and abroad. It is a progressive type of legislation which fits well into the changing employment conditions of our time and I solicit the support of every hon. member of this house in regard to this legislation.

The house divided on the motion (Mrs. Fairclough) which was negatived on the following division:

YEAS

Messrs:

Aitken, Miss
Argue
Baicer
Barnett
Bell
Blackmore
Blair
Brown (Brantford)
Bryson
Cameron (Nanaimo)
Campbell
Cardiff
Casselman
Castleden
Charlton
Churchill
Coldwell
Crestohl
Dinsdale
Drew
Dupuis
Ellis
Eyre
Fairclough, Mrs.
Fleming
Fraser (Peterborough)
Fulton
Gagnon
Gillis
Goode
Green
Hahn
Harkness
Hees
Herridge
Hodgson
Hollingworth
Howe (Wellington-Huron)
Johnson (Kindersley)
Johnston (Bow River)
Jones
Knight
Knowles
Leboe
Lennard
Low
Macdonnell
MacDougall
MacInnis
McCullough (Moose Mountain)
McGregor
McLeod
Monteith
Murphy (Lambton West)
Nesbitt
Nicholson
Nickle
Noseworthy
Patterson
Philpott
Purdy
Quelch
Regier
Robinson (Bruce)
Rowe
Shipley, Mrs.
Simmons
Small
Stanton
Starr
Thatcher
Tustin
White (Hastings-Frontenac)
White (Middlesex East)
White (Waterloo South)
Winch
Wylie
Zaplitny—78.

NAYS

Messrs:

Anderson
Applewhaite
Ashbourne
Batten
Bertrand
Blanchette
Boisvert
Boivin
Bonnier
Boucher (Chateauguay-Huntingdon-Laprairie)
Bourget
Bourque
Brisson
Brown (Essex West)
Buchanan
Cameron (High Park)
Campney
Cannon
Caron
Carter
Cavers
Chevrier
Cloutier
Cote
Decore
Demers
Deschatelets
Deslieres
Dumas
Enfield
Fairey
Follwell
Fraser (St. John's East)
Gardiner
Garland
Garson
Gauthier (Lake St. John)
Gauthier (Nickel Belt)
Gauthier (Portneuf)
Gingras
Gingues
Girard
Gour (Russell)
Gourd (Chapleau)
Gregg
Hanna
Harris
Harrison
Hellyer
Henderson
Henry
Hosking
Houck
Howe (Port Arthur)
Huffman
Hunter
James
Jutras
Kickham
Kirk (Antigonish-Guysborough)
Kirk (Shelburne-Yarmouth-Clare)
Lafontaine
Langlois (Gaspe)
Lapointe
Leduc
Lefrançois
Lesage
Lusby
MacEachen
MacKenzie
MacNaught
Macnaughton
McCann
McCubbin
McCulloch (Pictou)
McIlraith
McMillan
McWilliam
Mang
Masse
Meunier
Michaud
Mitchell (Sudbury)
Nixon
Pearson
Pickersgill
Pinard
Pommer
Poulin
Pouliot
Power (St. John's West)
Proudfoot
Prudham
Ratelle
Roberge
Robertson
Robichaud
Robinson (Simcoe East)
Ross
St. Laurent
Smith
Stick
Studer
Viau
Weaver
Weir
Weselak
Winters
Wood—109.

Mr. Speaker: The time allocated for private and public bills having expired, the house at eight o'clock will consider the business which was previously announced. As it is six o'clock, I do now leave the chair.

Perhaps I should remind hon. members that during a division they should not leave the house and also that they should not leave the house until the Speaker has left the chair.

At six o'clock the house took recess.

AFTER RECESS

The house resumed at eight o'clock.

THE BUDGET

ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

Hon. Douglas Abbott (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, I think I must depart from my carefully prepared text to express my appreciation for the warmth of the greeting of my friends behind me.

This is my eighth year as Minister of Finance and my tenth budget speech. When I brought down my first budget the world had just emerged from a long and costly war. Looking back at it now I can say that the views I then expressed about our own affairs have been more than justified, but our international hopes have fallen far short of realization. We have had to cope with recurring threats to peace and security, and we have had to incur heavy costs, in co-operation with our friends and allies, in building up the defensive strength of the free world. Solid progress, however, has been made during 1953 and we can face the future with growing confidence.

The growing strength of the North Atlantic alliance has done much to reduce the dangers of armed aggression, but fundamental solutions are still denied us. A just settlement of these questions requires the free world to continue to improve its defensive position in order to negotiate from strength. We cannot yet afford to relax.

In the economic sphere, 1953 has been a much better year. Industrial and agricultural production in almost all countries has continued to expand, and consumption has risen. Supplies of many products entering into international trade are becoming more plentiful, and international markets more competitive. The recovery of Germany and Japan has contributed to this development. It is becoming increasingly evident that after many years of scarcity and inflation we are returning to more normal competitive conditions.

It is encouraging to note the further improvement which has taken place in trade and payments relations between the dollar and the non-dollar countries. The clearest indication of this is the substantial increase in the gold and dollar reserves of overseas countries. During 1953 the sterling area achieved a substantial over-all surplus with the rest of the world. The central reserves held by the United Kingdom rose by $670 million during 1953 and have continued to rise in the first quarter of 1954. As a result of these favourable developments the position of the sterling area has strengthened considerably. A substantial improvement in the over-all balance of payments and exchange reserves has also been experienced by most European countries.

The progress of the United Kingdom toward freer trade is most significant. Large sectors of trade have been decontrolled; commodity markets have been reopened; and important raw materials and foodstuffs have been placed under open general licence. As a result of these changes, United Kingdom importers are now free to purchase a large part of their basic requirements from the cheapest sources, including the dollar countries. Significant relaxations in trade and exchange controls have also been introduced by Germany, Belgium, Holland, South Africa and a number of other countries.

While this worth-while progress toward freer trade and payments is a source of satisfaction it still falls far short of what is needed. In many respects the balance of world trade, although very much improved, still lacks defence in depth. It cannot be otherwise as long as major currencies are inconvertible, and there continues to be a widespread use of restrictionism and discrimination.

Perhaps the most encouraging feature of recent developments in this field is the change in the attitude of many countries to their external financial problems. There is a growing impatience with the existing system of direct trade controls and discriminations and an increased awareness of the serious economic damage which results from the perpetuation of such policies. To a greater extent than at any time since the end of the war, overseas countries are showing a willingness to envisage basic changes in their trade policy in order to deal with their exchange problems in a fundamental way.

