

further discussions. At the October meeting I informed the provincial treasurers and ministers of finance that it was the intention of the Government to ask Parliament at this session to approve legislation continuing for a further two years the increase from ten per cent to thirteen per cent in the provincial share of the yield from the personal income tax.

"...At the October meeting of the Committee of Ministers of Finance and Provincial Treasurers, I also stated that it would be the intention of this Government to arrange for a Dominion-Provincial Conference of Prime Ministers and Premiers in mid-1960 to discuss federal-provincial financial relations for the period after the expiry of the present agreements March 31, 1962. As honourable members are aware, the Prime Minister on March 24 wrote to all the provincial premiers inviting them to a plenary Conference in Ottawa, July 25-27 of this year. We hope that this meeting will make a further major contribution to the achievement of harmonious fiscal relations between the Dominion and the provinces....

"The preliminary figure for the cost to the federal treasury of unconditional payments and tax abatements to the provinces in 1959-60 is \$822 million, an increase of \$80 million over the previous year and \$163 million higher than in 1957-58. It is estimated that there will be a further increase in cost for 1960-61 of \$48 million. Of the estimated increase of over \$200 million in unconditional payments and abatements between 1957-58 and the fiscal year 1960-61, more than one-half is the result of new payments or changes in the basis of payment or abatement. The increase in the provincial share of the yield from the personal income tax from ten per cent to thirteen per cent, which has benefited the provinces by \$120 million in the past two years and it is estimated will mean a further \$68 million to them in 1960-61, by itself accounts for approximately one-third of the total increase.

"Conditional payments to the provinces were also substantially higher in 1959-60, increasing by \$135 million to a total of \$383 million. Seventy per cent of this large increase was the result of increased contributions under the Hospital Insurance and Diagnostic Services Act as more provinces participated in the scheme. There were, however, also large increases in grants for welfare and resource development. It is estimated that there will be a further increase of \$6 million in conditional payments in 1960-61.

DEBT MANAGEMENT

"...Public debt transactions during 1959-60 included the issue, refinancing and redemption of a large volume of Government securities. However, as a result of the successful con-

version operations undertaken during 1958 the volume of debt transactions in 1959-60 was considerably less than in the previous year.

"During the year now ending we have sold \$1,048 million of new marketable bonds and we increased the outstanding issues of treasury bills by \$530 million. In the same period we paid off \$1,550 million of market issues so that the total volume of direct Government of Canada marketable issues outstanding at the end of the year is only \$28 million higher than at the beginning. In addition we sold \$1,455 million of new Canada Savings Bonds and paid off or redeemed \$1,170 million of earlier Canada Savings Bonds.

"After taking into account the net decrease of \$20 million in bonds held in our securities investment and sinking fund accounts, the unmatured direct debt held outside these Government accounts was \$333 million higher at the end of the fiscal year than it was at the beginning. This compares with an increase of \$1,439 million during the previous year and is an indication of the progress we have made....

"...At the end of the current fiscal year our net debt is \$12.1 billion, which is about \$400 million higher than it was at the beginning of the year. In per capita terms it was \$849 ten years ago, \$717 five years ago, and has now dropped to \$681. As a percentage of gross national product our net debt at 34.9 per cent now stands at a lower figure than for any previous year except 1958.

"Last year I mentioned the decline in the holdings of Canada bonds by the general public that had been going on more or less steadily since the end of the war but noted that since September 1958 there had been a sharp reversal of this trend. I am very pleased to report tonight that during the past year the general public's holdings of Canada bonds have continued to increase and that they are now \$1.5 billion more than at March 31, 1959, and \$3 billion more than on September 30, 1958. The latest figures show that the holdings of the general public are now 63.5 per cent of the total outstanding funded debt compared with 62.6 per cent at December 31, 1959, and 57.8 per cent at June 30, 1957.

"Net interest payments over the whole year amounted to 4.13 per cent of our net debt at the end of the year, as compared with 3.30 per cent in the preceding year. This rather sharp increase is largely due to the fact that the net debt mounted rapidly during the latter part of 1958-59, and interest on the increased debt was paid for only part of that year. In 1959-60 interest on this increased debt was paid for a full year. The average interest rate on our total unmatured debt stands today at 3.96 per cent compared with 3.54 per cent a year ago."