

odd houses served without increasing the burden on the letter carriers?

Mr. Lapointe: I suppose the loads of some letter carriers have been increased, but as I explained the other day the basis of the letter carrier's day is an eight-hour day. The routes are organized in order to permit him to do an eight-hour shift and no more than that. If the volume of mail increases and he cannot complete that route in eight hours, a rearrangement will be made. There is a constant reshuffling of these walks, particularly in the outskirts of Montreal, Toronto and other large centres which are developing quite rapidly. The number I mentioned is the net increase in letter carriers. I am informed that for the coming year we are providing for 506 more.

Mr. Hamilton (Notre Dame de Grace): Am I to understand from the Postmaster General's recent observation that the eight-hour days were somewhat longer in 1956-57 than they were in preceding years. Let us look at the situation. The Postmaster General says that we are not increasing the load, which was the impression given to us in answers to questions; that the average number of houses served by a letter carrier is about 500. He then comes to us today and says that this load is being distributed over an eight-hour day. He tells us also that if the volume of mail is not as great the letter carrier will not have as much to carry, yet the statistics show that this year the volume of mail carried is greater than any year before. I say to the Postmaster General in all fairness that we should have a more adequate explanation than has been given us to now.

It has been demonstrated by previous figures that the average number of calls handled by our letter carriers is increasing steadily and that their burden is also increasing steadily and it would appear that the officials of the department are not giving sufficient consideration to the representations of the employees in this regard. Some of us have talked to these men and have found out what they are thinking and how they are working and we have reason to know that what we say is based on the facts. We now have further proof of this from the minister.

Can the minister not give us a further explanation as to why the department finds it necessary to increase the length of route and the burden of the average carrier?

Mr. Lapointe: As I mentioned before, the routes are based on an eight-hour day. The number of calls made may vary, and

undoubtedly does, depending upon the volume of mail which a letter carrier has to deliver. When the volume is such that a letter carrier is not able to deliver his mail within eight hours an adjustment of the route is made. One letter carrier may have only 250 calls to make because he has a high volume of mail to carry, while another one may have 800 calls because the volume is not so great. That second letter carrier may be able to complete his route in eight hours.

That is the basis of the operation and all routes are adjusted on the basis of an eight-hour day.

Mr. Hamilton (Notre Dame de Grace): Is the minister telling us that in previous years the letter carriers were not working a full eight-hour day?

Mr. Lapointe: I did not make that statement at all. As my hon. friend knows, we introduced in the last years these call boxes to which a considerable part of a letter carrier's mail is taken.

Mr. Hamilton (Notre Dame de Grace): You had those before last year.

Mr. Lapointe: I said in the last years. Mail is taken to these relay boxes located in different sections of a route and the carrier is thus able to handle a heavy volume of mail without having to carry it all himself from the starting point.

Progress reported.

At six o'clock the Speaker resumed the chair and the house took recess.

AFTER RECESS

The house resumed at eight o'clock.

THE BUDGET

ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

Hon. W. E. Harris (Minister of Finance) moved:

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

He said: Mr. Speaker, hon. members will recall that a year ago I was confident that 1956 would be a year of further economic expansion. We have exceeded our expectations.

The budget white paper which I tabled yesterday afternoon provides a record of the economic trends and events of the past year. This evening I need only comment briefly upon them.

A year ago I budgeted on the basis of a 5 per cent increase in production, assuming, as

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usual, normal crops and a stable price level. I was careful, however, to point out that we were becoming subject to inflationary pressures and that both fiscal and monetary measures would be needed to restrain the upward thrust upon prices.

As events turned out, we had considerably better than normal crops, and notwithstanding restraining influences the price level advanced about 4 per cent. The final result appears to be that the gross national product increased by nearly 11 per cent to a record total of \$29½ billion. Excluding the rise in prices, our gross physical output was about 7 per cent higher than in 1955, and the combined increase for 1955 and 1956 has established a new record for our expanding economy.

This 7 per cent increase in real terms is about double the average annual increase which we might normally expect. It represents not only more employment, higher wages, and improved standards of living, but also a greatly improved and increased stock of capital goods and equipment which can promise still higher production in the future. This rate of increase has, however, put considerable strains on our physical resources in manpower and materials, strains which have been reflected in a persistent upward pressure on prices.

The most striking feature of the past year was the extraordinary increase in capital investment. In 1955 total public and private investment was \$6.3 billion. In 1956 the figure reached \$7.9 billion. In dollar terms the increase amounted to 25 per cent. Inflationary cost pressures were, however, more pronounced in capital investment than elsewhere, and the increase over 1955 in terms of physical volume was about 17 per cent. It remains true, however, that 1956 was the greatest year of capital expansion in our recent history. We used more than 26 per cent of our total collective energies in building more, bigger or better mills and factories, power plants and mines, oil wells and pipe lines, roads, schools, hospitals and houses.

A good deal of this investment program was financed from outside Canada. The net inflow of capital into Canada was \$1.4 billion. As a counterpart of this, a considerable proportion of the capital equipment put in place came in the form of increased imports of capital goods. In 1956 our total imports were up 22 per cent, but our imports of capital goods increased by 40 per cent. By contrast our imports of consumer goods increased by only 10 per cent.

A second important element in the high level of business last year was the further

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growth in the demand for Canada's export commodities. The increase of 12 per cent in our exports was the result in large part of capital investment undertaken in earlier years in mining, pulp and paper, oil and power development, and similar resource industries; and this is an indication of what we may expect from our present capital investment program. We also had the benefit of a substantial recovery in our grain exports. The increased export demand for our products was the result of buoyant conditions in the United States and continued improvement of economic conditions in our overseas markets. About half of the increase in total exports went to the United States, but there was a relatively greater increase of 14 per cent in our overseas exports.

Much the largest element in total demand is, of course, the expenditure by consumers on goods and services. This showed an increase of 8 per cent in 1956—a reflection of higher employment and higher incomes. On the average there was an increase of 240,000 persons, or 5 per cent, at work in industry during the year, and wage increases were widespread. The increase in earnings for the average worker in industry was about 5½ per cent—a larger gain than in any recent year. Since average consumer prices in 1956 were only 1½ per cent above 1955, Canadian industrial workers, with average increased earnings of 5½ per cent, undoubtedly achieved a significant improvement in real earnings.

Farmers also shared in this general improvement. Better than average grain crops and greater sales and deliveries have increased western cash income. Elsewhere the decline in prices has been halted and there has been some improvement in the prices of a number of farm products. If nature is kind and markets remain as good in 1957, per capita farm incomes could equal, or surpass, the all time record of 1951.

In round figures the personal incomes of Canadians rose by \$2 billion in 1956. Of this large figure, \$1.4 billion went in increased personal expenditures, \$200 million in higher tax payments to federal, provincial and municipal governments, and \$400 million in increased savings. For the nation as a whole, personal savings were \$860 million in 1955, and \$1,260 million in 1956. That is an increase of almost 50 per cent.

