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FEDERAL GOVERNMENT ENTERPRISE FINANCE

1968

(Fiscal Year Ended Nearest to December 31)

ASSETS, LIABILITIES AND NET WORTH
CURRENT REVENUE AND EXPENDITURE

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FEDERAL GOVERNMENT ENTERPRISE FINANCE

1968

(Fiscal Year Ended Nearest to December 31)

ASSETS, LIABILITIES AND NET WORTH CURRENT REVENUE AND EXPENDITURE

INTRODUCTION

This report presents the financial statistics of federal government enterprises in Canada for 1968. The series, on federal government enterprise finance, commenced with data for the year 1958.

The federal government statistical universe is comprised of: (a) departmental organizations; (b) special funds and agencies; (c) institutions; (d) trust funds; and, (e) enterprises.

The series on federal government enterprises complements the publication "Federal Government Finance" (Catalogue No. 68-211), which presents financial data on departmental organizations, special funds and agencies and institutions, the costs of which must be met from government revenues.

Corresponding data for provincial government enterprises is presented in Catalogue No. 61-204.

Reports dealing with government enterprises are part of the program to enlarge the scope of government finance statistics to permit consolidation of all parts of government finance. This expanded framework will permit a more sophisticated evaluation of the impact of government on the economy with respect to its demands on the goods and services produced, its capital formation, its external financing, the redistributive effects on private incomes through its taxing powers and transfer payments and the significance of its trading profits in industry.

Explanatory comment and appendix explaining the concept of a government enterprise and the financial classification and terminology used, is provided on pages 18 and 23.

REVIEW OF THE YEAR 1968

Assets, Liabilities and Net Worth

Table 1 shows the assets, liabilities and net worth of federal government enterprises as at the fiscal year end nearest to December 31, 1968, classified by the categories described in appendix under "Financial Classification and Terminology".

The absolute and per cent change in the group components between 1968 and 1967, and their proportion to the total, are provided in Tables 6 and 7.

Assets

The assets of the federal government enterprises, excluding the Bank of Canada, were valued at \$13,364 million at the end of 1968. This represents an increase of \$1,054 million or 8.6 per cent over the total at the end of 1967. Of the total assets, 45 per cent were held by the transportation, storage, communication and electric power enterprises; 45 per cent were held by the finance, insurance, real estate and other enterprises with the remaining 10 per cent being held by the wholesale trade and manufacturing enterprises.

Investments, including loans and advances and restricted funds, in the amount of \$6,431 million represented 48 per cent of the total assets and accounted for \$652 million of the increase in assets during 1968.

Asset item 10 (Table 1), mortgages receivable and agreements for sale, includes mortgage loans for housing in the amount of \$3,227 million. Mortgage loans under the National Housing Act increased by \$300 million during 1968 and loans under the Farm Credit Act increased by \$120 million.

Long-term loans for student housing and for municipal sewage treatment projects increased by \$60 million and \$18 million respectively during 1968. Loans for long-term financing of the export sale of capital goods and related engineering and technical services increased by \$31 million over those outstanding at the end of 1967. Loans by the Industrial Development Bank increased by \$37 million during 1968. Advances, including progress payments, to suppliers increased by \$32 million during 1968.

An analysis of securities held as investments, including those in restricted funds, is provided in Table 4. Total security holdings increased by \$32 million over those at the end of 1967. Footnote 2 of Table 4 provides an analysis of other assets, including a \$108 million obligation of the Government of Canada under Section 21A of the Export Credits Insurance Act, held in restricted funds.

Fixed assets (net of depreciation) valued at \$5,230 million; and constituting 39 per cent of total assets increased by \$213 million over 1967. Enter-

prises reporting the largest increase were: Air Canada, \$94 million; Canadian National Railway, \$35 million; St. Lawrence Seaway Authority, \$23 million; and, the National Harbours Board, \$13 million. The balance of increase was made up of smaller amounts for several enterprises.

Liabilities

The liabilities of the federal government enterprises, excluding the Bank of Canada, totalled \$10,703 million at the end of 1968. This represents an increase of \$1,246 million or 13.2 per cent over the total at the end of 1967. Of the total liabilities, 55 per cent were liabilities of the finance, insurance, real estate and other enterprises; 34 per cent were liabilities of the transportation, storage, communication and electric power enterprises with the remaining 11 per cent being liabilities of the wholesale trade and manufacturing enterprises.

There was an increase of \$129 million in the amount of temporary loans and advances outstanding at the end of 1968. The prime factor was an increase of \$156 million for the Canadian Wheat Board with offsetting decreases of \$14 million for the Eldorado Nuclear Limited, and \$15 million for the Canada Deposit Insurance Corporation.

Long-term loans and advances, in the amount of \$979 million, were made by the Government of Canada to its enterprises during 1968. Of this amount Central Mortgage and Housing Corporation received \$483 million for purposes under the National Housing Act and \$24 million for investment under Federal-Provincial Agreements; Farm Credit Corporation received \$172 million for provision of credit for farm improvements; the Canadian Broadcasting Corporation received \$22 million for capital purposes; the Export Credit Corporation received \$41 million to provide credit to exporters and loans of \$220 million were made to improve transportation, seaway and harbour facilities.

Loans and advances due to parent enterprises by subsidiaries include bonds and debentures considered non-marketable. The contra-asset holdings of the parent enterprise are classified as loans and advances receivable. During 1968 the Industrial Development Bank borrowed \$31 million from its parent, the Bank of Canada and Air Canada borrowed \$75 million from its parent, the Canadian National Railways.

Long-term loans and advances - Other, increased by \$62 million during 1968.

With the exception of a very minor amount, the long-term debt shown in Table 1 represents an amount due to the public for bonds and debentures issued by the Canadian National Railways and guaranteed by the federal government. (See "Federal Public Accounts, 1968-69, Vol. 1" pp. 7-91 for a statement of contingent liabilities of the federal government.)

Reserves for estimated future liabilities increased by \$18 million during 1968. The provision for future income taxes was decreased by \$5 million while other increased by \$23 million.

Net Worth

The net worth of federal government enterprises at the end of 1968 amounted to \$2,661 million, a decrease of \$191 million from the total at the end of 1967. Most of the equity is held by the federal government directly or through its enterprises. The principal exceptions to this are: equity of the Export Finance Corporation of Canada amounting to \$5 million in notes receivable administered by the Export Credit Insurance Corporation, and \$4 million in Canadian National Railway capital stock held by the public.

Capital stock valued at \$34 million was issued by the enterprises during 1968. Of this amount, \$31 million was issued by the Canadian National Railway to the federal government and \$3 million by the Industrial Development Bank to its parent the Bank of Canada.

An analysis is provided on page 11 indicating the changes which took place in the unappropriated surplus during the year.

Current Revenue and Expenditure

Table 2 provides detail of revenue and expenditure and the resultant net loss for the year 1968. The net loss, before provision for income tax, amounted to \$22 million, compared to a net profit of \$218 million for 1967.

Revenue

Total revenue decreased from \$3,429 million for 1967 to \$2,706 million for 1968. Commentary on specific items is provided below.

Revenue of the transportation, storage, communication and electric power enterprises increased to \$1,752 million for 1968 from the \$1,660 million total for 1967 while expenditure for 1968 increased to \$1,806 million from the 1967 total of \$1,737 million. The resultant loss for 1968 although amounting to \$54 million was \$24 million below the loss incurred in 1967 and was mainly due to a decrease of \$13 million in the deficit of the Canadian National Railway.

The wholesale trade and manufacturing enterprises reported a decrease in revenue during 1968 amounting to \$871 million and a decrease in expenditure of \$603 million. This represents a decrease of \$268 million in net profits for 1968 compared to 1967. This decrease was mainly the result of a change in the method of calculating data for the Canadian Wheat Board.

There were only minor variations in the profit, or losses, of the other enterprises comparing 1968 to 1967.

Revenue from sales and services decreased by \$784 million from the previous year. This was in part the result of a decrease in the sale of grain by the Canadian Wheat Board, and in part the change in the method used to calculate the data for this enterprise.

Financial income increased by \$59 million during 1968 primarily from increased interest earnings of the Central Mortgage and Housing Corporation, Farm Credit Corporation, Industrial Development Bank and the Canadian National Railway.

All other income totalled \$188 million including \$16 million in rental income and \$144 million in contributions from the federal government towards the operating costs of the Canadian Broadcasting Corporation (\$7 million more than in 1967).

Expenditure

Total expenditure decreased from \$3,212 million in 1967 to \$2,728 million for 1968. Commentary on specific items is provided below.

The cost of goods and services sold in 1968 amounted to \$2,107 million, a decrease of \$569 million from the 1967 total. As noted above under revenue the main contributing factor, for the major changes in data between 1968 and 1967, was the new method of calculating financial data of the Canadian Wheat Board.

Expenditure for wages and salaries increased by \$16 million over 1967. The transportation component accounted for \$11 million of this increase.

Net additions to inventories amounted to \$140 million and represented an increase of \$131 million over 1967. Other purchases of goods and services decreased by \$455 million during the year with the Canadian Wheat Board changes being the main factor in the decrease.

Provision for depreciation and replacement at \$198 million represented an increase of \$17 million over 1967.

Interest charges on debt amounted to \$415 million, an increase of \$73 million over the previous year. This was due to increased borrowings under

the National Housing Act, the Farm Credit Act and for transportation, seaway and harbour facilities. These charges exclude interest capitalized during construction. Of the total interest charges \$323 million was earned by the federal government, \$18 million by parent enterprises and subsidiaries and the remaining \$74 million by others, the latter being mainly from the Canadian National Railway. Other miscellaneous expenditure decreased by \$3 million during the year. Provision for income tax amounted to \$27 million, \$9 million more than for 1967.

A description of the categories, used in Table 2, is provided in the appendix in the section entitled "Financial Classification and Terminology".

The absolute and per cent change in the group components between 1968 and 1967, are provided in Table 8.

Unappropriated Surplus Transactions

Table 3 provides an analysis of changes in the Unappropriated Surplus (item 11.6, Table 1), during the year. The balance of this amount decreased by \$226 million in 1968.

During 1968, surplus was reduced by a loss of \$49 million after provision for income tax, and increased by \$69 million in contributions from the federal government with respect to operating deficits, and by \$4 million from the sales of assets. Dividends in the amount of \$15 million were made by the enterprises out of surplus to the federal government; \$359 million was distributed by the Canadian Wheat Board to grain producers, and \$13 million was transferred to reserves.

Change in Coverage

During the year the charters of the Cornwall International Bridge Company Limited and the Northern Ontario Pipe Line Crown Corporation were surrendered. There were no new enterprises established, however, during the year Eldorado Mining and Refining Limited was renamed Eldorado Nuclear Limited.

HISTORICAL ANALYSIS

During the years, from 1958 to 1968 inclusive, there has been a continuing rise in total assets and liabilities. Total assets at the end of 1968 amounted to \$13,364 million, an increase of \$6,823 million or 104.3 per cent over the total at the end of 1958. The finance, insurance, real estate and other enterprise component reported the largest increase in assets, an increase that amounted to \$4,758 million or 371.1 per cent. Total liabilities amounted to \$10,703 million at the end of 1968, an increase of \$6,328 million or 144.6 per cent over those at the end of 1958. The above noted enterprise component, which

reported the largest increase in assets also reported the largest increase in liabilities. This increase amounted to \$4,671 million or 396.2 per cent 1968 over 1958.

Total revenue and expenditure has fluctuated during the years between 1968 and 1958. Total revenue for 1968 amounted to \$2,706 million, an increase of \$515 million, or 23.5 per cent over 1958. Total expenditure, before provision for income tax, amounted to \$2,728 million, an increase of \$564 million or 26.1 per cent over 1958.

