total	690.4	554.2



Education assistance

Federal government support for education, responsibility for which is assigned to the provinces under the British North America Act, was expanded in the mid-1960s. The objective was to assist the provinces in expanding their post-secondary institutions to accommodate the rapid growth in student population which occurred in the '60s when the post Second World War "baby boom" reached college age. Beginning in 1967, fiscal transfers were made available to the provinces to absorb the increasing expenditures required to pay for the expanding educational institutions. In the late 1960s it was also decided to further the development of bilingualism by supporting the teaching of the second official language in elementary and secondary schools.

Post-secondary education

The program to support post-secondary education has two elements. Direct cash payments, made to the provinces in supporting post-secondary institutions, are estimated at \$511 million in 1975-76, compared with an original estimate of \$460 million in 1974-75 and a currently revised forecast of \$504 million. Tax points are also transferred to the provinces. The value of these tax points is estimated at \$840 million for 1975-76 compared to an estimated \$656 million for 1974-75. The total of these two ele-

ments represents 50 per cent of eligible operating expenditures of universities, community and technical colleges, and other post-secondary education institutions. Excluded from the program are certain categories of capital expenditure, together with student financial aid, student residences and ancillary enterprises.

For seven provinces, the federal contribution is equal to 50 per cent of their eligible post-secondary education expenditures, subject to the over-all limitation that total federal contributions in any year will not be greater than 115 per cent of the previous year's contribution. In the other three provinces, Newfoundland, New Brunswick, and Prince Edward Island, the federal government contribution was made originally on the basis of a \$15 per capita population allowance. This amount has been increased annually at the rate of increase in eligible post-secondary operating expenditures for all provinces. The purpose of these federal contributions is to encourage the development of post-secondary institutions at a standard which the tax base of these three provinces would not be able to sustain without some additional support.

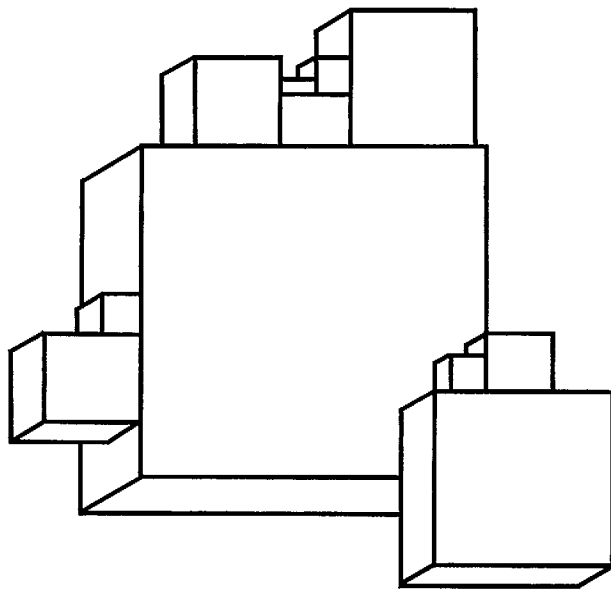
The federal government also guarantees loans made to students who require financial assistance to carry on full-time studies at the post-secondary level. The guarantee applies to loans of up to \$1,400 in each academic year, to a maximum of \$9,800 for any one student for all years taken together. The federal government pays the interest on the loans while the borrowers are full-time students and for six months thereafter, and also pays the principal to the lending institution should the student default. It also makes an alternative payment to any non-participating province (currently only Quebec) which authorizes student loans under its own plan, the payment being based on a pre-determined formula. Federal government financial support for student loans, administered by the provinces, is expected to cost \$53 million in 1975-76 compared to \$44 million in 1974-75 Main Estimates. The increase is largely related to interest charges on student loans.

The bilingualism development program provides payments to provinces to assist them with the extra costs incurred in the teaching of the second official language.

Payments are made to provinces according to a formula related to the number of students and hours of instruction in either of the official languages at all levels of education. This program also encourages and facilitates the use of both official languages in the operations of organizations and institutions in the private sector. The 1975-76 expenditure is projected at \$108 million compared to \$94 million in 1974-75.