This attitude is most clearly expressed in the "collective approach" proposals formulated on the initiative of the United Kingdom at the commonwealth economic conference in December 1952. These proposals envisage the restoration of an effective system of multilateral trade, and the achievement of currency convertibility over the widest possible area through co-operative international action. In the course of my last budget I stated that Canada had participated fully in the development of the "collective approach" and would be willing to co-operate in any common efforts required to achieve these goals. Today, I am glad to report that real progress has been made over the past year in laying the foundations for the implementation of this constructive program.

In January, as the house knows, I attended the conference of commonwealth finance ministers in Sydney, Australia, which—by the way—I consider to be the most satisfactory conference of this kind since the end of the war. In reviewing developments since the December 1952 meeting, the conference agreed that the substantial improvements which had taken place confirmed the fundamental soundness of the policies and objectives which they had set for themselves. Without reservation all commonwealth countries joined in a clear reaffirmation of the "collective approach" proposals for currency convertibility and freer trade.

During the past year constructive developments have also taken place in other countries. For most of this period the United States has been in the process of re-examining its foreign economic policies. An important stage in this process was completed in January, when the United States commission on foreign economic policy issued its report. The recommendations of this commission—better known as the Randall report—provide, in my view, a reasonably promising basis for action by the United States in a co-operative movement towards a sounder system of trade and payments.

Progress has also been made by international agencies with responsibilities in this field. The international monetary fund has made changes in its rules and practices to ensure that its resources can be used more effectively to support a major move to convertibility. In Europe the OEEC has undertaken a study to see how the European payments union can best be integrated into a broader payments system, and powerful new voices have recently been raised in western Europe in favour of an early move to convertibility and multilateral trade.

As part of this general move to strengthen the instruments of international economic co-operation, the contracting parties to the general agreement on tariffs and trade have undertaken an important program of work for the coming year. GATT has made a most valuable contribution to the expansion of world trade, and we welcome the decision to undertake a general review of the agreement with a view to making it a more effective instrument. The session which is planned for next fall will also consider the prospects for new multilateral tariff negotiations. In the meantime, in order to safeguard the stability of present tariff arrangements, the existing agreements have been extended to the end of June, 1955.

From what I have said, it is clear that events are shaping up to make the coming year an important one for progress in international economic co-operation. The new and positive attitudes of many countries, their improved trade and payments position, and the substantial progress towards domestic economic stability have combined to create a more favourable climate for advance than at any time since the end of the war.

No single country can by itself ensure the success of an enterprise which must essentially be a collective, co-operative effort. At the same time, I think it fair to say that the policies and attitudes of the United States in this regard occupy a place of central importance. The United States has been one of the strongest exponents of policies directed towards the reduction of trade barriers and the expansion of international trade. The success that has been achieved in this field is in large part due to the steady encouragement and substantial assistance that the United States people and their government have given to the countries of the free world. Canada has welcomed these policies and has played its full part in this constructive enterprise.

Three weeks ago I attended the first meeting of the joint United States-Canada committee on trade and economic affairs where ministers of our two countries had an opportunity to examine economic problems of common concern. Consideration was given throughout the discussions to the need for action towards freer trade and payments on a broad front. It was agreed that few things would contribute more to the well-being and economic stability of the free nations of the world than a forward move in this direction, and it was recognized that enlightened economic policies on the part of both the United States and Canada would contribute materially to the achievement of a better trade and payments system throughout the free world. United States ministers warmly welcomed the evidence of a desire in many countries to take decisive steps towards the restoration of a broad area of convertibility. I came away from these meetings with a distinct impression that the United States administration is willing to do its part in making such a movement successful. To this end the United States administration has just placed before congress a program designed to give effect to the main recommendations of the Randall commission. It is greatly to be hoped that the actions of the United States in the trade field will continue to provide effective leadership at this critical time.

Canada, as the third largest trading country, also has important responsibilities to fulfil in these co-operative efforts. At Sydney and at Washington I reaffirmed our willingness now, as in the past, to play an appropriate part in bringing about a freer world system of trade and payments.

Earlier in my remarks I referred to the fact that there has been a return to more normal competitive conditions in world markets. As might be expected, this development has brought with it growing protectionist pressures in many countries, including Canada. It should be clear that any retrograde step at this time would not only prejudice the achievements we have already made but would also jeopardize the prospects for real progress which are now at hand.

I come now to a review of economic developments in Canada during 1953 and the outlook for 1954. In 1953 the Canadian economy reached new peaks of production, employment and consumption. A year ago I based my budget on the expectation that the gross national product would increase by about 4 per cent; actually it increased about 5 per cent. Since population increased less rapidly than national product and since prices were stable, the average Canadian worker and consumer had more dollars to spend and was able to obtain more goods for his dollars than in any year in our history.

The main factors responsible for the high level of production of 1953 were much the same as those of 1952 although the relative importance of some of them varied. Our very large defence program continued to give strong support to production and personal incomes, but this element has become a sustaining rather than an expansionist force. In each of the years 1951 and 1952 defence expenditures increased by about $600 million, whereas in 1953 they were about the same as in 1952 and there will be not much change in 1954. This slowing down in the growth of defence expenditures no doubt contributed to the levelling off of production in some industries that became evident toward the end of 1953.

On the other hand, a very substantial increase in consumer expenditures, and an expanding program of private capital investment, were strong stimulating forces. Consumer expenditures, strengthened by the continued rise in real incomes, showed a particularly large increase, and were the most dynamic force in the upward movement of 1953.

New investment in plant, equipment and housing rose by 10 per cent. New housing showed the most striking increase, rising by about 30 per cent, and was responsible for almost two-thirds of the total increase in durable physical assets put in place in 1953. There was a considerable increase in construction in the sectors of trade and commerce and in institutional building, where investment had previously been postponed by government restrictions during the early defence build-up period. Capital expenditures in manufacturing declined slightly, but investment in mining and resource development continued to increase. There was a significant increase in business inventories during the first nine months of the year, concentrated largely in the manufacturing and retail groups. The decline in inventories during the final quarter, though it contributed to the levelling off of business activity, was basically a constructive adjustment.

Finally, 1953 was also another big year for Canada's external trade. Imports continued the upward trend which first became apparent in the latter part of 1952, and were 9 per cent greater than the previous year. Exports, on the other hand, while still at very high levels showed a decline of 4 per cent from the record established in 1952.

The substantial increase in demand for imports reflects in large part the high levels of investment and consumer spending which characterized the economy during 1953. It also reflects the improved supply situation in many countries and sharper competition in world markets. These factors also contributed to the small decline in Canadian exports, including such traditional export products as wheat, woodpulp and farm machinery.

A significant change took place in the direction of our export trade. Sales to the United States rose by over $100 million, while the proportion of our exports going to the United Kingdom and other commonwealth markets declined, reversing the trend which had prevailed during 1952. On the other hand, there was some increase in the proportion of our imports coming from the United Kingdom.

