before us, and we hope it will result in a solution for this deplorable problem.

On all sides of the house and in all parties we are generally committed to the axioms of the welfare state. Great programs of welfare and social benefits are accepted by all parties, yet in those limited areas where the vast body of people are not represented, such areas as mental health, alcoholism and dope addiction, we know we will not gain a great number of votes by bringing in remedial measures. Alcoholism, dope addiction, and mental retardation do not strike the vast majority of people, but I suggest that if we are sincere adherents of social welfare and better standards of well-being we should begin with those who are the least able to look after themselves.

As politicians, it may be those are the very last people with whom we are concerned, because they are not politically popular, they do not control any large block of votes and, as I say, the vast majority of the population is not going to give us political approbation for helping such people.

I suggest that in this area of mental retardation, and specifically with respect to children, we cannot take very great pride federally or provincially in what we have done in this supposedly enlightened and advanced country. It is my hope that when the report of the royal commission comes in and is debated in this house, the hon. member who proposed this bill, and others who have supported his ideas, will give their approval to the kind of remedy which will do something for the problems of children who are mentally retarded.

Mr. Deputy Speaker: Order. The hour appointed for the consideration of private members' business has expired.

It being six o'clock I do now leave the chair.

At six o'clock the house took recess.

AFTER RECESS

The house resumed at 8 p.m.

THE BUDGET

ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

Hon. Walter L. Gordon (Minister of Finance) moved:

That Mr. Speaker do now leave the chair for the house to go into committee of ways and means.

He said: Mr. Speaker, this afternoon the Prime Minister (Mr. Pearson), the Leader of the Opposition (Mr. Diefenbaker) and other hon. members spoke about Jack Garland, and how much he will be missed by all hon. members of this house. I shall not repeat what has been said, but I could not begin my budget speech without adding a few words about the feeling of loss and sadness that I share with all hon. members in not having Jack with us tonight. Inevitably there is a very close relationship between ministers of finance and ministers of national revenue. In my case I shall always be grateful to Jack Garland for his advice, his common sense, his sound judgment, his friendship and his cheerfulness, and support when times were tough. Jack Garland sat in on the many meetings preceding the preparation of the budget that I am about to deliver. He made a great contribution to it, as he did to everything he was involved in or associated with. He was a sensible, quiet man who was universally respected. Jack Garland was everybody's friend.

Mr. Speaker, all hon. members can take sastisfaction from the improvement that has been occurring in economic conditions in Canada and from the optimism with which we can view the immediate future. Unemployment is still too high, and in the Atlantic provinces and eastern Quebec it is much too high. But it is lower almost everywhere than it has been for some years. The deficit in our current account balance of payments with other countries is still too large but it is smaller than it has been since 1954. The prospects for the current year are good; indeed, in most parts of Canada they are very good. Employment, production and incomes should all be substantially higher than last year for the country as a whole.

Many changes in fiscal and economic policies were called for in the circumstances this parliament faced last spring. It was necessary to move quickly on a number of fronts, and understandably some of the proposals that were put forward were questioned at the time.

Some hon. Members: Oh, oh.

Mr. Horner (Acadia): The understatement of the year.

Mr. Gordon: It is now clear, however, that the main policy changes proposed last spring and summer have paid off well and will continue to pay off in the months and years ahead.

Some hon. Members: Hear, hear.

Mr. Bell: For whom?

Mr. Gordon: These measures have contributed to the increase in economic activity that has occurred and to the reduction of unemployment. They should be continued and they will be.

The winter house building bonus was so effective that a limit had to be put on the number of houses to be financed in order to avoid congestion in markets this spring. The accelerated rates of capital cost allowances have been a powerful inducement to increased expenditures on industrial building and equipment. Already the measures introduced to stimulate the automobile industry have borne fruit. The new policy will mean greater investment, more production and more jobs in Canada in the future. The extended program of assistance in building vocational schools is proceeding at a rapid pace.

Some hon. Members: Hear, hear.

Mr. Gordon: I am delighted we have unanimity on some of these matters.

Other policies which we said would require some time before becoming fully effective are beginning to take hold. I refer to the efforts to encourage our secondary manufacturing industries through the new Department of Industry; to the incentives designed to stimulate activity in areas of slower growth; and to the work that will be done, and the new jobs that will be created, as a result of funds made available by the municipal development and loan board and the Atlantic development board. All these policies, as I say, have proved their worth. We must now consolidate our gains and plan for steady growth.

Before reviewing the state of the economy and the prospects for the future, I should like to recall several of the government's major objectives in economic policy, which I am sure are generally supported by the members of this house.

Our first goal is high level unemployment—

Some hon. Members: Oh, oh.

Mr. Mandziuk: It must be a bad translation.

Mr. Gordon: I feel, Mr. Speaker, in the same class as the Secretary of State for External Affairs (Mr. Martin) when he sometimes refers to the Leader of the Opposition (Mr. Diefenbaker). As I was trying to say, our first goal is high level employment, the highest we can expect to reach and maintain; employment in good jobs where we can produce efficiently. This requires not only jobs but men and women qualified to fill them.

Our second, and related goal, is a high level of economic growth, the highest we can expect to sustain over a long period. This will help employment and will bring better living standards, but it will require foresight and skill in economic management both private and public.

Third, we want to gain all the advantages that go with expanded international trade, both exports and imports. In the process we want to see our transactions with other countries on current account brought into better balance. Continued deficits in our balance of payments on current account make it more difficult to attain high level employment and render us vulnerable to changes in the supply of capital available to us.

Fourth, we want to maintain general stability in our price levels and the value of our currency, for that is necessary to steady progress and to the protection of the savings of the people.

Our budget policies and measures, as well as others affecting our economic affairs, should be fashioned and considered with these objectives in mind. We should add to them another that is partially economic, partially political in the broadest sense of that word. We Canadians realize we cannot live in isolation; we are part of an interdependent world; we are members of the greatest peacetime alliance in history; we live in one of the most open and unrestricted economies in the world; we earn much of our living in foreign trade; and we benefit from foreign investment to a degree probably greater than any other nation. We recognize the advantages and obligations of these relationships with others. But we believe that we can and should combine them with a full participation by Canadians in the management and direction of all aspects of our own affairs.

ECONOMIC SITUATION AND OUTLOOK

We can look back on the economic developments of 1963 and early 1964 with considerable satisfaction. Many new records have been achieved—in employment and trade, in agriculture and industry. More men and women have jobs; their take-home pay is higher; fewer fail to find the jobs they are looking for; and the number of young people in training to acquire up to date skills is steadily expanding.