Education assistance

	1975-76 Main Estimates (\$ millions)	1974-75 Main Estimates (\$ millions)
Post-secondary		
Education support administration	1.0	.9
Post-secondary education payments to provinces for costs of universities, community colleges etc.	511.0	460.0
Other education		
Student loans program interest and other charges	52.8	43.9
Bilingualism development including payments to provinces	107.7	94.1
Total	672.5	598.9



Chapter 3

The budgetary process and accountability to Parliament

The process of developing the Main Estimates begins more than a year before the date of their presentation to Parliament. In developing the specific expenditure levels for continuing and new programs and in approving them for inclusion in the Main Estimates, the government must weigh the aspirations and needs of society against the resources that can be made available in the prevailing economic circumstances. The process involves many difficult decisions since the cost of providing for all aspirations and needs is found, inevitably, to be far beyond the limits of available resources.

Fiscal framework and priorities

Early in 1974, the Cabinet Committee on Priorities and Planning, under the chairmanship of the Prime Minister, was given a first assessment by the Minister of Finance of the level of financial resources that he considered should be made available for expenditure in the fiscal year 1975-76. This assessment is the "fiscal framework" in which expenditures should be considered. At the same time, the President of the Treasury Board presented an assessment of the expenditures likely to be required

to continue existing programs, as well as the resources that might be required to meet the cost of new initiatives. During this period, the government also undertook a review of its major objectives and priorities.

On the basis of this information, the Cabinet reached preliminary conclusions about the over-all level of federal expenditure for 1975-76, including the resources likely to be required for various measures expected to be considered during the coming months.

The Treasury Board uses the fiscal framework as a general guide in its consideration of expenditure proposals from departments and agencies. From time to time the fiscal framework is reviewed by Cabinet and amended as necessary to take account of changing conditions. Depending upon the circumstances, the Treasury Board may also be directed to carry out expenditure reductions in order to ensure that the fiscal framework is preserved.

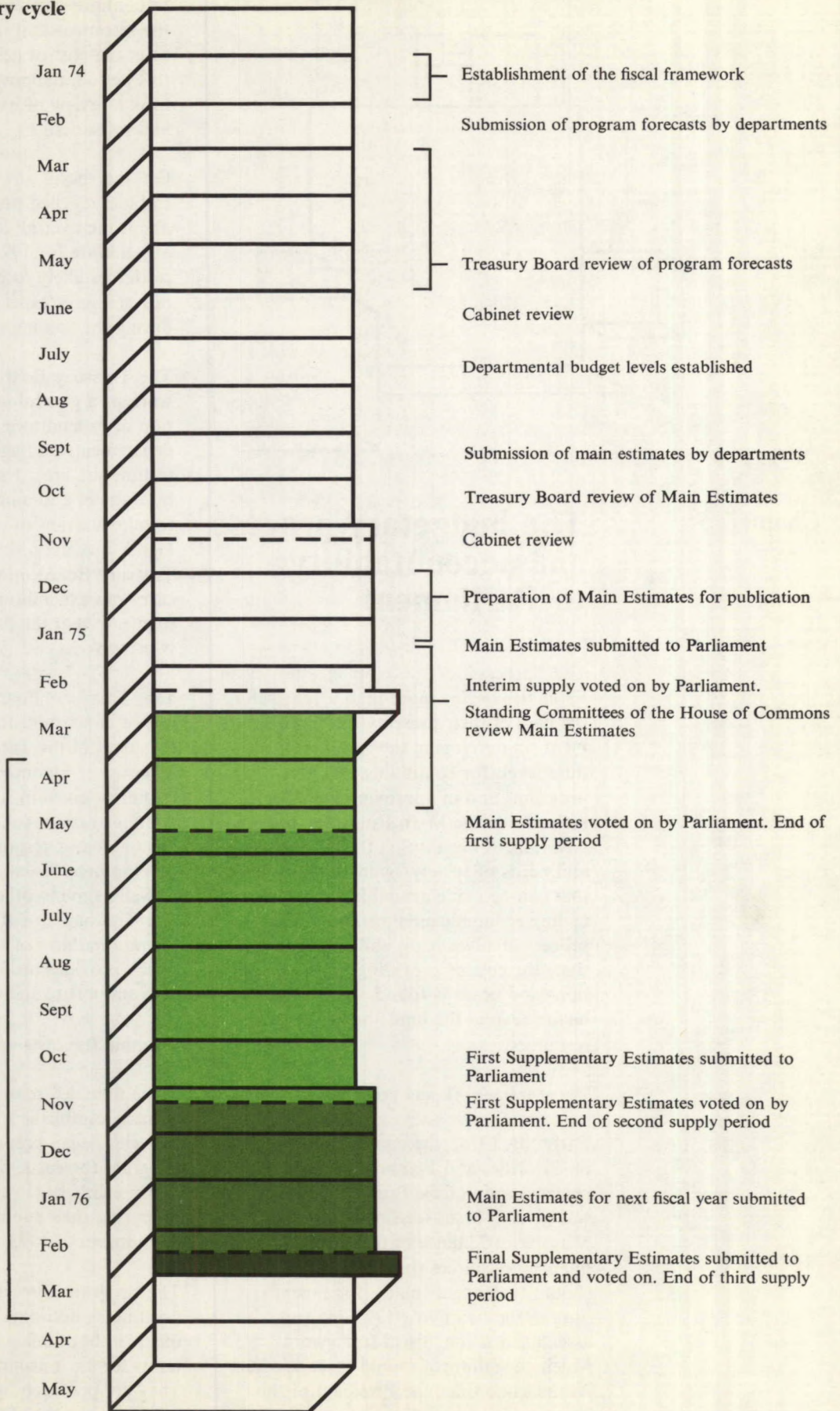
The Treasury Board is a Cabinet committee of six ministers including the President of the Treasury Board, and the Minister of Finance. Under specific authority given to it by the Financial Administration Act, the Treasury Board has the major responsibility for the development of the expenditure budget as well as many other responsibilities. The Treasury Board Secretariat is the operational arm of the Treasury Board which provides professional advice and staff support to the ministers.