The emergence of an import surplus on merchandise account was the main reason for the swing in Canada's balance of payments position from a current account surplus of $157 million in 1952 to a deficit of some $467 million in 1953.

Short-term capital movements during the past year showed a much smaller net outflow on balance than in 1952. At the same time there was an increased inflow of long-term capital associated with an expansion in direct investment in Canada and net sales of new Canadian issues abroad were again substantial. These capital movements produced a surplus on capital account roughly equivalent to the deficit on current account, and there was little net change in our foreign exchange reserves. The foreign exchange value of the Canadian dollar showed almost no net change during the year. It declined moderately from January to May, and then moved up slowly to the end of the year.

Coming now to the present position, the first thing to observe is that the real income of the Canadian people has been expanding at a rapid rate for a number of years. The fact that the economy in 1953 was able to achieve further gains of the magnitudes I have sketched suggests to me that we should not feel unduly concerned with a temporary slowing down of this rate of advance. Indeed, in the dynamic kind of economy we have in Canada an occasional hesitation in its forward movement may well be one of the consequences of the buoyant character of our economic growth.

Most of the elements which supported the growth in national product in 1953 are still present, and I believe that the forces of long-term expansion will soon reassert themselves. But some readjustments in production, in costs and in pricing policies are necessary, and are indeed going on.

There is no need for me to go into detail concerning the nature of the present economic situation. It is characterized by more unemployment than we had last year at this same time, and by more unemployment than any of us like to see. It is marked also by a slackening in the growth of production and by declines in certain industries.

An explanation of this state of affairs in Canada can be found in a series of changes which have been at work during the last year or more, both in the international economic field and here in Canada. These changes have given rise to a greater degree of import and export competition, and to a more cautious attitude on the part of industry. These factors have led some industries to reduce their rates of production, or of inventory accumulation. I may note, in passing, that the main explanation for the recession in business in the United States given in the President's report to congress was a change from inventory accumulation to inventory reduction. Added to this there has been a small decline in net farm income resulting from a reduced volume of agricultural production, and lower farm prices. We have also experienced a small decline in exports. Although the effect of these declines in farm income and in exports should be measured against the very high levels achieved in the previous year if we are to keep things in proper perspective, the fact remains that they in turn have tended to limit the demand of the producers affected for the products of the other sectors of the economy.

The increase in imports, especially of those kinds of things that we make in Canada in reasonable volume, and the decline in our exports, small though these changes may be, inevitably raise the question of our efficiency and of our cost and price structure. I do not agree with the suggestion occasionally heard that Canada has become a high cost economy. That may be true of some few sectors, but it is not true of our basic industries. But it is true that for seven or eight years business has been travelling along a comparatively easy road. After the war we had an unscarred and greatly expanded economy. We had learned a lot and made great technical advances. In a world beset with shortages and great tasks of reconstruction we have been admirably situated to supply both our own needs and the needs of our customers. Many countries have now recovered their productive capacities; they can meet a larger part of their own needs and they have more for export. Competition both for our market and theirs has become keener.

Until quite recently our industries have been protected more by external shortages than by our traditional tariff structure. This special form of protection is now disappearing, and some of our industries are finding that they have not watched their costs as carefully as they should, that their break-even points are uncomfortably high, and that their costs and prices are out of line. One result of all this is that I have had more requests for tariff increases or other forms of protection during the past few months than in any year since I became Minister of Finance. This government, as the house knows, has steadily favoured reducing obstacles to trade, and we must move in this direction if we expect others to do likewise. If we were to meet every breath of new competition by increased protection we would certainly become a high cost economy and progressively aggravate our problems.

The re-emergence of keen competition in trade means readjustment and reappraisal. It means a sharpening of pencils and a careful re-examination of managerial and labour efficiency. This is not an easy process, but it is a very necessary one, and the longer it is postponed the more difficult it becomes.

I do not believe that the current slowing down of expansion will be serious or prolonged. Inventory accumulation is a volatile factor in an economy as dynamic as ours but if we bear in mind that the total of demand both at home and abroad is being well sustained, the present situation should be quickly self-correcting.

My reasons for saying this are, first, that the support to be given to production in 1954 in the principal areas where demand originates is well assured. This statement holds good whether we look at the intentions of Canadian business with respect to new investment, or at the probable expenditures of Canadians as consumers or builders of new houses, or at the rate of government expenditures, or at the prospects for exports. The second reason is that we already have a series of supports which should prevent the present readjustments from becoming more generalized and self-aggravating.

It is clear that industry as a whole has such confidence in the future of the economy that it intends to undertake greater capital investment than ever before. The annual survey of investment intentions recently tabled by my colleague, the Minister of Trade and Commerce (Mr. Howe), shows that 1954 will see nearly $6 billion spent on new investment, or three per cent more than in 1953. Though some industries will spend less on new investment in 1954, other industries, especially the public utilities, mining, and commercial establishments will spend more, and more than enough to maintain the extraordinarily high levels reached in recent years. Housing requirements remain substantial and the recent changes in the housing act should help to translate these needs into results.

The expenditures of the federal government on goods and services, as well as those of provincial and municipal governments, will increase moderately this year. Given the present high level of personal incomes, and the high volume of available personal savings, there is a strong basis for maintaining or increasing consumer expenditures during 1954.

So far as exports are concerned, the outlook is a little less certain. In the last few years unusually high sales of wheat and coarse grains have contributed to increase our exports. But by normal standards, the prospects for grain sales remain good. For other export commodities no significant changes seem likely, though much will depend on markets in the United States. So far as our European and commonwealth markets are concerned, the basic economic position of these countries has improved and an increase over the export levels of 1953 is a reasonable expectation.

As in so many other questions affecting our development much will depend on the economic situation in the United States. This is, of course, the open season for forecasting the behaviour of the United States economy, but I do not propose to join in this particular exercise. I shall merely note that responsible opinion in the United States seems to be confident that the present downturn will not be deep or prolonged, and that there is a growing consensus of view that an upturn can be expected soon.

In the light of all these considerations, I do not feel that drastic measures by government are appropriate to the present economic situation. As I have said on many previous occasions, there are bound to be both ups and downs in an economy enjoying an unusually high rate of growth. Our present adjustments are taking place at a level of activity which is higher than anything we have been accustomed to in the past. Governmental intervention or expenditure is not a cure for the problem of those industries where supply has temporarily outrun demand, at home or abroad, or where costs and prices have got out of line. The basic solution in these industries must be to produce more efficiently, to eliminate waste, to reduce costs and to search out new markets, with new or better products. In many instances I know that these processes are already under way.

