It will be noted, however, that the general philosophy which inspired the 1949 budget was not carried to an extreme. If the state of prices and production in Canada did not any longer require large budget surpluses, neither did they seem to justify deficits. Despite the significant tax cuts we made, we still budgeted for a modest surplus and as I have already indicated, the result for the year was a surplus of at least $111 million. When on March 28 last, I brought down the budget for the fiscal year 1950-51 (which began on April 1), it seemed to me that under the conditions likely to prevail in the next twelve months, and having in mind the nature and conditions of the Canadian economy in particular, prudence required the continuance of the policy followed last year. We have therefore again budgeted for a modest surplus for the current fiscal year.

While Canadians are proud of the rapid growth we have experienced during the last decade, there are many, both in Canada and elsewhere, who believe that this is just the beginning of a new dynamic period in Canada's development. These observers point to a number of recent discoveries of vast new resources -- oil in Alberta; high-grade iron ore at Steep Rock in Ontario, and much larger deposits in northern Quebec and Labrador; titaniferous ore in northern Quebec; uranium and base metals in the Northwest; -- and they suggest that these may be merely the forerunners of many other similar discoveries which are likely to result from the application of the seismograph, the magnetometer, and other modern gadgets, to the exploration of our vast hinterland.

Recent progress in the Alberta oilfields would appear to confirm the most optimistic view of the probable magnitude of oil reserves in this region. Since the discovery of the Leduc field in November 1947, our estimated proven reserves have increased more than fifteen times. Last year they were more than doubled by the finding of several new major and minor fields. The current rate of exploratory activity, as measured by the number of crews at work, is second only to that of Texas. So far the efforts of the industry to find new oil fields has covered only a small fraction of Canada's 655,000 square miles of prospective oil territory. According to the experts, we have a good chance of achieving national petroleum self-sufficiency within a few years. That, of course, has very important implications for our international balance of payments, as the importation of petroleum products last year cost us $275 million. Even now the Alberta oil fields, which are prorated down to little better than half their optimum output, are meeting the requirements of the Prairie Provinces and saving us about $90 million a year in foreign exchange. The new pipeline from Edmonton to Lake Superior which will bring Alberta oil to Ontario refineries, will be completed by the spring of 1951. It seems clear, however, that the most economic use of western oil will require that some of it be shipped to neighbouring areas in the United States, while the large oil-using centres in Eastern Canada continue to obtain the bulk of their supplies in the United States. It would, I think, be unfortunate if our two countries did anything to prevent this reciprocal flow of oil back and forth across the common boundary line and the more efficient utilization of North America's economic resources which it makes possible.

The Steep Rock iron ore project has been exporting high-grade ore to the United States for some years and plans are now under way to raise output of 3 million tons by 1952. The Ungava-Labrador project offers much greater possibilities. Proven reserves in excess of 350 million tons are considered to be only a fraction of what the field will eventually yield. Six American