TABLE 1. Assets, Liabilities and Net Worth, by Industry¹ as at Fiscal Year End Nearest to December 31, 1968

No.	Assets	Transportation, communication and other utilities				Sub-total, transportation, communication and other utilities	Wholesale trade and manufacturing	Finance, insurance, real estate and other ²	Total
		Transportation	Storage	Communication	Electric power				
thousands of dollars									
1	Cash on hand and on deposit	49,414	-	25,761	1,806	76,981	12,877	24,503	114,361
2	Accounts receivable	169,264	112	14,515	3,957	187,848	218,309	9,214	415,371
3	Inventories	103,338	165	9,765	1,571	114,839	853,567	-	968,406
4	Interest, dividends and rents receivable from								
	(ii) Federal government enterprises ³	4,807	-	-	-	4,807	-	-	4,807
	(vii) Other	566	-	-	-	566	-	34,644	35,210
	Sub-totals, item 4	5,373	-	-	-	5,373	-	34,644	40,017
5	Accrued revenue:								
	1. Interest owing from								
	(i) Federal government	-	-	-	-	-	-	83	83
	(iii) Provincial governments	-	-	-	-	-	-	66	66
	(v) Municipal governments	-	-	-	-	-	-	43	43
	(vii) Other	-	-	-	-	-	5,084	43,811	48,895
	Sub-totals	-	-	-	-	-	5,084	44,003	49,087
	2. Other	1,179	729	-	-	1,908	23	-	1,931
	Sub-totals, item 5	1,179	729	-	-	1,908	5,107	44,003	51,018
6	Prepaid expenses	3,938	-	593	-	4,531	472	873	5,876
7	Fixed assets	4,712,247	13,761	170,857	49,438	4,946,303	70,482	213,275	5,230,060 ⁴
8	Loans and advances receivable from								
	(i) Federal government	-	-	-	-	-	-	-	-
	(ii) Federal government enterprises ³	377,841 ⁵	-	-	-	377,841	-	-	377,841
	(v) Municipal governments	-	-	-	-	-	-	3,874	3,874
	(vii) Other	7,548 ⁶	-	-	-	7,548	114,277	983,839	1,105,664
	Sub-totals, item 8	385,389	-	-	-	385,389	114,277	987,713	1,487,379
9	Securities held as investments ⁷	83,287	-	-	-	83,287	28,660	20,405	132,352
10	Mortgages receivable and agreements for sale	11,539	-	-	-	11,539	7,660	4,352,176	4,371,375
11	Restricted funds:								
	1. Depreciation funds	55,575	-	-	-	55,575	-	-	55,575
	2. Trust and deposit accounts	-	-	-	-	-	14,526	-	14,526
	3. Other	28,623	-	-	-	28,623	-	340,908	369,531 ⁸
	Sub-totals, item 11 ⁷	84,199	-	-	-	84,199	14,526	340,908	439,633
12	Deferred charges:								
	1. Unamortized bond discount	12,169	-	-	-	12,169	-	1,173	13,342
	2. Other	27,505	-	-	-	27,505	5,177	123	32,805
	Sub-totals, item 12	39,674	-	-	-	39,674	5,177	1,296	46,147
13	Other assets:								
	1. Due on account of deficits from								
	(i) Federal government	14,942	-	-	-	14,942	-	7,213	22,155
	(iii) Provincial governments	744	-	-	-	744	-	-	744
	Sub-totals	15,686	-	-	-	15,686	-	7,213	22,899
	2. Unspecified	34,510	-	2,993	-	37,503	-	1,411	38,914
	Sub-totals, item 13	50,196	-	2,993	-	53,189	-	8,624	61,813
14	Total assets	5,699,037	14,767	224,484	56,772	5,995,060	1,331,114	6,037,634	13,363,808

¹ Excludes Bank of Canada. See Table 11 for special presentation.

² Includes Canadian Patents and Development Limited which, within the Standard Industrial Classification, is included under Public Administration.

³ Involves transactions, between subsidiary and parent government enterprises.

⁴ Net of accumulated depreciation: transportation, 1,504,923; communications, 101,809; electric power, 9,259; wholesale trade and manufacturing, 161,184; finance, insurance real estate and other, 23,516; total 1,800,691. Fixed assets include physical property held for sale by financial enterprises valued at 229,729 and an undetermined amount of interest capitalized during construction of fixed assets of transportation and communication utilities. They do not include government owned plants, canals and other properties operated or administered by enterprises and valued at 82,670.

⁵ Consists of non-negotiable notes and debentures of subsidiary federal government enterprises which are classified under contra loan liabilities.

⁶ Receivable from non-government affiliates.

⁷ See Table 4 for analysis of investments held.

⁸ Consists mostly of insurance funds and funds related to obligations of the Government of Canada under the Export Credits Insurance Act.

TABLE 1. Assets, Liabilities and Net Worth, By Industry¹ as at Fiscal Year End Nearest to December 31, 1968 - Concluded

No.	Liabilities and net worth	Transportation, communication and other utilities				Sub-total, transportation, communication and other utilities	Whole-sale trade and manufacturing	Finance, insurance, real estate and other ²	Total
		Transportation	Storage	Communication	Electric power				
thousands of dollars									
1	Accounts payable	184,647	-	24,348	1,407	210,402	568,277	4,086	782,765
2	Temporary loans, advances and notes payable:								
	1. Bank loans and overdrafts	-	-	-	-	-	325,712	-	325,712
	2. Other	-	-	-	-	-	92,717	-	92,717
	3. Notes	-	-	-	-	-	1,080	-	1,080
	Sub-totals, item 2	-	-	-	-	-	419,509	-	419,509
3	Interest payable to:								
	(i) Federal government	44,530	-	-	-	44,530	-	-	44,530
	(ii) Federal government enterprises ³	4,807	-	-	-	4,807	-	-	4,807
	(vii) Other	1,129	-	-	-	1,129	-	-	1,129
	Sub-totals, item 3	50,466	-	-	-	50,466	-	-	50,466
4	Accrued expenditure:								
	1. Interest owing to:								
	(i) Federal government	68,978	-	-	600	69,578	-	65,773	135,351
	(ii) Federal government enterprises ³	-	-	-	-	-	-	-	-
	(vii) Other	13,864	-	-	-	13,864	1,266	2	15,132
	Sub-totals	82,842	-	-	600	83,442	1,266	65,775	150,483
	2. Provision for income tax	155	-	2,634	-	2,789	1,846	3,499	8,134
	3. Other	17,166	-	-	-	17,166	11,100	8,763	37,029
	Sub-totals, item 4	100,163	-	2,634	600	103,397	14,212	78,037	195,646
5	Long-term loans and advances owing to:								
	(i) Federal government	1,483,474	-	141,713	41,697	1,666,884	-	5,081,768	6,748,652
	(ii) Federal government enterprises ³	392,841	-	-	-	392,841	-	293,600	686,441
	(vii) Other	143	-	-	-	143	148,192	-	148,335
	Sub-totals, item 5	1,876,458	-	141,713	41,697	2,059,868	148,192	5,375,368	7,583,428
6	Long-term debt:								
	1. Bonds and debentures	1,132,921	-	-	-	1,132,921	-	-	1,132,921
	2. Other	14,454	-	-	-	14,454	-	-	14,454
	Sub-totals, item 6	1,147,375 ⁹	-	-	-	1,147,375	-	-	1,147,375
7	Deferred credits:								
	1. Deferred revenue	10,809	-	-	-	10,809	-	36,578	47,387
	2. Other	19,006	-	-	-	19,006	2,358	-	21,364
	Sub-totals, item 7	29,815	-	-	-	29,815	2,358	36,578	68,751
8	Trust and deposit accounts - net	-	-	-	295	295	65	376	736
9	Provision for estimated future liabilities:								
	1. Provision for future income taxes	14,849	-	2,570	-	17,419	8,696	120,442	146,557
	2. Other	33,204	-	-	-	33,204	1,044	232,687	266,935
	Sub-totals, item 9	48,053	-	2,570	-	50,623	9,740	353,129	413,492
10	Other liabilities	38,378	-	271	-	38,649	208	1,736	40,593 ¹⁰
11	Proprietary equity (net worth):								
	1. Capital stock held by:								
	(i) Federal government	1,490,714	-	-	-	1,490,714	6,586	40,296	1,537,596
	(ii) Federal government enterprises ³	5,180	-	-	-	5,180	-	47,000	52,180
	(vii) Other	4,349 ¹¹	-	-	-	4,349	-	-	4,349
	Sub-totals	1,500,243	-	-	-	1,500,243	6,586	87,296	1,594,125
	2. Interest-free working capital provided by (i) Federal government	-	1,006	9,000	-	10,006	44,966	-	54,972
	3. Fixed assets transferred by (i) Federal government	631,935	13,761	1,020	-	646,716	-	-	646,716
	4. Other equity held by (i) Federal government	217,076	-	22,799	8,301	248,176	13,262	45,300	306,738
	(vii) Other	-	-	-	-	-	82	5,260	5,342
	Sub-totals	217,076	-	22,799	8,301	248,176	13,344	50,560	312,080
	5. Equity reserves:								
	(1) Contingencies	-	-	-	-	-	223	-	223
	(2) Plant expansion	-	-	-	2,336	2,336	-	-	2,336
	(3) Other	8,302	-	-	809	9,111	100	-	9,211
	Sub-totals	8,302	-	-	3,145	11,447	323	-	11,770
	6. Unappropriated surplus	- 133,874	-	20,129	1,327	- 112,418	103,334	50,468	41,384
	Sub-totals, item 11	2,223,682	14,767	52,948	12,773	2,304,170	168,553	188,324	2,661,042
12	Total liabilities and net worth	5,699,037	14,767	224,484	56,772	5,995,060	1,331,114	6,037,634	13,363,808

⁹ 1,130,879 of this amount is guaranteed by federal government.

¹⁰ Includes holdbacks on construction, 2,349.

¹¹ Capital stock on non-government subsidiaries held by the public.

TABLE 2. Current Revenue and Expenditure, by Industry¹ for the Fiscal Year Ended Nearest to December 31, 1968

No.	Transportation, communication and other utilities				Sub-total, transportation, communication and other utilities	Whole-sale trade and manufacturing	Finance, insurance, real estate and other ²	Total	
	Transportation	Storage	Communication	Electric power					
thousands of dollars									
Revenue									
1	Revenue from sales and services on current operations	1,474,955 ³	2,225	70,265	7,389	1,554,834	603,776	7,405	2,166,015
2	Financial income:								
	1. Interest from								
	(i) Federal government	4,169	-	954	44	5,167	176	8,160	13,503
	(ii) Federal government enterprises	18,241	-	-	-	18,241	-	-	18,241
	(iii) Provincial governments	183	-	-	-	183	-	-	183
	(v) Municipal governments	-	-	-	-	-	37	1,141	1,178
	(vii) Other	4,732	-	-	-	4,732	799	305,297	310,828
	Sub-totals	27,325	-	954	44	28,323	1,012	314,598	343,933
	2. Other	7,143	-	-	-	7,143	-	986	8,129
	Sub-totals, item 2	34,468	-	954	44	35,466	1,012	315,584	352,062
3	Rental income	6,754	-	-	-	6,754	-	8,955	15,709
4	Contributions from own or other levels of government								
	(i) Federal ⁴	-	136	144,374	-	144,510	-	-	144,510
5	Other current income	9,322	48	817	108	10,295	16,634	1,139	28,068
6	Total current revenue	1,525,499	2,409	216,410	7,541	1,751,859	621,422	333,083	2,706,364
Expenditure									
1	Cost of goods and services sold from current operations:								
	1. Wages and salaries	723,389	978	82,583	2,414	809,364	44,317	26,197	879,878
	2. Net drawings on (+) or net additions to (-) inventories	- 2,268	- 23	680	- 68	- 1,679	- 138,058	-	- 139,737
	3. Other purchases of goods and services	552,991	1,479	107,052	2,508	664,030	683,901	19,156	1,367,087
	Sub-totals, item 1	1,274,112	2,434	190,315	4,854	1,471,715	590,160	45,353	2,107,228
2	Provision for depreciation and replacement	163,028	-	17,349	888	181,265	14,171	2,127	197,563
3	Interest on debt to								
	(i) Federal government	58,051	-	7,335	1,447	66,833 ⁵	-	256,163	322,996
	(ii) Federal government enterprises	18,247	-	-	-	18,247	-	-	18,247
	(vii) Other	62,434	-	-	-	62,434	10,766	146	73,346
	Sub-totals, item 3	138,732	-	7,335	1,447	147,514	10,766	256,309	414,589
6	Other current expenditure	5,663	-	-	-	5,663	-	3,167	8,830
5	Total current expenditure	1,581,535	2,434	214,999	7,189	1,806,157	615,097	306,956	2,728,210
6	Net profit (+) or loss (-) before provision for income tax	- 56,036	- 25	1,411	352	- 54,298	6,325 ⁶	26,127	- 21,846
7	Estimated income tax	8,374	-	6,195	-	14,569	1,966	10,457	26,992
8	Net profit (+) or loss (-) after provision for income tax	- 64,410	- 25	- 4,784	352	- 68,867	4,359 ⁶	15,670	- 48,838
9	Total current expenditure plus net profit or minus loss	1,525,499	2,409	216,410	7,541	1,751,859	621,422	333,083	2,706,364

¹ Excludes Bank of Canada, see Table 9.

