

Supply—Finance

did not dispose of the point satisfactorily. He explained how the estimates were made up, which is quite clear, but the fact remains that under his predecessor in office the estimate under this item showed a figure remarkably close to the actual expenditure. Under the present minister's regime there is a very sharp discrepancy. It was correctly pointed out that in the year 1958-59 the discrepancy was \$126 million and in 1959-60, \$116 million whereas in the last year under the former minister of finance it was only \$3 million.

The minister took issue with the amounts and there may be a variation in these figures but in any event it is not a substantial one and the point still remains. My point is that in estimating the deficit or surplus in the budget the minister's figures are not to be relied on because of this item that is not disclosed in the main and supplementary estimates. The minister still leaves outstanding the question of the reliance one can place on the minister's estimates and the budget prognostications. For instance, the item in the estimates for this year is actually \$38 million less than the actual expenditure last year although the minister has just indicated that there will be new additional financing in a small amount. I have forgotten the figure, but there was a small amount in interest charges and there is nothing to indicate that interest charges will be less than they were last year.

Mr. Fleming (Eglinton): Mr. Chairman, there is no discrepancy at all. I pointed out how these estimates are made and the factors that enter into them. There are two factors involved. One is the amount of the outstanding debt and the other is the interest rate. I have given the reasons why in preparing the blue book of estimates we would be remiss in our duty if we attempted to prognosticate the precise size of the debt on which interest must be paid or the rate of interest which we think is likely to prevail broadly over the 12-month period of the fiscal year.

What has accounted for the difference between the actual costs as determined at the end of the year by way of interest and the amount in the blue book which was prepared in the fall preceding the beginning of the fiscal year is simply the fluctuation in interest rates. In some years there will be a greater fluctuation than in others. It happened that in the year that the hon. member for Welland chose, a year incidentally when Mr. Harris was in office for about three months and I was in office for nine months, there was more stability in interest rates than there was in the two succeeding years. In 1957-58 we had seen a rise in interest rates in the spring

of that year which went into the summer, and then in August, 1957 interest rates began to decline and they declined until June of 1958. In the fall of 1958, as I pointed out, there was this serious rise in interest rates in New York which resulted in a parallel movement in this country. It was for this reason we had, by comparison, a wider departure between the figures of actual cost and the estimate in 1958-59 than we had in respect of the fiscal year 1957-58.

During any period when interest rates are stable it will be much easier to set forth in the blue book a figure that will compare closely with the actual cost as determined at the end of the fiscal year. During a time when interest rates are fluctuating there will be differences as between the cost and the estimate. I point out that this estimate for the fiscal year 1959-60 was prepared in the autumn of 1958 for a period that ran until March 31, 1960 and in the kind of world interest market that has existed in this period I do not think anyone could pretend to estimate exactly the interest cost on the debt over a 12-month period.

Mr. McIlraith: May I ask a question at that point, and perhaps it would clarify the matter.

Mr. Fleming (Eglinton): Perhaps I could go on and deal with the point the hon. member made about the budget. Perhaps that is the point he had in mind. He raised a question as to whether or not this had some bearing on the figures on which the budget was based. My answer is, not at all. When we are making our estimates for budget purposes we are in a position to make them, usually about March, and we have the advantage of making them six months later than for the purpose of estimates. We are not obliged to disclose these to the public in the way that we do with the estimates. The factors which as I mentioned earlier would make it very improper to give publicly a precise estimate, and the reasons I mentioned do not pertain with respect to the budget. When we make our detailed calculations, therefore, at budget time with respect to what we consider our financial requirements are going to be, we are in a better position to make a very precise calculation. This point that has been raised by the hon. member for Welland, and supported by the hon. member for Ottawa West, has no bearing whatever on the budget figures.

Mr. McIlraith: Perhaps I could just clarify the latter part of the minister's remarks. Assuming the figures we have been using in this connection are correct, that is the interest on the unmatured debt was some \$38 million less than the actual expenditure in