THE BUDGET

ANNUAL FINANCIAL STATEMENT OF HON. J. A. ROBB, MINISTER OF FINANCE

Hon. J. A. ROBB (Minister of Finance) moved:

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

Mr. SPEAKER: In accordance with the rules of the house on Fridays the Speaker leaves the chair without question put, but by unanimous consent this motion may be put.

Mr. ROBB: Mr. Speaker, the general optimism prevailing throughout Canada has, during recent months, been so widely reflected and strongly emphasized in provincial legislative assemblies, annual reviews and financial statements that, in presenting this annual budget, little need be said beyond submitting official figures which, when analysed and compared with the records of previous years, will show a steady and continuous reduction of both debt and rates of taxation.

The fiscal year ends, as hon. members know, on the 31st of March, consequently, when on the 16th of February, 1928, the annual budget statement for 1927-28 was presented, it was necessary to make an estimate of the total revenues and expenditures. The public accounts for that year have since been tabled and give in detail the various revenues and expenditures and show that, after transferring certain old and doubtful assets and soldier settlement loan adjustments from active to non-active assets, the actual net debt reduction for the fiscal year 1927-28 was $50,984,137.17.

Fiscal Year 1928-29

Revenues

For the fiscal year 1928-29, which ends on the 31st March, it is estimated that the ordinary revenues will be $450,000,000, which, with special receipts from reparation payments of $3,500,000 and receipts of $1,400,000 from the Imperial government in final adjustment of disputed claims, together with $42,000 miscellaneous receipts, makes total estimated revenues for the year of about $454,942,000. This will be an increase of some $25,000,000 over the revenues for the year 1927-28.

It is estimated that customs revenues will be $185,000,000, an increase of $28,000,000 over the previous year; excise duties $63,400,000, an increase of $6,000,000; income tax $58,500,000, an increase of $1,900,000; interest on investments (including $1,500,000 interest derived from temporary investments of our surplus cash holdings), $11,600,000, an increase of $660,000; and revenues from other sources $16,350,000, an increase of $840,000.

Services which it is estimated will show decreases are: excise taxes, sales, stamps, etc., $81,500,000, a decrease of $8,700,000 from the previous year; delayed business profits tax $450,000, a decrease of $500,000; Post Office $31,000,000, a decrease of $560,000; and miscellaneous services $2,200,000, a decrease of $370,000.

Expenditures

Our ordinary expenditures for the year, Mr. Speaker, are estimated at $355,200,000. This includes payments made under authority of the Maritime Freight Rates Act, 1927, of $2,992,000 to meet the twenty per cent reduction in maritime freight rates, and $4,303,000 to meet deficits on eastern lines. It also includes $1,600,000 by way of special grants to the maritime provinces, $800,000 to be paid to the provinces of British Columbia, Saskatchewan, and Manitoba as the Dominion's share of old age pensions payments, and $2,190,000 to the Federal District Commission under authority of the Federal District Commission Act as amended in 1928.

The capital expenditures are estimated as $24,150,000 and special expenditures at $1,937,000. In addition, loans in cash to the Canadian Government Merchant Marine are estimated at $1,000,000 and to the Quebec Harbour Commission $2,873,000. As these loans are carried as non-active assets the amounts are included as expenditures for the year. The total estimated expenditures will, therefore, be $385,160,000, an increase of $22,332,000 over the expenditures of the previous year.

Surplus $69,782,000

By deducting the estimated total expenditures of $385,160,000 from the estimated total revenues of $454,942,000, it will be observed that the estimated surplus of revenues over all expenditures for the current fiscal year is $69,782,000.

Mr. Speaker, for the convenience of hon. members, may I, with the consent of the house, place on Hansard a comparative summary showing the actual revenues and expenditures by services for 1927-28 and the corresponding estimated revenues and expenditures for the current fiscal year; also a statement of the estimated ordinary revenues and the estimated expenditures, by services, for the present fiscal year, together with their percentages to the total revenues or expenditures as the case may be.

