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THE BUDGET ADDRESS

The following extracts are from the Budget speech delivered by the Minister of Finance, Mr. Fleming, in the House of Commons on March 31:

"...Twelve months ago, when I introduced the last Budget, we were emerging from a recession. Our fiscal and other related policies at that time were based upon an expectation of continued and accelerating recovery. In these circumstances we believed we should move in the direction of a balanced budget at a pace which would resist inflation and at the same time encourage a healthy rate of balanced growth. Looking back over the fiscal year which ends tonight I think we can take satisfaction in the results. In spite of a period of credit strains, and in spite of some unfortunately prolonged industrial stoppages both at home and abroad, Canada has had a good year. A gratifying degree of price stability has been achieved, and employment, production, incomes and trade have all shown healthy increases. We can look forward optimistically to another year of solid expansion and balanced growth.

"...Last year we emerged from a recession which had been caused by a number of factors: capital expenditures by business, especially in industries producing raw materials for export, had declined; business investment in inventory holdings had fallen sharply from levels which had been high in relation to business sales; and export incomes, previously increasing, had levelled off for two years because of a reduction in demand in other parts of the world.

"The decline was reversed late in 1958 and gave way to expansion last year. Capital expenditure by business, especially on machinery and equipment, increased throughout 1959 and in the last half of the year was running at a rate well above that of the low point of the recession. The survey of business intentions released by my colleague, the Minister of Trade and Commerce, a few weeks ago indicates that this upward trend will continue throughout 1960.

"As business conditions improved, first in the United States and later on in Western Europe, our exports began to increase and toward the end of the year accelerated sharply. In 1959 we exported more than $5 billion worth of goods for the first time in our history. Exports to the United States showed the greatest absolute gains, but in the latter half of the year the most rapid rates of increase took place in exports to overseas countries. In the fourth quarter the rate of our total exports of goods, seasonally adjusted, was 12 per cent above the rate in the first quarter of 1959.

"With rising exports and greater business investment, Canadian incomes increased. Consumer expenditures continued to grow and outlays on housing were very close to the record rate of the previous year. Expenditures by provincial and municipal governments on goods and services increased. The Federal Government

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slightly reduced its own outlays on goods and services, but increased its transfer payments to the other levels of government.

"With the general improvement in business, there was no longer any liquidation of inventories, such as had taken place in 1958; instead businessmen added to their stocks to keep pace with rising sales. In 1958, the liquidation of business inventories had amounted to $323 million, while last year there was a net accumulation of $355 million, a reversal which increased demand by a total of $678 million.

"Reflecting all these and other influences, the gross national product in 1959, according to present preliminary estimates, rose to $34.6 billion compared with the estimate of $34.5 billion upon which I based last year's Budget. Accompanying this rise in production was an increase in employment of 2.7 per cent over 1958. Honourable members have seen the recently published February employment figures. The number of persons with jobs was 116,000, or 2 per cent, higher than at the same date a year ago, but as the result of an unusual increase in the number of persons estimated to be in the labour force, the estimate of the numbers without jobs and seeking work was 18,000 higher than a year ago. I am confident, however, that employment will rise as the coming of spring opens up new job opportunities and as the economy continues its upward trend.

"The past year was notable for a welcome absence of speculative excesses in production, demand and inventories. I stress this because often in the past such excesses have provided a major cause of recession. Our economic growth has been orderly and balanced. New investment in plant and equipment has been broadly based. Increases in consumer expenditure have moved in line with personal disposable incomes and personal saving was maintained at the 1958 level.

"Average *per capita* wages and salaries of workers in trade and industry reached a new record of $3,773, an increase of 4 per cent over 1958 and of 10 per cent over 1956. Since the consumer price index was only 1 per cent higher than in 1958, there was a very satisfactory gain of 3 per cent in real income.

"The balanced nature of our economic growth has contributed to price stability, and price stability, in turn, to balanced growth. Like the consumer price index the wholesale price index for 1959 was about 1 per cent higher than in 1958.

"Private savings, both personal and corporate, totalled some $6.6 billion, $260 million higher than in 1958 and more than $500 million higher than in 1957.

"The high level of Canadian savings has, however, been more than matched by the level of capital investment. During 1959 the equivalent of one quarter of our gross national production went into investment. This proportion is one of the highest among all western countries.