The various levels of government in Canada were also in the market for more goods and services. Total government expenditures for these purposes increased by 9 per cent over 1955. Purchases by the federal government of goods and services rose by 7 per cent, and those of the provincial and municipal governments by 14 per cent.

Hon. members will recall that I expressed some doubts a year ago—doubts which were widely shared—as to whether our economy possessed enough resources to meet all the demands that seemed likely to be made upon them in 1956. These doubts were particularly related to the capital investment program, as well as the expected increase in export demands and in consumer spending. Our capacity to cope with the situation was certainly strained, but the employment of a larger labour force helped to meet the situation.

Stimulated by the strong demand for manpower there was an increase of 4 per cent in the size of the total labour force. This is an unusually high rate of increase. A normal annual addition would be more like 2 per cent. Increased immigration helped in 1956, but the additional increase in the labour force, beyond the normal increment of younger people entering the market for the first time, came chiefly from retaining older people in employment, and attracting into industry more married women workers and younger people under 18 years of age—at least during the holiday periods—many of whom would not normally be looking for work.

This large increase in the number of people at work helps to explain how it was possible for supply almost to keep pace with demand, and why the gross national product could show an increase in real terms of 7 per cent in one year. In addition, of course, there was improved productivity resulting from new and better plant and equipment, and the increase of 3 per cent in average number of hours worked per week enabled the construction industry to come as close to its targets as it did. While Canadians did do extremely well in meeting the capital investment intentions, we did not wholly succeed. Pressures on manpower and materials pushed up construction and equipment costs by more than 6 per cent, so that in real terms we achieved about 93 per cent of the revised capital intentions for 1956. The balance is, of course, carried into 1957 and will create employment and incomes during the coming season.

A considerable part of the demand for goods and services was met, not from Canadian resources, but from external supplies. In brief, the great increase in commodity imports was directly related to our rapid economic expansion. Indeed, without most of these increased imports our 1956 expansion could not have been achieved. Imports increased by \$1 billion. The big increase was in capital goods—machinery, equipment, structural steel, and so forth—and the additional imports were balanced by the additional inflow of capital from abroad.

To complete my remarks on the balance of payments, we had a commodity trade deficit of \$734 million compared with \$208 million in 1955; and an increase of \$180 million in the net deficit on non-merchandise account—freight, travel, interest and dividends, et cetera. In sum, the total deficit on international current account for 1956 was almost exactly \$1,400 million. This is an inevitable accompaniment of our extraordinarily rapid rate of expansion. It is a feature of rapid growth which if long continued will raise real problems for all of us in Canada. It could be moderated by further increasing our own domestic rate of saving.

Perhaps I should add a few words on the nature of this capital inflow. Direct foreign investment in Canadian industry increased by more than \$100 million to a total of \$525 million; but by far the greatest increase was in portfolio investment, that is, in new Canadian issues sold abroad and in foreign purchases of existing Canadian securities. In 1955 there was a net outflow of \$35 million in this form; in 1956 there was a net inflow of \$750 million.

In 1956 the provinces and municipalities borrowed through the sale of net new bond issues a total of \$772 million, or 68 per cent more than in 1955. Of this \$772 million, \$280 million was borrowed in the United States, and net sales in Canada were almost exactly the same as in 1955.

This increase in portfolio borrowing and investment was, of course, the result of a more intense level of economic activity in Canada, and a consequent demand for capital funds in excess of Canadian savings which was reflected in relative changes of interest rates at home and abroad. More borrowing abroad and more importing from abroad were both symptoms of the stresses and strains of a booming economy. At the same time, however, this increased reliance on imports relieved some of the pressure on Canadian prices.

Despite this, for the first time in about four years the general level of wholesale and consumer prices moved upwards, by $2\frac{1}{2}$ and 3 per cent respectively, and construction and equipment costs rose by more than 6 per cent. The major factor in the increase in the consumer price index was the recovery of agricultural and food prices, but practically every other item in the index edged up a little and we may not have seen the end of such increases yet. Not all of last year's cost increases in wages, freight rates and materials have had time to work through to the retail level. Consequently, it may well be that the full effects

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of the heavy spending program of 1956 will only reveal themselves in the prices of finished goods during 1957.

I should add that Canadian prices would have risen by more than they did had it not been for the 4 per cent rise in the external value of our dollar which developed during 1956. This in itself served to keep commodity prices in Canada lower than they would otherwise have been. We can hardly count on a similar further rise in the external value of our currency in 1957, and the trend could be reversed.

The same excess of demand for goods and services was also reflected in a "tight" credit situation. The monetary policy of the Bank of Canada has been one of restraint, and the fiscal policy of the government has worked in the same direction. This is as it should be whenever the volume of spending in the country exceeds the capacity of the economy to produce the goods and services demanded. As I have said before, the aim of the government, and of the Bank of Canada, is to encourage economic growth at the highest rate which can be sustained over a period of years without endangering the stability of prices. The policy of resisting inflationary pressures when they appear is designed not to reduce economic growth but to increase it by stretching out the period in which conditions favourable to growth will continue without the development of unsound conditions and distortions which would interfere with adjustment and growth.

I am sure that most thoughtful people know that a condition of "tight money" and higher interest rates is not the wilful creation of the government or of the banks or of the Bank of Canada. It is true that the Bank of Canada could have further increased the supply of money and credit. Such action would have given greater leeway for inflationary pressures to push up prices and costs to the great disadvantage of export and domestic industries alike, and indeed of all sections of the community.

Money is "tight" in Canada because our great rate of expansion has brought about a great increase in the demand for borrowed funds. The supply of such funds increased very substantially: witness the fact that net sales of new bond and stock issues—excluding Government of Canada's—were 80 per cent higher than in 1955, and that total provincial, municipal and private debt outstanding in the form of bank loans, bonds, and mortgages rose by 15 per cent during 1956. But the demand for borrowed funds increased even more.

The capital market, like the market for anything else where demand was increasing

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faster than supply, has reflected the relative scarcity of savings, and the price of credit has risen. Higher rates of interest have given encouragement to saving, have moderated a certain amount of spending and have caused some capital programs to be postponed. Although some potential borrowers have been disappointed we may be sure that most of the construction projects which have been delayed in 1956 will go forward in the year ahead of us.

Meanwhile, the economy has kept on a fairly even keel, despite the speed of its advance, and prices and living costs have advanced only moderately. To have achieved such expansion with so little disorganization is, I think, a source of satisfaction.

I come now to consider the economic prospects for the coming fiscal year. On the present evidence I think we can expect a continuation of the current high level of economic activity throughout the coming year. There may, as always, be some unevenness between industries and regions, but by and large I expect the momentum of expansion to continue, at a somewhat more moderate pace but strongly enough to ensure further increases in production and employment, and a continuation of rising standards of living.