Last year we built our budget estimates of government revenues on the assumption that total Canadian production and expenditure—our gross national product—would be about 5 per cent higher in 1963 than in the previous year, assuming a normal crop and reasonably stable prices. I am glad to say that our assumption about prices proved correct. Canadian crops far exceeded anyone's expectations. Economic activity in other sectors was more buoyant than we had anticipated. Accordingly, the increase in total output in 1963 turned out to be, not 5 per cent, but about 6 per cent.

Not only did we have a record wheat crop last year, more than 720 million bushels—

Mr. Clancy: Call that a record?

Mr. Gordon: So far—but it was coupled with record overseas sales. Vast quantities of grain are being moved to ocean ports. In the field of prices and costs the degree of stability that we have been achieving is greater than that of any of our overseas competitors and is about the same as that of the United States.

An hon. Member: Same as last year.

Mr. Gordon: Details are to be found in the white paper on pages 38-40. It is worth noting that, for the latest month for which comparable figures are available—December—our consumer price index showed exactly the same movement in comparison with the previous year—1.7 per cent—as the American index. The latest 12 month increase for Britain is 1.9 per cent, for France 5.7 per cent and for Japan 4.9 per cent.

Thanks to the degree of stability we have maintained, much of Canadian industry is now competitive with that of other countries. Clearly we must strive to keep our costs down and to increase our productivity.

Our favourable competitive position is reflected in the fact that our merchandise exports in 1963 rose 11 per cent over the previous year, while imports rose only 6 per cent. In the result we had a favourable balance of $484 million on merchandise account—the largest since 1952. The sharp increase in our exports of manufactured products was particularly encouraging.

On travel account, we had run deficits for more than a decade, but in 1963 we earned a surplus of $13 million. On the other hand, we had an adverse balance in respect of interest and dividends amounting to $614 million, continuing the upward trend of the post-war years.

As a result of these and other changes our current account deficits with other countries, which stood at $848 million in 1962, was reduced by more than one third, down to a level of $521 million, in 1963.

Personal incomes rose steadily last year; private spending and saving both increased. Canadians chose to buy more Canadian goods; a number of Canadian industries improved their share of the Canadian market, taking advantage of the improvement in their competitive position. Canadians also decided to save more—a slightly higher proportion of their incomes than previously—and they were thus in a position to play a rather larger part in financing Canadian expansion.

Industrial and manufacturing production both increased by some 5.6 per cent in 1963 over 1962. Expansion of private investment in plant and equipment was also well maintained.

The general price stability to which I have referred was matched by general financial stability. In other periods of general economic expansion we have experienced some hardening of interest rates, a natural result of increased competition amongst borrowers for available funds. This did not happen last year. Interest rates at the end of 1963 and in the early part of this year were at about the same levels as a year before, some slightly higher and others slightly lower. The spread between Canadian and United States interest rates narrowed appreciably particularly on short term issues. Growth of the money supply, which had been reversed by the financial crisis of June 1962, was resumed; during 1963 the total money supply expanded by 9 per cent; over the two year period, 1962 and 1963, the total increase was somewhat less than the 14 per cent increase in the gross national product.

While economic activity, and with it the number of available jobs, increased in 1963, so did the number of people seeking work. However, the increase in jobs outran the increase in job-seekers. From an average level of 5.9 per cent, almost 6 per cent, the previous year, and 7.2 per cent in 1961, average unemployment in 1963 fell to 5.5 per cent.

Moreover, the reduction of the average of unemployment for the year does not tell the whole story. While economic activity was strong throughout 1963 it was strongest in the final months. As the house is aware, we have recently broken through the 5 per cent unemployment barrier on a seasonally adjusted basis for the first time since 1957. As we enter 1964, the economic momentum is even stronger than it was throughout 1963.

This does not mean we can afford to be complacent. Our international deficit has been cut down, but it still remained more than half a billion dollars in 1963. And a level of unemployment around 5 per cent represents only progress by comparison with previous performance. We must do better in the months and years ahead.

If we are to do better we must recognize that the nature of our unemployment problem is changing. Over-all national averages mask important differences that exist between the various regions of Canada. At the beginning of this year the seasonally adjusted figure for unemployment in Canada was just below 5 per cent. However, according to our best current estimates, the figure for British Columbia, again on a seasonally adjusted basis, was just above 4 per cent. For the prairies it was around 2 per cent. In Ontario it had fallen to about 3 per cent, but in Quebec, where the increase in the labour force had been quite exceptional, it was probably about 6 per cent. For the Atlantic region, the figure while falling, was probably still as high as 8 per cent.

The wide diversity of these figures and the prospect for the current year suggests that broad, general attacks on unemployment will be less useful now than they have been in the past. Accordingly our plans and policies are increasingly designed to meet the special needs of areas of the country or groups of the population confronted with special difficulties and problems.

The figures for the 1964 capital investment outlook published last week, show that a substantial increase over last year is intended by businessmen, home owners, and governments; forebodings lest, as a result of tax changes announced last year, investment would wither away have, of course, not materialized. It is reassuring to note that the greatest increase in investment is expected to take place in the province where, in absolute terms, the number of unemployed is at the moment greatest, that is in the province of Quebec.

In regard to the balance of payments too we must recognize the nature of the problem confronting us. Our extraordinary sales of grain to Russia and other countries have greatly helped to improve our current account position, while some of our policies designed to encourage a more permanent improvement are beginning to take effect. However, we cannot assume that sales of grain will continue indefinitely at current levels. Therefore we must maintain our efforts to strengthen our balance of payments by measures of a longer term nature.

On the capital side of our balance of payments we have now seen in two successive years how vulnerable we are to sudden changes in the inflow of funds. In July last the announcement of the proposed United States interest equalization tax caused a very sharp crisis in our exchange and capital markets because our vital dependence on a large inflow of capital to pay our bills in the United States was widely recognized. The situation was eased by the proposal to exempt new Canadian issues. However uncertainties relating to this tax while it remains before congress have held back Canadian borrowing in the United States. It is still difficult to tell what the final effect of the tax will be on the movements of capital between the United States and Canada.

Despite these cautionary remarks a careful review of the economic outlook at home and abroad gives us cause for optimism. We see good reason to expect that in 1964 the general growth of the economy will be maintained and the good progress of the year just past will be repeated.

At the same time we obviously cannot anticipate another record harvest such as we had last year. In forecasting our revenues and expenditures we have worked on the assumption that we will have a normal harvest and an increase in gross national product, apart from farm production of about 6⅓ per cent. Taking farm and non-farm production both into account we assume an over-all growth of 5½ per cent.

