

Two Small Boys Drowned Above N. River Causeway

Two small boys drowned yesterday when they went through shore ice about one quarter of a mile up river from the North River Causeway.

Dead are four-year-old Thomas Bertram Keith (Tommy) Walsh, son of Mr. and Mrs. Donald Frederick Walsh, North River, and George Joseph Frederick (Teddy) Arsenault, also four years old, son of Mr. and Mrs. T. Gerald Arsenault, North River.

The bodies were recovered during noon hour by members of the Charlottetown RCMP Detachment.

Police were called to the scene by a brother of one of the deceased, Thomas Gerald Arsenault, 16, who noticed holes in the river ice about 50 feet from the river shore. Boards were used by police to reach the holes over the thin ice.

The spot where the tragedy occurred is several hundred yards from the nearest house.

Coroner L.E. Prowse, M.D., was called to the scene of the tragedy and decided that an inquest into the fatalities will not be necessary.

U.S. Carrier And Transports Patrol Off Dominican Republic

SANTO DOMINGO (AP)—A U.S. Navy aircraft carrier and transports with 1,500 marines aboard were understood to have moved in close to Santo Domingo late Monday as rival Dominican military leaders waged a see-saw struggle for power.

Army rebels put weapons in the hands of thousands of civilians to support the revolt staged to bring exiled ex-president Juan Bosch back to power.

Late in the day, air force pilots opposed to Bosch's return here from Puerto Rico strafed the transmitter of Radio Santo Domingo outside the city just after provincial president Rafael Molina Urena, a Bosch lieutenant, broadcast an appeal for unity. The station went off the air.

Twelve persons, including a six-year-old girl, were reported killed during the day in attacks by planes and in a gun fight across a bridge. A rocket-firing plane shot a hole in a wall of the presidential palace.

Air force dissidents broadcast an appeal for a military junta to serve until elections in December. Bosch and Joaquin Balaguer, another ex-president in exile, would be allowed to participate in the elections. The army rebels apparently ignored the proposal broadcast repeatedly from an air force base.

A six-ship U.S. naval force—the carrier Boxer, two marine-carrying transports, a destroyer and two other vessels—was understood to be operating just out of sight of Santo Domingo. One purpose of the U.S. naval presence could be to evacuate U.S. civilians if they are endangered. There are about 2,500 U.S. citizens in the Dominican Republic.

The rebels claimed support of navy and air force units—except for one dissident group—throughout this Caribbean country 24 hours after they toppled the 19-month-old civilian junta installed to succeed Bosch in 1963.

Senate Retirement Issue Debated In Commons

OTTAWA (CP)—The ancient issue of Senate reform arose once more Monday as the Commons tackled the massive legislative program for the new session after a 10-day, Easter recess.

The first measure to come up for debate was a proposal to amend the British North America Act in order that future senators will retire automatically at age 75, as judges do, instead of serving for life.

Present members of the appointed upper chamber who are 75 or more—they number 40 out of 95—would not be required to retire.

However, the new bill would permit them to retire voluntarily on an \$8,000 annual pension, a pay cut of \$7,000 a year.

Opposition Leader Diefenbaker called the legislation a "sham" and New Democratic MPs, who are pledged to the abolition of the Senate, said they will fight the bill every inch of the way.

The legislation could be side-tracked Thursday, when the six-day budget debate opens.

Mr. Diefenbaker said the Liberals have been promising Senate reform in every election since their 1919 leadership convention, but instead had appropriated a lopsided majority for their followers in the senate.

Liberal senators now out number opposition 60 to 32. There are two independents and one independent-Liberal.

MAKES PROPOSAL

Mr. Diefenbaker said the government should appoint two or three senators to the cabinet and introduce more government legislation in the Senate to make the upper chamber more effective.

Government House Leader McLeod said this legislation provides for a separate contributory pension plan for future senators, similar to the Commons plan which pays maximum benefits of \$9,000 a year.

The Liberal measure was first unveiled at the beginning of the 1964 session but never was debated. Stiff criticism is expected in the Senate, which resumes sittings May 4 after a month-long recess.

Stanley Knowles, NDP House leader, said the resolution was the type "that would fool the Canadian people into thinking that something had been done to reform the Senate." What the government was suggesting wasn't worth the time it would take up in debate.

Mr. Knowles has a private member's bill on the order paper calling for the abolition of the Senate.