"Our capital requirements in 1959, and over the past several years, have necessitated a substantial inflow of foreign capital to supplement our domestic savings. The initiative for this inflow has come in part from our own people who have borrowed abroad, and in part from foreign investors attracted by the nature and the diversity of our resources. This direct investment by foreign entrepreneurs, not only from the United States but also from the United Kingdom and from Europe, is a reflection of strong confidence in our economic prospects and brings into Canada not only capital funds, but also technical know-how, and often also brings with it an assurance of export markets. All told the net inflow amounted to $1,460 million in 1959, about $400 million higher than in 1958, and only slightly above the previous peak of 1957.

"This increase in the inflow of capital was, of course, interrelated with the increase in our balance of payments deficit on current account. I wish to comment on this subject. Our current account can be divided into two parts - goods and services - and the movements of these two parts are quite different. In the goods sector our deficit amounted to about half the size of the record deficit of 1956. This improvement reflects the fact that imports were more affected by the intervening recession than were exports, while the recovery of 1959 saw sizeable increases in both. In contradistinction, our deficit on account of services has steadily increased, reflecting higher dividend payments on successful investments by non-residence in Canada, higher interest payments, business fees of one kind and another, and increased travel and expenditure by Canadians abroad. In 1959 this deficit exceeded one billion dollars.

"Putting goods and services together, they add up to the total of $1,460 million. This deficit is reflected by, and is a reflection of, substantial continuing imports of capital. I do not mean to say that we use all of the money we borrow abroad to import machinery and other forms of capital equipment. We produce domestically many of the goods and materials used in our investment programme, and the composition of our imports reveals only a partial picture of that programme. What is significant is the use we make of all our resources, including the product of our own labour and equipment and what we obtain as a result of our foreign transactions. What is important is that a substantial portion of these resources should be put into new capital investment, rather than into consumption, and that this new investment should be of a character that will promote the efficiency and productivity of our country. Broadly speaking, I believe that these objectives are being attained.

"...Any inflow of capital raises questions as to ownership and control of Canadian industry and resources, and also the question of the servicing of debt. As to ownership and

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CNR ANNUAL REPORT

Canadian National Railways, according to its annual report tabled in the House of Commons recently, was able to combine increased revenues and a tight control of operating expenses to close the year 1959 with a "modest improvement in its net financial result."

Railway operating revenues of $740.2 million, improved by $35.3 million over those of 1958, exceeded operating expenses by $19.4 million for a betterment of $14.5 million in net revenue from railway operations. However, a further increase of $6.4 million in fixed charges left the railway with a deficit of $43.6 million -- $8.0 million less than 1958's deficit.

Owing mainly to higher wages and extended fringe benefits, which cost the company an additional $21.4 million, the report states, operating expenses increased by $20.8 million to $720.8 million. However, 1958 expenses included a non-recurring item of $7.5 million in depreciation. Without this item, a comparison would show 1959 expenses increased by $13.3 million.

Carrying the expense comparison further, the report points out that, if it were not for the higher wage rates and extended fringe benefits, "1959 expenses would have been $8.1 million below those recorded in 1958." "This constructive decrease in cost, which was achieved in the face of an increased work load", it goes on, "is illustrative of the real improvements....made in the company's operations."

WAGES, PRICES, INVESTMENT

Substantial capital investment continued in order to modernize plant and achieve economies to help keep expenses consistent with the revenue level, the report notes, but the higher wages and material prices not only ate up the gains in productivity but cut deeply into the yield from freight-rate increases.

Employee compensation, representing wages, pensions and health and welfare benefits, amounted to $464.9 million, 64.5 per cent of the total operating expenses. Compared with 1958, average hourly earnings an employee rose from $1.798 to $1.905.

Management is now faced with additional demands, which would amount to $57 million if fully implemented. "The financial results were most disappointing," the report says, "particularly when considered in relation to the record level reached by the Gross National Product. The fact that the revenues of the Canadian National and indeed of the railway industry in general, did not reflect more closely this buoyancy in the economy brings into sharp focus the serious challenge facing management."

Despite an increase in the volume of traffichandled, the report states that Canadian railways' share of the transportation market continued to decline.

An increase in CNR's fixed charges reflected the extent of necessary capital expenditures in recent years and also the sharp increase in the cost of money.