TRADE AND TARIFF POLICY

Before turning from economic affairs to fiscal matters, I should direct the attention of the house briefly to trade and tariff policy.

The United Nations conference on trade and development which opens in Geneva next week will focus on the special trade and development problems of the economically less developed nations of the world. One of the greatest problems of our age is to find practical ways of raising the standards of living of these nations. I should like to assure honourable members that Canada will play an active part in this United Nations conference. It will be our purpose to find effective methods for improving the trade opportunities of the less developed countries, without disruption of established industries in the more advanced countries. Clearly this will not be easy. For some years Canada has been accepting a substantial measure of imports from low-cost countries. We shall urge other advanced countries to do likewise.

As the house will be aware, the Kennedy round of trade negotiations is expected to get under way in the next few months. The prospects are that it will rank with the important trade negotiations that have taken place under the auspices of the GATT since the end of the war. While it has been agreed to conduct these negotiations on the basis of across-the-board tariff reductions by the United States and the European trade groups, agreement has not yet been reached on such matters as the depth of the basic tariff cut, the problem of trade in agricultural products, and the problem of tariff disparities between these countries. Accordingly, the full scope and nature of these negotiations remain to be settled.

Canada will not of course be negotiating on the basis of across-the-board linear tariff cuts. Our trading partners have recognized that such a system would not be appropriate for countries such as Canada. For us the objective is an exchange of concessions of equivalent value. Our participation should, I suggest, be guided by the following considerations.

First is the principle of reciprocity. There must be a reasonable balance between concessions obtained and those which we grant, which must be judged in terms of their practical effects or trade. Moreover, account must be taken of the degree of adjustment and time required to adapt to tariff reductions in terms of shifts in resources and employment.

A second key consideration is that the outcome of these negotiations should contribute to the balanced growth of the Canadian economy. Certainly we shall be seeking to expand the opportunities for our traditional exports of raw materials and foodstuffs. But these negotiations will be more concerned with manufactured products and we must keep clearly in mind that the expansion of efficient secondary industries is necessary to provide adequate employment opportunities for Canada's growing labour force. For this reason we shall be looking for those particular tariff reductions abroad which will open up new export markets for the products of our secondary industries. This will help them to achieve better economies of scale, which are vital to the attainment of cost efficiency.

A third important consideration is that there must be a reasonable balance between concessions given and concessions gained for the various sectors and regions of the Canadian economy. Each of the major productive sectors should get some benefit from and should make its contribution to the negotiations. This should be broadly true also for the various regions.

A fourth consideration relates to our balance of payments position. A successful tariff negotiation should help all the participating countries to become more efficient and more productive. But clearly, it cannot help them all to improve their balance of payments position. In our situation of continuing large current account deficits, we must be especially careful that any tariff bargain we strike does not aggravate our balance of payments position.

Guided by these considerations, Canada will play an important part in the Kennedy round. As hon. members are aware, a trade negotiating committee of experienced officers has been set up to assist the government in the conduct of these negotiations. Under its direction arrangements have been made to hear the views of Canadian industries and other interested parties, so that our preparations will take into account the most complete and up to date advice and information.

FEDERAL-PROVINCIAL

In addition to taking into account the economic and financial situation, the government must have regard to the position and requirements of provincial governments when making plans both for expenditure and taxation. Earlier in the history of our nation it may have been possible for the federal and provincial governments to proceed about their own affairs without concern for the other, except for occasional arguments over the constitutional subsidies. But now the public expects so much from both levels of government that they often appear to be in competition with one another. To overcome this each must now take into account the demands upon the other. At times in the past the provinces have recognized that we had special and urgent requirements for war and defence and for major social security programs. More recently the federal government has recognized that the provinces have urgent requirements in the fields of education, health and highways, and has acted accordingly. Both sides must recognize that Canadians cannot afford to do everything at once. In a federal system such as ours there must be an effort made to work out priorities by co-operation.

This recognition on our part of the requirements of the provinces must not be mistaken for an abnegation of federal responsibilities. Canada needs to have both strong provincial governments and a strong federal government. As I say, the government of Canada must remain strong and dynamic, both in its effective jurisdiction and in finance. This was intended in the constitution; it is even more necessary today.

Parliament will be asked to make the necessary changes in our laws to implement the new equalization formula for 1964-65, which was put before the conference with the provinces in November, and to carry out the undertaking given by the government in regard to the larger share of death duties to be assigned to the provinces.

In our spring meeting of the conference to begin on March 31 we shall be considering among other things shared-cost programs and their relation to our fiscal arrangements. Our general position was put by the Prime Minister in his published statement in November. It remains to examine how it may be implemented in particular cases. If the provinces so wish, we are prepared to transfer to them full financial responsibility for some of these established shared-cost programs of a continuing nature, and to make suitable fiscal adjustments either in a larger share of the direct tax fields or by changes in, or supplements to, the equalization payments.

These financial adjustments must be fair both to the provincial and the federal treasuries. We appreciate the importance and value of joint programs. We have no desire, however, to go on indefinitely levying taxes simply to pay for programs that are well established and well within provincial jurisdiction. It is better that, within the limits of their own fiscal capacities, the provinces should levy the taxes required for such programs, assisted where necessary by equalization payments.

BUDGET ACCOUNTS AND FORECASTS

I come now to a consideration of our revenues and expenditures for the fiscal year now concluding. A detailed report is given in the budget papers that were tabled last Thursday. At this time of year the figures are, of course, preliminary and subject to change. Tonight I propose to refer only to the more important items.

In the budget speech last June, expenditures were forecast at $6,845 million. The revenue estimates, as revised on July 8, were $6,190 million. On this basis, a deficit was anticipated of $655 million, together with a deficit of $25 million for the old age security fund.

It now appears that our budgetary revenue will be $6,207 million. On the other hand, when we include the charging to expenditures of $76 million pension liabilities created by pay increases for the armed forces, and $48 million inventory losses on farm products held in storage, which I explained in the house on March 6, our budgetary expenditures now appear likely to be about $6,892 million. Consequently, the deficit for the year is expected to be about $685 million. It would have been appreciably less than the forecast but for the large "write-offs" I have mentioned.

The forecasts for the old age security fund were affected, of course, by the decision to increase old age pensions by $10 per month, effective October 1, and by the increase in the old age security tax on personal incomes from 3 to 4 per cent, effective January 1, 1964. As a result of these changes, revenues credited to the fund were $15 million higher, pension payments were $54 million higher, and the deficit was $64 million. This will be made up in the next few years; in the meantime it has been met by a temporary loan to the fund.