Frank Howard (NDP—Skeena), an outspoken critic of the Senate, called it "a haven for broken-down political hacks." He suggested it be made an elective body with 10 members from each province.

Creditist Leader Real Caouette said senators should be drawn from more walks of life than at present and suggested an age limit of 70.

Winds Increase Flood's Threat

EMERSON, Man. (CP)—Strong winds aggravated flood conditions in this border town Monday as the flooding Red River climbed slowly toward an anticipated peak expected overnight or Tuesday.

The brisk easterly winds—the first strong wind since flooding started in the town of 930 early last week—whipped the two feet of water in the business sector into waves breaking against the sandbag dikes.

Mayor Leonard Careless said, however, it was unlikely the waves would break through the dikes in the town.

The level of the muddy river rose 11 of a foot in the 24-hour period ending at 8 a.m. Monday to 785.54 feet above sea level—about six inches below the anticipated crest level.

Jim Bewett, civil defence official and Emerson school principal, said some residents expressed fear Monday that if the water remained in the town for much longer, the frost would go out of the ground and cause seepage problems in basements.

At least one person above the flood level had to clear a basement Sunday because of seepage.

Mr. Bewett said all school buses completed their routes Monday morning, although some from north of Emerson had to travel about 20 extra miles to skirt flooded roads.

7 Per Cent Increase Forecast For Gross National Product

OTTAWA (CP)—A robust seven-per-cent increase in Canada's total output of goods and services in 1965 was forecast by Finance Minister Gordon Monday night. This would bring the Gross National Product to more than \$50,000,000,000 for the first time.

The GNP, a measure of the economy's over-all strength, was \$47,003,000,000 in the 1964 calendar year, an increase of 8.9 per cent over 1963. This rate of climb was the greatest on record and far outstripped the finance minister's forecast of 5½ per cent a year ago.

"We can be confident the recent rates of economic growth will continue well into the summer, although the outlook for the latter part of the year is less certain," Mr. Gordon said in his budget speech to the Commons.

In other parts of his speech, before heading into an outline of domestic tax policy, he said: "Canada cannot depend indefinitely on foreign capital to finance expansion and must avoid excessive international payments deficits."

British exporters are expanding their markets in Canada, which in turn must find new markets in the United States.

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—A general review of Canada's tax structure still must await publication of the delayed report of the royal commission on taxation next autumn.

—It is evident more needs to be done in financing higher education in Canada, though just what should be done and in what way are unresolved questions.

—Federal-provincial fiscal arrangements must be reviewed in the next 18 months and a new formula devised for the five-year period starting in 1967.

Mr. Gordon lauded Canada's performance in 1964 and said: "After a long period of troublesome deficits the nation's finances now are under firm control."

The seven-per-cent increase in national product in 1965, he said, will see increases of five (Continued on page 14, col. 1)

GROWTH BUDGET

Personal Income Tax Reduced 10 Per Cent



FINANCE MINISTER Walter Gordon holds his speech aloft as he enters the Commons Chamber in Ottawa Monday night to present his 1965-66 budget. (CP Wirephoto)

Two-Bit Budget Nowlan Charges

OTTAWA (CP)—Conservative spokesman George Nowlan Monday night described the federal budget as "a two-bit reduction by the two-bit boys."

The MP for Digby-Annapolis-Kings and former finance minister said the \$265,000,000-a-year personal income tax reduction will provide a single man earning \$3,000 a day with a reduction of 7½ cents a day.

For a married man with two dependents and earning \$3,000 the tax cut would amount to 25 cents a day.

"This is a two-bit reduction by the two-bit boys," Mr. Nowlan said.

Referring to the budget speech by Finance Minister Gordon, he said: "Never were so many words used to say so little."

There would be more disappointed Canadians than in the last quarter-century. They had been given "chaff" and not been given what they wanted or expected.

SEES DEFICIENCY

Mr. Nowlan said the most glaring deficiency in "this alleged budget" was its failure to reduce the 11-per-cent sales tax on building materials and production machinery that was introduced in the 1963 budget.

The whole country had expected some easing in this tax, at least on its application to production machinery. This would have done more to develop the economy than any other measure Mr. Gordon could have introduced.

Another glaring omission was the lack of any new support for education. Greater federal aid in this field was long overdue.

The Conservative MP challenged Mr. Gordon's reference to the economic expansion of the last two years. Finance department experts had said 1964 was the fourth year of the economic upswing and thus it went back to the years of the former Conservative administration.