These and other factors were "indicative of the complex and imposing task ahead" for the CNR. "Some of the problems are beyond the control of management, particularly those related to freight rates and a Royal Commission....is now inquiring into this and other aspects of railway transportation."

During the year, the report observes, the railway studied its whole organizational structure and plans were begun for decentralization. Special attention was given to personnel problems resulting from technological advancement.

The railway is striving to adjust its facilities, services and pricing methods to present-day market requirements and calls for the support of "all elements of the community" in this effort.

Highway and rail integration advanced; "piggyback" facilities were extended throughout Canada and the number of "piggyback" trains between Montreal and Toronto doubled; special trailer equipment was introduced to transport perishable traffic.

BUYERS' MARKET

Extensive market research studies resulted in passenger services tailored to consumer demand. During the year, the Group-Economy Plan, the All-Inclusive Plan, the Pay Later Plan and joint TCA-CNR credit cards were introduced by the CNR; more railiners were put into service, the roomette accommodation was made available to tourist-class passengers on the Super Continental.

A slightly heavier traffic volume and an interim freight-rate increase authorized by the Board of Transport Commissioners on December 1, 1958, resulted in a $28.0 million rise in freight revenues which totalled $573.2 million. A decline in the average length of haul from 441 to 432 miles was more than offset by a rise of 1.3 per cent in revenue ton-miles and an increase in tonnage from 79.5 million to 82.0 million tons. Tonnage increases were recorded primarily in ores and concentrates, crude gypsum and other mine products, while main decreases were registered in grain and grain products, pulpwood, coal, cement, and manufactured iron and steel products.

Passenger revenues decreased from $41.5 million in 1958 to $40.2 million, a drop of 3.2 per cent compared with a decline of 11.4

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per cent the previous year. The number of passengers remained at 12.7 million and the average revenue a passenger-mile dropped from 3.27 cents to 3.16 cents, but a small increase in the average length of journey caused the passenger miles to rise.

Express revenues rose to a record $44.2 million from $42.0 million, reflecting an upward revision of certain rates and charges.

Expanded communications facilities resulted in a record revenue of $27.2 million, a rise of 13.5 per cent. Some 22,000 miles of carrier telephone channels and 125,000 miles of carrier telegraph channels were added. An extension of Telex to 12 additional cities produced 900 more subscribers bringing the total to 2,800.

Hotel-operating income totalled $2.4 million -- an increase of $0.5 million attributable to higher earnings from The Queen Elizabeth hotel, which operated for only eight and a half months in 1958.

Emphasis was placed on a railway programme of capital expenditures and improved work methods to reduce expenses, the report notes: By the end of the year, diesels were handling 99 per cent of all freight gross ton-miles, 99 per cent of all yard engine hours and 96 per cent of all passenger car miles; work on the electronic hump-yards at Moncton, Montreal and Winnipeg progressed rapidly and plans were laid for the construction of a hump-yard in the Toronto area; centralized traffic control, a signalling system designed to improve safety and average speed of train operations was established on four subdivisions during the year; end-to-end and train-to-wayside radio communications were introduced; integrated data processing was extended, special work study groups were set up to raise productivity and operational research studies led to improvements in plant and equipment.

Owing to more efficient car use, the inventory of rolling stock was significantly reduced. This was achieved, the report states, despite new purchases including 200 heated box cars and 400 all-steel all-welded flat cars for piggyback service.

The railway continued improving its track and pressed forward in opening new lines to develop northern areas. The second section of the Chibougamau branch line from St. Felicien to Cache Lake, a distance of 133 miles, was officially opened in October. A new line of 52 miles from Optic Lake to Chisel Lake in Manitoba is expected to be ready for operation in 1960 to serve the Hudson Bay Mining and Smelting Company.

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ESKIMO ADVISORY BOARD MEETS

The annual meeting of the Eskimo Advisory Board took place in Ottawa from March 28 to March 30 inclusive. The Board, formerly known as the Eskimo Affairs Committee, includes representatives of the administration, the churches, health authorities, RCMP and Hudson's Bay Company. Four Eskimos from the Arctic also sit as members.

This year the Eskimo representatives were selected from widely-separated communities. Considerable importance was attached to their attendance because of the emphasis now being placed on the Eskimo voice in considering Arctic matters.

The Board itself acts in an advisory capacity on any subjects relating to the Arctic which it may choose to consider. Housing, employment, education, health, co-operatives and culture are among the subjects expected to be discussed.