Program forecasts and program review

Some time before the fiscal framework was actually established, departments and agencies began preparing their 1975-76 program forecasts. Some of the larger departments began collecting data and preparing their submissions as early as the autumn of 1973.

The program forecasts are comprehensive documents outlining resource requirements in both financial and manpower terms for each program and activity. They are prepared by the departments in accordance with a format established by the Treasury Board. Departments set

Table 6—The budgetary cycle



out the resource requirements for each program and activity not only for the next fiscal year but also for the two subsequent fiscal years.

The program forecasts distinguish between resources required to continue existing programs and those being requested for the enrichment of existing programs or the initiation of new ones. The primary purpose of this separation is to provide the clearest possible picture of the government's "fixed costs" and the resources that might be required for new initiatives. At the same time, an assessment is made of the continuing relevance of various existing programs and reductions are made where feasible. If they are proposing new programs or the enrichment of existing programs, departments must provide justification as to priority and the benefits to be gained.

The program forecasts are normally signed by the ministers responsible for the departments and agencies and forwarded to the Treasury Board Secretariat by the end of March, at which time a process known as the program review takes place.

This review begins with a period of intensive discussion between the Treasury Board Secretariat and departmental representatives to clarify departmental requirements. The discussion deals with both technical matters and issues of substance. For example, the Treasury Board staff are required to ensure, in consultation with departmental officials, that increases in productivity have been taken into account, that cost estimates are accurate, and that all required cost recoveries have been included.

The Treasury Board Secretariat also reviews the various proposals for enrichment of existing programs and the initiation of new ones, assessing them in relation to one another and to the general priorities indicated by the Cabinet. Here again, extensive discussions are held between the Secretariat and departmental representatives.

Recommendations are prepared by the Secretariat for the ministers of the Treasury Board during the month of June. At this stage, ministers responsible

for the departments and agencies are given the opportunity to meet with the Treasury Board to give further explanation of their requirements. The decisions of the Treasury Board are drawn together and submitted as recommendations to Cabinet for final approval, usually in early July. Cabinet then approves basic allocations or expenditure targets for each program.

Preparation of Main Estimates

In August, 1974, departments and agencies were advised of the basic allocations for the 1975-76 expenditure budget and were instructed to begin compiling their Main Estimates for 1975-76. These estimates were submitted to the Treasury Board at the end of October, 1974. In November, 1974, in a process similar to the program review, the Treasury Board reviewed the Main Estimates submissions and made recommendations to Cabinet. Cabinet approval of the Main Estimates was given in mid-December.

The preparation of Main Estimates is an exacting and detailed task. An extensive array of supporting details has to be provided for each program, including the following:

- the amount to be used for each of 13 standard objects such as salaries and wages, materials and supplies, and transportation and communications;
- the distribution for each activity in each program of expenditures for operations, for capital and for grants and contributions;
- a listing of all major capital projects showing expected total cost and the expected pattern of expenditure over time; and
- a distribution of manpower according to occupational category, that is, executive, scientific and professional, etc.

During the time they are preparing their Main Estimates, departments are sometimes required to obtain final Treasury Board approval for projects and activities which had received only approval in principle during the program review.