There is, of course, a good deal that can be done by government by measures which have the effect of sustaining demand and production. The government's projected capital expenditure program for the coming year, as indicated in the estimates, takes into account the higher priority which is now being given to federal projects. Even in this field, however, the present plans of industry to embark upon new capital construction, and the expected high level in housing activity, leave little room for any greatly expanded program on federal account. And I do not believe, in any case, that increased public works of the kind appropriate for the federal government can remedy a problem which is to a large extent local in character.

The amount of transfer payments made by the federal government has grown considerably in recent years and provides an underpinning of consumer expenditures. Some of these payments, such as unemployment benefits, necessarily increase when earnings fall off and thus support the level of expenditures. Most of these transfer payments, such as old age pensions and family allowances, are made to groups who spend nearly all their incomes on goods and services. In agriculture and fisheries, price support legislation has been in operation since the end of the war, to put a floor under the incomes of primary producers when economic stability is seriously threatened.

My general conclusion is that our national product in 1954 will be at least equal to 1953, and probably higher; in other words I think that an upswing in the second half of the year will more than compensate for the declines that are evident in certain branches of industry at present.

I should like now to report briefly on our revenues and expenditures for the fiscal year which ended last Wednesday. The usual detailed statements of the accounts are in the white paper which I tabled yesterday and I do not propose to take time in covering this ground again. However, I should remind hon. members that the final results of the year's operations will not be known for some time yet. Consequently the figures in the white paper and those which I shall use tonight are based on estimates and must be regarded as preliminary.

In my budget speech last February, I estimated budgetary revenues for 1953-54 at \$4,473 million, expenditures at \$4,462 million and our prospective surplus at \$11 million. It appears now that our actual revenues for the year were about \$4,400 million, our expenditures about \$4,390 million and our budget surplus about \$10 million.

Despite the tax reductions announced in the last year's budget, revenues in 1953-54 were the largest on record. The total of \$4,400 million is \$73 million, or about 1½ per cent less than I forecast a year ago, but about \$40 million more than we collected in the preceding year. Personal and corporate income tax and excise duty collections have been short of my budget forecast, but customs, sales and excise taxes and non-tax receipts have all exceeded my earlier expectations. Of the total revenues for the year, personal and corporate income taxes, succession duties and other direct taxes produced 56 per cent, commodity and other indirect taxes 35 per cent, and non-tax revenues 9 per cent.

The expenditures last year, at \$4,390 million, were \$72 million or 1½ per cent less than my budget forecast, but about \$53 million more than the total spent in 1952-53. Again the most notable feature of our expenditure program has been the continued importance of defence which constituted over 43 per cent of all government outlay in 1953-54. Full details are given in the white paper, and I shall only point out that, apart from defence, our total budgetary expenditures in round figures amounted to \$2½ billion. Of this sum nearly \$500 million was for interest and service of the public debt; \$750 million—in addition to \$340 million paid out of the old age security fund—was for family allowances, veterans' benefits and other welfare and social security services; about \$340 million for subsidies and tax rental payments to the provinces; and \$110 million for services and assistance to agriculture. In other words, these four classes of expenditure accounted for more than two-thirds of all our civil or non-defence expenditures.

I should like to say something about our cash position and those aspects of our financial operations which lie outside the budget. Once again, in addition to our outlay for governmental services which are included in the budget proper, we have had to provide large sums for loans, investments and working capital advances and for a variety of other purposes. During the fiscal year, these outlays, all of which of course were authorized by parliament, amounted to \$430 million. To meet these requirements we have had available from non-budgetary sources the very large sum of \$810 million, of which \$445 million came from the repayment of loans and advances and \$200 million from net receipts and interest accumulations in various annuity, insurance and pension accounts. Details of all these transactions are given on page 62 of the white paper.

After taking into account our budgetary surplus of \$10 million and the net amount of \$380 million remaining from all these non-budgetary transactions, \$390 million was available for debt reduction. Actually, funded debt in the hands of the public was reduced during the year by about \$270 million, and our cash balances at the end of the year were \$120 million higher than they were at the beginning.

The public debt operations during the past year have included the redemption or refinancing of a large volume of matured or called bond issues. In addition to the usual refunding or conversion of short term securities, we issued new securities amounting in round figures to \$3,150 million and redeemed old securities and acquired others for our sinking fund and securities investment accounts in the amount of \$3,420 million. As a result, as I indicated a moment ago, we were able to reduce our unmatured funded debt outstanding in the hands of the public by \$270 million.

The average rate of interest paid by the government on its funded debt was slightly higher at the year-end than it was at the beginning. Two years ago the rate was 2·67 per cent and last year it was 2·77 per cent. At March 31, 1954 it was 2·86 per cent.

I turn now to a consideration of a tax policy appropriate to the coming year.

Our present tax structure under prosperous conditions, without inflation, and allowing for a normal growth factor, would produce revenues of about \$4,500 million this year. Present indications, in my opinion, point to an early resumption of an upward trend in business, and a good prospect of this figure being realized. It is, of course, possible that external factors might be such that the present pause in our expansion would continue through most of the year, and if that happened our revenue would be lower. I feel fully justified, however, in basing my tax policy on a liberal rather than a conservative estimate of the future. I propose, therefore, to take \$4,500 million as

[Mr. Abbott.]

my revenue base; and if I may have unanimous consent I shall insert at this point in *Hansard* a table giving the details which make up this total.

Mr. Speaker: Has the minister the consent of the house to place the table on *Hansard*?

Some hon. Members: Agreed.

Mr. Abbott: The table follows:

Table I
Revenues Before Tax Changes
(in millions of dollars)

	1954-55	1953-54 (Preliminary)
Personal income tax	$1,235	$1,189
Non-resident income tax	55	54
Corporation income tax	1,200	1,194
Succession duties	40	40
Customs import duties	415	408
Sales tax	610	592
Other excise duties and taxes	540	518
Miscellaneous taxes	15	14
Total tax revenues	4,110	4,009
Non-tax revenues	340	317
Special receipts and credits	50	74
Total revenues	4,500	4,400
Old Age Security Taxes		
2 per cent sales tax	153	148
2 per cent personal income tax	97	91
2 per cent corporation income tax	56	55
Total	306	294

The main estimates of expenditure have already been tabled and total $4,492 million. With the co-operation of my colleagues and the treasury board staff, I have been following each year a policy of steadily improving the quality and the completeness of the main estimates, and I believe that this year they are as complete as it is possible to make them. There will, of course, be some supplementaries, but I can foresee no large items overhanging us, such as we had last year in the losses related to foot-and-mouth disease and in the costs of the general salary increase for the public service, which together totalled nearly $100 million. Each of the more than 500 items which make up the total estimates are individual maximum authorizations, and there is bound to be a certain amount of underspending and lapsing. The original estimates have been carefully screened and the lapsings will not be large, but they can hardly average less than 1 or 2 per cent. All in all, I have come to the conclusion that a prudent estimate of our total budgetary expenditures is $4,460 million.