Mr. Nowlan: It sounds like us.

Mr. Gordon: It sounds like you?

Mr. Nowlan: What you said about us last year.

Mr. Gordon: I could not quite hear the hon. member for Digby-Annapolis-Kings reminiscing.

In addition to the revenues and expenditures that are included in what are known as budgetary accounts, the government disburses large sums for loans, investments and advances for a variety of purposes, and receives substantial sums from various sources that do not constitute revenues, since at the same time they create liabilities or represent repayment of debts due the crown. During 1963-64, these cash disbursements included $122 million advanced to Central Mortgage and Housing Corporation and $72 million loaned to the Farm Credit Corporation, as well as many other items set forth in detail in the white paper. To meet these outlays, large sums were available from the repayment of loans, including $111 million from the Northern Ontario Pipe Line Crown Corporation, and from various annuity, insurance and pension accounts. In all, our non-budgetary receipts exceeded non-budgetary disbursements by $166 million.

In explaining our total cash requirements I should take this opportunity to note that for the most part our budgetary revenues and expenditures involve cash receipts and disbursements. While our expenditures do include some charges of a bookkeeping nature, these are offset by equal credits to non-budgetary accounts. When all are taken together, excluding the sale or redemption of debt securities, we obtain our total cash requirements. For 1963-64 the budgetary deficit of $685 million, offset by the net non-budgetary receipts of $166 million, resulted in an over-all cash requirement of $519 million. It is expected that this net disbursement of cash during the year will have been somewhat less than the increase of $737 million in our outstanding debt, with the result that our cash balances will be some $218 million higher at the end of the year than they were at the beginning.

I turn now to consider the budget outlook for the next fiscal year. With the economic outlook as I have described it, and with no change in our present tax laws, I would forecast our budget revenues at $6,705 million, almost $500 million more than for the current fiscal year. With the consent of the house, I should like at this point to insert the usual table in *Hansard* showing our estimated revenues before tax changes and comparing them with revenues in 1963-64.

I should point out further that, since there will be other occasions tonight, Mr. Speaker, when I propose to present tabular material, perhaps the house might be prepared to give its consent now to having these tables printed as appendices in *Hansard*.

Some hon. Members: Agreed.

[Editor's Note: The table referred to above is as follows:]

Budgetary and Old Age Security Fund Revenues
(millions)

	1963-64		1964-65
	Budget Forecast	Preliminary	Forecast before tax changes
Personal income tax	$1,875	$1,863	$2,025
Corporation income tax	1,273	1,249	1,340
Non-resident withholding tax	135	127	125
Estate tax	85	90	90
Customs duties	585	580	620
Sales tax	907	930	1,105
Other duties and taxes	675	665	685
Total taxes	5,535	5,504	5,990
Non-tax revenues	655	703	715
Budgetary revenues	6,190	6,207	6,705
Old age security fund revenues	729	745	900
Total revenues	$6,919	$6,952	$7,605

Mr. Gordon: The main estimates for 1964-65 show authorized expenditures of $6,703 million. There will, as usual, be additional expenditures under new statutory authorities such as equalization payments, and supplementary appropriations. Provision must be made for municipal winter works, for winter house building payments and other housing items, for payments to the railways under legislation arising out of the recommendations of the royal commission on transportation, for losses in the agricultural commodities stabilization account, and for the operating deficit of the Canadian National Railways. These and other costs, less probable amounts lapsing within appropriations, are expected to bring our total budgetary expenditures to about $7,125 million. This would amount to an increase of $233 million or about 3⅓ per cent more than the expenditures for the current year. This is substantially less than the estimated percentage increase in gross national product.

On the basis of these forecasts, and with no tax changes, there would be a budgetary deficit of $420 million.

The old age security fund is expected to have revenues of $900 million and to pay out pensions of $885 million, leaving a small surplus of $15 million available to repay part of the temporary loan required this year.

During 1964-65 we expect to make substantial loans to the Central Mortgage and Housing Corporation—perhaps $180 million—over and above amounts received in repayment of earlier loans to them, because of the large-scale building programs they are financing. We also anticipate loan requirements of about $80 million for the Farm Credit Corporation, and $50 million for the accelerating program of export credit financing, as well as substantial amounts for the purchase of C.N.R. stock, for municipal loans, for loans to the 1967 exhibition, the C.B.C., the unemployment insurance fund and other purposes. The total of all these non-budgetary cash disbursements can be expected to amount to about $800 million. This includes an unusual item of about 220 million Canadian dollars to be paid to British Columbia under the Columbia river agreements in exchange for U.S. dollars received as payment for the sale of future downstream power benefits. Apart from this, nothing has been included to anticipate changes in our holdings of foreign exchange.

Offsetting these extra-budgetary cash requirements and the budget deficit, we can expect net non-budgetary receipts of about $360 million, mainly from pension and annuity accounts. I do not include here the proposed Canada pension plan fund, which should accumulate about $25 million in the last few months of the new fiscal year, about half of which is to be invested in government of Canada securities, and half in provincial securities.

Taking these extra-budgetary receipts and disbursements into account, as well as the budget deficit itself, I anticipate total cash requirements of about $860 million before taking budget changes into account. Since our cash balances are abnormally high and can be reduced over the year by something over $150 million, I would expect that our borrowing requirements for new money might amount to about $700 million. In addition, the government must, of course, refund the $1,850 million of bonds maturing in 1964-65.

Before leaving the accounts to turn to other matters of more immediate interest to the house, I should mention another way of looking at our accounts used nowadays by economists, and try to meet their interests in examining the budget. On pages 25 to 34 of the white paper will be found an analysis of our revenues and expenditures in terms of their impact on the flow of incomes of the national economy as a whole. We have this year projected these figures forward for the first time into the new year, just as we do our normal accounting figures. Rather than burden the house with these technical figures, I would table them and ask permission to have them included as an appendix to *Hansard* today.

They show that in terms of income flows our budget of revenue and expenditures is now close to a balance. They do not include, however, an analysis of our borrowing and lending, and crown company operations, which on balance have a substantial sustaining and stimulating effect upon national income and employment.

We have not endeavoured to forecast total provincial revenues and expenditures on this economic basis, but there is no doubt that the general trend shown in the figures in the white paper has continued, and provincial governments and municipalities together will be spending much more than the revenues they are raising together with the very large sums we are transferring to them. Taking everything into account, including the changes I am about to set forth, the government believes the economic effects of the budget are about right in our Canadian situation as we see it for the coming year.

GENERAL TAX POLICY

The preparation of this budget has benefited greatly from the scores of briefs and hundreds of letters and calls received from organizations, companies and individuals concerned with tax problems and what should be done about them.