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N.W.T HOSPITAL INSURANCE

The Northwest Territories will begin operating a hospital-insurance and diagnostic-services programme on April 1, 1960. This was assured recently by the signing of a formal agreement by Mr. J. Waldo Monteith, Minister of National Health and Welfare, and Mr. R.G. Robertson, Commissioner of the Northwest Territories. The agreement is the tenth concluded under the Hospital Insurance and Diagnostic Services Act and will bring to residents of the Territories benefits already available in nine provinces.

Mr. Monteith characterized the new agreement as a major step forward in the development of Canada's northland. "To my mind", he said, "access to adequate health care is almost as important to the opening up of an area as transportation and other facilities. The Hospital Insurance Plan should, therefore, provide a further stimulus to the already rapid pace of progress in this vast region".

The agreement with the Northwest Territories is similar in many ways to those previously completed with the participating provinces. All residents will be entitled to coverage as soon as the programme comes into force. Persons who establish residence after April 1 will be entitled to insured services following a three-month waiting period. No premium for benefits will be charged but an authorized charge, similar to that provided in the programmes of Alberta and British Columbia, will be levied for in-patient services. This will amount to $1.50 per day.

The Territorial Insurance Plan will provide all in-patient services required under the federal Act. These include hospital care at the standard-ward level; necessary nursing services; drugs and related preparations including blood transfusions; routine surgical supplies; and laboratory, radiological and other diagnostic procedures together with necessary interpretations. The Territorial programme also includes certain out-patient services when used for emergency diagnosis or treatment within a reasonable time after an accident.

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control this Government's position is clear. We welcome capital into Canada if, when here, it is willing to act as if it were Canadian and not as if it were foreign. During the past two years there has been increasing evidence, in many quarters, that foreign capital in this country is becoming increasingly conscious of its Canadian responsibilities. This is a subject that has been vigorously brought to the attention of foreign investors by the Prime Minister and others. It would be better if the desired result were achieved by such persuasion than by legislation....

"There is a related question upon which I should like to dwell for a moment. This is the question of our exchange rate. The external price of our Canadian dollar has been high for eight years now and is currently running about 5 per cent above the United States dollar. This situation has been brought about mainly as a result of an inflow of foreign capital and reflects the confidence of outsiders in the soundness of the management of our financial affairs. Admittedly it lowers the prices received in Canadian dollars by those exporters who have to sell in world markets at world prices. It also means a lower price in Canadian dollars for many classes of Canadian imports. On the other hand, it lowers the cost of imported raw materials and semi-finished goods used by our manufacturers and it has helped to keep down our cost of living and cost of producing.

"I have said on many occasions and I repeat now that I would welcome the development of circumstances that would reduce the external price of our dollar provided this was brought about by means other than an arbitrary and artificial attempt by the Government to work against basic economic forces.

"I have seen some references to a demand that the Government should deliberately 'devalue the dollar'. This kind of talk might have been appropriate when Canada was on the gold standard, or even when it maintained a fixed exchange rate. We have not been on the gold standard for half a century and we have not had a fixed exchange rate for a decade.

"An attempt by the Government artificially to lower the external price of the Canadian dollar would involve borrowing or raising by taxes very large sums of money with which to buy up foreign exchange. It might well be that the Government could not reduce the inflow of funds sufficiently without imposing direct controls on capital movements and then on the movement of goods. Apart from the economic objections to such policies it would be a very difficult matter to work out effective technical means of control. Even then, the controls would not be effective unless the objective were one which commanded the broad public support which is necessary for general compliance. In other words, we would be embarking upon a gigantic financial speculation with no assurance of success.

"The exchange value of the Canadian dollar is determined by the free play of the forces of supply and demand. These forces have pushed the rate up, and, at some time in the future, market forces could drive the rate down. Many people would be happy about such a development, at least if it came about in an orderly manner. However, those who undertake commitments in terms of United States dollars or other external currencies expose themselves to the risk of having to repay at a time when the exchange rate for the Canadian dollar may be quite different from what it is today. This is a risk which the borrower, whether personal, corporate, provincial or municipal, must bear himself and is a danger which I clearly wish to stress.

"I have referred to the improvement in our exports; we must look further ahead, however, and make every effort to preserve and improve our access to world markets so that Canada's exports, which will remain one of the foundations of our prosperity, can continue to expand.