My general philosophy with respect to taxation has always been that in good, prosperous years we should balance the budget with a bit over for the reduction of debt. When we have had exceptional years, and especially under conditions of inflationary pressures, I have never apologized for having a substantial surplus for debt reduction. I am also convinced that whatever merit there may be in large scale deficit financing under severe conditions, those conditions neither exist nor are they in prospect. On the other hand, I do not think one should be unduly cautious and refuse to consider desirable tax reductions just because conditions might deteriorate and we might have a small deficit.

Taking, therefore, $4,500 million as my revenue base, and $4,460 million as my expenditures, I have a modest sum of about $40 million available for tax abatement.

Beyond the budgets we shall, as usual, have to find cash to make authorized loans, advances and investments. We shall probably require about $125 million for loans to Central Mortgage and Housing Corporation. The Canadian National Railways capital requirements in 1954, which are initially financed by advances from the government, will come to about $190 million. Funds will be needed for other crown corporations and for loans under veterans' legislation and other authorized purposes. There are likely to be net disbursements from the defence equipment replacement account, and it would appear that the revenues of the old age security fund will again fall short of payments. To finance all these requirements, there will be cash available from non-budgetary sources, mainly from the repayment of loans and advances and from the various insurance, pension and annuity accounts which the government holds and administers. It is not possible to forecast these non-budgetary items accurately, but I expect that, excluding funded debt operations and the requirements of the C.N.R., there will probably be a small net balance in our favour.

Another matter that I am required to report upon to parliament is the position of the old age security fund. I have included this report in the white paper at pages 67 and 68. Hon. members will recall that payments under the Old Age Security Act began in January, 1952, but contributions to the fund became payable at different dates—the 2 per cent sales tax in January of that year, but the 2 per cent personal and corporate income taxes not until July, 1952. There was therefore a long lag between payments out of and payments in to the fund. This lag created a deficit in the fund of $50 million in the first three months of 1952, and contributed largely to the deficit of $99·5 million in the year ended March 31, 1953. Recognizing this lag, parliament in 1952 appropriated funds from general revenue to extinguish the first three months' deficit.

Last year I reported to parliament that because of the continuing effects of the initial time lag I would have to wait another year before I could form a proper judgment on the real balance of income and outgo in the old age security fund. At that time I had expected revenues of $278 million, payments of $345 million, and a probable shortfall of $67 million. In fact the results have been much better. Payments were $6 million less than I had forecast, revenues $16 million higher, and the deficit at $45 million is one-third less than expected.

Looking at the year just beginning, it seems probable that we shall again have a deficit of about $50 million. A precise accounting approach might suggest that I ought to propose an increase in the scale of contributions; but, as I said a few minutes ago, I do not think this is a time to be increasing taxes in Canada if that can possibly be avoided. I propose therefore to carry on with the same scale of contributions for another year.

Under the Old Age Security Act, deficits in the fund are met by temporary loans from the Minister of Finance and these loans are carried as active assets on our balance sheet. The $99·5 million deficit of 1952-53 resulted in large measure from the original time lag between the commencement of payments and contributions. I do not believe any useful purpose is served by carrying this liability of the fund forward into another year, and I propose, with the consent of parliament to write it off against our accumulated active asset reserve.

FEDERAL-PROVINCIAL FINANCIAL RELATIONS

Before completing this statement of tax policy for the ensuing year, I must make some reference to the general field of federal-provincial financial relations by reason of the fact that the province of Quebec has decided to impose again a personal income tax.

The right of any province to impose such a tax has never been questioned. The preamble to the recent Quebec statute imposing the tax contains a statement, however, which cannot be allowed to pass unchallenged. That preamble contains the following words:

> Whereas the Canadian constitution concedes to provinces priority in the field of direct taxation:

There is no foundation in fact or in law for such a statement. The provisions of the B.N.A. Act in this regard are clear and unambiguous. Federal taxing power is unlimited. Provinces are limited to direct taxation within the province for provincial purposes. No priority is stated and none is implied. On the contrary, both levels of government have equal and concurrent rights in the field of direct taxation.

Within their powers of direct taxation, provincial governments have imposed general retail sales taxes, taxes in respect of particular commodities such as gasoline, tobacco and liquor, security transfer taxes, and so on. In fact, with the exception of customs duties, I know of no important source of revenue used by the federal government which has not also been available to provincial governments. Presumably all provincial taxes are direct taxes. If provincial priority in the field of direct taxation is admitted, it follows that they have priority in the case of all the taxes which they levy, including these sales taxes and commodity taxes of all kinds.

Under such a doctrine, the provinces would have the right to demand that the federal government, in effect, abandon taxes up to the extent of provincial use. The federal government would be bound to accommodate fully whatever level of direct taxes the provinces wished to impose, and federal taxes would have to be abated to the extent called for by provincial authorities.

There is, of course, nothing whatsoever in our constitution to support such a doctrine of provincial priority, and no federal state could survive as a nation under such an arrangement.

So far as personal income tax is concerned, the federal government entered this field in 1917 and has remained in it continuously since that time. Today, the personal income tax is one of the main pillars of the federal revenue system.

My own province of Quebec did not enter the personal income tax field until 1940 with a tax applicable to the year 1939. It was then abandoned at the end of the following year when wartime tax agreements were entered into. Thus for only two years out of the eighty-seven years since confederation has the province of Quebec attempted to exercise its right to levy such a tax.

This Quebec income tax was imposed as a flat percentage of the federal tax currently in force at that time. As such, it carried the same level of exemptions and, accordingly, was payable by the same people as were subject to the federal tax. The Quebec tax was in addition to the federal tax. No taxpayer was allowed to reduce his federal tax by the amount paid under the provincial law. They were two parallel taxes on the same income payable to two governments.

The present Quebec income tax law does not follow this pattern. It levies the tax under a separate rate structure, provides for different exemption limits and deductions and imposes a tax upon some only of the persons liable for federal income tax. On those to whom the Quebec tax does apply, my understanding is that the rates work out at about 15 per cent of the federal rates.

Since 1947 the federal law has contained a provision allowing taxpayers to offset up to 5 per cent of their federal tax through payment of a provincial income tax. Generally speaking, the credit in the federal law in respect of succession duties, corporation income taxes and personal income taxes levied by provinces gives leeway approximating the previous level of use of these taxes by provincial governments prior to the war. It was introduced as a measure to accord some degree of relief to taxpayers taxed at the same time by two governments. It was entirely a unilateral concession which called for no comparable concession of any sort by a province. So far as I am aware, this type of tax concession is unique and is found in no other federal tax system.