I find support for this in the information released a few weeks ago by my colleague the Minister of Trade and Commerce with respect to investment intentions for the coming year. It will be recalled that this showed that total capital expenditures in Canada in 1957 are expected to increase by a further 8 per cent. Having regard to the condition of overstrain which characterized our economy in 1956, this indication of a more moderate rate of growth is to be welcomed. But even as it stands it will impose a substantial strain on our resources. An investment program of \$8.5 billion will claim more than 27 per cent of our prospective national output at today's prices. If we are to succeed in an effort of this magnitude we shall either have to save a good deal more or borrow from abroad a good deal more even than we did in 1956. I earnestly hope that Canadians will themselves save more and invest it profitably in their own future. Later I shall be making a proposal which will lead in this direction.

Commodity exports should continue to increase in total through 1957. There will, of course, be some uncertainty as to the level of production in Europe. In the United States, business remains firm and there seems to be confidence in another year of steady growth. Most of our major export industries are therefore looking forward to a further increase in foreign demand. The increases

may not be as great as they have been these last two years, but they should still be considerable.

The total demand for goods and services by all three levels of government in Canada, which constitutes roughly one-sixth of all expenditures, seems likely to increase moderately. Consumer expenditures, which are responsible for nearly 60 per cent of all spending, should continue to grow in 1957 in line with the further expansion of employment and personal incomes. A considerable increase in wage rates is already built in as a result of wage agreements made last year or earlier. Farm incomes should be well maintained unless grain crops in the western provinces are disappointing. There is no guarantee of course that the sale of consumer goods will be easy or as profitable. Costs have been rising and in many lines competition will be strenuous. Corporate profit margins show some signs of narrowing, as both competition and consumer price resistance stiffen.

The probability that almost all types of demand are likely to increase suggests that the forces making for an upward pressure on prices are still present. Clearly, much will depend on the extent to which increased manpower and increased productivity can be brought into play.

I do not believe that we can count on obtaining as large an increase in the labour force this year as was experienced last year. Nevertheless, there will be a substantial addition by reason of the expected increase in immigration, an increase which appears likely to provide us with a greater percentage of workers than is usually the case. Further, while industrial capacity is continually growing, some industries may not have an increased requirement for manpower. All in all, I believe, there is a good possibility that the inflationary pressures which have been present throughout the past year may begin to moderate during the coming year.

For purposes of revenue forecasting I am assuming that the increase in the gross national product will be about 5 per cent, to reach a total of \$31½ billion. About one-third of this increase will be the result of higher prices, since my estimate is based on the present level of prices which is about 2 per cent above the average for 1956.

GOVERNMENT ACCOUNTS, 1956-57

I should like now to refer briefly to the government's accounts for the fiscal year which will end on March 31. They are set out in detail in the white paper tabled yesterday and I do not propose to review them

again at this time. I should, however, remind hon. members that these are interim figures and that the final figures will not be available until August.

The results for the year may be stated briefly. In my budget speech last year I budgeted for revenues of \$4,763 million, expenditures of \$4,650 million and a surplus of \$113 million. It appears now that our actual revenues will be about \$5,149 million, our expenditures about \$4,867 million and our surplus about \$282 million. This surplus of \$282 million more than offsets the deficits of \$185 million incurred in the two preceding years.

The increase in revenues of 8 per cent over forecast is a reflection of the high level of economic activity that prevailed throughout the year and which produced a gross national product 7 per cent higher than the \$28 billion I had felt justified in assuming a year ago.

Expenditures are \$217 million or about 5 per cent higher than forecast. Of this increase, one-half represents two charges of \$50 million each, one for a reduction in the unamortized portion of the actuarial deficiency in the superannuation account and the other for an additional provision for the general reserve against our assets which have increased by more than \$600 million in the past two years. Of the remainder, \$15 million is due to higher charges for interest on the public debt and about \$10 million more for larger payments to the provinces under the tax rental agreements. In addition there were other outlays, such as increased grants to universities and expenditures related to the recent tragic events in Hungary, which were not foreseen a year ago. Apart from these items which I have mentioned total expenditures were within 1½ per cent of my original forecast.

As usual in addition to the expenditures for government services that are included in the budgetary accounts, we have made loans and advances and disbursed large sums for a variety of other authorized and essential purposes. During the fiscal year these outlays amount to \$454 million. To meet them we will have substantial sums available from the repayment of loans and advances and from other non-budgetary sources. Details of all these are given in the white paper.

Although the budgetary surplus is about \$282 million, our outstanding unmatured debt at the end of the fiscal year will be about \$523 million less than a year ago. This has been achieved by using the \$282 million available from our budgetary operations; together with the net sum of \$110 million representing the excess of receipts over disbursements

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for our various loan, investment, insurance, pension and other non-budgetary accounts, and by drawing down our cash balances by some \$131 million.

During 1956-57 a large volume of government securities was redeemed or refinanced. Net sales of Canada savings bonds series 11 are estimated at \$790 million. In addition to the refunding of treasury bills which mature weekly, new securities amounting to \$1,465 million were issued and we redeemed outstanding securities or acquired them for our sinking fund or securities investment accounts in the amount of \$1,988 million. As a result, as I indicated a moment ago, we were able to reduce the unmatured debt held outside these government accounts by \$523 million during the fiscal year.

There was a sharp rise in interest rates during the year, particularly on short-term securities. The average rate of interest on the government's unmatured debt will be about 3.04 per cent at the end of the fiscal year compared with 2.85 per cent at the beginning of the year.

At this point I should like to report briefly on the operations of the old age security fund during 1956-57. Pensions of \$40 a month are paid from the fund and during the year these payments will amount to \$379 million. Revenues of the fund which are derived from 2 per cent taxes on sales, corporation profits and personal incomes are estimated at about \$373 million. The deficit for the year of about \$6 million has been financed by a temporary loan from the Minister of Finance. In the supplementary estimates parliament is being asked for authority to charge this deficit to expenditures in the current year.

FEDERAL-PROVINCIAL RELATIONS

A word, Mr. Speaker, about federal-provincial relations, the current tax rental agreements that were signed with nine provinces in 1952 expire on March 31 of this year. During the last session of parliament an act was passed authorizing the government to conclude new and more generous financial arrangements with the provinces for a further five year period. While at this date no formal agreements have been signed, we have been advised of the intentions of the provincial governments on this matter. All the provinces, with the exception of Ontario and Quebec, have indicated their intentions of entering into rental agreements for a further five years for individual income taxes, corporation income and corporation taxes, and succession duties. Ontario has decided to continue to levy its own succession duties, and to re-enter the corporation tax field, but will rent

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the individual income tax field. Quebec will continue to levy its own taxes in all these categories.

Agreement has been reached on all important terms of the proposed rental agreements and it is expected that these will be formally concluded in time for the first monthly payments which are due to be made on April 17. For the eight provinces which are continuing to rent all three tax fields the new scale of payments in 1957-58 are estimated to be \$240 million which is \$40 million, or 20 per cent, above the 1956-57 scale of payments.

