

The Budget—Mr. Gordon

revenue fund. On the basis of the present outlook and tax structure the old age security fund would incur a further deficit of \$25 million this year, and would have to borrow this additional amount.

The unemployment insurance fund contained over \$900 million in 1956. When this government took office last April the fund was bankrupt and in debt to the consolidated revenue fund.

To avert a freight rate increase or a railway strike resulting from a 1958 wage award, the previous government began the payment of special railway subsidies. The initial series of payments has continued since, and we have been forced to provide \$20 million for this purpose in the present fiscal year.

In light of the continuing confusion in railway matters, the previous government appointed a royal commission on transportation in 1959. The reports of the commission were tabled in this house in April 1961 and January 1962, but no action was taken. Instead, a further \$50 million annually has since been provided as an "interim" measure to forestall a new change in freight rates.

The failure of the previous government to deal effectively with the railway question thus means that we are faced with special railway subsidies this year aggregating \$70 million.

The previous government throughout its six years in office failed to provide for any amortization of the mounting actuarial deficiency in the superannuation accounts. As of March 31, 1957 the unamortized deficiency in these accounts had been reduced to \$139 million. In his 1957 budget speech the then minister of finance, Mr. Harris, undertook to reduce the deficiency still further, to \$89 million. His successor refused to do this or to take any subsequent amortization action. Consequently, and as a result of pay increases in the interim, the deficiency in the superannuation accounts has now mounted to \$880 million.

Other matters could also be mentioned. There is the shipbuilding subsidy, which was reduced, effective last April 1, in such a way as to lead to a sudden irrational surge of expenditure and activity in that industry which is unlikely to be sustained. This surge of activity places a substantial burden on this year's budget without producing any continuing benefit. And then there is the Dawson city festival fiasco mentioned by my colleague the minister of northern affairs the other day. The previous government made no

provision to meet its guarantees to the Dawson city festival foundation. The baby was left on the doorstep of the new administration.

The problems posed by the condition of the old age fund and the unemployment insurance fund, by the railway subsidies and the deficiencies in the superannuation accounts, can no longer be neglected. This government intends to deal with these matters and with any other skeletons that may still remain to be uncovered in our national financial closet. Nothing will be gained by delay or by trying to sweep these problems under some convenient rug. They must be faced up to and disposed of.

An hon. Member: Another book.

Mr. Gordon: No, not another book. Unfortunately it is the Canadian taxpayer who will have to bear the cost of six years of mismanagement of our affairs.

I should now like to discuss the revenue and expenditure estimates for the current fiscal year. We have built our present estimates of revenues on the assumption that our gross national product will be about 5 per cent greater in 1963 than it was in the previous year. For this purpose we have assumed a normal crop, a relatively stable price level from now on, and no external trouble. About one third of this 5 per cent represents price increases which have already taken place mainly as a result of last year's exchange devaluation and import surcharges. On this basis, and if there were no change in the tax structure, our revenues would amount to about \$6,880 million including \$730 million into the old age security fund. I should like, with consent, to insert a table in *Hansard* at this point showing our estimated revenues before tax changes and comparing them with revenues in 1962-63.

As there are one or two other tables to be presented, perhaps the house would give consent for leave to table them at the same time.

Mr. Speaker: Does the house give consent?

Some hon. Members: Agreed.

Budgetary and Old Age Security Fund Revenues (millions)

	1962-63 October Forecast	1962-63 Prelim- inary	1963-64 Forecast before tax changes
Personal income tax	\$1,750	\$1,745	\$1,875 ⁽¹⁾
Corporation income tax	1,180	1,183	1,300
Non-resident withholding tax	125	129	135
Estate tax	90	87	85
Customs duties	680	645	585 ⁽²⁾
Sales tax	825	806	840
Other duties and taxes	640	642	675
Total taxes	5,290	5,237	5,495

[Mr. Gordon.]