² Includes Canadian Patents and Development Limited which, within the Standard Industrial Classification, is included under Public Administration.

³ Includes subsidies paid by the federal government to Canadian National Railway Company: Maritime Freight Rates Act, 11,900; payment under the National Transportation Act, 55,100; total 67,000.

⁴ See Table 5 for contributions from federal government taken into current revenue and surplus accounts.

⁵ Excludes interest capitalized during construction of fixed assets, 1,481.

⁶ Includes profits of The Canadian Wheat Board which are distributed to grain producers.

TABLE 3. Analysis of Unappropriated Surplus Transactions (Net), by Industry¹ for the Fiscal Year Ended Nearest to December 31, 1968

No.		Transportation, communication and other utilities				Sub-total, transportation, communication and other utilities	Whole-sale trade and manufacturing	Finance, insurance, real estate and other ²	Total
		Transportation	Storage	Communication	Electric power				
thousands of dollars									
1	Balance at beginning of year	- 129,516	1,600	19,625	1,217	- 107,074	330,261	47,358	270,545
2	Net profit or loss for the year after provision for income tax ³	- 64,410	- 25	- 4,784	352	- 68,867	4,359	15,670	- 48,838
3	Net profit or loss on sale or retirement of fixed assets	590	-	- 35	-	555	14	3,742	4,311
4	Net transfer from (+) or to (-) reserves	- 740	-	-	- 243	- 983	-	- 12,176	- 13,159
5	Other adjustments (net)	805	-	-	-	805	- 337	1,533	2,001
6	Contributions from own or other levels of government:								
	(i) Federal ⁴	59,268	-	3,955	-	63,223	-	6,000	69,223
7	Remittances of surplus:								
	1. Dividends paid to:								
	(i) Federal government	-	-	-	-	-	- 3,000	- 11,659	- 14,659
	(ii) Federal government enterprises	- 200	-	-	-	- 200	-	-	- 200
	2. Other remittances to:								
	(i) Federal government	-	-	-	-	-	208	-	208
	(ii) Federal government enterprises	- 162	-	-	-	- 162	-	-	- 162
	(vii) Other	-	-	-	-	-	- 359,166	-	- 359,166
	Sub-totals, item 7	- 362	-	-	-	- 362	- 362,374	- 11,659	- 374,395
8	Net additions (+) or deductions (-)	- 4,849	- 25	- 864	109	- 5,629	- 358,338	3,110	- 360,857
9	Balance at end of year	- 134,365	1,575	18,761	1,326	- 112,703	- 28,077	50,468	- 90,312

¹ Excludes Bank of Canada see Table 10.

² Includes Canadian Patents and Development Limited which, within the Standard Industrial Classification, is included under Public Administration.

³ Item 8, Expenditure, Table 2.

⁴ See Table 5 for contributions from federal government taken into current revenue and surplus accounts.

903/2
8932
49245

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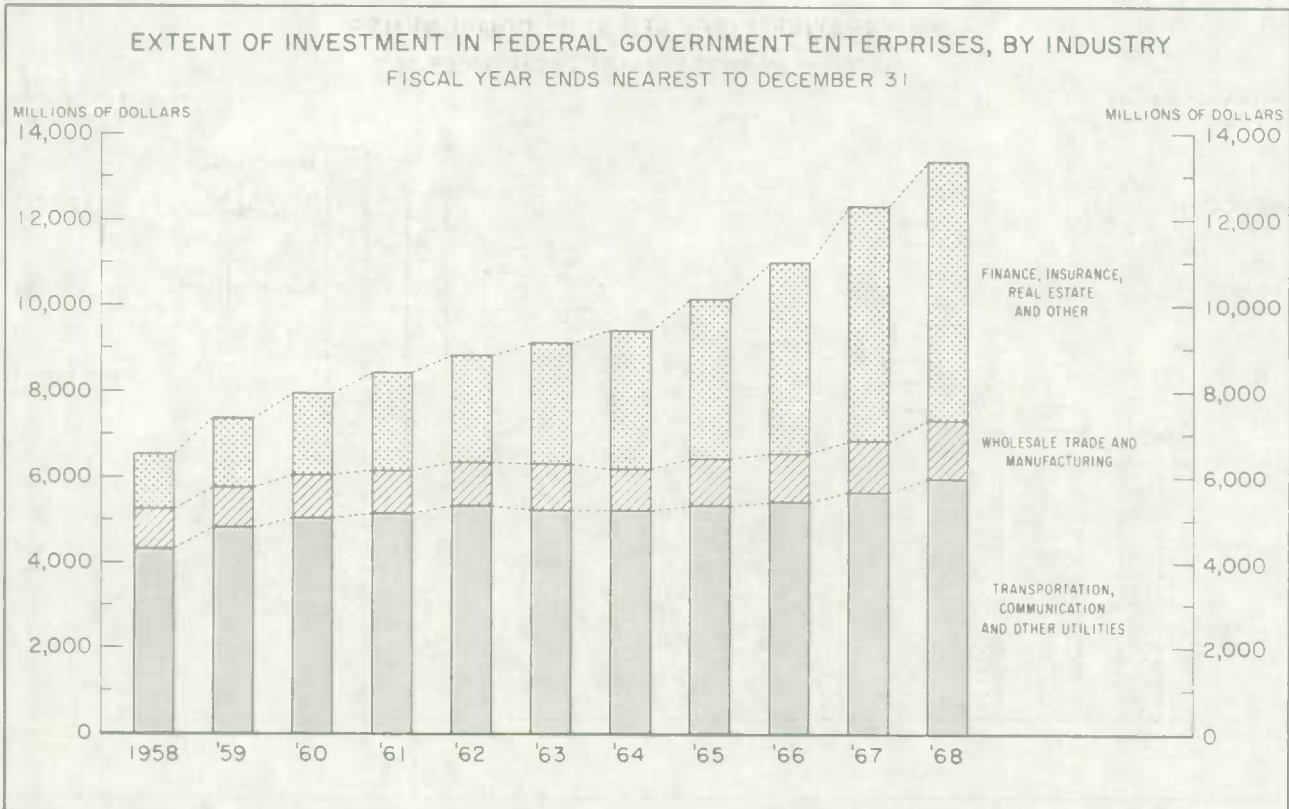


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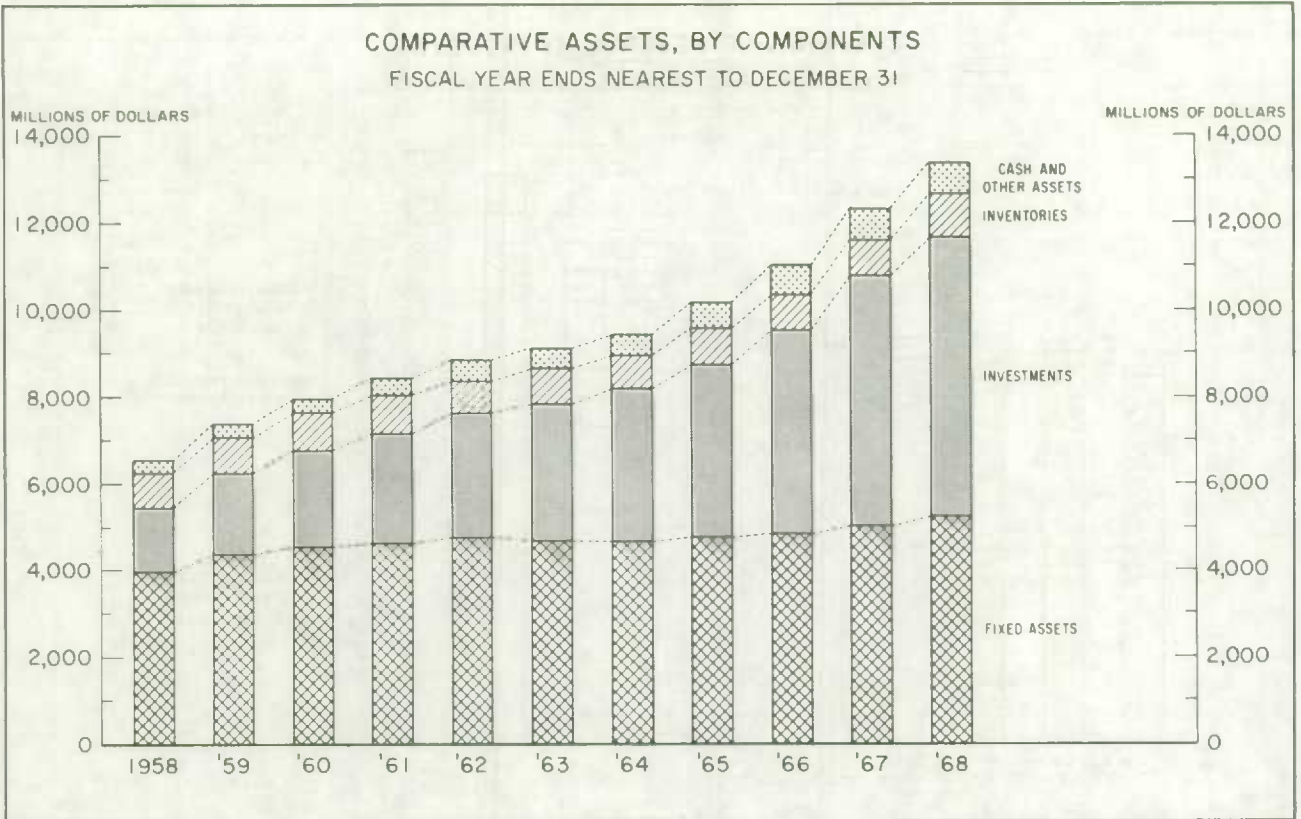