In his budget speech three weeks ago the provincial treasurer of Ontario referred briefly to the federal-provincial tax-sharing arrangements. I do not intend to re-argue this matter, but I do want to comment on two statements. The Ontario treasurer referred to the prospective federal surplus adding that "nearly half this large surplus comes from Ontario taxpayers", and later he said that the \$155 million of tax equalization payments to the other provinces "will come to a large extent from Ontario taxpayers".

My comment, Mr. Speaker, is that every dollar of federal revenue comes from Canadian taxpayers, and every dollar paid in stabilization or equalization payments is contributed by Canadian taxpayers.

Canadians living in Ontario pay exactly the same rates of tax as are applicable to all other Canadians, and Canadians living in Ontario derive their incomes in considerable part, directly or indirectly, from consumers and producers in other parts of Canada, just as Canadians elsewhere may derive part of their incomes from business activity that takes place in Ontario.

Three weeks ago the Prime Minister informed the house of the appointment of a royal commission to re-examine our financial relationships with Newfoundland in accordance with the terms of union of 1949. We shall be co-operating fully with the commission in their study of this most important matter.

THE GORDON COMMISSION

Two years ago I announced our intention to appoint a royal commission to conduct an inquiry and to make a report upon Canada's economic prospects over the next two or three decades. The commission have published a preliminary report which hon. members, I am sure, have read with great interest. In this report the commission have indicated some of their preliminary views and impressions on a considerable variety of topics in brief and summary form.

The general picture they have developed of Canada in approximately 1980 has been most stimulating. Indeed, by the very fact of their public hearings and through the numerous briefs prepared and presented to them by a great variety of responsible organizations, one of the main objectives of appointing the royal commission has already been achieved. I refer to the fact that through these hearings and in the preparation of these briefs large numbers of Canadians have been thinking more imaginatively and more precisely about our longer term prospects and problems. Whether the particular views on particular questions developed in these briefs and reports prove to be completely accurate or valid is in one sense a secondary matter. The important thing is that thousands of Canadians in all walks of life are thinking and will continue to think more constructively about our long term future, as a result of the commission's work.

On the preliminary report itself I do not propose to comment at length, except to say that many of the views it expresses will command general assent, and that on the other hand it does not avoid a number of controversial questions on which differences of opinion are to be expected.

With respect to some of the matters referred to in it, however, may I say the government is already conducting further active studies on the possibilities of stimulating the development of the Atlantic region which has already been proceeding at a gratifying rate in recent years, but which we would all like to see accelerated further. To this matter I shall return in a few minutes. Our colleagues in the other place have already initiated a study of land-use questions, and the government had anticipated the report by announcing in November important additional assistance to our universities and institutions of advanced professional and technical training, through the National Conference of Canadian Universities, through the Canada Council and, in the coming year's estimates, through the Department of Labour.

But on most of the major issues we shall await the final and detailed report before reaching such definite decisions as may be required. It should be further noted that many of the commission's suggestions are addressed, not to governments, but to private or non-governmental persons and organizations.

In the meantime I want to record our appreciation of the great amount of thought and work given and still being contributed by these five distinguished Canadians and by the staff they have assembled for this task.

One of the matters discussed in the Gordon report is the handicap which the Atlantic provinces have to contend with due to difficulties of transportation, and to post-war increases in railway freight rates. A good deal has been done in recent years in an effort to offset the higher costs of marketing the products of the Atlantic region caused by the long distances between the region and its markets in other parts of Canada, and to improve the means of communication within the region itself. For example, we have paid more in freight subventions so as to facilitate a greater movement of maritime coal to central Canada, and to enable maritime agriculture to obtain cheaper supplies of western feed grains. We have also spent substantial amounts for the improvement of shipping services and to meet the deficits incurred in coastal shipping.

In the view of the government we should now undertake a fresh and comprehensive examination of the entire transportation situation of the Atlantic provinces in order to determine what changes could contribute towards the economic welfare of the region. Among other questions, we should consider how best to supplement or improve some of the present means of transport in order to improve the transportation system generally. In this way it might be possible for the Atlantic region to get more value from the present level of federal expenditures in this field and from any increased funds that might become available.

It is therefore the government's intention to launch an immediate review of the maritime transportation problem in general, and thereafter to put forward proposals as soon as feasible.

In the meantime there is one matter on which it is possible to act immediately. I refer to the special difficulties of the Atlantic provinces caused by the various horizontal increases in railway freight rates over the last decade. These increases have fallen rather more heavily on the traffic moving from the Atlantic region to central Canada than on rail movements within the central provinces. As a consequence the competitive position of maritime products in the Montreal area and points west has been adversely affected.

A study of the average increase in freight rates since 1947 on this traffic, as compared with the increase in the rest of Canada, shows that an increase in the subvention paid under the maritime Freight Rates Act is justified. That is, an increase in the subvention from its present 20 per cent level to a level of 30 per cent in the case of outbound traffic will restore these rates to the position they occupied in relation to other Canadian rates at the end of world war II.

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TAX POLICY

It is proposed therefore to provide for this increased rate of subvention. The additional annual cost to the treasury will be about \$2 million. Of course, a change of this kind will only go part way towards meeting the transportation problems of the Atlantic provinces. Before making further proposals however we must first of all determine the most essential transportation needs of the region in the light of developments over the last decade or more.

Another matter affecting important areas of the Atlantic region is the relatively high cost of electric power as compared with most other parts of Canada. The government has had a number of proposals put before it, but has not as yet been able to satisfy itself that any of these projects are both technically and economically sound and at the same time beyond the financial capacity of the provincial government concerned. The government is continuing to examine some of these proposals in the context of the needs of the maritime provinces as a whole.

However, it is suggested by experts in the field of electric power that advantages would result for Nova Scotia and New Brunswick from the interconnection of their electrical systems. Such interconnection would reduce the requirements for standby capacity and would permit the most advantageous location of thermal plants and the building of larger and more efficient thermal units.

If the governments of Nova Scotia and New Brunswick agree and in order to help reduce the differential in the cost of power between those provinces and certain other parts of Canada, the federal government would be prepared to provide the main interconnection facilities within and between those provinces, and to build and operate such large thermal plants as may be needed either to replace existing ones, should efficiency so indicate or to meet the requirements of growth and industrial development.

Mr. Rowe: We should have an election every year.

Mr. Harris: Under this proposal, the transmission lines would be rented on a non-profit basis and the power would be sold at cost to provincial electric systems. The purpose would be that the plants and other facilities built under this program can be acquired by the provinces at any time on payment of their amortized cost.

Mr. Rowe: It is too late.

Mr. Harris: As I have said the relatively high cost of electric power in the Atlantic region as a whole will continue to receive careful study.

[Mr. Harris.]

I said earlier that assuming normal crops, no unforeseen adverse events and a normal rate of growth I would expect a gross national product in 1957 of about \$31½ billion in terms of today's price level. Under these conditions, and having regard to other relevant factors, I would expect total revenues in the coming fiscal year of \$5,225 million if no changes in our present tax laws were made. This forecast of an increase in revenues of \$75 million, or only 1½ per cent, requires a brief explanation.