"In recent years the Western European economy has been enjoying particularly rapid and substantial growth. More than one-quarter of our exports go to Western Europe including the United Kingdom. A prosperous, politically stable and expanding European economy will provide increasing opportunities for profitable Canadian trade. We have been concerned, however, with the possible political implications of economic disagreements within Western Europe. We need also to take all practicable steps to ensure that our trading position is not adversely affected.

"We have therefore been giving very close attention to the problems that are arising from the emergence of the two regional trading groups in Europe: the European Economic Community of six countries and the European Free Trade Association of seven countries. We have been anxious that these arrangements should not lead to inward-looking and discriminatory practices and should not weaken the world-wide trading system which has been built up so patiently and so successfully in recent years. We are therefore seizing every opportunity to put forward the Canadian point of view at meetings with representatives of these groups and with our other trading partners. Moreover, we are participants with the European countries and the United States in discussions relating to, and have declared ourselves ready to become members of, a reconstituted organization for economic co-operation and consultation; and, further, we will press that such organization shall subscribe not only to the principles of the international institutions governing trade and payments but also that members shall honour their obligations in these institutions. In particular, we are continuing to urge European countries to resist the growth of European tariff discrimination by extending their tariff reductions to other countries on a most-favoured-nation basis. We have found that our views are shared by many countries in other parts of the world, and particularly by those in the Commonwealth. The general tariff conference of the contracting parties to the GATT which is to be convened next September will provide an opportunity for a further reduction in world trade barriers and new opportunities for Canadian exporters.

"I have dwelt at some length on our external position because of the bearing which it has on our domestic situation. So long as our access to foreign markets is unimpaired and we are able to keep the costs and the quality of our products and services thoroughly competitive, we need have no fears for the future. The economic expansion which Canada is now experiencing is soundly based: incomes are rising and we have demonstrated a willingness to save; relative price stability seems reasonably assured; business confidence is high, and capital investment is expanding; our export prospects are bright. I expect that the forces of expansion will continue during 1960, and that the rates of increase we have experienced in 1959 should be maintained throughout the year. Within this framework I am basing my forecast of 1960-61 revenues on an increase in the gross national product in 1960 of about 6 per cent, or to a level between $36.5 and $37 billion dollars.

GOVERNMENT ACCOUNTS 1959-60

"...The House will recall that in my Budget speech last April I budgeted for revenues of $5,267 million, expenditures of $5,660 million and a deficit of $393 million. On the basis of figures in the White Paper it is now estimated that our revenues for the fiscal year were $5,301 million, our expenditures $5,707 million and the deficit was $406 million.

"Revenues, expenditures and the total deficit all were very close to forecast. Revenues were $34 million or 2/3 of 1 per cent higher than last April's Budget estimate; expenditures were up $47 million or 3/4 of 1 per cent more than forecast; and the deficit which was forecast at 7.5 per cent of revenues has turned out to be 7.7 per cent of revenues. Defence expenditures were $175 million less than forecast but this was more than offset by increases of $87 million for higher charges for interest on the public debt, $50 million for larger subsidy and tax sharing payments to provinces and approximately $55 million for various payments in connection with our agricultural and farm assistance programme.

"Over and above these expenditures that are charged to the budgetary accounts, we have, under the authority of Parliament, disbursed considerable sums for loans, advances and a number of other essential purposes. These included loans of $325 million to Central Mortgage and Housing Corporation, $233 million to the CNR (which, however, repaid $489 million on account of these and earlier loans from the proceeds of public issues of government guaranteed CNR bonds), $30 million to the Farm Credit Corporation, $23 million to the St. Lawrence Seaway Authority and $21 million to the Northern Canada Power Commission. During the fiscal year these disbursements amounted in all to $945 million. To meet these outlays $942 million was available from the repayment of loans, net annuity insurance and pension receipts and other sources. Thus a net amount of $3 million was required for all these non-budgetary transactions. This compares with a net cash requirement of $664 million to finance our non-budgetary transactions in the previous fiscal year.

"The budgetary deficit of $406 million and the net amount of $3 million required for non-budgetary transactions have been financed by an increase of $333 million in the Government's outstanding unmatured debt and by a decrease of $76 million in our cash balances. Combining the net new issues of CNR guaranteed bonds, the net new issues of direct Government of Canada bonds and the reduction in our year-end cash balances, our total net cash requirements for the year have turned out to be $900 million.