Actually, the Liberal government was boosting the economy with a continuation of Conservative policies.

Mr. Nowlan said corporation income taxes haven't been reduced a cent though Canadian costs must be kept competitive with Canada's greatest trading rival, the United States.

Mr. Nowlan said he would deal later in an "organized manner" with the budget. The Liberals applauded.



GEORGE NOWLAN

Spending, Revenue

OTTAWA (CP)—Budget estimates for fiscal years ending March 31 (in millions of dollars):

	1965-66	1964-65
Revenue	\$7,350	\$7,136
Expenditures	7,650	7,219
Deficit	300	83

How a dollar of tax revenue will be spent under the 1965-66 budget:

- Health, welfare and social security, including veterans benefits, 24 cents.
- Defence, 21.
- Public debt charges, 14.
- Transportation, communications and public works, 13.
- Resources and industrial development, 9.
- Payments to provinces and municipalities, 6.
- Other government services, 13.

Where the budget dollar comes from:

- Personal income tax, 27 cents.
- Corporation income tax, 21.
- Sales tax, 18.
- Customs duties, 9.
- Alcohol and tobacco, 9.
- Other taxes, 6.
- Non-tax revenue, 11.

Fiscal Highlights

Another health increase—seven per cent—forecast for gross national product expected to top \$50,000,000,000 mark for first time, following 8.9-per-cent increase in 1964.

Canada warned it can't depend indefinitely on foreign capital to finance expansion and must avoid excessive deficits on international payments.

Country's finances "now under control" after period of troublesome deficits.

Primary objective now "a healthy rate of sustained economic growth."

General review of tax law deferred until royal commission on taxation reports this autumn.

Further action needed on financing higher education in Canada but just what and how still unresolved questions.

Federal-provincial fiscal arrangements to be reviewed in next 18 months and new formula devised for five-year period starting in 1967.

British exporters finding new markets in Canada which in turn must increase sales to the United States.

Half a million new jobs created since 1963 and unemployment last month 3.9 per cent of labor force compared with 7.7 per cent in first quarter of 1961.

Floods Hit Alta. Town

HIGH PRAIRIE, Alta. (CP)—Flood waters inundated almost half this northwestern Alberta town during the weekend, forcing 150 persons to flee their homes.

Government officials eased the flooding when they dynamited two log and ice jams on the West Prairie River, a tributary of the South Heart River, which flows into Lesser Slave Lake.

Tiny Ont. Community To Honor Lucy Maud

Prince Edward Island's most famous native is going to be honored by people of the tiny Ontario community where she lived so many years with her minister husband.

The Village of Leaskdale, where Rev. Ewen MacDonald had a pastorate for 15 years and where Lucy Maud Montgomery wrote some of her finest novels, is planning a big event to honor the author of the "Anne" books.

For months the women of the village had done research into the life of Lucy Maud during the years she lived there and many of her old acquaintances of that era have been found and will take part in the ceremony July 3 when a beautiful bronze roadside plaque is unveiled in her honor.

Former housekeepers and nurses of the MacDonalds along with many other old friends, most of them now in their 80's, have been reached for their recollections of the famous writer and it is expected most of them will be present for the ceremony.

Cut Effective On July First

By JAMES NELSON

OTTAWA (CP)—A 10-per-cent cut in the basic personal income tax next July 1, designed to put more spending money in taxpayers' pockets in every province, was announced Monday in Finance Minister Gordon's 1965 "growth budget."

It will be fully felt by everyone with incomes up to and including \$20,000 a year. Above that it will be limited to a flat cut of \$600 for a full year or \$300 this year.

The 59-year-old chartered accountant and economist, delivering his third budget speech in the Commons, again forecast a deficit: \$300,000,000 in the fiscal year ending next March 31. A year ago he had planned a \$455,000,000 deficit but this was cut to \$383,000,000 by last year's record 8.9-per-cent increase in the gross national product.

Mr. Gordon said the GNP—total value of all goods and services produced in Canada—should grow by seven per cent in 1965, and more as a result of the income tax cut.

It is designed to spark the economy to renewed expansion.

ary effort later this year and make room for payment of Canada Pension Plan contributions starting next Jan. 1.

Mr. Gordon also announced the government will go ahead with a top election promise to create a Canadian Development Corporation. This \$1,000,000,000 corporation will give everyone an opportunity to buy shares at \$5 each in a huge government-inspired mutual fund investing in Canadian industry.