First, in 1956-57 we benefited from a number of non-recurring items of revenue. There was an amount of perhaps \$75 or \$80 million of catching up in corporation tax revenues from the lower corporate incomes in 1954 to the higher corporate incomes of 1955, resulting as I explained a year ago in a certain amount of doubling up of corporate tax payments. In the coming year our corporate tax receipts are likely to be back to a normal flow; and on the basis of present data total corporate profits in 1957 seem likely to be about the same as in 1956. Last year nearly \$30 million more was paid in succession duties than I can expect in the coming year, and we also received a special payment of \$43 million from the Bank of Canada representing reserves which became redundant when the Bank adopted "amortized value" as the basis for valuing its security holdings. In this sense we received in 1956-57 about \$150 million in non-recurring items of revenue.

In addition, under the new federal-provincial tax sharing arrangements, where a province decides to collect its own corporation taxes the federal rate of corporation income tax in that province is abated by 9 percentage points, instead of the previous 7 points. This means that in the province of Quebec we shall be collecting 2 percentage points less corporation income tax, and in Ontario, which had previously rented this field, we shall be collecting 9 percentage points less. This will reduce our collections under the corporate income tax by more than \$100 million in the fiscal year 1957-58.

If I may have unanimous consent, Mr. Speaker, I shall place in *Hansard* at this point a table showing the details of our expected revenues of \$5,225 million in 1957-58 if our present taxing statutes were unchanged.

Mr. Speaker: Is unanimous consent given?

Some hon. Members: Agreed.

Mr. Harris: The table is as follows:

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TABLE I
Revenues Before Tax Changes

	Preliminary 1956-57	Forecast 1957-58
	(millions)	
Personal Income Tax	\$1,413	\$1,570
Corporation Income Tax	1,285	1,200
Non-resident Tax	77	80
Succession Duties	87	60
Customs Duties	565	590
Sales Tax	725	775
Excise Duties and Taxes	537	558
Other Taxes	17	2
Total Tax Revenue	\$4,706	\$4,835
Non-tax Revenue	443	390
Total Revenue	\$5,149	\$5,225

Five billion, two hundred and twenty-five million dollars is a large absolute amount, but I should like to point out that it is a decreasing fraction of our gross national product. It is 16½ per cent as compared with about 19 per cent five years ago.

Government expenditures also will reflect the rates of growth in our economy, but despite the increasing demands imposed by our expanding economy they will exceed those for the year now ending by only a modest margin. This is due to the policy of deferring all but the most essential public works and other capital projects and to the government's continued efforts to ensure the utmost efficiency and economy in all its operations.

During this session I have tabled main and supplementary estimates in the amount of \$4,844 million. Since then the government of Ontario has announced its decision to levy its own corporation taxes, and that will reduce our payments to Ontario by about \$132 million. On the other hand, I propose for the coming year that a further \$50 million be credited to the reserve against assets, bringing it up to about \$600 million against total assets of about \$8 billion. I am also proposing to appropriate another \$50 million to reduce the unamortized deficit in our superannuation account to \$89 million. In addition early in the new fiscal year we shall be paying over to the Canada Council if royal assent is given to the bill the amount of \$100 million. These additions and subtractions to the main estimates produce a figure of \$4,912 million.

There will, of course, be the usual further supplementary estimates and I should expect about the normal volume of lapsings. I have concluded that further supplementaries, including the new items I mentioned a few minutes ago, are likely to exceed lapsings by about \$8 or \$10 million, so that all in all, I am budgeting for total expenditures of \$4,920 million.

With expected revenues on the present tax base at \$5,225 million and expenditures at \$4,920 million we would have a surplus in the coming year of \$305 million, or slightly more than in the year now closing.

I have already explained my reasons for believing that the severe inflationary pressures, which we have resisted so far with a high degree of success, are still with us to a considerable extent. There are signs that these pressures are beginning to moderate, but it would not be wise to let down our guards of fiscal and monetary policy at this juncture. Too hasty action would imperil the success we have achieved so far, and an inflationary rise in prices could take away from our people far more in rising costs than they would benefit from even large reductions in tax rates. Much as I might like to do so, I cannot recommend to this house any major reductions in the general level of taxation.

We can, however, do something, and the government has decided to recommend to the house a combination of a moderate increase in certain benefit and other payments, together with some measures of tax relief which will give immediate benefits to every family in Canada and some further reductions in taxes that will accrue to most taxpayers toward the end of the fiscal year.

My colleague the Minister of Agriculture announced two weeks ago an increase in the payments on the movement of feed grains, and earlier this evening I announced increased payments under the Maritime Freight Rates Act. I can now announce improvements in certain social benefit payments.

We propose to increase the scales of payments under the Pension Act and the War Veterans Allowance Act. In brief, the basic monthly scale for total disability under the Pension Act will be increased from \$125 to \$150, or if married from \$170 to \$200. The widow's pension will be raised from \$100 to \$115. Under the War Veterans Allowance Act the increase in the married rate will be from \$108 to \$120 a month. The increased payments will be as from July 1 and the total cost will be about \$25 million in a full year and \$19 million in this fiscal year.

In the case of family allowances, the present scale of payments is \$5 a month in respect of all children under 6 years of age, \$6 from 6-9 years, \$7 from 10-12 years, and \$8 for those 13 to 16 years old. We propose to raise the monthly payment in respect of the youngest age group, that is, those under 6 years of age, to \$6 a month, and for those in the 10 to 12 age group to \$8 a month. That is, in future, there will be only two age groups, those under 10 for whom we will pay \$6 a

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month, and those from 10 to 16 years of age in respect of whom the allowance will be \$8 a month.

This will cost \$42 million in a full year. Because of the great amount of detailed clerical work in recalculating most of the payments due to 2½ million families, these increased payments will become effective on September 1, and the cost in this fiscal year will be about \$24½ million.

Effective July 1 we propose to increase all payments under the Old Age Security Act by \$6 a month, that is, from \$40 a month to \$46 a month. This increase will cost \$60 million in a full year and \$45 million in the fiscal year 1957-58.

In respect of old age assistance and pensions to the blind and disabled, we propose to increase the maximum payments which we share with the provinces to the new old age security level, that is, \$46 a month. This new maximum will apply from July 1 on. The cost in a full year will be about \$6 million, and the cost in this fiscal year \$4½ million.

I should add that the changes I have indicated in these scales of benefit will also involve some changes in the permissible incomes where the payments are related to the need of the recipient.

The total cost of these additional payments will be about \$133 million in a full year, and about \$93 million in the fiscal year 1957-58.

The changed payments will be made to or on behalf of something over 4½ million Canadians.

TAX CHANGES:**INCOME TAXES**

Although the general level of income tax must for the time being remain unchanged, there are two new features for improving the tax system which can be introduced now.