Revenues

Ordinary Revenue	Actual 1927-28	Estimated 1928-29	Increase	Decrease
	$	$	$	$
Taxation Revenue—				
Customs Import Duties	156,985,818	185,000,000	28,014,182	
Excise Duties	57,400,897	63,400,000	5,999,103	
War Tax Revenues—				
Excise Taxes (Sales, Stamps, etc.)	90,222,931	81,500,000	....	8,722,931
Income Tax	56,571,047	58,500,000	1,928,953	
Delayed Business Profits Tax	956,031	450,000	....	506,031
Miscellaneous Taxes	2,569,078	2,200,000	....	369,078
Total Revenue from Taxation	364,705,802	391,050,000	35,942,238	9,598,040
Interest on Investments	10,937,822	11,600,000	662,178	
Post Office Revenue	31,562,580	31,000,000	....	562,580
Dominion Lands and Parks	3,688,595	4,000,000	311,405	
Canada Grain Act	2,677,878	3,000,000	322,122	
Miscellaneous Receipts	9,145,306	9,350,000	204,694	
Total Ordinary Revenue	422,717,983	450,000,000	37,442,637	10,160,620
Special Receipts				
German Reparation Payments—				
Under Dawes Plan	3,002,048	3,500,000	497,952	
Arrears—Pre-Dawes	3,789,430	....	....	3,789,430
Refunds of Previous Year's Expenditure on War and Demobilization	204,974	42,000	....	162,974
Received from Imp. Govt. in final settlement of disputed accounts	....	1,400,000	1,400,000	
Miscellaneous	133,117	....	....	133,117
	429,847,552	454,942,000	39,340,589 14,246,141	14,246,141
Estimated Increase	....	....	25,094,448	

Expenditures

Ordinary Expenditure	Actual 1927-28	Estimated 1928-29	Increase	Decrease
Interest on Public Deby	128,902,945	125,000,000	....	3,902,945
Pensions	39,778,130	42,000,000	2,221,870	
Subsidies to Provinces	12,516,741	12,550,000	33,259	
Soldier and General Land Settlement Administration	1,334,008	1,400,000	65,992	
Soldiers' Civil Re-establishment	6,958,611	7,900,000	941,389	
National Revenue	11,801,331	13,300,000	1,498,669	
Post Office	31,782,968	33,250,000	1,467,032	
National Defence	15,864,188	18,000,000	2,135,812	
Agriculture	6,487,766	7,390,000	902,234	
Public Works—Chargeable to Income	14,037,366	17,500,000	3,462,634	
Ocean and River Service	3,749,105	4,700,000	950,895	
Dominion Lands and Parks	4,082,752	5,100,000	1,017,248	
Trade and Commerce	4,015,985	4,600,000	584,015	
Special Grant to Maritime Provinces	1,600,000	1,600,000		
Maritime Freight Rates Act—				
Due to 20% reduction in Freight Rates	1,353,465	2,992,000	1,638,535	
Deficit on Eastern Lines (C.N.R.)	2,117,936	4,303,000	2,185,064	
Old Age Pensions Act	131,452	800,000	668,548	
Federal District Commission	....	2,190,000	2,190,000	
Civil Government	11,576,140	12,300,000	723,860	
Other Expenditures	38,077,072	38,325,000	247,928	
Total Ordinary Expenditure	336,167,961	355,200,000	22,934,984	3,902,945
Special Expenditure				
Adjustment of War Claims	1,860,985	150,000	....	1,710,985
Miscellaneous Charges to Consolidated Fund	1,705,311	1,787,000	81,689	

Expenditures—Concluded

—	Actual 1927-28	Estimated 1928-29	Increase	Decrease
	$	$	$	$
Capital Expenditure				
Public Works	1,373,633	1,190,000	....	183,633
Public Works, Marine Department	1,907,464	2,760,000	852,536	
Railways	3,591,646	6,960,000	3,368,354	
Canals	13,762,905	13,240,000	....	522,905
Loans and Advances Non-Active				
Canadian Government Merchant Marine	999,837	1,000,000	163	
Quebec Harbour Commission	1,458,000	2,873,000	1,415,000	
	362,827,742	385,160,000	28,652,726	6,320,468
	....	....	6,320,468	
	....	....	22,332,258	
Surplus of Revenues over Expenditures	67,019,810	69,782,000	....	