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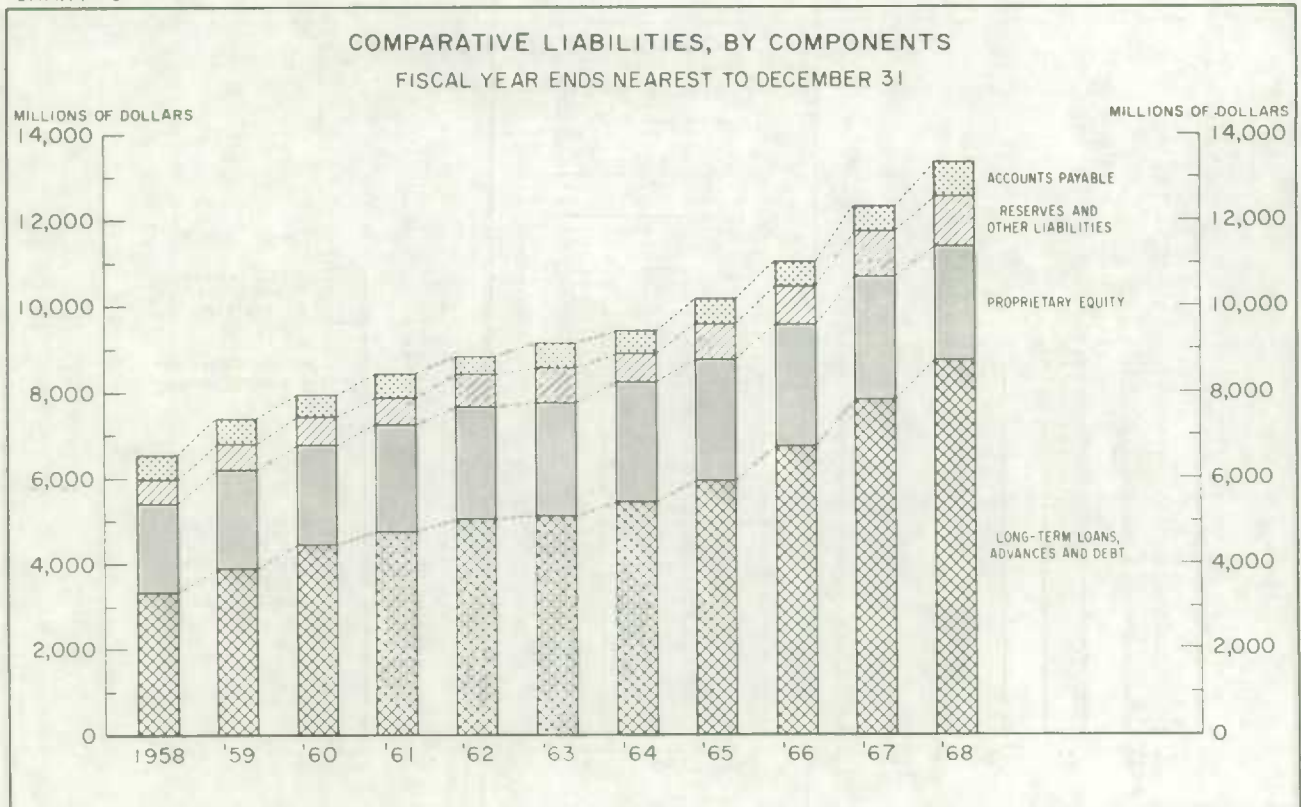


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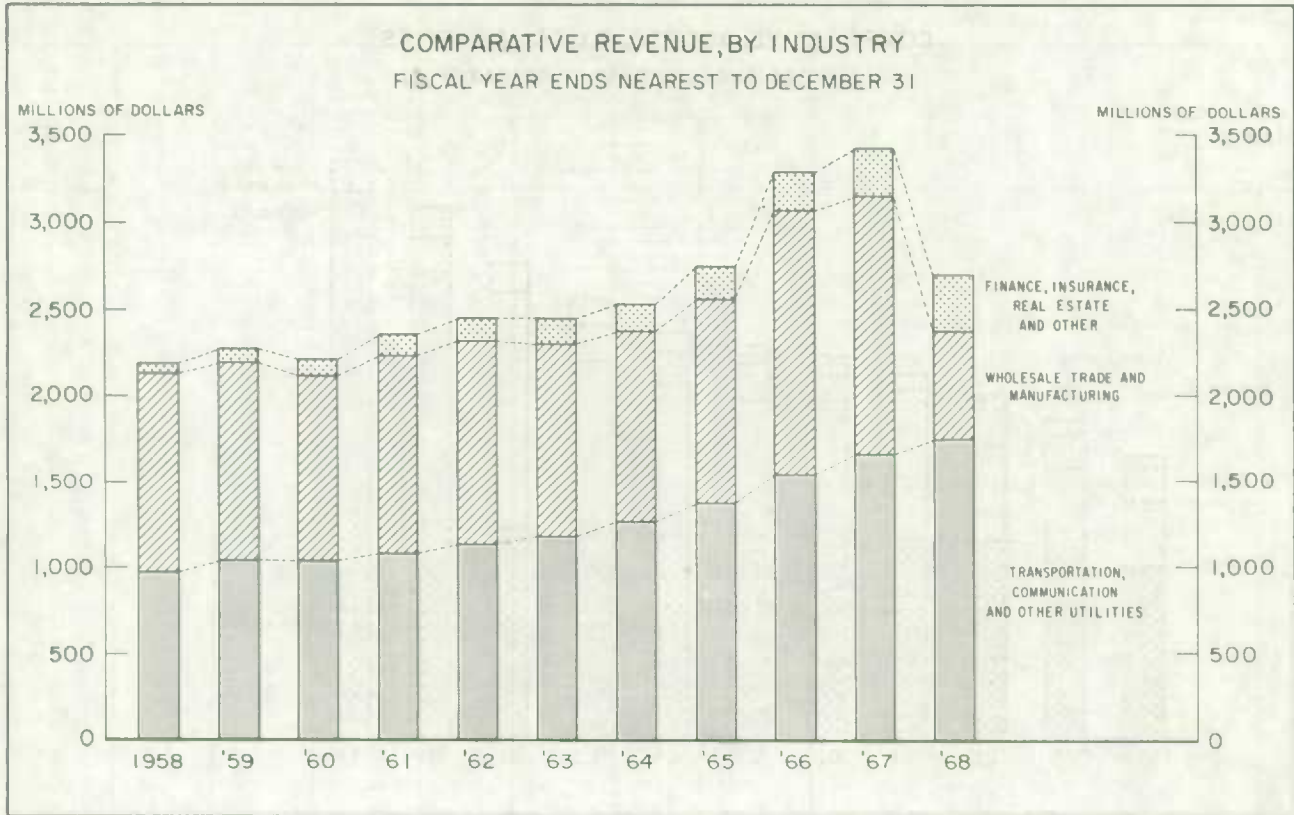


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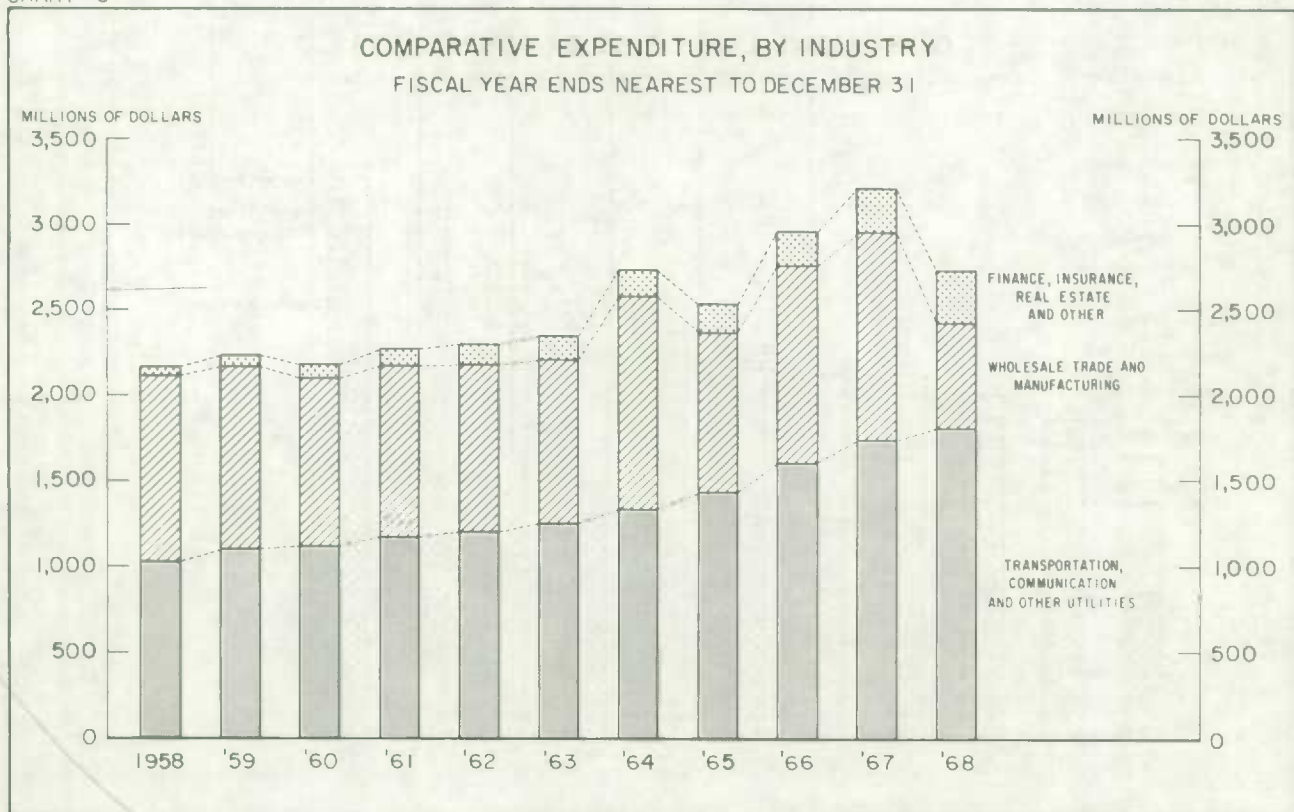


TABLE 4. Analysis of Securities Held as Investments¹ including those in Restricted Funds, by Industry, as at Fiscal Year End Nearest to December 31, 1968 (Asset items 9 and 11)²

No.		Transportation, communication and other utilities				Sub-total, transportation, communication and other utilities	Wholesale trade and manufacturing	Finance, insurance, real estate and other ³	Total
		Transportation	Storage	Communication	Electric power				
thousands of dollars									
1	Federal government treasury bills:								
	Asset item 9	20,393	-	-	-	20,393	-	2,485	22,878
2	Federal government direct and guaranteed bonds:								
	Asset item 9	634	-	-	-	634	556	17,920	19,110
	Asset item 11	52,009	-	-	-	52,009	-	151,270	203,279
	Sub-totals	52,643	-	-	-	52,643	556	169,190	222,389
3	Provincial and municipal government direct and guaranteed bonds:								
	Asset item 9	-	-	-	-	-	765	-	765
	Asset item 11	12,950	-	-	-	12,950	-	-	12,950
	Sub-totals	12,950	-	-	-	12,950	765	-	13,715
4	Bonds of companies incorporated in Canada and of institutions:								
	Asset item 9	29,516 ⁴	-	-	-	29,516	-	-	29,516
	Asset item 11	2,095	-	-	-	2,095	-	-	2,095
	Sub-totals	31,611	-	-	-	31,611	-	-	31,611
5	Preferred and common stock, Canadian:								
	(ii) Federal government enterprises: ⁵								
	Asset item 9	5,004	-	-	-	5,004	187	-	5,191
	(vii) Other:								
	Asset item 9	24,000 ⁶	-	-	-	24,000	-	-	24,000
	Sub-totals	29,004	-	-	-	29,004	187	-	29,191
6	Foreign investments:								
	Asset item 9	3,740 ⁶	-	-	-	3,740	27,152	-	30,892
	Asset item 11	39	-	-	-	39	-	-	39
	Sub-totals	3,779	-	-	-	3,779	27,152	-	30,931
7	Total securities:								
	Asset item 9	83,287	-	-	-	83,287	28,660	20,405	132,352
	Asset item 11	67,093	-	-	-	67,093	-	151,270	218,363
	Grand totals	150,380	-	-	-	150,380	28,660	171,675	350,715

¹ Excludes Bank of Canada.

² In addition, other assets held in Restricted Funds are as follows:

	Transportation, communication and other utilities	Finance, insurance, real estate and other	Total
Cash	19,814	2,277	22,091
Accrued interest: (i) Federal government	-	2,215	2,215
(vii) Other	-	393	393
Real estate	-	7,225	7,225
Mortgages	-	69,291	69,291
Other assets	- 3,208	108,237 ⁷	105,029
Totals	16,606	189,638	206,244

³ Includes Canadian Patents and Development Limited which, within the Standard Industrial Classification, is classified under Public Administration.