For instance, in the United States of America, in addition to the federal income tax some thirty different states levy personal income taxes. These state taxes are at varying levels. In New York state, for example, a married person with no dependents with an income of $5,000 a year pays $45 to the state of New York, and $660 to the federal government. It may be of interest to observe that a taxpayer in Quebec with the same income and marital status will pay a provincial tax of $49 but has the right to a credit of $28.50 against his federal tax, a privilege not enjoyed by his fellow sufferer in the state of New York. In the neighbouring state of Pennsylvania no state personal income tax is imposed. Accordingly, a resident of Pennsylvania pays less income tax than does the resident of New York. The weight of combined federal and state taxes will vary with the different states. Perhaps it is of the essence of state or provincial autonomy that their tax levels may differ. It is this very right to be different that is so jealously guarded. The idea that there is anywhere a recognized principle that in a federal state the combined taxes levied by all governments should be no greater in one part of the country than in another is without foundation.

The principle underlying the suggestion that provincial tax should generally be allowed as an offset against federal tax strikes at the very root of the system of federal-provincial tax agreements which have been developed in this country. It might be useful, therefore, to outline what it has been sought to accomplish by these agreements.

Prior to 1940, seven of the then nine provinces, as well as many municipalities, were levying personal income taxes. Today there are only two personal income taxes in force—the federal and that of the province of Quebec. Prior to 1940, seven of the provinces imposed taxes on the profits of corporations at varying rates. All provinces imposed a complicated series of miscellaneous corporation taxes. Today there are only two corporation income taxes—the federal and Quebec—while Quebec also resorts to a series of other miscellaneous corporation taxes. Previously all the provinces levied succession duties. Today succession duties are imposed by only the federal government, Ontario and Quebec. The heavy costs incidental to the mere collection of taxes from Canadians as a whole have been greatly reduced. In this respect the federal-provincial agreements have been of the greatest benefit to the provinces, to the federal government and to the whole body of Canadian taxpayers.

While the complete removal of double taxation over so wide a field with the benefits of simplification and efficiency is important, it is probable that the most significant and fundamental feature of the agreements is the way in which they have provided financial stability for the less well-off provinces. The house will recall that in the later thirties a number of provincial governments were in dire financial straits, and were facing the necessity of curtailing essential services to an extent which would have imposed great strains on our federal structure. The situation was very serious. The federal-provincial agreements have provided, through the avenue of friendly discussion, a system under which reasonable and stable revenues are currently being provided to those provinces whose fiscal needs call for more revenue than they could be expected to collect by their own methods. These agreements have helped to enable these provinces to maintain minimum national standards of provincial services.

The third main purpose of the agreements has been to enable the federal government, with the co-operation of provincial governments, to carry out fiscal and other national policies which help to maintain high levels of employment and production in Canada.

Summing up the value of this system of federal-provincial agreements, perhaps I might be allowed to quote one paragraph from a statement which I made to the federal-provincial conference in 1950:

I have said that some credit is due to everyone seated at this table for the remarkable progress towards a sane tax system which has been made in recent years. The provinces which have been willing to rent to the federal government their important rights in the fields of income and corporation taxes and succession duties have contributed greatly to this desirable result. Under the agreements, literally hundreds of taxes of one sort or another have been suspended and replaced by a relatively few. Meantime, these provinces have received in remuneration rental payments, steadily rising with the increase in national income and provincial population and of a magnitude greater, I believe, than could have been obtained by the direct provincial cultivation of the tax fields in question—at least unless the intensity of cultivation had been pushed to a point which would scarcely have been tolerable under today's conditions. Thus at one stroke a great many old and diverse levies have been suspended while reasonable returns through payments from the federal government have been assured by the agreements. To my mind, this is the essence of effective tax administration.

This Canadian plan of tax rental agreements as a method or device for dealing with the financial problems of the members of the federal state has been developed on a practical basis. Following the rejection of the Rowell-Sirois recommendations, the federal government proposed the wartime tax agreements under which all provinces for the duration of the war, in consideration of certain rental payments, suspended their income and corporation taxes.

After the war the same old problem presented itself again and at the 1945 federal-provincial conference the federal government put forward a comprehensive plan as a substitute for the wartime agreements. This plan was found to be not acceptable to all provinces.

Again the federal government, without the benefit of any workable alternative proposals from the provinces, had to devise some practicable solution to meet the post-war situation. The tax rental agreements were the result and their great virtue is that in achieving important objectives they do not depend upon unanimous acceptance by all provinces.

Prior to the termination of the first series of agreements which had been entered into by seven provinces, a federal-provincial conference was called in 1950 to discuss with all the provinces the prospects for the renewal of the agreements and any suggestions for modification in their terms. Again there were no proposals put forward for any alternative comprehensive method of solving the over-all problem of conflicting tax jurisdictions in Canada.

The various options offered under the present agreements have been developed in a genuine attempt to meet the diverse financial needs of provinces which, unfortunately, are not all equally endowed with natural advantages. Naturally provincial governments will continue to argue that the agreements should provide higher rental payments, but by and large the terms are tolerably acceptable to all.

The province of Quebec alone has decided not to rent its income and corporation tax fields to the federal government. I wish to make it perfectly clear as I have on other occasions that the federal government has not urged the province to enter into such an agreement and has no quarrel with the decision taken by the government of that province to use its own tax fields rather than to rent them to the federal government.

The statute imposing the new personal income tax in Quebec was adopted without any prior consultation with the federal government. I do not suggest, of course, that such consultation was necessary, but the tax was imposed with full knowledge of the extent of the tax credit available under the federal law since 1947, which is limited to 5 per cent of the federal tax.

It is now suggested that the federal government should allow taxpayers in Quebec to reduce the income tax otherwise payable by them to the federal treasury by the full amount they are required to pay to the province. I have given this suggestion the most careful and serious consideration. Clearly, however, the obvious implication of the principle involved in this proposal is that this parliament should recognize that any province has the right to determine the amount by which the people of that province may reduce their national tax liability. I consider that any such principle is completely unacceptable.

If a credit up to 15 per cent of the federal tax were accepted, it would appear to be difficult in principle to later deny full credit for, say, a 30 per cent, a 60 per cent or even a 100 per cent provincial tax. If a province had the suggested constitutional priority in the field of direct taxation, then nothing short of the right to reduce federal tax by 100 per cent would be the stopping point. This would imply that a provincial government without imposing any additional burden on its own taxpayers could secure to its own treasury the full amount which would otherwise be payable by its people to their national government. This would be the obvious consequence of allowing a province to determine the degree of offset against federal tax to accommodate its own tax. I can here only repeat what I said earlier on this point. There is no justification under our constitution for such doctrine. Its acceptance would not only place the federal treasury in an intolerable position but it would completely destroy any basis for federal-provincial tax rental agreements. While this, of course, might not be a matter of serious concern to the wealthy provinces, it can scarcely be disregarded by others.