The first of these innovations relates to tax postponement on income set aside for retirement. At present where, under a pension plan, the employer contributes to a retirement fund and withholds part of the employee's remuneration for the same purpose, tax is paid on the pension when received, that is on the cash income when the employee receives it for spending, and not on income flowing into the fund which the employee does not receive in that year. It is now proposed to introduce a general policy of allowing tax postponement on limited amounts of earned income set aside for retirement by any taxpayer whether an employee or not. This privilege will be of general application.

Mr. Fleming: A Conservative victory!

[Mr. Harris.]

Mr. Howe (Port Arthur): The only one this year.

Mr. Harris: My hon. friend has made the remark "A Conservative victory." Earlier this evening the hon. member for Dufferin-Simcoe (Mr. Rowe) made the remark that it is too bad there is not an election every year. It has just occurred to me that if that were so his party would disappear completely.

Mr. Rowe: You mean you would give that much away every year?

Mr. Harris: To be eligible for income tax deduction a taxpayer will be required to file with his return a receipt for an amount paid towards the purchase of a particular kind of annuity. The annuity must be payable in equal annual amounts for the full life of the taxpayer and it may provide upon his death for annual payments to his spouse not exceeding those he was receiving. The annuity may provide for a term certain up to fifteen years. It may be arranged to commence at such time as the taxpayer wishes, but its commencement may not be postponed beyond age seventy. However, once the taxpayer starts receiving payments under an eligible annuity he may make no further income tax deductions for retirement income. These annuities will not be assignable and the person issuing them may not redeem the contract for cash or make any loan against them. With "inpayments" free from tax the "out-payments" under a registered retirement annuity will, of course, be fully taxable.

Payments toward the purchase of the type of retirement annuity just described will be deductible from income for tax purposes up to 10 per cent of the taxpayer's earned income, but the dollar amount deducted in any year may not exceed \$2,500. If, however, a taxpayer is currently paying into a registered employer-employee pension plan, the dollar limit on his deductions for a separate annuity contract outside the registered plan together with his contributions already being made under the employee plan may not be more than \$1,500 a year. If, for example, an employee is now contributing 6 per cent of his earnings under a pension plan he may, on his own account, use another 4 per cent of his earned income to purchase a retirement annuity supplementing the pension being built up in his employment, always subject to the maximum of \$1,500.

It is probable that certain groups such as the professions may wish to arrange to manage the fund being built up by contributions of their members. To permit this to be done authority will be asked for governor in council to allow corporate trustees to accept funds and issue eligible receipts therefor provided that the funds so accepted are

subsequently used for the purchase of the approved type of retirement annuity for the contributing taxpayer before he reaches age 70. The funds accepted by a person eligible to manage or administer a retirement fund may not be returned in cash directly to a contributor but may be returned to his estate upon his death. The general rule is that the funds so built up must be used by the person managing the fund for the purchase of a retirement annuity for the contributor.

At the conclusion of this statement I shall be tabling a resolution to amend the Income Tax Act and in it will be set forth in some detail the essentials of the proposed legislation. Premiums in 1957 paid under new contracts for retirement annuities which conform to the conditions just set forth will be eligible for income tax deduction. Such new annuity contracts may be separate or they may be in combination with a new insurance contract. In the latter case the appropriate part of the combined premium for annuity and insurance will be eligible for deduction from income for tax purposes if the premium receipt shows separately the part of the premium paid for the annuity alone. Premiums paid under existing contracts for annuities, only where such annuity contracts comply with the terms set forth, may be eligible for deduction but only if the taxpayer elects in writing to the person who issued the contract, not to the income tax department, to have his annuity classed as an eligible retirement annuity for tax purposes. I am unable to state now whether it will be possible to work out arrangements whereby a part of the premium of other existing annuity and insurance contracts can be made eligible for income tax deduction upon an election by the policy holder to receive the endowment in the form of an approved retirement annuity. There are some real difficulties in the way of doing this, but the matter will be carefully considered with life insurance companies. Authority will be asked in the legislation to move in this direction by order-in-council if it is found that satisfactory arrangements can be worked out.

It is difficult to estimate what effect this proposal will have on the future yield of our income tax. The cash effects on our revenue in the coming year will be negligible, partly because it will take some time for insurance companies and others to design policies and organize plans, and partly because taxpayers will in many instances derive their benefit from a tax refund at the end of year. In subsequent years, if widespread use is made of the plan it is possible that the annual yield of the income tax may in future be reduced by as much as \$40 million. Whatever the subsequent loss in revenue may be it can,

however, be regarded as an indication of the volume of provision being made by Canadians towards freedom from financial worry at a time when their earning power has lessened. To me, this policy makes good sense. Moreover, the broad effect of this new policy will be anti-inflationary since it will be an encouragement to increased immediate saving which will be productively employed. Encouragement such as that now proposed is, I think, amply justified and will, I believe, be well received on all sides.

The second innovation which is being proposed originated in a suggestion put forward by my colleague, the Minister of National Revenue, for eliminating a great deal of relatively unproductive paper work and for relieving taxpayers of considerable inconvenience in the preparation of their annual tax returns. At present claims for deductions on account of contributions to charities, large and small, must be supported by vouchers. The paper work, not only for the government but for taxpayers, doctors and hospitals, involved in claims for medical expenses is both costly and time-consuming. From a survey it has been established that for more than half of income taxpayers the combined claims for charitable contributions, medical expenses, union dues and professional fees of employees amount to less than \$100 a year per taxpayer. In the light of this situation it is proposed to allow to every taxpayer the option of taking what might be called a "standard deduction" of \$100 a year in lieu of claiming actual deductions for the items just mentioned. Of course if the claims for these four items add up to more than \$100 the taxpayer may obtain a deduction in the future just as he has in the past. For the majority of taxpayers, however, the standard deduction will prove more advantageous and will, for all concerned, eliminate handling millions of pieces of paper. It is estimated that this simplification of income tax procedure will cost the treasury about \$38 million in a full year. For this fiscal year the cost will probably not exceed \$9 million, this being the estimated volume of resulting tax refunds which will be claimed a year from now.

In addition to these two important new features of broad application certain other desirable changes which are being recommended deserve mention. At present the cost of a full-time attendant for a person confined to bed or a wheel-chair is allowed to be included in medical expenses. In future, payments to a nursing home for care of such a person will likewise qualify. Also, an amendment will allow claims for the care of retarded children to rank as medical expenses.

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Contributions to assist in providing certain low cost housing projects as homes for elderly people will qualify for the charitable deduction.

In future where either an individual or a corporation makes charitable contributions in any year in excess of the percentage allowable the excess may be carried forward into the succeeding year.

Under an organized arrangement for the exchange of teachers within the commonwealth, Canadian teachers going abroad are required to give up \$250 of their own salaries to supplement the income of those coming to Canada to take their places. These amounts required to be put in this fund by Canadian teachers may in future be deducted by them in computing their taxable income.

The requirement that membership dues in professional societies in order to be deductible for an employee must be paid by him as a condition of his employment will be eliminated.

At present \$750 is the limit on income which may be earned by a dependent without being disqualified from that status. It is proposed that in future this figure be raised to \$950. This should be of more than passing interest to those whose children are working to pay their way through school.