TO SELL POLYMER

Polymer Corporation, a not perhaps some other profitable Crown companies, will be sold to the new holding company which will be privately and publicly owned.

He indicated the government's willingness to drop the 11-per-cent sales tax on drugs if a parliamentary committee recommends it. But he made no change in other important sales, excise, corporation profits or inheritance taxes.

As a powerful deterrent Canadian publications selling their ownership to foreigners. (Continued on page 3, col. 6)

Budget Highlights

By THE CANADIAN PRESS

Personal income tax reduced 10 per cent effective July 1, limited to \$600 maximum annual cut for individual.

Corporation income tax, sales tax and special old age security tax unchanged.

Establishment of Canada Development Corporation to raise \$1,000,000,000 from government and public for investment in industrial expansion; shares \$5 each.

Taxpayers wholly supported nieces and nephews to qualify as income tax deduction on same basis as dependent children.

Deductible allowance of \$500 if uncle or aunt dependent on taxpayer for support because of mental or physical infirmity.

Full deduction of trade union dues allowed without affecting standard \$100 deduction as formerly.

Taxes on liquor, beer, wine and tobacco unchanged.

Maximum deduction for pension or retirement fund contributions raised to 20 per cent of income from 10 with \$2,500 ceiling continued.

Costs of advertising in foreign-owned magazines and newspapers disallowed as deductible business expense after Dec. 31, 1965.

Canadian editions of Time and Reader's Digest to be exempt from magazine advertising legislation.

Deficit of \$300,000,000 forecast for 1965-66 fiscal year on revenues of \$7,350,000,000 and expenditures of \$7,650,000,000.

Lump-sum payments on termination of employment to be classed as non-taxable if transferred to pension, retirement savings or deferred profit-sharing plans.

Trustees of pension funds, retirement savings plan and deferred profit-sharing plan.

retirement savings plan and deferred profit-sharing plans required to report annually to tax authorities.

Fast tax write-offs for machinery and equipment purchases by Canadian-owned firms extended to end of 1964 from old expiry date of June 13, 1963.

Grants equalling 25 per cent of increased outlays for industrial scientific research to replace current 150-per-cent tax deduction, effective in 1967; grants automatic on up to \$50,000 annually and by prior agreement for larger amounts.

Industries allowed 30-per-cent tax deductibility on capital costs of projects aimed at reducing water pollution by wastes.

Full deduction allowed on costs of investigating factory or power development sites, landscaping business property cancelling a lease or obtaining a licence, franchise or trademark.

Tax write-off period for grain storage facilities built between May 1, 1963, and Dec. 31, 1966, shortened to four years from 20 for wooden buildings and 40 for masonry buildings.

Farmers allowed to deduct costs of clearing and draining farmland.

Federal sales tax on drugs continued but likely to be removed if Commons food and drug committee recommends it.

Gross national product to grow more than seven per cent in 1965 as a result of tax changes.

Customs Act amendments to remove discriminations against goods imported from Britain.

Companies incorporated in Canada prohibited from moving incorporation abroad for tax-evasion purposes.

Effective Dates

OTTAWA (CP)—Effective dates of main changes announced in Monday night's budget:

Retrospective to Jan. 1, 1965.

Income tax deductions for taxpayers with dependent uncles, aunts, nieces or nephews. Union dues fully deductible.

Maximum deduction for pension plan contributions raised 20 per cent from 10 with \$2,500 ceiling continued.

Lump-sum payments on termination of employment non-taxable if transferred into pension fund or similar savings.

Deductibility for costs of clearing and draining farmland, reducing pollution by industrial wastes and for other specified business costs.

May 1, 1965

Tax write-off period for grain storage facilities shortened to

Effective four years from 20 and 40 years; expires Dec. 31, 1966.

Personal income tax reduced 10 per cent, limited to \$600 maximum annual cut for individuals.

Dec. 31, 1965

Costs of advertising in foreign-owned magazines and newspapers disallowed as deductible business expense.

Extended to Dec. 31, 1965

Fast tax write-offs on machinery and equipment purchased by Canadian-controlled companies; was to expire June 13.

To be enacted

Canada Development Corp. to raise \$1,000,000,000 from government and public for investment in industry.

Removal of Customs Act discriminations against goods imported from Britain.