I have indicated the efforts made by the federal government since 1945 to find a basis for fiscal co-operation which would be fair to all the provincial governments, would fully respect provincial autonomy, and at the same time enable the government of the nation to discharge its obligations to all the citizens of Canada in all the provinces. The tax rental agreements represent the best solution it has so far been possible to find.

It is obviously impossible to conduct intergovernmental discussions through press conferences and public statements, but if the premier of Quebec wishes to follow up his frequently expressed desire for co-operation and collaboration, and will make concrete proposals to the federal government which respect the rights of both federal and provincial authorities under the constitution, which would be fair to all ten provinces and leave the federal government in a position to discharge its national obligations, he will always find the door open for full and frank discussion in the hope of finding a mutually satisfactory solution.

Finally, perhaps I should say a word about what appears to be the attitude of the Conservative opposition on this subject as evidenced by the resolution recently adopted by the Progressive Conservative association. The resolution is reported in the press as follows:

"The Conservative party advocates the principle that any provincial income tax levied by the government of any province be deductible from income tax payable to the federal government by any taxpayer of such province, provided the amount of such taxation does not exceed the amount that such province would have received from the federal government if such a tax agreement had been negotiated."

This resolution clearly does not support the doctrine of provincial priority in the field of direct taxation asserted in the Quebec statute. Rather it is a general proposition that stems from the tax rental agreements. It appears to propose that any province which does not rent its tax fields should be accommodated indirectly from the federal treasury up to the amount of rent it would have received if it had rented its tax fields. I must confess I find that principle somewhat bewildering, but it would appear to be as effectively destructive of any basis for federal-provincial tax rental agreements as the priority doctrine to which I have alluded. However, if I have misunderstood the purport of the resolution, I am sure hon. gentlemen opposite will clarify the matter during the course of this debate.

TAX CHANGES

May I now place before the house my proposals for tax changes. As I said earlier, there is not much margin for tax reductions, and I have had to consider carefully how I can get the most equity and the best economic results with the resources at my disposal.

Clearly it is not possible to make any general reduction in the income tax rate structure, either for individuals or for corporations. The most I can do in this field is to make a few desirable adjustments. None of them will have any significant effects on revenue.

The incentive legislation for the oil, gas and mining industries will be extended for a further year. In the case of deep-test wells, however, this special concession will in future be restricted to more complicated structures such as occur in the foothills. An amendment will be introduced to re-establish past policy with respect to the tax status of fire and casualty mutual insurance companies. It is proposed to withdraw the provision in the income tax regulations which limits the deductions for capital costs to the amount taken on the taxpayers' books of account. The maximum deduction allowed for contributions to pension funds will be increased from $900 to $1,500 for both employers and employees.

These are the main changes involving questions of principle, though the amending bill will as usual contain a number of technical changes to keep the law up-to-date and as fair as possible.

SUCCESSION DUTIES

Our succession duty law is in need of revision. Within the past few years a great deal of progress has been made in improving our federal tax laws. It is generally agreed, I think, that an excellent job has been done through rewriting our Income Tax Act. The Excise Tax Act has been streamlined, simplified and made more systematic. Up until now I have not been able to devote enough time to a similar improvement in succession duties. However, I have recently asked officials of the three departments concerned—finance, national revenue and justice—to commence work on rewriting the law.

In the next few months, while the redrafting is proceeding, the views of informed and interested persons, or groups of persons, would be welcomed on any provision in the law which deserves reconsideration. In the meantime no change will be made in the present law.

CUSTOMS TARIFF

The budget resolutions relating to the Customs Tariff which I am tabling touch 74 tariff items. I am proposing changes in wording in about 50 of these items which would remove uncertainties, anomalies, and administrative difficulties which have arisen. The other changes all involve reduction or suspension of duties. No increases in duty are proposed.

The duty is being eliminated on machinery and apparatus, including tubing of a class or kind not made in Canada, for the operation of potash and rock salt mines. A former drawback item is being re-established to provide for a drawback of 99 per cent of the duty paid on fire clay fire brick used by basic producers of iron or steel. Duty free entry is provided for materials and parts used in the construction and repair of railway signal systems. The duties on motor rail cars or units are suspended until July 1, 1956, and on uranium until July 1, 1958.

Some of the principal items on which the tariff has been substantially reduced include automatic controls for certain sterilizing processes, tear gas ammunition for use by law enforcement authorities, and impregnated jute fabric used by nurserymen. Motor vehicles imported as settlers' effects are presently exempt from duty and taxes when valued at not more than $1,500 but duty and taxes apply on any value in excess of that amount. This exemption has been increased to $2,500.

A new tariff item has been established to provide for duty-free entry of personal gifts not exceeding $25 in value sent from members of the Canadian forces serving abroad to relatives or friends in Canada. This item continues the exemption provided for by order in council P.C. 6598 of December 6, 1951. Last year we provided duty-free entry for goods valued at not more than $1,000 imported by members of the Canadian forces after an absence from Canada of not less than a year. I now propose to abolish this $1,000 limit, and to provide statutory authority for the long established practice of extending the same privilege to employees of the Canadian government returning from foreign postings.

While each of these tariff reductions will be of real benefit to the producers or individuals affected, their over-all revenue implications are not significant.

COMMODITY TAXES

I have decided, both for reasons of equity and economic effects, that the bulk of the available tax abatement should be in the commodity tax field. I do not propose any change in the general sales tax rate, but I can recommend some useful changes with regard to the 15 per cent special excise tax. I regret that I am not able to recommend any change in the taxes on automobiles, television sets, radios, phonographs and cigars. The revenue from this group is quite substantial and is more than I can forgo at this time; and consumer demand for these products has been well maintained. Furthermore, in respect of radios and television sets, last year parliament withdrew the radio receiving licence fee, and directed that in its place the 15 per cent excise on sets should be assigned as revenue to the Canadian Broadcasting Corporation. I think it would be inappropriate to recommend any change in this tax for the time being.

I can, however, recommend a reduction from 15 per cent to 10 per cent on such items as soft drinks, candy, cosmetics, tires and tubes, motor cycles, smokers' accessories, matches, coin operated amusement devices, fountain pens, clocks, watches and jewelry.

