

In 1942-43 there was like legislation for \$750 millions and in 1944 for one billion dollars. No proceeds of any loan have been specifically set aside for operations of the securities investment account. With respect to operations in the 1948 financial year, the Deputy Minister of Finance states in his introduction to the public accounts:

. . . As shown in the above table the net reduction in the government's outstanding funded debt during the year was \$582 millions. In addition, however, an amount of \$410 millions in government of Canada bonds was purchased from the public and transferred to securities investment account. These latter securities may be held as temporary investments of surplus cash balances, or until the securities mature or are cancelled, but their purchase for purposes of this account has the same economic effect as the retirement of debt. (p. xiv)

The cost of securities held in the trading account on March 31, 1948, is recorded as \$686,820,000, with a par value of \$660,364,000. Since trading operations commenced under sanction of the Order in Council, over \$32,400,000 has been paid, by way of interest earnings, to revenue. As of March 31, 1948, a profit balance of over \$10 millions on completed transactions was recorded.

The direction of the Governor in Council "that any net profit shall remain to the credit of the investment account until the Minister of Finance otherwise directs," I feel, clashes with terms of the Consolidated Revenue and Audit Act, 1931, which includes this definition:

"public moneys", "public revenue", or "revenue" means and includes and applies to all revenue of the Dominion of Canada, and all branches thereof, including any fees required to be paid under any rule or standing order of the Senate or House of Commons, and moneys received through the sale or pledge of securities and moneys borrowed, and all moneys, whether arising from duties of customs, excise or other duties, or from taxes, or from post office, or from tolls for the use of any canal, railway or other public work, or from fines, penalties or forfeitures or from any rents or dues, or from any other source whatsoever, whether such moneys belong to Canada for or are collected by officers of Canada for or on account of special purposes or in trust for any person or for any province forming part of Canada, or for the government of Great Britain, or otherwise;

The \$10 million profits are real monetary gains and the phrase "from any other source whatsoever" is all-embracing. For such reasons I think the profits should be credited to revenue. If that view is the proper one, the situation is that unless securities, now held, of a par value of \$660 millions, are resold before maturity at prices which produce \$686 millions, there will be an unauthorized expenditure of \$26 millions, despite the large earnings by way of interest and resales.

In view of the large sums which the Receiver General has on hand from time to time, it is obviously desirable that he be in position to employ idle balances; but a practice of purchasing above face value introduces an element of risk, unless it be permissive to offset by using earnings and profits on other transactions. Appendix "B" outlines a securities' trading transaction (where a loss resulted) which was reviewed by the British Public Accounts Committee many years ago.

6. *The National Capital Area*: It is anticipated that large expenditures will be made, from time to time, in developing the national capital area. For that reason, paragraph 3 draws attention to the legislation now regulating the Federal District Commission. A question of public policy seems to be whether an effort should be made to recover a portion of the cost. For example, assume that the decision is to create a parkway along a river. Should adjacent property holders, whose lands materially increase in value as a result, pocket the capital