Translation into both official languages and preparation for publication is the

final step in the production of the Main Estimates which are presented to Parliament in the form of a document of over 1,000 pages. The final wording and figures have to be frozen early in January to ensure that the Blue Book is available for presentation to Parliament in February. The rules of the House of Commons require that the Main Estimates be referred to committees of the House by March 1.

Parliamentary consideration of the Main Estimates

With the tabling of the Main Estimates in February, 1975, Parliament begins its examination of the government's expenditure budget for 1975-76.

Under current procedures, parliamentary deliberations on the Main Estimates do not conclude until the end of June. Parliament is therefore asked to vote interim supply at the end of March to make it possible for the government to finance its operations from the start of the fiscal year on April 1, to the end of June. Interim supply usually comprises 3/12 of each Vote in the Main Estimates, although it may be more in some specific instances where the expenditure pattern of a program requires it. (Parliament approves expenditures under separate authorities called "Votes" which number about 250.)

The Main Estimates are referred to the appropriate standing committees of the House of Commons for detailed consideration. The committees are required to report back to the House of Commons by May 31 of the fiscal year.

There are about 14 standing committees of the House of Commons to which Votes in the Main Estimates are normally referred. The approach taken in reviewing the Main Estimates varies from committee to committee. Indeed, the same committee sometimes varies its approach from year to year. In some years a committee may wish to focus a great deal of attention on one specific activity within a program; in other years it may conduct a general review of a department's operations. Usually a committee begins its review of a department's Main Estimates with a

statement by the responsible minister about the nature and extent of the proposed expenditure, and the related policy issues and priorities. The committee members then question the minister about areas of particular interest or concern to them. Following the meeting with the minister, further meetings may be held with senior officials of the department if the committee decides to examine the proposed expenditures in greater detail.

Soon after being presented to the House of Commons in February, the Main Estimates are also tabled in the Senate where they are normally referred to the Standing Senate Committee on National Finance. In addition to a general review, this committee often studies a particular aspect of the Main Estimates in detail. In 1974-75, for instance, the expenditures proposed for Information Canada were thoroughly examined. In June, after the Main Estimates have been reported back by the House of Commons committees, an appropriation act is introduced in the House of Commons. Some expenditures are made before this date under interim supply authority, but it is only when this appropriation act is approved by the House of Commons and the Senate, and subsequently given royal assent by the Governor-General, that all the expenditures proposed in the Main Estimates may actually take place.

Preparation and approval of Supplementary Estimates

The initiation of new government programs and the modification of existing ones is a continuous process. Not all the expenditure proposals for a given fiscal year are ready, or in some instances even perceived as necessary, in time to be incorporated in the Main Estimates. The estimated cost of some items may need further adjustment because of changes in the level of prices for goods and services or revisions to plans. In every fiscal year there are usually unexpected one-time costs that suddenly materialize, such as a program of aid to a sector of the agricultural industry which suffers severe losses under extreme weather conditions. The authority necessary to cover these types of adjustments to Main Estimates expenditure

levels is sought through Supplementary Estimates.

On the basis of both past experience of funds required to meet normal contingencies and estimated costs of new programs still in preparation, the government makes appropriate allowances for the funding of Supplementary Estimates at the beginning of the budgetary cycle for each fiscal year. This allowance is included within the over-all level of expenditure that is established in the fiscal framework.

Supplementary Estimates are prepared and approved for presentation to Parliament in a somewhat different manner than Main Estimates, in that items are approved subsequent to, and therefore outside of, the comprehensive review of program forecasts that takes place each spring. Proposals requiring new expenditures are submitted individually to the Treasury Board, either directly by the departmental minister concerned or, if significant policy issues are involved, after being approved in principle by Cabinet. All such proposals are reviewed in relation to the resources available within the existing departmental budget and within the fiscal framework. An assessment is also made of the likely effectiveness of the proposal in furthering the government's objectives. When new funds are approved by the Treasury Board, the items are held for inclusion in a future set of Supplementary Estimates.

The first Supplementary Estimates are normally presented to Parliament in November, about nine months after the presentation of the Main Estimates; the second set is normally presented the following March. Prior to presentation to Parliament, the proposed Supplementary Estimates are reviewed by the Treasury Board and subsequently by the Cabinet to assess their over-all financial implications, particularly in relation to any unused reserves provided in the fiscal framework and the resources that will remain available for subsequent Supplementary Estimates. An assessment is also made of the implications that any items of a continuing character will have on Main Estimates of future years.