Mr. Pigeon: Experts too?

Mr. Gordon: Many experts, yes, including the hon. member for L'Assomption-Montcalm. What is the name of the other?

Mr. Pigeon: Joliette.

Mr. Gordon: I apologize for forgetting Joliette.

The government has welcomed this assistance and I acknowledge it gratefully. We look forward to improving in future the departmental arrangements for receiving and discussing suggestions and comments on this perennial and difficult subject.

One of the questions the government has had to consider is whether we should have a tax cut such as the United States congress has just enacted after so much heart searching. This has an immediate appeal and has naturally been urged by many Canadians on one ground or another.

After serious consideration, the government has decided not to propose a general reduction in either personal or corporate income taxes at this time.

Our present economic problems, such as the persistence of abnormal unemployment in the Atlantic provinces and eastern Quebec and in the less well trained types of male labour, are not such as can effectively be met by a general tax cut. More selective and long term measures are needed, such as the better education and technical training of our young people and the promotion of industrial development in the Atlantic provinces and eastern Quebec.

Second, in Canada we have been experiencing considerably larger budget deficits, when provincial as well as federal budgets are taken into account, than the United States has been having in proportion to its size.

We must also recognize that even after the tax cut in the United States personal income taxes in that country will remain higher than in Canada for most taxpayers. On single persons their federal taxes will be higher than ours in all brackets. On married persons the United States tax will be higher for most people. The people for whom it will generally be less than ours are married people with incomes above $10,000 a year, mainly because of the privilege of income splitting permitted by their law for married couples. Moreover, their social security taxes on employees' earnings are greater than the combination of our old age security tax on such incomes and the proposed Canada pension plan contribution will be, except for a very narrow range of incomes of single persons.

When we turn to corporation taxes the picture is less clear, because of the variety of state taxes and provincial taxes that must be taken into account, and the effects of the size of corporations. By and large, the Canadian corporation taxes are somewhat lower on small corporations and slightly higher on large corporations. When account is taken of our 20 per cent dividend credit, income earned by a corporation and paid out as dividends to a shareholder is in nearly all cases less heavily taxed in Canada than in the United States.

I have here some tables of comparison of Canadian and the new United States tax rates which I would ask leave to table and to have printed as part of the appendix to *Hansard*.

I think these considerations of general economics and of the relative weight of direct taxation justify our conclusion that a general tax cut is not warranted in Canada by reason of the example of the United States.

Quite apart from the question of an over-all tax cut, the government has decided, after considering the numerous suggestions and views put before us, that major changes in our tax structure should not be made until after we have received and published the report of the royal commission on taxation. Much thought and work on the part of thousands of Canadians have gone into the testimony placed before the commissioners, who are working intensively with their expert staff on this material and on research. Their conclusions and recommendations will be published, I am told, by the year end, with their technical supporting material following immediately after. This means we can have the benefit of all this work for the budget of 1965—though there will probably be more to be done than can or should be attempted in a single budget. In the circumstances it would be premature and unwise to set about major changes at this time. Consequently, it is proposed to make only changes which we feel cannot or should not be deferred a year and which will not prejudice more thorough-going revisions later.

It is not proposed to recommend any changes in the Excise Tax Act. We recognize that there are anomalies and difficulties in it—there always have been—but we believe these can wait until next year without serious consequences. There have been difficulties in particular in distinguishing "materials consumed or expended directly in the process of manufacture or production" in contrast to machinery and its parts, and apparatus, used in production, but these are gradually being resolved administratively. The government appreciates the patience and co-operation of taxpayers in helping the tax administrators to find a fair and reasonable solution to this inevitably troublesome problem.

I shall be recommending some changes in the income tax, a few in the estate tax—which we must open up because of the provincial aspects—and a few in the tariff.

CANADIAN OWNERSHIP OF BUSINESS

The first tax measures I wish to discuss are those relating to Canadian and non-resident ownership of businesses in Canada.

The government believes that businesses in Canada, whoever owns them, should operate with due regard to the over-all interests of Canadians and the Canadian economy. Canadian materials should be processed to the greatest possible extent in Canada to provide employment and to sustain our international balance of payments. Export markets should be sought actively, wherever they may be found. Businesses in Canada should make a conscious effort to purchase supplies and components from Canadian sources whenever these are competitive; to use Canadian professional firms and other services; and to carry on in Canada all the industrial functions that can be performed efficiently here, including, particularly, basic industrial research and design. The fullest possible opportunities should be given to Canadian employees at all levels. Finally, we believe that a greater sense of partnership between Canadians and investors abroad will be of benefit to both. It is the government's desire to encourage this kind of partnership wherever possible.

These are the objectives of the government. Most people have said they agree with them, but some have stated they would like to see different methods used to achieve them. Some have said the methods should take the form of incentives to Canadians to acquire more equities in businesses in Canada without the imposition of penalties on foreigners who do not make such equities available. The government would prefer to avoid penalties, and to provide inducements—as most of us would—but we feel it is essential to have an effective program to accomplish these objectives, and tax measures are about the only practical instruments we have available to use for this purpose.

If our country is to develop rapidly and well, we should continue to expect substantial inflows of certain types of capital and an outflow of other types, with the free movement of capital into and out of the country unhindered by controls such as are found in most countries outside North America. But we will need less net import of capital, to pay our bills outside Canada, if we succeed in our efforts to bring our current account transactions with the rest of the world more nearly into balance.

In the opinion of the government it is desirable that a greater proportion of the foreign capital we need should be in the form of bonds or other obligations which can be paid off. An important amendment to the Income Tax Act was passed during the last session of parliament intended to further this objective and it has begun to have an effect despite the uncertainty over the United States interest equalization tax.

When introducing the measures last year relating to companies with a degree of Canadian ownership, I referred to the Canadian participation as an equity interest. It has been found, however, that it is possible, by creating special types of voting shares having no real equity interest in the company, to meet the test in the present law without achieving its purpose. It is therefore proposed to add provisions in the relevant section of the act to make it clear that shares owned by Canadians, or shares made available to Canadians by listing on a Canadian stock exchange, must be equity shares if they are to be recognized in determining if a company has a degree of Canadian ownership.

It is also proposed to reword the requirement that is based on having shares listed on a Canadian stock exchange to permit the qualification of those companies that have made equity shares available to Canadians but have not found it possible to list all classes of voting shares. Under the proposed new wording it will be sufficient to list a particular class or classes of voting shares on a Canadian stock exchange provided that these shares are equity shares and represent at least 50 per cent of the paid-up equity capital of the company, and providing that no one nonresident person or persons associated with them owns more than 75 per cent of the company's equity shares.