I can also recommend that the 15 per cent special excise tax be removed completely from furs; electrical household appliances such as vacuum cleaners, floor polishers, irons and ironers, coffee makers, toasters and food mixers; firearms, golf clubs, fishing equipment; cameras and films; merchandise vending machines; and luggage.

The revenue loss involved in rate reduction from 15 per cent to 10 per cent for the one group, and in the complete exemption of the other, will amount to approximately $33 million.

While the sales tax rate will remain unchanged, I am recommending the addition of certain items to the schedule of exemptions. It is proposed to include in the exempt list certain classes of road machinery and fire fighting equipment when purchased for their own use by municipalities. Wall panels will be added to the list of exempt building materials. Miscellaneous items include the small sizes of drain tile, sheet music and hearing aids. Total revenue loss under all these sales tax changes will be about $3 million.

Taxes in the field of liquor and tobacco products will continue at their present levels. A technical change will be made in the method of taxing beer. The present tax on malt used in making beer will be replaced by a gallonage tax. The purpose of the change is to introduce a more modern method of taxation without affecting substantially the general level of taxation in the industry.

All customs and commodity tax changes will be effective tomorrow, April 7. My colleague the Minister of National Revenue (Mr. McCann) 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.

CONCLUSION

I can now summarize my revenue and expenditure estimates for the coming year. The reductions in taxation which I have announced will mean a loss of revenue of about $36 million, and that reduces my revenue figures from $4,500 million to $4,464 million. Since I have estimated my expenditures at $4,460 million, I am budgeting for a surplus in the nominal amount of $4 million. If I may have unanimous consent, I shall insert here in *Hansard* the usual table showing the details.

Mr. Speaker: Is it agreed?

Some hon. Members: Agreed.

Mr. Abbott:

Table II

Revenues After Tax Changes
(in millions of dollars)

	1954-55
Personal income tax	$1,235
Non-resident income tax	55
Corporation income tax	1,200
Succession duties	40
Customs import duties	415
Sales tax	607
Other excise duties and taxes	507
Miscellaneous taxes	15
Total tax revenues	4,074
Non-tax revenues	340
Special receipts and credits	50
Total revenues	4,464
Old Age Security Taxes	
2 per cent sales tax	152
2 per cent personal income tax	97
2 per cent corporation income tax	56
Total	305

I have reminded hon. members almost every year that in dealing with figures of these magnitudes slight changes in revenue can create big changes in the residual surplus. Each one per cent change in revenue means $45 million. A two or three per cent change means a difference of $100 to $125 million.

As I explained earlier, my revenue figures are based on reasonably optimistic assumptions. I have said frankly that their realization depends upon an early resumption of our normal rate of expansion, which in turn depends very heavily on the external influences affecting our economy. If these conditions do not materialize, there could be a moderate deficit of two or three per cent.

That, Mr. Speaker, concludes my presentation of the contents of my budget. We have completed a year which has broken all our past records of economic achievements in production, in investment, in housing and in standards of living. The past six months have seen some mixed trends; some sectors are expanding as rapidly as ever, some have levelled off and a few have actually declined; but I am confident that unless external factors work against us, we shall soon be moving into a new and healthy period of expansion.

Internationally the political situation remains clouded and uneasy, but I believe the prospects for fundamental economic improvement are brighter than at any time since 1947. I am hopeful that the year ahead of us will see new and important constructive moves in the direction of improved international trade and payments arrangements, which will enlarge our established markets and open doors to new markets. These markets and ours will be competitive, and will constitute a challenge to management and labour, to farmers and merchants. The outside world is under no obligation to maintain the Canadian standard of living. That is something we have to do for ourselves. Our costs and our prices will have to be kept in line by continuous improvement in efficiency. I need hardly add that high standards of living and low costs of production cannot be permanently divorced; indeed, the whole economic history of the last hundred years shows that they go together. I am confident that we in Canada can achieve and retain both.

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 the exemption of income from metalliferous or industrial mineral mines for the first three years of production be extended to mines coming into production during the calendar year 1957.

2. That the special deduction from income allowed to taxpayers whose principal business is production, refining or marketing of petroleum, petroleum products or natural gas or exploring or drilling for petroleum or natural gas, for expenses of exploring or drilling for oil or natural gas in Canada, be allowed for expenses incurred in the calendar year 1957, and that in addition a similar deduction be allowed to corporations whose principal business is mining or exploring for minerals, for expenses of exploring or drilling for oil or natural gas in Canada incurred in the calendar year 1957.

3. That the special deduction from income allowed to corporations whose principal business is mining or exploring for minerals, for expenses incurred in searching for minerals in Canada be allowed for expenses incurred in the calendar year 1957; and that in addition a similar deduction be allowed to taxpayers whose principal business is production, refining or marketing of petroleum, petroleum products or natural gas or exploring or drilling for petroleum or natural gas, for expenses of searching for minerals in Canada incurred in the calendar year 1957.

4. That the special deduction from income and taxes allowed to taxpayers whose principal business is production, refining or marketing of petroleum or drilling for petroleum and to taxpayers whose principal business is mining or exploring for minerals, for expenses incurred in respect of deep-test oil wells be allowed for expenses incurred in respect of deep-test oil wells spudded in during 1955.

5. That for the 1954 and subsequent taxation years the deduction allowed to an employer or employee in respect of amounts paid or contributed to or under an approved superannuation fund or plan shall be increased from $900 to $1,500.

6. For the taxation of a resident mutual insurance corporation, other than a life insurance corporation, as though the surplus arising from its insurance activities on and after January 1, 1954 were a profit from a business, and declaring that a non-resident mutual insurance corporation, other than a life insurance corporation, shall be deemed to be and always to have been subject to taxation on that basis.

EXCISE TAX ACT

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

1. That the excise tax on the following goods be repealed:

(a) furs;

(b) electrical appliances adapted to household or apartment use, namely: blankets; chafing dishes; coffee makers; curling irons or tongs; dish washers; food or drink mixers; food choppers and grinders; floor waxers and polishers; garbage disposal units; hair dryers; irons and ironers; juice extractors; kettles; portable humidifiers; razors and shavers; toasters of all kinds; vacuum cleaners and attachments therefor; waffle irons;

(c) firearms and complete parts thereof and ammunition;

(d) golf clubs and golf balls;

(e) fishing rods and fishing reels;

(f) cameras, camera lenses and unexposed photographic films and plates; projectors for pictures;

(g) trunks; suitcases; bags and luggage of all kinds; purses; wallets; billfolds; key and card cases; handbags; jewel cases; dressing and toilet cases; shopping bags; golf and other sports bags;

(h) coin, disc or token operated vending machines.

2. That the excise tax on the following goods be reduced from fifteen per cent to ten per cent:

(a) articles, materials or preparations of whatever composition or in whatever form,