Estimated Ordinary Revenues for the Fiscal Year 1928-1929 by Services with Percentages to Total Revenues

—	Amount	Percentage of total Revenue
	$	
Special War Tax Revenue—		
Excise Taxes (Sales, Stamps, etc.)	81,500,000	18·11
Income Tax	58,500,000	13·00
Delayed Business Profits Tax	450,000	0·10
Miscellaneous Taxes	2,200,000	0·49
Total Special War Tax Revenue	142,650,000	31·70
Customs Import Duties	185,000,000	41·11
Excise Duties	63,400,000	14·09
Total Revenue from Taxation	391,050,000	86·90
Interest on Investments	11,600,000	2·58
Post Office Revenue	31,000,000	6·89
Dominion Lands and Parks	4,000,000	0·89
Canada Grain Act	3,000,000	0·66
Miscellaneous Receipts	9,350,000	2·08
	450,000,000	100·00

Estimated Expenditures for the Fiscal Year 1928-1929 by Services with Percentages to Total Expenditures

—	Amount	Percentage of total Expenditure
	$	
Principal Expenditure attributable to the Great War		
Interest on Public Debt (Increase over 1914)	112,107,000	29·11
War Pensions	40,600,000	10·54
Soldiers' Civil Re-establishment	7,900,000	2·05
Soldier Land Settlement Administration	1,400,000	0·36
Imperial War Graves Commission	574,000	0·15
Battlefields Memorials	180,000	0·05
Adjustment of War Claims	150,000	0·04
	162,911,000	42·30

Estimated Expenditures for the Fiscal Year 1928–1929 by Services with Percentages to Total Expenditures—*Concluded*

—	Amount	Percentage of total Expenditure
	$	
Other Fixed and Public Debt Charges		
Interest on Public Debt (as of 1914)	12,893,000	3·35
Other Pensions	1,400,000	0·36
Superannuation	1,450,000	0·38
Subsidies to Provinces	12,550,000	3·26
Expenses of Loan Flotations	10,000	
Premium, Discount and Exchange	70,000	0·02
	28,373,000	7·37
General Expenditure		
Charges of Management	975,000	0·25
Civil Government	12,300,000	3·19
Administration of Justice	2,200,000	0·57
Legislation	2,400,000	0·62
Penitentiaries	1,800,000	0·47
Agriculture	7,390,000	1·92
Immigration and Colonization	3,000,000	0·78
Health	900,000	0·23
National Defence	18,000,000	4·67
Royal Canadian Mounted Police	2,800,000	0·73
Public Works—Chargeable to Income	17,500,000	4·54
Railways and Canals—Chargeable to Income	1,250,000	0·32
Mail Subsidies	1,050,000	0·27
Ocean and River	4,700,000	1·22
Lighthouse and Coast	2,900,000	0·75
Steamboat Inspection	140,000	0·04
Fisheries	2,000,000	0·52
Mines and Geological Survey	700,000	0·18
Scientific Institutions	1,100,000	0·29
Indians	4,600,000	1·19
Government of the Northwest Territories	460,000	0·12
Government of the Yukon Territory	180,000	0·05
Miscellaneous	2,436,000	0·63
National Revenue (Outside Service)	13,300,000	3·45
Post Office (Outside Service)	33,250,000	8·63
Public Works—Collection of Revenue	950,000	0·25
Railways and Canals—Collection of Revenue	2,600,000	0·68
Dominion Lands and Parks	5,100,000	1·32
Trade and Commerce	4,600,000	1·19
Labour	1,400,000	0·36
Public Printing and Stationery	200,000	0·05
Miscellaneous Consolidated Fund Charges	1,787,000	0·46
Capital Expenditure—		
Public Works	1,190,000	0·31
Public Works, Marine Department	2,760,000	0·72
Railways	6,960,000	1·81
Canals	13,240,000	3·44
	178,118,000	46·22
Total Estimated Expenditure on Government Services	369,402,000	95·89
Other Expenditures		
Maritime Freight Rates Act—Estimated amount required—		
Due to 20% reduction in freight rates	2,992,000	0·78
Deficit on Eastern Lines (C.N.R.)	4,303,000	1·12
Special Grant to Maritime Provinces	1,600,000	0·42
Old Age Pensions Act	800,000	0·21
Federal District Commission Act	2,190,000	0·57
Loans to Quebec Harbour Commission	2,873,000	0·75
Loans to Canadian Government Merchant Marine	1,000,000	0·26
Grand Total	385,160,000	100·00