It is also proposed to remove some technical obstacles which prevented the qualification of some companies such as subsidiaries of qualified companies. At the same time it is planned to close some avenues by which the requirements for qualification may now be circumvented.

Because of the requirements of budget secrecy, we have not been able to consult professional and business men—

Some hon. Members: Oh, oh.

Mr. Diefenbaker: Where is the troika this year?

An hon. Member: You made a joke, Walter.

Mr. Gordon: —during the preparation of the proposed modifications of these highly technical parts of the law.

[Mr. Gordon.]

Mr. Winkler: Who did you consult—the Minister of Transport (Mr. Pickersgill)?

Mr. Gordon: However, the income tax resolution which I shall table at the conclusion of my remarks gives in considerable detail the proposed amendments to this section of the act. I would expect that those concerned will—in fact, I would be very surprised if they did not—study it carefully, and I would be glad to receive information, comments and suggestions which can be taken into account before the income tax bill is introduced.

The reduction in the rates of corporation income tax in the United States under the law passed recently has introduced a new factor into the situation pertaining to the rates of Canadian withholding taxes on dividends payable to corporations in that country. Parent corporations with subsidiaries in Canada are entitled to claim a tax credit in the United States for Canadian taxes paid. The amount of Canadian taxes that can be offset in this way depends on several factors, but broadly speaking the net effect on the tax position of a United States parent corporation of a 20 per cent withholding tax on dividends paid by a Canadian subsidiary, when the United States corporation income tax was 52 per cent, is about the same as would be a 15 per cent withholding tax in Canada when the rate of United States corporate income tax is reduced to 48 per cent, as it will be next January 1. Taking this into account, I think we can now secure a sufficiently strong inducement to achieve our objectives without imposing a higher rate next January. This being the case it is now proposed to leave the maximum rate of our withholding tax at 15 per cent. This will involve a number of consequential changes, including the deletion of the section imposing a temporary tax on increases in dividends.

Mr. Diefenbaker: Another retreat and recantation.

Mr. Gordon: Do you want to make the speech?

Mr. Diefenbaker: I would like nothing better.

Mr. Gordon: Then make it.

Mr. Diefenbaker: Recantation.

An hon. Member: The arrogance is still there.

Mr. Gordon: The government expects that over the years an increasing number of foreign-owned Canadian companies will make equity shares available to Canadians. With the proposed changes in the legislation, no penalties will be imposed on those that do not do so. They will be in exactly the same position as they were prior to June, 1963. Those that make shares available will be entitled to important tax concessions. And they will be complying with the government's expressed objectives.

It will be up to Canadians to invest in such equity shares as may be offered to them, to share the risks as well as the benefits and opportunities. Already our 20 per cent dividend tax credit gives individual Canadians a strong incentive to purchase equities in Canadian businesses. We do not think more is necessary in this regard.

There are, of course, a number of Canadian investment trusts and other institutions that enable Canadians to buy equities on a pooled basis, and I would hope these would develop further. Pension funds managed by trustees are becoming more common and important in Canada. We hope they will be able and willing to share in the larger ownership of Canadian businesses. I would urge those setting the rules for the investment of such funds, whether public authorities, business firms or trade unions, to keep this objective in mind.

The government holds the view that Canadian life insurance companies should be encouraged to buy more equities in Canadian businesses. It is the intention to propose a revision of our insurance legislation later this year. I would expect this revision would increase the proportion and range of assets that can be held in the form of equities, and that the rules for valuing them will make this type of investment more attractive to these companies.

TARIFF CHANGES

In proposing any tariff changes at this time, we must have in mind the negotiations which are to take place in Geneva later this year, and in which Canada will be participating. These are expected to result in important reductions in the tariffs of our principal trading partners, and consequently in the Canadian tariff also. In these circumstances it seems advisable to hold for the negotiations a number of useful suggestions for tariff changes which we have received from various sources during the past year.

There are, nevertheless, about a score of tariff changes which I shall propose at this time. About half of these stem from tariff board reports which were received in 1962 and 1963. The others are a miscellaneous group of amendments, mostly of a relieving nature. Of this miscellaneous group, four involve the extension of existing free entry provisions which otherwise would expire on July 1, 1964. The most important of these relates to aircraft of a type or size not made in Canada. In several cases it is proposed to amend existing tariff wordings either for purposes of clarification or to broaden the coverage. One such amendment expands the list of educational materials covered by an existing free entry provision. A new item is being inserted to provide for the free entry of sacramental bread.

Mr. Kindt: Oh boy.

Mr. Gordon: Perhaps the next item which I am about to refer will appeal to hon. members.

Mr. Bell: Sales tax?

Mr. Gordon: Finally, tariff item 156, which covers whisky and other spirits, is to be amended by deleting a proviso relating to bottle sizes.

Some hon. Members: Oh, oh.

Mr. Gordon: I should like to thank the Leader of the Opposition for his enthusiasm on a subject which I did not think he was much interested in. The effect will be to remove a duty penalty which otherwise would apply to spirits imported in bottles of certain sizes now widely used in Canada. Our friends in Britain, or perhaps I should say in Scotland, have considered this proviso to be a significant barrier to one of their traditional exports to Canada, and they will greatly welcome its removal.

The tariff board reports to which I referred a moment ago relate to oilfield equipment and to chinaware and glassware for decorating, respectively. Several of the tariff items in question were bound by the GATT. Accordingly, it was necessary to renegotiate them before the board's recommendations could be implemented. A similar situation prevailed in respect of the tariff item covering disinfectants, fungicides and insecticides which is being reworded for purposes of clarification.

The necessary negotiations have been completed, and the tariff resolutions which I shall table at the conclusion of my remarks provide for implementation of the results. Hon. members will have observed that the board's recommendations respecting oilfield equipment involved some increases and some reductions. On balance, there was a small net increase. Accordingly, compensating reductions were negotiated on three other products, namely barytes, montan wax and bread. Considerable border trade takes place in bread, and our main interest is in exporting rather than importing. The changes in regard to tableware and to glassware for decorating involve an expansion and further liberalization of the present provisions in the tariff.

The details of all these tariff proposals will be found in the resolutions, and I shall be glad to provide in committee any further explanations that are required. Before leaving the subject of tariffs, however, I should like to mention one group of items about which I have received conflicting representations. They are the special items providing for the free entry of certain equipment and materials for use by hospitals, educational and religious institutions. I have decided to refer these items to the tariff board for review and report.