⁴ Of this amount, 26,694 represents the value of bonds of non-government affiliates.

⁵ Involves transactions between subsidiary and parent government enterprises.

⁶ Investments in non-government affiliates.

⁷ Of this amount, 108,223 represents obligation of the Government of Canada under Section 21A of the Export Credits Insurance Act.

TABLE 6. Contributions from Federal Government taken into Current Revenue and Surplus Accounts¹ for Fiscal Year Ended Nearest to December 31, 1968

	Thousands of dollars
Current revenue:	
Canadian Broadcasting Corporation:	
Grant in respect of net operating requirements	144,374
Canadian Government Elevators:	
Services provided without charge by government departments	136
Sub-total, current revenue	144,510
Surplus account:	
Contributions towards operating deficits:	
Canadian Broadcasting Corporation	3,955
Canadian National Railway System:	
Canadian National Railways	29,176
Newfoundland Car Ferry	13,000
Prince Edward Island Car Ferry	4,800
Farm Credit Corporation	6,000
National Harbours Board	2,635
The St. Lawrence Seaway Authority	11,132 ²
Sub-total, surplus account	70,697
Total contributions from federal government taken into current revenue and surplus accounts	215,207

¹ In addition two of the enterprises received production cost subsidies.

² Includes 8,982 contribution toward operating deficits of the Welland Canal for the year.

TABLE 7. Comparative Combined Statement of Assets, Liabilities and Net Worth as at Fiscal Year Ends Nearest to December 31¹

	1968	1967	Absolute change	Per cent change ²
			1968/67	1968/67
	millions of dollars			%
Assets				
Cash	114	99	15	15.15
Accounts receivable	415	415	-	-
Inventories	969	809	160	19.78
Fixed assets	5,230	5,017	213	4.25
Investments, including loans and advances and restricted loans	6,431	5,779	652	11.28
Other assets	205	191	14	7.33
Totals	13,364	12,310	1,054	8.56
Liabilities and net worth				
Accounts payable	783	591	192	32.49
Long-term loans and advances and debt	8,731	7,837	894	11.41
Liability reserves	414	395	18	4.81
Other liabilities	775	634	141	22.24
Proprietary equity (net worth)	2,661	2,853	- 192	- 6.73
Totals	13,364	12,310	1,054	8.56

¹ Excludes Bank of Canada.

² Based on unrounded data.

TABLE 7. Components of Assets, Liabilities and Net Worth as a Percentage of the Total as at Fiscal Year Ends Nearest to December 31¹

	1968	1967
Assets		
Cash	0.9	0.8
Accounts receivable	3.1	3.4
Inventories	7.3	6.6
Fixed assets	39.1	40.8
Investments, including loans and advances and restricted funds	48.1	46.9
Other assets	1.5	1.5
Totals	100.0	100.0
Liabilities and net worth		
Accounts payable	5.8	4.8
Long-term loans and advances and debt	65.3	63.6
Liability reserves	3.1	3.2
Other liabilities	6.0	5.2
Proprietary equity (net worth)	20.0	23.2
Totals	100.0	100.0

¹ Excludes Bank of Canada.

TABLE 8. Comparative Combined Statement of Revenue, Expenditure and Net Profit for Fiscal Years Ended Nearest to December 31¹

	1968	1967	Absolute change	Per cent change ²
			1968/67	1968/67
millions of dollars				
Revenue				
Revenue from sales and services on current operations	2,166	2,950	- 784	- 26.6
Financial income	352	293	59	20.1
Other income	188	186	2	1.1
Totals	2,706	3,429	- 723	- 21.1
Expenditure				
Cost of goods sold from current operations	2,107	2,676	- 569	21.3
Depreciation	198	181	17	9.4
Interest	415	342	72	21.1
Other	9	12	- 3	- 25.0
Totals	2,728	3,211	- 483	- 15.0
Net profit before income taxes	- 22	218	- 240	- 110.1

¹ Excludes Bank of Canada.

² Based on unrounded data.

TABLE 9. Comparative Current Revenue and Expenditure of the Bank of Canada for Fiscal Years Ended Nearest to December 31, 1968 and 1967

No. ¹		1968	1967	Change
thousands of dollars				
Revenue				
2	Financial income:			
	(i) Federal government			
	(ii) Federal government enterprises	203,502	193,444	10,058
	(iii) Other			
6	Total current revenue	203,502	193,444	10,058
Expenditure				
1	Cost of goods and services sold from current operations:			
	1. Wages and salaries	7,381	6,619	762
	3. Other purchases of goods and services	9,898	9,742	156
	Sub-totals, Item 1	17,279	16,361	918
3	Interest on debt to			
	(vii) Other - Interest paid on unclaimed balances	68	59	9
5	Total current expenditure	17,347	16,420	927
6	Net profit before provision for income tax	186,155	177,024	9,131
9	Total current expenditure plus net profit	203,502	193,444	10,058

¹ Item numbers correspond with those in Table 2.

TABLE 10. Comparative Surplus Account Transactions (Net) of the Bank of Canada for the Fiscal Years Ended Nearest to December 31, 1968 and 1967

No. ¹		1968	1967	Change
thousands of dollars				
1	Balance at beginning of year	-	-	-
2	Net profit or loss for the year	186,155	177,024	9,131
7	Remittances of surplus:			
	2. Other remittances to			
	(i) Federal government: Paid to the Receiver General of Canada for credit of the consolidated revenue fund	186,155	177,024	9,131
8	Net additions (+) or deductions (-)	-	-	-
9	Balance at end of year	-	-	-

¹ Item numbers correspond with those in Table 3.

TABLE 11. Comparative Assets and Liabilities of the Bank of Canada as at Fiscal Years Ended Nearest to December 31, 1968 and 1967

No. ¹		1968	1967	Change
		thousands of dollars		
	Assets			
1	Cash on hand and on deposit:			
	Foreign exchange – Pounds sterling and U.S.A. dollars	95,765	90,641	5,124
	Other currencies	156	252	- 96
	Sub-totals, item 1	95,921	90,893	5,028
5	Accrued revenue:			
	1. Interest – Accrued interest on investments from			
	(i) Federal government	50,940	46,474	4,466
	(ii) Federal government enterprises			
	(vii) Other			
7	Fixed assets:			
	Bank premises – Land, buildings and equipment – at cost less depreciation	22,150	17,348	4,802
8	Loans and advances receivable from			
	(ii) Federal government enterprises: Debentures issued by Industrial Development Bank	305,042	270,231	34,811
	(vii) Other: Chartered and savings banks	5,000	3,000	2,000
	Sub-totals, item 8	309,042	273,231	36,811
9	Securities held as investments:			
	1. Federal government treasury bills	453,369	538,304	- 84,935
	2. Federal government direct and guaranteed bonds	3,431,254	3,209,804	221,450
	7. Preferred and common stock, Canadian:			
	(ii) Federal government enterprises: Industrial Development Bank, total share capital at cost	49,000	45,000	4,000
	8. Foreign investments: Other securities, U.S.A. Government	10,752	10,710	42
	Sub-totals, item 9	3,944,375	3,803,818	140,557
13	Other assets:			
	Cheques on other banks	152,237	105,584	46,653
	Net balance of Government of Canada collections and payments in process of settlement	58,183	72,996	- 14,813
	Other	1,717	1,280	437
	Sub-totals, item 13	212,137	179,860	32,277
14	Total assets	4,635,565	4,416,624	223,941
	Liabilities			
2	Temporary loans, advances and notes payable:			
	2. Other loans and advances:			
	(i) Federal government:			
	Deposits, Government of Canada	47,448	42,171	5,277
	Liabilities payable in pounds sterling, U.S.A. dollars and other foreign currencies	26,984	32,368	- 5,324
	Sub-totals	74,432	74,539	- 107
	(vii) Other:			
	Deposits of chartered banks and others	1,114,327	1,062,017	52,310
	Liabilities payable in pounds sterling, U.S.A. dollars and other foreign currencies	1,301	2,451	- 1,150
	Others	38,380	37,926	454
	Sub-totals	1,154,008	1,102,394	51,614
	Sub-totals, item 2.2	1,228,440	1,176,933	51,507
	3. Notes: Notes in circulation	3,229,211	2,978,940	250,271
	Sub-totals, item 2	4,457,651	4,155,873	301,778
10	Other liabilities:			
	Bank of Canada cheques outstanding	146,460	224,407	- 77,947
	Other liabilities	1,454	1,344	- 110
	Sub-totals, item 10	147,914	225,751	- 77,837
11	Proprietary equity (net worth):			
	1. Capital stock held by			
	(i) Federal government: Capital paid up	5,000	5,000	-
	5. Equity reserves: Rest fund	25,000	25,000	-
	Sub-totals, item 11	30,000	30,000	-
	Total liabilities	4,635,565	4,411,624	223,941

¹ Item numbers correspond with those in Table 1.

EXPLANATORY COMMENT

The Concept of a Government Enterprise

Services provided by government are diverse in their nature, and are carried out by various administrative bodies which may be classed as:

- (a) Departmental organizations
- (b) Special funds and agencies
- (c) Institutions
- (d) Trust funds
- (e) Enterprises

Services of a general nature such as protection of persons and property, health and social welfare, education and public works, are common to all levels of government and are usually financed out of ordinary revenue or funds repayable out of ordinary revenue. Nominal fees are charged for some general community services, but for the most part there is no direct relationship between the taxes and levies paid by an individual, and the use or benefit the individual derives from the service.

Certain other activities of government, however, have quite different characteristics, in that they involve the production of economic goods and provision of services for sale, at a price to the consumer which is intended to compensate wholly or largely for their costs and, in some cases yield a profit. This type of organization is usually a crown corporation or special agency of the government having specific powers and being subject to varying degrees of financial control by the government and of public accountability. Capital funds are made available by direct loans and advances from government, share capital subscribed by government, or by borrowings, other than from government but usually guaranteed by government.

In most cases, the activities of these crown corporations or special agencies are of an outright commercial or industrial nature, conducted in competition with private businesses or as monopolies.

They are more comparable to private business corporations than they are to institutional or non-commercial organizations which are more comparable to general government classifications.

For purposes of uniformity and comparability in recasting government finance data within economic and functional classification frameworks, these two distinct categories of government activity have been segregated into two classifications:

- (1) general government for the general or non-commercial type activities; and
- (2) government enterprises for the commercial or industrial type activities.

In defining government enterprise activities it is first necessary to establish certain criteria.

A government enterprise is considered to be an agency of a political, decision-making body set up for the express purpose of producing goods or services which are sold at a price generally designed to cover costs. An essential feature of an enterprise as distinguished from a general government operation, is that it charges a price for its services according to use. It is thereby enabled to meet most of its costs from proceeds of sales without recourse to government funds.

One exception is a central agency which has been established to provide goods and services, primarily to its own or other levels of government. Such an agency is classed as a working capital fund of general government. An example of such a fund is the Defence Production Revolving Fund.

There is a very fine distinction between a government enterprise and a special fund. In the final analysis the deciding factor is whether or not the individual has a free choice of availing himself of the goods and services provided. Where the individual does not have this choice, the organizational unit is then classed as a special fund and as such is included as part of general government.

Other characteristics of an enterprise, usually evident, are:

- (1) separate legal existence;
- (2) separate accounting records;
- (3) sustained activity;
- (4) commitment of an appreciable volume of capital;
- (5) payment of income tax;
- (6) personnel not subject to Public Service Employment Act;
- (7) maintenance of accounts on the accrual basis; and
- (8) depreciation allowances.

No attempt has been made to isolate an enterprise activity that is incidental to a general government service. An example of this is laboratory and research projects carried out by the National Research Council for private organizations.