Reduction in Net Debt 1928-29, $69,782,000

Mr. Speaker, having dealt with the revenues and expenditures, the attention of hon. members is now directed to the net debt of Canada which, at the beginning of the present fiscal year, amounted to $2,296,850,232. At the close of the present fiscal year it is estimated it will be $2,227,068,000 or a reduction during the year of $69,782,000. This reduction is arrived at as follows: To the $94,800,000 surplus of ordinary revenues over ordinary expenditures is added special revenues of $4,942,000, being reparation payments and receipts from the Imperial government in final adjustment of disputed claims, thus giving a total of $99,742,000. There are, however, certain other expenditures which must be deducted to arrive at the net decrease in debt. These are: special expenditures on account of adjustment of war claims and miscellaneous charges against consolidated fund $1,937,000; capital expenditures $24,150,000; loans to Canadian Government Merchant Marine, $1,000,000; loans to Quebec Harbour Commission, $2,873,000, making a total of $29,960,000 which deducted from $99,742,000 will result in a reduction in the net debt for the present fiscal year of $69,782,000.

In connection with the debt reduction which the Dominion is again able to accomplish, may attention be directed, Mr. Speaker, to our record in that regard. An examination of the public accounts shows that for a period of fifty-six years, from confederation to March 31, 1923, the net debt was increased year by year with the exception of the fiscal years 1871, 1882, 1900, 1903, 1904, 1907, 1912 and 1913. From the beginning of the fiscal year 1923-24 to the end of the present fiscal year, the net debt has annually decreased, the total reduction in the six-year period amounting to about $226,708,000, or a yearly average reduction of some $37,700,000.

Public interest naturally centres in what has been accomplished in the post-war period; may a survey, therefore, be made commencing with the fiscal year 1921-22. The net debt that year was increased by approximately $81,000,000. For the purposes of eventually effecting a balanced budget, provision was made in the budget of 1922 for certain additional taxation. The major increase was made in the sales tax where the rates were increased fifty per cent over the then existing tax. There was also an increase in the stamp tax. These taxes have been steadily decreased year by year until to-day they are considerably less than the rates of 1922. Certain other taxes, generally classed as manufacturers taxes, were imposed, the articles affected being automobiles, confectionery, cigars, ale and beer and other beverages; these have since been repealed or removed with the exception of the tax on ale and beer, cigars and part of the automobile tax.

The additional revenues thus received, aided by economies in expenditures, in 1922-23 resulted in a lessened increase of net debt by $50,000,000 as compared with the previous year. The following year the era of surpluses and debt reduction commenced, and, as already stated, the net debt for the six-year period has been reduced $226,708,000. In addition, through reductions in the rates of taxation in force in 1922, the sum of $241,000,000 has been remitted to the taxpayers.

Retirement of Maturing Loans

On the 15th October, 1928, the five-year five per cent refunding loan of 1923, amounting to $53,000,000 matured. Previous to the date of maturity $20,866,400 of these bonds were purchased in the open market, thus effecting a saving in interest of $482,000. The balance of the bonds, amounting to $32,133,600, was redeemed in cash at maturity. The saving in interest resulting from this redemption will be $2,650,000 annually.