ESTATE TAXES

It is necessary to amend the Estate Tax Act to implement the proposal made to the provinces last November to turn over a larger share of the death duties field to them. It was intended to increase the abatement of federal tax from 50 per cent to 75 per cent in all those provinces that impose succession duties and to make a corresponding payment to those provinces that do not impose such duties. The provinces of Ontario and Quebec later indicated that they would prefer not to change their rates of succession duties at this time because their tax structures are now under review by provincial tax commissions. Instead they requested that for the fiscal year 1964-65 the federal government simply pay them an amount that is the equivalent of this 25 per cent abatement. British Columbia, on the other hand, has already a bill passed second reading to increase its rates of succession duty. It is therefore necessary to amend our Estate Tax Act to make this change. The existence of the two levels of abatement this coming year will require some consequential amendments to the rules determining the situs of property.

In addition, a number of amendments will be proposed to correct anomalies and close loopholes that have come to light in the course of administering this law. The details of these will be placed before the house in the resolution and the amending bill.

In reviewing the Estate Tax Act in the light of the representations that had been made about it, I was impressed with the case made by women's organizations saying that more recognition should be given to the special contribution that a wife makes to the accumulation of property by her husband. Any action to give effect to suggestions of this nature, however, would now affect provincial revenues more than our own budget position. Death duties are under review by provincial commissions of enquiry as well as by our royal commission on taxation. We have therefore deferred any action on this matter, and hope that there will be consultations with the provinces on it, as well as on other aspects of death duties, following the reports of the various commissions.

INCOME TAX CHANGES

The important tax incentives introduced last year that provided accelerated capital cost allowances and other concessions in designated areas have been well received. They are of special importance because it is here that the greatest need for continued encouragement appears to lie. It will take time however for areas that have lagged behind the general rate of expansion to attract the new enterprises that are expected to result from these tax inducements. Accordingly, we are proposing that the provision under which new manufacturing or processing businesses in designated areas receive an exemption from tax on their income for three years after commencement of operations be extended. At present such businesses have to commence commercial operations within the 24 months period that started on December 5, 1963. It is now proposed that they be allowed to qualify if they commence operations at any time after December 4, 1963, and before April 1, 1967.

It is also proposed that the privilege of writing off new manufacturing equipment acquired for use by a new manufacturing or processing business in a designated area at the accelerated rate of 50 per cent be continued with respect to equipment acquired before April 1, 1967. The accelerated rate of 20 per cent for writing off new buildings acquired in designated areas will also apply to buildings acquired before April 1, 1967.

The rates at which taxpayers may write off for tax purposes the capital cost of depreciable assets acquired for use in their business are reviewed from time to time. The general principle followed in establishing these rates is to permit a taxpayer to deduct the cost of a depreciable asset during the useful life of that asset. After a study of representations made by the industry, it has been decided that the rapid rate of wear and tear for certain heavy mobile machinery used by the construction industry for excavating and moving earth and rock and compacting road building materials justifies a faster rate of write-off. It is therefore proposed to amend the regulations to increase the rate of capital cost allowance for such machinery from 30 per cent to 50 per cent with respect to new equipment acquired after tonight.

Turning to another field, it is important that efforts be made to help Canadians pursue courses of study to improve their qualifications for employment. Tremendous assistance is being given in this direction through the program for constructing vocational training schools. Assistance is also accorded to full-time university students by allowing them to deduct their tuition fees in computing income for tax purposes. Part-time students who must pay for courses to gain a university degree or a high school matriculation certificate or to acquire a technical skill or otherwise improve their qualifications for employment have not been permitted to claim their fees as a deduction. These courses are frequently taken at night or during vacation periods or are not of sufficient duration to qualify the participant as a full-time student. We propose that the law be amended to allow these students to deduct in this and future years the tuition fees they pay to educational institutions in Canada.

Another proposed change in the income tax would permit expenditures of a current nature for scientific research carried on outside Canada to be deducted in computing income if the research is related to the taxpayer's business. Another proposal of general interest is that taxpayers be allowed to deduct expenditures they incur in preparing a notice of objection to an income tax assessment or in appealing an assessment.

There will be a number of other amendments to the Income Tax Act. Some of these are outlined in the resolution to be tabled tonight and others of a technical or drafting nature will be brought forward in the bill to amend the Income Tax Act.

In the course of preparing these proposals for income tax amendments, we carefully reviewed over 250 separate suggestions and numerous variations thereof put forward by individuals and organizations across Canada. In addition, particular attention was given to the suggestions made in both houses of parliament during last year's debate on the budget resolutions and the income tax bill.

Hon. members will recall that the suggestions put forward last year included a number of ideas for changing the methods of dealing with deductions for charitable donations. These suggestions were examined very carefully, but quite frankly I have not yet been able to come up with a satisfactory solution. After many discussions about it, my late colleague the minister of national revenue requested the royal commission on taxation to give this matter special attention in the comprehensive study they are making of the tax system.

FAMILY ALLOWANCES

Following a review of the budget situation for this coming year, and the employment and general economic prospects, the government has come to the conclusion that it is practicable to implement now another important item, in addition to those announced in the throne speech, of the four year program for a parliament which it put before the Canadian people.

A central feature of our policy is to encourage and assist young people to continue their training to fit them for employment. To further this objective we propose that family allowances shall be paid in respect of children aged 16 and 17 years who are attending full-time educational or training courses.

Some hon. Members: Hear, hear.

An hon. Member: The only worth-while thing you have said.

Mr. Pearson: Five years.

An hon. Member: Why didn't you do it?

Mr. Gordon: It is reassuring to get such support for a good policy.

An hon. Member: It is our policy.

Mr. Gordon: The monthly payment now being made for children less than ten years old is $6 and for those from 10 to 15 years old it is $8 in recognition of the higher cost of looking after older children—it has gone up from $6 to $8. Extending the same principle, the monthly payment for those 16 and 17 years old will be $10 a month. Eligibility will depend upon full-time attendance at a school, university or technical training course.

The necessary amendments to the Family Allowances Act will be placed before the house after the Easter adjournment. It will be necessary also to revise the terms of the Income Tax Act to change the tax exemptions allowed for children of these ages in respect of whom family allowances are paid.

We estimate that the net cost of these allowances, after taking into account the effect on our revenues of the lower income tax allowances, will be about $43 million in a full year. For the fiscal year 1964-65 the net cost falling on the budget will be about $27 million.

Teen-agers have faced more difficulty in finding jobs than most adults. This measure is designed to assist and encourage as many teen-agers as possible to obtain two years more of training to equip themselves more fully for the kind of jobs that are likely to be available.