The most common practice in establishing a federal government business enterprise has been to set it up by special act of parliament, which defines its purposes, powers and responsibilities.

The Financial Administration Act which was enacted to provide the financial administration of Canada including the audit of the public accounts, also provides financial control of crown corporations. This control is exercised through requirements for parliamentary estimates, capital and operating budgets, financial statements and annual reports

supplemented by audits by the Auditor General or, in some instances, by independent private accountants.

Crown corporations as identified in Schedules "C" and "D" of the Financial Administration Act are: agency corporations and proprietary corporations. With a few exceptions the enterprises included in this report are corporations of these types. The exceptions to the above are the Bank of Canada, the Canadian Wheat Board and the Industrial Development Bank. These, because of their unique functions, are governed by their own acts of incorporation. Another exception is the Canadian Government Elevators that are operated by the Board of Grain Commissioners under the provisions of the Canada Grain Act.

Comparison with Coverage in National Accounts

The amount shown as net profit or loss before provision for income tax (Table 2, Expenditure, Item 6) and provision for depreciation (Table 2, Expenditure, Item 2) do not agree with those currently incorporated in the National Accounts as government investment income and capital consumption allowances, respectively, because of difference in coverage and the inclusion of imputed banking services in the National Accounts series.

To convert to "National Accounts" the following adjustments to these items are necessary:

- (a) Addition to both items of amounts for Bank of Canada and Canadian Corporation for the 1967 World Exhibition;
- (b) Additions to "net profit" only of the estimates for the Exchange Fund Account, Post Office, Veterans' Land Act and imputations for banking services provided to the federal government without specific charge (revenue);
- (c) Deductions from both items of amounts for Canadian Broadcasting Corporation, the Canadian Wheat Board and Crown Assets Disposal Corporation.

STATUTORY AUTHORITIES RELATING TO GOVERNMENT ENTERPRISES

The most common practice in establishing a federal government business enterprise has been to set it up by special act of parliament, which defines its purposes, powers and responsibilities.

During World War II, when the corporate device was extensively employed, the Minister of Munitions and Supply was authorized to procure the incorporation of companies under the Canada Corporations Act (formerly Companies Act). In 1946, the Government Companies Operations Act was passed to regulate the operations of the few companies actually formed under the Companies Act. The financial provisions of the Government Companies Operations Act were repealed, with the enactment in October 1952, of the Financial Administration Act, RSC 1952, c. 116, and amendments.

The Financial Administration Act provides for the financial administration of the Government of

Comparison with Coverage in Volume III of Public Accounts

The financial statements of all Crown Corporations as listed in the Financial Administration Act are included in Volume III of the Public Accounts of Canada. The following are excluded from this publication as they do not conform with the established criteria of a government enterprise:

- (a) Atomic Energy of Canada Limited
- (b) Canadian Corporation for the 1967 World Exhibition
- (c) Canadian Dairy Commission
- (d) Canadian Film Development Corporation
- (e) Canadian Livestock Feed Board
- (f) The Canadian National Railways Securities Trust
- (g) Cape Breton Development Corporation
- (h) The Company of Young Canadians
- (i) Defence Construction (1951) Limited
- (j) National Arts Centre Corporation
- (k) The National Battlefields Commission
- (l) National Capital Commission

Organizations not included in Volume III of the Public Accounts, but which do meet the established government enterprise criteria, and are accordingly included in this publication, are the Newfoundland Car Ferry, Prince Edward Island Car Ferry and Yarmouth-Bar Harbour Ferry. These are operated by the Canadian National Railways on behalf of the federal government.

For purposes of accounting and financial control, the Canadian Government Elevators function in the same manner as a branch of a department of the Government of Canada, and, although included in these statistics, is not a Crown Corporation. Its financial statements are included as an appendix to the section of the Public Accounts dealing with the Department of Agriculture.

Canada, the audit of the public accounts and the financial control of crown corporations. Financial control is exercised through requirements for parliamentary estimates, capital and operating budgets, financial statements and annual reports supplemented by audits performed by the auditor general, or in a few cases, by independent public accountants.

Three classes of crown corporations are defined and identified in Part VIII of the Financial Administration Act: departmental, agency and proprietary. The enterprises included in this report fall into the latter two classes, except for the Bank of Canada, the Canadian Wheat Board and the Industrial Development Bank, which, because of their unique functions, are governed by their own acts of incorporation, and the Canadian Government Elevators operated by the Board of Grain Commissioners for Canada under the provisions of the Canada Grain Act.

FEDERAL GOVERNMENT ENTERPRISES INCLUDED IN THIS REPORT

There were 27 federal government enterprises in operation during 1968. This number does not include the Canadian National (West Indies) Steamships Limited.

A list of the enterprises included in this report, the statutory authority by which they were established, and their main functions follows:

List of Enterprises

Name of enterprise with associated companies indicated by corresponding letters (a) to (d)	Fiscal year end	Responsible Minister or authority	Federal statutory authority	Year of incorporation	Main functions
Air Canada (Trans-Canada Air Lines to Jan. 1, 1965) (b) (subsidiary).	Dec. 31	Minister of Transport	Air Canada Act, RSC 1952, c. 268 and amendments.	1937	To provide scheduled domestic and international air services to North America, the British Isles, continental Europe and the Caribbean.
Bank of Canada (a) ¹	Dec. 31	Minister of Finance	Bank of Canada Act, RSC 1952, c. 13 and amendments.	1934	To regulate credit, and currency, to control and protect the external value of the Canadian dollar and to stabilize the level of production, trade, prices and employment so far as may be possible within the scope of monetary action; to act as fiscal agent for the federal government and manage the public debt.
Canada Deposit Insurance Corporation ¹	Dec. 31	Minister of Finance	Incorporated under the Canada Deposit Insurance Corporation Act, SC 1966-67, c. 70.	1967	To provide, for the benefit of persons having deposits with member institutions, deposit insurance against loss of part or all of such deposits.
Canadian Arsenals Limited	March 31	Minister of Supply and Services	Incorporated under the Canada Corporations Act, RSC 1952, c. 53, and amendment.	1945	To manufacture and develop military equipment, ammunition and components to meet the requirements of the armed forces, to maintain the facilities placed in its custody and retain skills required to operate such facilities.
Canadian Broadcasting Corporation	March 31	Secretary of State	Broadcasting Act, SC 1958, c. 22.	1936	To broadcast, produce and distribute national program services in English and in French, in radio and television, domestically and internationally- to operate the International Service on behalf of the federal government, which bears operational and maintenance costs.
Canadian Commercial Corporation	March 31	Minister of Supply and Services	Canadian Commercial Corporation Act, RSC 1952, c. 35.	1946	To assist in the development of trade between Canada and other nations by acting on behalf of the Canadian government as the contracting agency when other countries wish to purchase defence or other supplies and services from Canada on a government-to-government basis and to procure in Canada goods, equipment and facilities which the Government of Canada contributes to other nations under the International Assistance Fund and other aid programs.
Canadian Government Elevators	March 31	Minister of Agriculture	Canada Grain Act, RSC 1952, c. 25 and amendments.	1913	To operate terminal grain elevators under management of the Board of Grain Commissioners for Canada.
Canadian National Railway System (b) ¹	Dec. 31	Minister of Transport	Canadian National Railways Act, SC 1955, c. 29 and amendment.	1919	To operate land, water and air transportation, express, telecommunication and hotel services.
Canadian National (West Indies) Steamships Limited.	Dec. 31	Minister of Transport	Incorporated under the Canada Corporations Act, RSC 1952, c. 53, and amendment.	1927	Before the sale of its fleet in August, 1958, the Company maintained direct steamship service to the West Indies under provisions of the West Indies Trade Agreement Act, 1926. (The outstanding financial transactions reflect earnings on investments and the unliquidated equity account.)
Canadian Overseas Telecommunication Corporation.	March 31	Minister of Communications	Canadian Overseas Telecommunication Corporation Act, RSC 1952, c. 42 and amendments.	1949	To operate in Canada and elsewhere external telecommunication services for the conduct of public communication.
Canadian Patents and Development Limited.	March 31	Chairman of the Committee of the Privy Council on Scientific and Industrial Research	Incorporated under the Canada Corporations Act, RSC 1952, c. 53, and amendment. Research Council Act, RSC 1952, c. 239 and amendment; Public Servants Inventions Act, 1953-54, c. 40, s. 15.	1948	To make available to industry and others through licensing arrangements inventions arising from the work of the National Research Council laboratories and to handle, by contract, inventions from a number of Crown agencies and universities.

¹ For further detail see following commentary.

List of Enterprises - Continued

Name of enterprise with associated companies indicated by corresponding letters (a) to (d)	Fiscal year end	Responsible Minister or authority	Federal statutory authority	Year of incorporation	Main functions
The Canadian Wheat Board ¹	July 31	Minister of Industry, Trade and Commerce	Canadian Wheat Board Act, RSC 1952, c. 44 and amendments.	1935	To market in an orderly manner in the interprovincial and export trade, grain grown in Western Canada.
Central Mortgage and Housing Corporation.	Dec. 31	Hon. J.R. Nicholson	Central Mortgage and Housing Corporation Act, RSC 1952, c. 46 and amendments; (also National Housing Acts, SC 1953-54, c. 23 and amendments.)	1945	To insure mortgage loans on new housing made by approved lenders; make direct loans to certain borrowers; buy and sell mortgages; assist other levels of government in urban redevelopment, land assembly and housing projects; own housing and administer housing projects for other government departments; make loans for municipal sewage treatment projects.
Crown Assets Disposal Corporation....	March 31	Minister of Supply and Services	Surplus Crown Assets Act, RSC 1952, c. 260.	1949	To dispose of surpluses originating with the various government departments and crown corporations; to act as agent of foreign governments in the disposal of their surpluses in Canada; to make agency arrangements with governments for the disposal of Canadian surpluses located in their countries. (Formerly War Assets Corporation, established in 1944 to replace War Assets Corporation Limited which had been incorporated in 1943).
Eldorado Aviation Limited (c) (Subsidiary).	Dec. 31	Minister of Energy, Mines and Resources	Incorporated under the Canada Corporations Act, RSC 1952, c. 53, and amendment.	1953	To carry air traffic, both passenger and freight, for Eldorado Nuclear Limited and Northern Transportation Company Limited.
Eldorado Nuclear Limited (c)	Dec. 31	Minister of Energy, Mines and Resources	Incorporated under the Canada Corporations Act, RSC 1952, c. 53, and amendment.	1944	Mining and refining of uranium and the production of nuclear fuels in Canada; also acts as agent of the federal government in the procurement of uranium ore concentrates from private producers in Canada for ultimate buyers.
Export Credits Insurance Corporation	Dec. 31	Minister of Industry, Trade and Commerce	Export Credits Insurance Act, RSC 1952, c. 105 and amendments.	1944	To insure Canadian exporters against non-payment by foreign buyers arising from credit and political risks involved in foreign trade; to provide financing in respect of export transactions involving extended credit terms.
Farm Credit Corporation ¹	March 31	Minister of Agriculture	Farm Credit Act, SC 1959, c. 43 and amendments, and Farm Machinery Syndicates Credit Act, SC 1964-65, c. 29.	1959	To provide long-term mortgage credit to Canadian farmers and make loans for purchase of farm machinery for co-operative use.
Industrial Development Bank (a) (Subsidiary).	Sept. 30	Minister of Finance	Industrial Development Bank Act, RSC 1952, c. 151 and amendments.	1944	To provide loans and equity financing and participate in underwriting agreements with small and medium sized Canadian businesses where required financing is not available from other sources on reasonable terms and conditions.
National Harbours Board	Dec. 31	Minister of Transport	National Harbours Board Act, RSC 1952, c. 187 and amendments.	1936	Administration of certain port facilities, grain elevators and bridges.
Newfoundland Car Ferry ²	March 31	Minister of Transport	Ferries Act, RSC 1952, c. 114.	1952	Operation, on behalf of the federal government, of ferry service between Port-aux-Basques, Nfld., and North Sydney, N.S. by Canadian National Railway as part of its non-rail service.
Northern Canada Power Commission....	March 31	Minister of Indian Affairs and Northern Development	Northern Canada Power Commission Act, RSC 1952, c. 196 and amendment.	1948	To provide power to areas in the Northwest Territories and Yukon Territory on a self-sustaining basis and with the approval of the Governor in Council, in any other part of Canada; to act as agent for the Government of Canada in respect of loans made under the Atlantic Provinces Power Development Act.
Northern Transportation Company Limited (c) (Subsidiary).	Dec. 31	Minister of Indian Affairs and Northern Development	Incorporated under the Canada Corporations Act, RSC 1952, c. 53 and amendment.	1947	To carry on water transportation in the Mackenzie River watershed for its parent corporation, and to handle D.E.W. line freight.