Mr. Speaker, as the interest charges on the national debt are large, it is a source of general gratification that each year witnesses a reduction. Seven years ago, on the 1st April, 1922, the annual interest charge on bonds, debentures and treasury bills outstanding in the hands of the public, amounted to $133,482,113. On the 1st April, 1929, we will have an annual interest liability of $117,142,100, a decrease of $16,340,013. This saving in interest includes the redemption of our bonds held by the Imperial government which by agreement in 1923-24 were cancelled and written off against advances made by the Dominion to the Imperial government.

On the 1st August, 1929, the 5½ per cent loan of 1919, amounting to $60,000,000, matures. The government will be in a position to take up this loan out of surplus revenues and thereby effect a further annual interest saving of $3,300,000.

For the information of hon. members, and with their unanimous consent, a statement is now placed on Hansard showing the outstanding funded or dead weight debt in the hands of the public. In doing this it might well be observed that on 31st March, 1914, the dead weight debt in the hands of the public was $303,560,938, while the debt to-day is

$2,330,835,086. It means that our annual interest charge of $117,142,100 on the funded debt represents one-quarter of our present yearly revenues. The policy of this administration to provide annually for a substantial reduction of the maturing obligations causes a saving in interest, an improvement in our national financial reputation and paves the way for further taxation reductions towards the pre-war level.

Public Debt

Maturing dates by years

Funded Debt

Date of maturity	Name of loan	Rate %	Where payable	Amount of loan	Amount maturing during year
				$	$
1929 Aug. 1...	Bond Loan 1919-29....	5½	New York		60,000,000 00
1930 Feb. 1...	Refunding Loan of1926	4½	Canada	20,000,000 00	
Dec. 1...	3 year notes	4	Canada and New York	45,000,000 00	
					65,000,000 00
1931 April 1...	Public Service Loan 1916	5	New York	25,000,000 00	
Oct. 1...	War Loan 1916-31	5	Canada	52,931,600 00	77,931,600 00
1932 Nov. 1...	Renewal Loan 1922	5½	Canada		73,325,150 00
1933 Nov. 1...	Victory Loan 1918	5½	Canada		446,658,800 00
1934 Nov. 1...	Victory Loan 1919	5½	Canada	511,910,650 00	
June 1...	Loan of 1884	3½	London	23,467,206 27	
					535,377,856 27
1935 Aug. 1...	Bond Loan 1915-35	5	Canada and New York		874,000 00
1936 Feb. 1...	Loan of 1926-36	4½	N. York		40,000,000 00
1937 Dec. 1...	Victory Loan 1917	5½	Canada	236,299,850 00	
Mar. 1...	War Loan 1917-37	5	Canada and New York	90,166,900 00	
					326,466,750 00
1938 July 1...	Loan of 1888	3	London	8,071,230 16	
" 1...	Loan of 1892	3	London	18,250,000 00	
" 1...	Loan of 1894	3	London	10,950,000 00	
" 1...	C.P.R. Loan	3½	London	15,056,006 66	
					52,327,236 82
1940 Sept. 1...	Refunding Loan 1925	4½	Canada		75,000,000 00
1943 Oct. 15...	Refunding Loan 1923	5	Canada		147,000,000 00
1944 Oct. 15...	Refunding Loan 1924	4½	Canada		50,000,000 00
1946 Feb. 1...	Refunding Loan 1926	4½	Canada		45,000,000 00
1947 Oct. 1...	Loan of 1897	2½	London		4,888,185 64
1950 July 1...	Loan of 1930-50	3½	London		137,058,841 00
1952 May 1...	Loan of 1942-52	5	New York		100,000,000 00
1960 Oct. 1...	Loan of 1940-60	4	London		93,926,666 66
					2,330,835,086 39

Payable in Canada	$1,657,252,050 00
Payable in Canada and New York	136,040,900 00
Payable in New York	225,874,000 00
Payable in London	311,668,136 39
	$2,330,835,086 39

Guaranteed Securities

Certain public services are assisted or allied with our national treasury and a brief survey of our financial commitments in the present fiscal year in connection with the Montreal Harbour Commission and the Canadian National Railway may be made.