OLD AGE SECURITY

"At this point I should like to report briefly on the Old Age Security Fund. As honourable members know, the Old Age Security Act provides a pension of $55 a month to every eligible person 70 years of age or over. Prior to last year these payments were financed by contributions of 2 per cent on corporate and personal incomes (with a maximum contribution of $60 on personal incomes) and a 2 per cent sales tax. Under last year's Budget, these contributions were raised from 2 to 3 per cent to take effect January 1, 1959, for corporate incomes, July 1, 1959, for personal incomes (with a maximum contribution of $90) and April 10, 1959, for the tax on sales.

"During 1959-60, pension payments from the fund totalled $574 million and revenues credited to the fund amounted to $550 million. The deficit of $24 million for the fiscal year was covered by a temporary loan....

DOMINION-PROVINCIAL RELATIONS

"During the past year there have been important developments in our financial relations with the provinces. On July 6 and 7, 1959, the newly created Dominion-Provincial Committee of Ministers of Finance and Provincial Treasurers met in Ottawa to discuss a wide range of subjects connected with these financial arrangements and to make provision for their systematic study. This Committee met again in Ottawa on October 15 and 16 for 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 conversion 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."

EXPORT CREDITS INSURANCE

Mr. Gordon Churchill, Minister of Trade and Commerce, tabled in the House of Commons on March 24 the annual report of the Export Credits Insurance Corporation, which indicates that exports valued at $47.5 million were insured in 1959. This is an increase of 13 per cent over the total for 1958. In addition, goods having a value of $90.7 million were insured by authority of Section 21, under which the Consolidated Revenue Fund, not the Corporation, carries the risk.

Since the establishment of the Corporation in 1945, a total of $818 million of export sales have been insured. It has paid out claims to Canadian exporters amounting to $9.8 million, of which $7 million have been recovered.

The net result of the year's operations showed an addition of $1,164,400 to the underwriting reserve, which now stands at $4.9 million. Interest on invested capital has provided the bulk of this underwriting reserve, and the Corporation continues to provide its services at close to "break-even" premium rates.

There were 230 policies current at the end of 1959. These covered a wide variety of products shipped to some 87 different countries. The classification of these policies by export volume shows that insurance protection was obtained by large, medium and small exporters. Liabilities under these policies totalled $58 million.

The business of the Corporation is to provide insurance, at a suitable premium, for Canadian exporters who wish to cover themselves against certain risks of non-payment for goods sold to buyers in foreign countries. There is the risk of a foreign buyer becoming insolvent. Exporters are unable to protect themselves against this by means of ordinary commercial insurance except in the case of sales to the U.S.A. There is also the risk of cancellation of an import licence, and the risk of adverse changes in foreign exchange regulations in the buyer's country. These are risks over which the exporters themselves have no control, and against which ordinary commercial insurance is not available. Generally, the policies protect against losses arising from circumstances beyond the control of both the buyer and the seller.

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AIR-TRAINING AGREEMENT RENEWED

The Secretary of State for External Affairs, Mr. Green, announced on March 25 the renewal of the existing aircrew training agreement with Denmark. A formal exchange of notes took place the same day in Copenhagen between the Canadian Ambassador, Mr. J.B.C. Watkins, and the Danish Foreign Minister, Mr. J.O. Krag.

On April 17, 1957, notes were exchanged with the Government of Denmark to provide for the continuation, for a reasonable time, of limited Canadian training facilities for Danish aircrew students. This agreement, which was concluded as Canada's NATO Air Training Programme was reaching its completion, was aimed at assisting the Danish Government in making the transition to a suitable national training scheme.

The agreement provided that, at some mutually convenient time during the third year thereof, discussions would take place on a bilateral basis on the need or otherwise of extending it for a further period. Consultations to this end have been held with the Danish authorities during the last few months. As a result, and on the basis of the request submitted by the Danish authorities, the Canadian Government has agreed to extend the present agreement for a further four-year period beginning July 1, 1960. Training to "wings" standard will be provided annually to 45 student pilots from Denmark. A token payment of $5,000 for each student-pilot entrant will be made by Denmark. Canadian costs will be defrayed under the Mutual Aid Programme.

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