¹ For further detail see following commentary.

² Finances consolidated with those of C.N.R. except for fixed assets owned by federal government.

List of Enterprises - Concluded

Name of enterprise with associated companies indicated by corresponding letters (a) to (d)	Fiscal year end	Responsible Minister or authority	Federal statutory authority	Year of incorporation	Main functions
Polymer Corporation Limited ¹	Dec. 31	Minister of Industry, Trade and Commerce	Incorporated under the Canada Corporations Act, RSC 1952, c. 53, and amendment.	1942	Production of synthetic rubber products, plastics and some chemicals; owns five subsidiaries, Polymer Corporation (SAP), Polysar Belgium N.V., Polysar Nederland, N.V., Polysar International S.A., and Polysar Italiana S.p.A., all foreign-incorporated. The financial transactions of the Canadian parent company only are included in the following statistics.
Prince Edward Island Car Ferry ²	Dec. 31	Minister of Transport	Ferries Act, RSC 1952, c. 114.	1933	Operation, on behalf of the federal government, of ferry service between Borden, P.E.I. and Cape Tormentine, N.B. by the Canadian National Railway as part of its rail service.
The St. Lawrence Seaway Authority (d)	Dec. 31	Minister of Transport	St. Lawrence Seaway Authority Act, RSC 1952, c. 242 and amendments.	1951	Operation, in conjunction with its American counterpart, from April 25, 1959, of the Seaway system between Montreal and Lake Erie constructed in the years 1954 to 1959; operation and administration of non-toll canals transferred from the Department of Transport to the Authority by Order-in-Council, P.C. 1959-204.
The Seaway International Bridge Corporation Limited (d) (Subsidiary).	Dec. 31	Minister of Transport	St. Lawrence Seaway Authority Act, RSC 1952, c. 242 and amendments.	1963	To operate a toll bridge between Cornwall, Ontario and Massena, New York.
Yarmouth-Bar Harbour Ferry	Dec. 31	Minister of Transport	Ferries Act, RSC 1952, c. 114.	1955	Operation of ferry service between Yarmouth, N.S. and Bar Harbour, Maine, by the Canadian National Railway Company on behalf of the federal government on a management fee basis.

¹ For further detail see following commentary.

² Finances consolidated with those of C.N.R. except for fixed assets owned by federal government.

Explanatory Comment on Certain Enterprises

Explanatory comments on the operations of certain of the enterprises follow.

Canada Deposit Insurance Corporation

In April, 1967 the Canada Deposit Insurance Corporation Act came into force. The prime purpose of the Act is to provide, for the benefit of persons having deposits with member institutions, deposit insurance against loss of part or all such deposits. The Corporation was established as the agency responsible for the administration of the Act.

Member institutions are federally incorporated loan and trust companies and banks (included automatically under the Act) and provincially incorporated loan and trust companies (upon specific application). As at December 31, 1968 there were 71 member institutions, 30 of which were federally incorporated.

During 1967, the Province of Quebec established the Quebec Deposit Insurance Board whose

prime purpose is to provide similar deposit insurance. In order to avoid duplication of coverage, an agreement was reached between the Government of Canada and the Government of Quebec as to their particular spheres of action.

Bank of Canada

Although the Bank of Canada is classified as a federal government enterprise, its financial data are not included in the overall totals of enterprise transactions published in Tables 1 to 5. The specialized terminology used by the Bank of Canada for some of its balance sheet items, by reason of its unique functions, affords, at best, an awkward fit to the conventional nomenclature adopted for this statistical presentation. However, for the convenience of users of these financial statistics, who may wish to incorporate available Bank of Canada figures into the relevant totals, Tables 6, 7 and 8 present comparative income, surplus account and balance sheet for 1968 and 1967 within the enterprise classification framework, with a breakdown of the items included under pertinent headings.

Canadian National Railways

The consolidated accounts of the Canadian National Railway System included thirty-two companies at the end of 1968.

In addition to those companies included in the System's corporate structure, there are several affiliated companies in which it holds fifty per cent or less claim of ownership. Only the amount of the investment in these affiliates is reflected in the statistics. Air Canada, one of the System's wholly-owned subsidiaries, is treated as a separate federal government enterprise and its transactions with the parent company have been segregated.

Adjustments are made to the System accounts to show the revenues and expenditures of the Canadian National hotels on a gross basis and to transfer the contributions by the federal government for the operating deficits of the Newfoundland Car Ferry and the Prince Edward Island Car Ferry from current revenue to surplus account.

The Canadian Wheat Board

The Canadian Wheat Board was incorporated under the Canadian Wheat Board Act to market, in an orderly manner, in the interprovincial and export trade, grain grown in Canada. The net profits on the operations of the pool accounts accrue not to the federal government, but to the grain producers. In this respect, it differs from other government business enterprises. Notwithstanding the special nature of its functions, however, the Canadian Wheat Board is treated in this report as a federal government enterprise. Its financial data cover the fiscal years ended July 31st, and involve not only the interim transactions of the current crop year, but also the results of the operations of the previous year's wheat, oats and barley pool accounts during the same period.

Farm Credit Corporation

The Farm Machinery Syndicates Credit Act proclaimed on December 11, 1964 provided the Farm Credit Corporation with authority to make loans to

qualified syndicates of three or more farmers to purchase farm machinery for their co-operative use. The Corporation began to accept applications under the Act in January 1965.

Northern Canada Power Commission

During 1968, the Department of Transport transferred, to the Commission, responsibility for supplying power at Baker Lake and Chesterfield Inlet. The Commission is under contract to the Department of Indian Affairs and Northern Development for the supplying of power, heating and water and sewer systems to certain areas.

Polymer Corporation Limited

At December 31, 1965, Polymer Corporation Limited held a 95 per cent equity in a subsidiary company, Polymer Corporation (SAF) and a 100 per cent equity in three others: Polysar Belgium N.V., Polysar Nederland N.V. and Polysar International S.A. Polymer Corporation (SAF) was incorporated under the laws of France in January 1961 and its special purpose rubber plant located near Strasbourg commenced operations in the fall of 1962. Polysar Belgium N.V. was formed under the laws of Belgium in December 1961 and production of butyl rubber at its plant near Antwerp started late in 1963. Polysar Nederland N.V., which is a holding company, was incorporated in accordance with the laws of Holland in May, 1962. During 1966 another subsidiary was formed, Polysar Italiana S.p.A., Milan, Italy. This subsidiary is owned jointly by Polysar Belgium N.V., and Polysar International S.A. Polysar International S.A. was incorporated under Swiss law, in June 1962 for the purpose of marketing all Polymer products outside of North America. Through its subsidiaries, Polymer Corporation Limited is participating in synthetic rubber projects in Mexico and South Africa.

The financial statistics of the Canadian operations only are included in this report.

APPENDIX

Source of Data

The sources of the financial data are the published annual reports of the crown corporations, supplemented by additional information obtained from corporation or departmental officials. The assistance of these officers is gratefully acknowledged.

The series on wages and salaries paid to employees of federal enterprises is, for the most part, based on data obtained by the Governments Division for the publication "Federal Government Employment" (Catalogue No. 72-004).

Capital Revenue and Expenditure

Comprehensive statistics on capital revenue, capital expenditure and the source and application of funds of federal enterprises are not available at this time, except in so far as changes in the balance sheet accounts reflect these transactions on a net basis.

Estimates of expenditures of a capital nature by federal government enterprises are published in the publication, "Private and Public Investment" (Table 8), prepared jointly by the Business Finance Division of the Dominion Bureau of Statistics, and

the Economics Branch of the Department of Trade and Commerce. According to this source, capital expenditures of federal enterprises for the year 1968 were \$404 million. The comparable actual figure for 1967 was \$427 million.

Classification of Enterprises by Industry Group

The financial statistics presented in this report have been classified according to the broad industry groups in which the enterprises participate, as set out in the Standard Industrial Classification Manual (1960) of the Dominion Bureau of Statistics.

The groups pertaining to federal government enterprises are: (1) transportation, communication and other utilities with sub-groups of transportation, storage, communication and electric power; (2) wholesale trade; (3) manufacturing; (4) finance, insurance and real estate and (5) public administration. Statistics for enterprises classified under wholesale trade and manufacturing have been combined in this report. Statistics under public administration, what relate solely to the Canadian Patents and Development Limited, have been combined with finance, insurance and real estate.

Although the "establishment" is the Bureau's standard unit for obtaining basic statistical data by industry on output, cost of materials, supplies, fuel and electricity and employment and payrolls, some establishments are unable to report overhead costs charged to them and therefore cannot show their net trading profits. Thus the appropriate unit for reporting financial data is the "firm". Sometimes even the firm cannot report all financial data and it is necessary to resort to "enterprise" data: an enterprise in this sense, being a firm or an aggregation of firms (in some cases in widely different industries) which are associated with one another through common management and financial control.

The standard industrial classification of federal government enterprises, applied in these statistics at the "enterprise" rather than at the "firm" or "establishment" level has resulted in a few aberrations. For example, Eldorado Mining and Refining Limited has been included in the manufacturing industry, although some of its operations are more properly classed under mining. The Canadian National Railway System accounts, as presently consolidated, cut across the transportation, financial and personal service industries. All of these activities are grouped with the transportation function.

Financial Classification and Terminology

To fit the particular needs of an economic and/or functional classification of public finance data, and to stress the interrelatedness of government enterprise transactions with general government departments and agencies, the nomenclature of the items used in both schemes has been retained in so far as possible.

In an economic classification scheme, the current revenue and expenditure account takes the form of a trading and profit and loss statement as

in a private corporation. The classifications used in the balance sheet accounts have been adopted after due consideration of the varied nature of the government businesses involved.

No attempt has been made in this report to segregate current assets or liabilities from those of a long-term existence, except in so far as they may fall into these categories by reason of the use of the conventional commercial presentation of the balance sheet accounts, which lists the items, more or less, in order of their liquidity.

Transactions of the enterprises with their own or other levels of government have been isolated in this report, whenever appropriate, by use of the following sub-items:

- (i) Federal government
- (ii) Federal government enterprises
- (iii) Provincial governments
- (iv) Provincial government enterprises
- (v) Municipal governments
- (vi) Municipal government enterprises

Transactions with non-governmental bodies are classified under sub-item, (vii) Other.

Transactions with subsidiary and affiliated enterprises are indicated by footnotes. A subsidiary is defined as a corporation (government or non-government) in which the parent government enterprise holds more than fifty per cent ownership; an affiliate is a corporation in which its ownership claim is fifty per cent or less.

While some of the definitions and terminology have been taken from reference manuals on financial statistics of provincial and municipal governments, particularly the latter, in many instances it has been necessary to prepare an explanation of a term in accordance with its application to government enterprise statistics.

For purposes of interpreting this report, the following definitions (or explanations) of certain assets, liabilities, revenues and expenditures are presented.

ASSETS

Item 1. Cash on hand and on deposit, includes currency and other forms of exchange, on hand, or on deposit, in a bank or other depository, which is unrestricted as to use by the management for disbursements of any nature. Short-term deposits, and deposits with the Receiver General of Canada and Provincial Treasurers are included.