After presentation to the House of Commons, Supplementary Estimates are normally referred to the Standing Committee on Miscellaneous Estimates for review. This committee follows much the same procedure as that followed in the review of Main Estimates by the other standing committees. When tabled in the Senate, the Supplementary Estimates are referred to the Standing Senate Committee on National Finance. When the review by the Miscellaneous Estimates Committee is completed, an appropriation act is introduced in the House of Commons.

All stages of parliamentary consideration and approval of both Main and Supplementary Estimates are open to the public.

“The Budget” and the Main Estimates

The relationship between the forecast expenditure referred to in the Budget which the Minister of Finance presents to Parliament and the expenditure budget submitted in the form of the Main Estimates is not always clearly understood by those not familiar with government fiscal procedures.

When the Minister of Finance presents a budget to Parliament, he gives an assessment of the state of the Canadian and international economies and announces the government's fiscal policies. The budgets presented by the Minister of Finance provide statements of the government's policies with respect to the management of the economy, including a forecast of the revenues to be collected, and a forecast of the total expenditures contemplated by the government during the coming months.

The expenditure budget presented in the form of the Main Estimates comprises the government's detailed proposals for expenditure on its programs and activities during the fiscal year to the extent that they are determined at the time when the Main Estimates are compiled.

The assumptions made about future requirements for Supplementary Estimates and the lapse that will take place between authorized and actual expenditures are not indicated in the Main Estimates but are taken into account in the Budget.

Moreover, there is a considerable difference between the figures in the Budget and in the Main Estimates for loans, investments and advances. The Main Estimates include only those loans, investments and advances which have not yet received parliamentary approval. The Budget, on the other hand, takes account of all loans, investments and advances which are likely to occur in the coming months, including those which have already received parliamentary approval and those which are awaiting approval.

The relationship between the forecast expenditure cited in the supplementary tables to the November 18, 1974 Budget and the 1975-76 Main Estimates is as follows:

	\$ (millions)
Budgetary	
1975-76 Main Estimates	28,242
Allowance for all 1975-76 Supplementary Estimates	<u>1,166</u>
Total 1975-76 Estimates	29,408
Assumed lapse*	<u>— 658</u>
Expenditure forecast in November 18, 1974 Budget	<u><u>28,750</u></u>
Non-Budgetary (loans, investments and advances)	
Loans authorized in 1975-76 Main Estimates	1,343
Other loans under existing statutes**	<u>1,307</u>
Total loans forecast in November 18, 1974 Budget	<u><u>2,650</u></u>

* Actual expenditures always fall short of the total estimates due to delays in construction and procurement of goods and services and to an inability to recruit all the employees planned for.

** Example: The National Housing Act

Accountability for authorized expenditure

The government maintains records to provide a complete accounting of how it has used the financial resources authorized by Parliament. The Financial Administration Act specifically requires that the accounts be kept in such a manner as to show the expenditures made under each appropriation.

The accounting is made each year by the government to Parliament in the form of the Public Accounts of Canada. The accounts include details of departmental expenditures so that Parliament can determine the manner in which approved resources have been used by

the government. The accounts also provide summary statements of total revenue and expenditures for the fiscal year and the financial position or balance sheet of Canada at the fiscal year-end. The structure of the reports on departmental expenditures corresponds in a very direct way to the structure of departmental presentations in the Main Estimates.

The Auditor General's review and report

An integral step in Parliament's control of government expenditure is the examination of the government's accounts by the Auditor General of Canada. As an officer of Parliament who can be removed from office only by the Governor-General on address of the Senate and the House of Commons, the Auditor General is independent of the government in power.

He is required to determine whether the federal government's accounts have been properly kept, money has been spent for the purposes for which it was approved by Parliament, public money has been fully accounted for, and essential records are adequately maintained to safeguard public property.

Under the authority of the Financial Administration Act, the Auditor General reports annually to the House of Commons and calls attention to instances where departments and agencies have failed to collect money due to the government, where public money has not been duly accounted for, and where appropriations have been exceeded or used for a purpose not authorized by Parliament. He also reports on any unauthorized expenditure and on instances of deficiency or loss through the fraud, default, or mistake of any person. The Auditor General can draw attention to any other matter that he considers should be brought to the notice of the House of Commons.

The Auditor General's report is referred for review to the Public Accounts Committee of the House of Commons which may call before it those ministers and government officials it considers necessary to carry out this review. The chairman of the Public Accounts Committee is traditionally a member of the Official Opposition.