The government believes that the expenditure involved will be an important investment in raising the level of skills and ability of our labour force, and thus will improve the growth and development of our economy. This measure is one we can afford this year. It will help young Canadians to fit themselves for better jobs.

The proposal to permit deduction from income for tax purposes of fees paid for part-time training will assist others to accomplish the same purpose. So too will the loans to university students which were announced in the throne speech and explained by the Prime Minister in his leaders' day address.

I believe these loans to university students can be provided most conveniently and efficiently through the chartered banks with their widespread facilities all across the country. We want to enlist the co-operation not only of the banks but through them of the university authorities in order to ensure that all loans are made to full-time students capable of proceeding to a degree and in need of financial assistance to carry on their studies. The government is prepared to guarantee these student loans; there are good precedents for such an approach in our other legislation. No interest would be payable by the student during his years of study.

We shall be exploring this proposal at our meeting with the provinces later this month, and also with the banks and the Canadian universities foundation. What we have in mind should in no way interfere with the operations of the universities or the jurisdiction of the provinces over them. But it should be a real help to promising young people, most of whom should be well able to repay out of higher earnings after graduation a considerable part of the cost of their university education.

By far the most important measure before this parliament is one intended to permit all the workers of Canada to look forward to an opportunity to retire eventually with far more security and dignity than has been possible heretofore. In presenting this budget I wish to make it clear that this government and this parliament have an equal concern to ensure that young Canadians have an opportunity to fit themselves for life and work in the complex and competitive world into which they are now entering.

CONCLUSION

It is estimated that the various changes I have proposed will increase the deficit by about $35 million to $455 million for the coming year. Budgetary expenditures are now forecast at $7,155 million and budgetary revenues at about $6,700 million. The estimated changes in the old age security fund are negligible. Over-all borrowing requirements in the coming year will be about $750 million taking into account the fact that present cash balances are on the high side.

The deficit I have forecast, of $455 million, is sharply reduced—by some 33⅓ per cent—from the level of the preceding two years. This reduction is warranted by the improvement in the economic and employment outlook. But the need for continued support of the general level of incomes and employment makes it undesirable to go further at this time.

Mr. Horner (Acadia): Nothing for the farmers.

Mr. Gordon: Have they no children?

Mr. Horner (Acadia): You bet they have.

Mr. Gordon: It should be noted in this connection that disbursements in the form of loans for housing, for export finance, for farm credit and for other purposes will help to support and improve the economic situation while not adding to the budget deficit.

Economic and financial conditions in Canada do not call for spectacular changes at this time. But there will be no lack of important financial legislation to come before this parliament. Late this year we hope to put forward a bill to embody the decennial revision of the Bank Act, prepared in the light of the thorough review carried out by the royal commission on banking and finance. We wish to revise the legislation concerning the investments of insurance companies. Next year and probably again the year after that we can expect important legislation to improve the tax structure, as I have already indicated.

For this year the budget put before you is, I believe, one that will best fit the needs of the Canadian economy. It retains and strengthens the measures that have helped in the past year. It makes substantial progress in reducing the budgetary deficit, while continuing to make the necessary contribution by government action to the forces of economic growth. The Prime Minister on February 20 described the government's legislative program for this session as a business-like and forward-looking pattern of work. That is the spirit of the government's program as a whole. It is the spirit of this budget also.

I now table, Mr. Speaker, the resolutions which I propose to move in committee of ways and means. In accordance with usual procedure, these contain some detailed points which have not been mentioned in the speech.

RESOLUTIONS

INCOME TAX ACT

Resolved that it is expedient to introduce a measure to amend the Income Tax Act and to provide among other things:

1. That for the 1964 and subsequent taxation years the deduction from income granted in respect of certain tuition fees be extended to include tuition fees paid by a taxpayer who is a student, whether or not he is a full-time student, to an educational institution in Canada

(a) that is a university, college or other educational institution providing courses at a post-secondary school level,

(b) that is a school operated by or on behalf of Her Majesty in right of Canada or a province, a municipality in Canada, or a municipal or public body performing a function of government in Canada,

(c) that is a high school or secondary school providing courses leading to a secondary school certificate or diploma that is a requirement for entrance to a college or university, or

(d) that is certified by the Minister of Labour to be an educational institution by which courses are conducted that provide or improve the qualifications of a person for employment or for the carrying on of a business or profession,

if the tuition fees paid by the taxpayer for the year exceed $25.

2. That for the 1964 and subsequent taxation years a dependant in respect of whom a taxpayer may deduct an amount not exceeding $550 in computing his taxable income shall include a taxpayer's brother or sister who was 21 years of age or over and in full-time attendance at a school or university.

3. That the period commencing on December 5, 1963 within which a new manufacturing or processing business must have commenced manufacturing or processing in reasonable commercial quantities in a designated area in order to obtain a certificate for the purposes of section 71A of the act be extended to March 31, 1967.

4. That for the 1964 and subsequent taxation years in determining whether 95 per cent of the assets used in a business were new and situated in a designated area, for purposes of establishing under section 71A of the act that a person was carrying on the business in a designated area, the value of the assets shall be their fair market value notwithstanding that such value may be different from their capital cost.

5. That where at a time when an area was a designated area a business has been certified to be a new manufacturing or processing business, or an application has been made in writing to the Minister of Industry by a taxpayer in respect of a business that upon the fulfillment of specified conditions would be certified to be a new manufacturing or processing business in the designated area, that area, notwithstanding that it may no longer be a designated area, shall for the purpose of the application of section 71A of the act to that particular business continue to be a designated area.

6. That for the 1962 and subsequent taxation years a taxpayer may deduct in computing income all expenditures of a current nature for scientific research carried on outside Canada that are expenditures made in the year

(a) for scientific research related to the taxpayer's business directly undertaken by or on behalf of the taxpayer, or

(b) to an approved association, university, college, research institute or other similar institution to be used for scientific research related to the taxpayer's business.

7. That for the 1964 and subsequent taxation years a taxpayer may deduct in computing income amounts expended by him in relation to an objection to an assessment or an appeal from an assessment and shall include in computing income any costs recovered in respect thereof.

8. That for the 1964 and subsequent taxation years a taxpayer may deduct in computing income an amount paid in the year or in a previous year since 1962 as a contribution to or under a registered pension fund or plan in respect of services rendered by him in past years while he was a contributor even if he also deducts an amount as a contribution in respect of services rendered by him in past years while he was not a contributor, but the maximum amount deductible in a year in respect of past services while he was a contributor shall not exceed $1,500 minus