In future any company whose business includes the conversion of ore into prime metals will be eligible to claim expenses incurred in exploring for minerals. This, I think, will be of particular advantage to steel companies in Canada having an interest in the development of their own ore supplies.

Certain other amendments of a technical nature are contained in the income tax resolution. It is estimated that these miscellaneous changes just mentioned will reduce income tax revenue in a full year by \$2 million.

SUCCESSION DUTIES

I had hoped to be able this spring to introduce a bill to revise our Succession Duty Act. It has been impossible for me to do this. This being so it becomes necessary to amend the existing act; in particular, to bring the existing provision for provincial tax credits into line with the undertaking given to the provinces during the recent conferences. Accordingly, I am giving notice of a resolution for an amendment which will provide for an outright 50 per cent reduction in federal rates in a province which continues to impose succession duties. This will replace the present provision under which the reduction may not exceed the amount of the provincial tax paid. This amendment will be effective for estates of persons dying

on or after April 1, 1957, which is the date of expiry of the present federal-provincial fiscal arrangements. A further amendment to the present law, effective the same date, will allow charitable gifts to be deducted from the value of the total estate in determining the initial rate of tax.

CUSTOMS TARIFF

Referring now to the customs tariff, I am proposing, as usual, to make changes of one sort or another in a substantial number of items. Such changes are needed in order to keep our tariff abreast of the times.

In the largest group, some 50 in all, there are no changes of substance; the alterations are formal and designed to give greater clarity or precision to particular tariff items in the light of experience or developments. In the second largest group, comprising 18 items, we propose to make statutory certain rates of duty which are already in effect under orders in council; these orders resulted either from past tariff negotiations or from requests by Canadian manufacturers who wished greater freedom to import materials or components.

In 15 items we are proposing new tariff reductions. All of these are in response to requests from the importers concerned. The total effect of these reductions on revenue will not be significant.

There are a number of Tariff Board references on which I want to report to the house; first of all potatoes. As hon. members are aware, the government has initiated the appropriate procedures under the General Agreement on Tariffs and Trade looking toward an upward adjustment in our bound tariff rate on potatoes. Before doing so, we had obtained the views of all concerned through our tariff board, had consulted directly with our potato growers, and had reached the conclusion that this special initiative was justified in their case. The United States, of course, were not in a position to start their procedures until ours were well advanced. Their public hearings concluded only last week and they are not yet in a position to indicate their attitude. Hence I am not in a position to make any further statement on this matter tonight.

As for tariff board reports on other products, I am told that three which I requested some time ago are now well on their way to presentation; I refer to the references on iron and steel, pipes and tubes, and rubber footwear. The important and extensive reference on chemicals has now been made public by the board and the many firms and industries concerned are thus in a position to prepare their submissions. In addition, only

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SALES AND EXCISE TAXES

last month I made two new but relatively limited references to the board, one covering zinc and manufactures of zinc and the other covering radio and television parts.

There are no extensive new rounds of multilateral tariff reductions in sight. There will, however, be a round of negotiations next autumn, in connection with the accession of Switzerland to membership in the General Agreement on Tariffs and Trade. At the same time there will be an opportunity to seek the international agreement for tariff re-adjustments; the sort of re-adjustments I have in mind are those that we might wish to seek after considering the reports of the tariff board that are presented in the meanwhile.

We have notified the government of Australia that we wish to have some trade discussions with them. We wish to discuss, among other things, the possible impact of the recently signed agreement between Australia and the United Kingdom on the position of Canadian exporters in the Australian market. Further, the government has been receiving many representations about Australian trade. Some of these come from Canadian exporters and relate to Australian import restrictions. Others come from Canadian producers, particularly of dairy products, and relate to special preferential rates of duty. The present treaty arrangements between our two countries are twenty-five years old. It would be our hope to achieve a higher level of trade on a broad and equitable basis.

Since my last budget there has been a new and important development in the field of international tariff arrangements. This month, I understand, six leading countries on the continent of Europe are signing, subject to ratification by their legislatures, an agreement to recast their tariffs and trade policies, within the coming fifteen years or so, in order to form a customs union. A larger group of European countries, including the United Kingdom, is planning over the same period to form a free trade area associated with the customs union within it. Canadian trade will undoubtedly be affected by these developments. It is too early to forecast what the effects may be. The government is, however, following these events with very active interest, both through our diplomatic and trade missions in the countries directly concerned and also at meetings of the contracting parties to the General Agreement on Tariffs and Trade, and of the Organization for European Economic Co-operation. We are also keeping in close touch with other commonwealth countries in these matters.

Mr. Speaker, the reasons given earlier for having to maintain income tax rates at present levels likewise must apply in general to sales and excise taxes. However, as in income tax, some relief in certain directions can be amply justified.

For example, there is still a number of grocery store items which are subject to tax and it seems to me we should now give some help to the housewife on her purchases of some widely used items. Commencing tomorrow morning tea and coffee will be exempt from sales tax.

Other additions of food items to the exempt list will include cocoa, pickles, catsup, sauces, meat extracts, baking powder and baking soda, salad oils, and prepared desserts.

In addition to these food items an exemption will be introduced for school desks and chairs when purchased by educational institutions. Also municipalities will be relieved of sales tax on all purchases of structural steel for bridges and precast concrete shapes for the same purpose when used on public roads and highways. At present road and fire-fighting equipment purchased by municipalities is exempt from sales tax if the items cost \$1000 or more. In future the exemption will apply to such items costing \$500 or more.

Mobile homes or trailers adapted for living purposes will be exempt in respect of 75 per cent of their value in order to place them on a basis of tax equality with houses.

The tax on florist products will be amended to exclude flowering plants, shrubs and bulbs.

Certain other minor amendments will be found in the resolution. It is estimated that the exemptions here proposed will result in a revenue loss for the coming year of about \$19 million, approximately \$10 million of which is accounted for by tea and coffee alone.

Careful study has been given in recent months to the various special excise taxes now being imposed, such as those on candy, chocolate bars and chewing gum. I am recommending that these be removed.

Mr. Knowles: Will you now lower the voting age?

Mr. Harris: I have also been impressed with the increasing difficulties which hundreds of small soft drink bottlers appear to be facing from coast to coast. I trust that the house will approve my decision to act now in removing the special tax on soft drinks. The house may recall that when these taxes were reimposed at the time of

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the Korean crisis the sole purpose was stated to be for revenue only. Accordingly, I think their repeal now is justified. The 10 per cent excise tax on motorcycles will likewise be withdrawn as from tomorrow.

The removal of these three special taxes on candy, soft drinks and motorcycles takes off the books the last of the remaining special kinds of taxes imposed to help finance defence expenditure following the Korean outbreak. The special tax on fountain pens and desk sets will be dropped, as well as that on silver plated articles used in serving food. The removal of these special excise taxes will mean a revenue loss of about \$20 million.

No changes are being proposed in the rates of tax on liquor, beer and tobacco products, except that the excise duty on raw leaf tobacco will be reduced to the pre-war level of 10 cents a pound.