Cash held in funds created for specific purposes is shown under restricted funds, item 11.

Item 2. Accounts receivable are amounts claimed against debtors, usually money rights arising from the sale of goods or services.

Provisions for bad debts, where shown separately, have been offset against accounts receivable.

Item 3. Inventories are recorded at book value for finished goods, goods in process and raw materials held in stock, on consignment and in transit. Operating supplies and small tools and equipment, which are in some cases, set up as prepaid expenses, are included.

Item 4. Interest, dividends and rents receivable constitute financial income due but not received, as distinct from income of this kind owing but not due, which is included in accrued revenue.

A significant amount is included in the "Other" sub-item as detailed debtor information is not normally set out in the source data used in the compilation of this publication. The same condition applies to asset items 5.1 and 8.

Item 5. Accrued revenue is income that has been earned but is not yet due.

This type of revenue is mostly in the form of interest, which has been set up as sub-item 1 under this classification.

Item 6. Prepaid expenses are short-term expenses which are expected to yield their benefits in the next financial year and meanwhile are carried forward to be assigned to expense in the next financial year.

Long-term expense prepayments, such as tooling and development costs, are classified as deferred charges.

Item 7. Fixed assets. In this publication, fixed assets are deemed to be long-term assets, such as land, buildings or equipment held for use or sale.

Property held for sale by financial enterprises has been included under fixed assets. For some studies, it may be desirable to exclude properties intended for sale, and for this reason, the amounts involved are shown in a footnote.

Fixed assets are recorded at the values carried on the balance sheet, less accumulated depreciation. The amount of accumulated depreciation is indicated by a footnote.

Progress payments on new construction or on the purchase of equipment are included.

Item 8. Loans and advances receivable. Loans receivable are amounts owing by other government bodies, individuals, firms or corporations, as a result of monies loaned, as distinguished from accounts receivable which result from the supply

of goods or rendering of services. Advances receivable pertain to funds advanced with respect to a liability which will only become due sometime in the future. Examples of advances receivable are advances on salaries or travelling expenses.

Item 9. Securities held as investments. Negotiable bonds and stocks purchased with the object of employing funds which may have been set aside for some future use, but are not restricted by legislation or regulation to this use.

Also included are investments in other government enterprises which are not actually negotiable, but hold the expectation of earning a return in the form of dividends.

Negotiable papers provided by a borrower as security for a loan have been excluded, the asset having already been classified as a loan receivable.

Securities held as investments are classified under eight sub-groups.

1. Federal government treasury bills.
2. Federal government direct and guaranteed bonds.
3. Provincial government treasury bills.
4. Provincial and municipal government direct and guaranteed bonds.
5. Notes of companies incorporated in Canada and of institutions.
6. Bonds of companies incorporated in Canada and of institutions.
7. Preferred and common stocks, Canadian, with sub-item for subsidiary government enterprises.
8. Foreign investments, with affiliated corporations indicated by a footnote.

Securities held in restricted funds appear under item 11 below.

Item 10. Mortgages and agreements for sale. A mortgage is the creation of an interest in real property in favour of a mortgagee as security for the repayment of a debt by the mortgagor.

An agreement for sale is a contract between the owner of property and the purchaser pursuant to which the owner agrees to convey his interest to the purchaser upon payment of the balance of the purchase price.

Item 11. Restricted funds. These are assets held, either by the enterprise or by a trustee, for such purposes as the future payment for an asset or a service, the payment of an existing, real or contingent liability or the retirement of debt. These funds may be created voluntarily or by reason of obligatory commitments, and are usually held in the form of cash or investments. These funds are included

under this item rather than under cash on hand and on deposit (item 1) and securities held as investments (item 9) to emphasize the restrictions as to their use. Details of the composition of the funds are recorded in Table 4.

Three types of restricted funds have been identified, namely: (1) asset replacement, (2) trust and deposit accounts; and (3) other funds.

These statistics include data pertaining to funds held on own account or by a trustee. Data for trust funds and deposit accounts, such as staff pension funds and contractors' security deposits, have been offset against the contra liability item.

Item 12. Deferred charges. These are long-term expense prepayments, other than capital expenditures, the benefit of which will extend over a period of years from the time of incurrence. They are carried forward to be amortized to expense in each of the applicable years. Bond discount and redemption expenses, and tooling and development costs are typical examples of deferred charges.

Item 13. Other assets. This classification embraces all asset items not elsewhere classified. Amounts due on deficit account, mainly from the parent government, are classified as a sub-item. Other types of assets contained herein are insurance claims recoverable and debit balances in suspense.

LIABILITIES

Item 1. Accounts payable are amounts owing to creditors, usually money rights arising from the purchase of goods and services.

Item 2. Temporary loans, advances and notes payable include amounts owing to banks or other sources of direct borrowings by the enterprise for the purpose of temporary financing, in addition to advances and prepayments on short-term contracts.

Item 3. Interest payable represents amounts due and unpaid in the form of interest, as distinct from interest owing but not due which is included in accrued expenditure.

Item 4. Accrued expenditure consists of expenditures that have been incurred up to a given date, but have not been paid and are not payable until a future date.

Item 5. Long-term loans and advances constitute amounts owing to the parent government, banks or other sources of borrowing by the enterprise, for purposes of other than temporary financing, and advances on long-term contracts. Non-negotiable bonds and notes held by the parent government or enterprise are included here.

Item 6. Long-term debt. The long-term debt of an enterprise is usually in the form of bonds and debentures, issued and unmatured (including deben-

tures assumed) undifferentiated as to holder. Mortgages and agreements for sale are other types of long-term indebtedness.

Item 7. Deferred credits are credits for income not yet earned.

Revenue that has been received, but is applicable to a future period, and unamortized premium on bonds are examples of deferred credits.

Item 8. Trust and deposit accounts represent liabilities for contractors' security deposits and staff savings funds against which identifiable trust and deposit assets have been offset.

Reserves

In this publication a reserve is deemed to be an amount which has been appropriated or provided for undetermined future losses on assets, future expenditures, working capital, or contingencies. The appropriation or provision for a reserve appears in the current expenditure or surplus statement as required or permitted by statute.

Item 9. Provision for estimated future liabilities. This item comprises provisions for future income taxes, for estimated liabilities such as loss on foreign exchange and workmen's compensation awards and insurance against fire losses, accidents, etc.

Provisions for estimated decreases in the value of assets have been offset to the appropriate asset accounts.

Reserves for contingencies which may or may not arise, and other types of reserves which theoretically represent a part of net worth, such as sinking fund reserves, reserves for plant expansion and reserves for unrealized profit in appraisal, have been classified as **Equity reserves (item 11.5)**.

Item 10. Other liabilities. This item includes all liabilities not elsewhere specified.

Item 11. Proprietary equity (net worth) is the excess of assets over liabilities.

Six types of equity have been distinguished: (1) capital stock, issued and fully paid; (2) interest-free working capital; (3) fixed assets, constructed or acquired by the parent government and transferred to the enterprise for use in business; (4) other equity, such as paid-in capital, assets transferred, equity in replacement of loans outstanding, etc.; (5) equity reserves; and (6) unappropriated surplus, the residual or balancing item in the balance sheet. Unappropriated surpluses arise from earnings on operations, extraneous profits such as those derived from sales of fixed assets and investment securities, changes in appraisal values of fixed assets and contributions from governments or others.

The net transactions of the unappropriated surplus account during the accounting period are set out in separate tables in this report.

REVENUE AND EXPENDITURE

Cash vs. Accrual Basis of Accounting

The cash basis of accounting entails the recording of cash receipts or disbursements in the period in which they occur. The accrual basis of accounting, on the other hand, entails the recording of revenue and expenses in the period in which it is considered they have been earned or incurred, whether or not cash settlement has been made. Accounts of government enterprises are generally maintained on an accrual basis.

Revenue

Revenue consists of amounts received and receivable and available to meet expenditures and which neither increase any liability or reserve, nor represent the recovery of an expenditure.

Current revenue is derived from the sale of goods and services in the normal course of business, financial or non-operating income, rents, and contributions from government.

Capital revenue consists of proceeds from the sale of fixed assets and contributions towards expenditures of a capital nature.

Current Revenue

Item 1. Revenue from sales and services on current operations. Sales of goods bought for resale and sales of goods and services produced as part of the normal operations of government enterprises are included here. Sales are deemed to be valued at actual prices charged, net of any rebates or discounts.

Item 2. Financial income is in the form of interest on bank deposits, investments and loans, and of foreign exchange and dividends.

Interest received from government and other government enterprises on these accounts is separately indicated.

Item 3. Rental income is derived from renting fixed assets such as buildings and machinery and equipment, primarily to non-government bodies. Government agencies which rent buildings, equipment and machinery, primarily to government bodies, are not treated as enterprises in government finance statistics.

Item 4. Contributions from own or other levels of government represent grants and payments from government bodies in respect of current operating expenditure of enterprises, other than subsidies or re-imbursments for deficits incurred. Amounts received from governments on account of deficits, incurred by enterprises in current or prior years, are excluded from current revenue and shown in unappropriated surplus account transactions.

Item 5. Other current revenue is income of a current nature not elsewhere specified.

Expenditure

An expenditure is a charge incurred for any purpose whether or not paid.

Current expenditure includes purchases of both tangible and intangible items whose values expire or are used up within the fiscal period, and are properly chargeable to current expense accounts.

Capital expenditure is any expenditure that results in the acquisition of, or addition to, fixed assets.

Current Expenditure

Item 1. Costs of goods and services sold in current period.

(1) **Wages and salaries.** This item represents the gross salaries, wages, living allowances, bonuses and commissions paid by government enterprises, in cash and in kind, to employees in Canada and abroad, in return for labour services. Retroactive wage increases, commissions and bonuses are included in the periods in which they are paid rather than the periods in which they are earned.

Except in a few isolated cases, it has not been possible to delete the labour costs on capital works constructed by the enterprises' own labour force or on development expenses. To this extent, the cost of salaries and wages on current account is overstated.

Supplementary labour costs such as contributions to pension funds, employee welfare funds, unemployment insurance, and workmen's compensation have been included in sub-item 1.3.

(2) **Net drawings on (+) or net additions to (-) inventories** represent the net change in the value of inventories during the accounting period.

The valuations shown for this item are those reported for the opening and closing inventories in the trading accounts of the enterprises.

(3) **Other purchases of goods and services for current operations.** This item embraces all current purchases of goods and services, net of rebates and discounts, other than for compensation of employees (sub-item 1.1), interest on debt (item 3), and the fixed charge of provision for depreciation (item 2). In addition to purchases of materials, it includes supplementary labour costs such as employers' contributions to social insurance and pension funds, and also fuel and electricity, office expenses, repairs and maintenance and expenditures of a capital nature charged to current account.

The adjustment for current purchases or production added to inventories or for prior years' stores drawn therefrom, is made in sub-item 1.2.



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Item 2. Provisions for depreciation and replacement. The provision for depreciation and replacement of fixed assets is recorded at the amount charged by the enterprise, regardless of method of computation.

Item 3. Interest of debt. Interest on debt is primarily on (1) bonds and debentures, undifferentiated as to payee, or on (2) loans and advances by the parent government or affiliated enterprises. The intergovernmental agency transactions are shown separately.

Interest on debt due to non-government entities also includes interest on commercial debt in the form of bank overdrafts and other business credit.

Item 4. Other current expenditure comprises allowances for doubtful accounts, foreign exchange and non-operating expenses charged against the current year's revenue such as amortization of bond discount and bond redemption expenses, charges for depletion, amortization of preproduction and development expenses, lay-up expenses and contributions of enterprises to own or other levels of government

Item 7. Estimated income tax. On January 1, 1952, federal proprietary crown corporations became liable for the payment of taxes on income earned as are privately owned corporations. During 1968 only five of the enterprises reported provision for income tax.