

to pay off guaranteed bank advances to that amount in respect of 1938 wheat. As provision had already been made in the accounts of the year 1938-39 for setting up a reserve of \$25 million in respect of possible losses in marketing this wheat, the difference between this sum and the advance of \$52 million made to the Board, namely, \$27 million, has as already indicated been included in the 1939-40 expenditures. When we add to our estimated expenditure of \$651 million these two items of \$27 million of capitalized defence expenditures and \$27 million more for wheat losses, you will note that if we had spent what we estimated the total expenditure would have been \$705 million. It will be seen, therefore, that since our actual aggregate expenditures were only \$681 million we have done considerably better than was expected last September.

The figure of \$681 million which I have given as representing our aggregate expenditures for the year may be broken down by main categories of expenditure as follows (using round numbers):

Ordinary expenditures.....	\$398,000,000
Capital expenditures.....	7,000,000
Losses on and non-active advances to government-owned enterprises.....	42,000,000
War expenditures.....	118,000,000
Other special expenditures including unemployment relief and wheat losses.....	89,000,000
Other charges.....	26,000,000

In the above item of "other special expenditures", the amount for unemployment relief, relief works and western drought area relief totalled \$62 million as compared with \$47 million during the preceding year. This includes a net expenditure of \$7.5 million under the Prairie Farm Assistance Act.

Under "government-owned enterprises", the main item of expenditure was the net income deficit of the Canadian National Railway, which amounted to slightly over \$40 million as compared with \$54 million for the preceding year. This substantial decrease is a reflection of improved business conditions and heavier traffic movement, particularly during the latter part of the year. A fact to be noted with considerable satisfaction is that while operating revenues increased by 11.8 per cent, the heavier traffic was carried with an increase in operating expenses of only 3.8 per cent.

The net result of the year's receipts and outgoings is that, because our revenues were about \$46 million greater and our expenditures about \$24 million smaller than were anticipated, our over-all deficit for the year will be about \$70 million less than was expected. However, the actual deficit will still approximate \$118 million, as compared with \$51 million in 1938-39.

[Mr. Ralston.]

As a result of the over-all deficit of \$118 million, the net debt of the dominion rose to approximately \$3,270,980,000 as at March 31, 1940. Gross liabilities at that date are estimated at \$4,028,573,000. On the other side of the balance sheet, offsetting these liabilities in part, the dominion had active assets, including cash on hand, sinking funds, and active loans and investments, amounting to \$757,593,000.

At the close of the fiscal year there was outstanding unmatured direct funded debt (including treasury bills) amounting to \$3,695,685,000, of which \$67,196,000 were held in sinking funds against certain issues payable in London. Bonds and debenture stocks bearing the guarantee of the dominion and outstanding in the hands of the public aggregated \$1,084,479,000 as at March 31, 1940. These guaranteed securities were decreased by \$987,000 during the year. There are also outstanding certain other contingent liabilities arising out of guarantees given under relief acts and various other statutes. These are fully set out in the white paper which is being placed on *Hansard*.

It will also be of interest to hon. members to know that as at March 31st last the average rate of interest on the dominion direct funded debt (including treasury bills) was 3.40 per cent as compared with 3.52 per cent on March 31, 1939 and 5.02 per cent on March 31, 1930.

III

BUDGET FORECAST, 1940-41

I now come, Mr. Speaker, to what is by far the most difficult part of my task. It is quite possible with reasonable assurance to analyse recent economic trends, to describe our fiscal policies and outline our financial operations for a year which has passed. But it is an entirely different matter, particularly under present circumstances, to forecast the future and to evolve and propose the measures which may be best calculated to meet conditions probably more unforeseeable than those of any period in our history. That, however, is a responsibility which one in my position must take and my task only differs in degree from that of my predecessors.

On the expenditure side, the estimates already tabled provide for a total expenditure on non-war activities of government of \$448 million. As you know, these estimates represent a combination of the ordinary main estimates, the supplementary estimates and the special supplementary estimates which have been presented to the house in recent years. My hope is that it will not be necessary to ask parliament for any supplementary estimates for peace-time services of government,