All these reductions in taxes on commodities will be effective as from midnight tonight. My colleague the Minister of National Revenue has asked me to give notice that in accordance with standard practice no claims for refunds arising out of tax reductions in respect of goods on which tax has been paid will be entertained.

May I say at this time, as I have on former occasions, how much I appreciate the co-operation and assistance of the minister and his staff in collecting this tremendous sum of money.

In concluding my statement of proposed tax changes I should report progress on consideration of the report of the Sales Tax Committee. Careful study has been given to certain technical changes in the structure of the law and I am confident that some of the deficiencies in the existing legislation can be corrected. But I do not propose to recommend any changes in the direction of basing the tax on the retailers' purchase price.

CONCLUSION

Having completed my outline of our budgetary proposals I can now summarize our over-all budget outlook for the coming year. The total reductions in taxation that I am recommending add up to \$128 million in a full fiscal year's operation, and will provide a cash saving to taxpayers in this fiscal year of \$55 million as shown in the following table which I ask leave to place on *Hansard*, as well as a table showing the details of the total revenue I expect in the coming fiscal year.

Mr. Speaker: Is consent given?

Some hon. Members: Agreed.

Mr. Harris: The tables are as follows:

[Mr. Harris.]

TABLE II

Effect of Proposed Tax Reductions

	In 1957-58	In a full Fiscal Year
Personal Income Tax	\$10,000,000	\$80,000,000
Succession Duty	600,000	3,000,000
Sales Tax	23,600,000	24,000,000
Special Excise Taxes and Duties	20,800,000	21,000,000
Total	\$55,000,000	\$128,000,000

TABLE III

Forecast of Revenues for 1957-58 before and after
Tax Change
(in millions of dollars)

	Before	After
Personal Income Tax	\$1,570.0	\$1,560.0
Corporation Income Tax	1,200.0	1,200.0
Non-Resident Tax	80.0	80.0
Succession Duties	60.0	59.4
Customs Duties	590.0	590.0
Sales Tax	775.0	751.4
Excise Duties and Taxes	558.0	537.2
Other Taxes	2.0	2.0
Total Tax Revenues	\$4,835.0	\$4,780.0
Non-tax Revenues	390.0	390.0
Total Revenues	\$5,225.0	\$5,170.0

Since my earlier estimate of total revenues was \$5,225 million, and I expect a reduction from tax changes of \$55 million, my forecast of total revenue in the coming year is \$5,170 million, or less than one half of one per cent higher than for the year now ending.

On the other hand, my budgetary proposals include \$48 million additional benefit payments to be charged directly to the budget in this fiscal year, and \$45 million additional disbursements to be charged to the old age security fund. The sales tax reductions will also involve a reduction of \$5 or \$6 million in the amount to be credited to the old age security fund. Without any tax changes or increases in rates of benefit payments I would have expected the old age security fund to have been about in even balance next year. The increased rates of payment and the reductions in sales tax revenue will now put it into about a \$50 million deficit. Parliament will be asked a year from now to charge this to 1957-58 expenditures, or to deal with it otherwise as subsequent study of the fund experience may suggest.

Altogether, I am budgeting for revenues of \$5,170 million, expenditures of \$5,018 million, and a surplus of \$152 million. I should like now to table the resolutions.

From the viewpoint of a Minister of Finance the past four years have not been lacking in variety. We went through a moderate decline in business in 1954, and then moved rapidly through a period of recovery into a year and a half of the most

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spectacular period of peaceful expansion that Canada has ever experienced. These years have produced some stresses and strains, but thanks to the energy and good sense of our people and our institutions—with an “assist”, shall I say, from government policy—we have surmounted all the difficulties and the strains.

During the past four years, we have not had to impose any increased taxes, and in addition to taking care of the expanding needs of the country and the people, including very heavy defence expenditures, we have reduced tax rates which, applied to our current circumstances, amount to \$475 million a year, and at the same time reduced our net debt by \$165 million.

Apart from the normal increase in government services associated with a growing population we have not only reduced taxes by \$475 million a year and reduced our debt by \$165 million, but have also actively promoted both the expansion of our country and the welfare of its citizens. During these four years we have doubled our expenditures on the expansion and improvement of airports and air services; we have doubled our expenditures on the opening up of the northern territories; we have made substantial progress on the trans-Canada highway; through the C.N.R. we have inaugurated the first period of substantial railway building in this generation; we have built the Canso causeway; and we are well on our way to completing the St. Lawrence seaway.

By taking a vigorous initiative, which included a short term loan of \$50 million which has been repaid in full with interest of over \$880,000, we have assured the early completion of an all-Canadian gas pipe line.

For farmers we have maintained our price support policies and have greatly expanded our loans for productive purposes. We have assumed the burden of carrying abnormal supplies of grain in storage; we have arranged for loans for those farmers who had difficulty in marketing reasonable proportions of their crops; and improved the scale of assistance to those who have suffered crop failures.

For those who earn their livelihood in the fisheries we have introduced fishermen's improvement loans, an insurance plan for vessels and equipment (including lobster traps), unemployment insurance for those employed in the fisheries, and by improved international co-operation we are promoting the conservation of the resources upon which our fishermen depend.

In the matter of social benefit payments, on three occasions in the past four years

we have improved our assistance and services to veterans; we have inaugurated a new and highly successful program of low down-payment insured-mortgage housing; co-operated with the provinces and shared their costs in meeting their problems of assistance to the unemployed and other needy persons not fully covered by unemployment insurance; and we have improved and extended the unemployment insurance system itself. And now we are happy to be able to improve family allowances, old age security and other benefit payments.

We have doubled our grants to universities and we are more than doubling our grants-in-aid to the provinces for the improvement of technical and vocational training; and we are in process of founding the Canada Council on a secure financial and administrative base.

We have greatly improved both the basis and the financial benefits under our tax-sharing arrangements with the provinces.

To have done all these and many other things in a four year period which was interrupted by economic recession, to have maintained high levels of employment and reasonably stable prices, and at the same time cut taxes and reduced debt,—is, Mr. Speaker, an achievement which speaks for itself.

RESOLUTIONS:

INCOME TAX ACT

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

1. That for the 1957 and subsequent taxation years an individual be allowed to deduct, in computing taxable income, the amount of \$100 in lieu of claiming any deduction for medical expenses, donations to charitable organizations, trade union dues and professional membership dues.

2. That the amount of a taxpayer's donations to charitable organizations in a year in excess of the amount deductible under the act be allowed to be carried forward and included with his charitable donations for the immediately following year.

3. That a taxpayer whose chief source of income is farming or fishing be allowed to appeal his assessment for a year of averaging even if no tax is assessed for that year of averaging.

4. That the rule for the determination of the capital cost of depreciable farm property sold by a farmer, to his child be extended to include cases in which a taxpayer whose chief source of income is fishing sells a fishing vessel or a fishing vessel and other property used in fishing operations carried on by him to his child.