Montreal Harbour Commission

During the year the government guaranteed securities of the Montreal Harbour Commissioners, as authorized by chapter 58 of the statutes of 1924, to the amount of $9,000,000. The securities were used in the raising of money needed for the completion of the South Shore bridge.

Canadian National Railway Finances

With the exception of the payments made by the government to cover deficits on the eastern lines, no direct financial assistance was extended to the Canadian National Railway Company apart from certain temporary loans, since repaid. The same situation prevailed as in the previous year, the company's financial requirements being raised in its own name, mainly with the guarantee of the Dominion, but, in part, without such guarantee.

This financial position has been reached gradually. In the early years of government ownership, deficits were met, the lines unified and the system rehabilitated largely at the Dominion's expense. Latterly, however, deficits have been converted into a substantial surplus and the management anticipates that further improvements and extensions, involving new capital, will be self-sustaining.

In the calendar years 1920 to 1927, inclusive, leaving aside interest nominally payable on government advances but not actually paid, the net deficits of the Canadian National Railways amounted to $202,900,000. In the corresponding fiscal years, the Dominion paid in cash to the railways, the sum of $367,700,000. In other words, the government paid all losses and, in addition, supplemented the company's capital by $164,800,000. In earlier years, as hon. members know, the companies were operating as separate units and large advances were made by the government for capital purposes, as well as deficits. Mr. Speaker, with the consent of the house, the record for each of the years 1920 to 1927 will be placed on Hansard.

Calendar Year	Net Income Deficit of Canadian National Railways, exclusive of interest due Government	Payments in cash from Dominion Government (By fiscal years)
	$	$
1920	66,131,996	123,590,232
1921	48,899,807	105,623,699
1922	33,047,222	84,932,579
1923	21,539,731	23,710,617
1924	23,589,376	9,934,453
1925	9,994,383	10,000,000
1926	*2,389,009	10,000,000
1927	2,182,378	....
	202,995,884	367,791,580

* Surplus.

Coming now to the railway year recently closed, that is, 1928, the railway officials advise that after paying all charges with the exception of interest due the government, the accounts of the company will show a surplus of about $7,000,000. This sum is, therefore, available to the company for capital purposes. The interest due to the government, amounting to over $32,000,000 for the year, is taken into the books of the company as a liability but not paid. As no credit is taken in the books of the government for this unpaid interest, it may be left aside in estimating the outcome of the year's business when considering the government's and the railway's fiscal relationship.

In December last, the government guaranteed an issue of $35,000,000 Canadian National Railway Company 4½ per cent forty-year bonds which were sold by tender. In addition, the company borrowed $40,000,000 by way of temporary loans from Canadian chartered banks. These obligations were issued to finance expenditures on construction and betterments as approved by parliament, and also to refund maturing securities. The following statement indicates the authorities under which these borrowings were made:

Railway Loan Appropriation, 1927-28	$ 5,900,000 00
Railway Loan Appropriation, 1928-29	32,851,890 40
Branch Lines, special Acts	9,500,000 00
Toronto Terminals Railways Act	4,000,000 00
Canadian Northern Income Charge Act, 1928 (refunding)	22,748,109 60
	$75,000,000 00

The net addition in 1928 to the liabilities of the railways, in the form of outstanding long term and short date debt, amounted to $44,800,000. The balance of the borrowings effected during the year was required to provide for the redemption of maturing securities.

Forecast of Revenues and Expenditures

Before leaving the financial accounts, some reference might be made, Mr. Speaker, to the probable revenues and expenditures for the coming fiscal year.

Without being unduly optimistic, the government feels it is warranted in anticipating that, notwithstanding the reductions to be submitted in this budget, the revenues will meet all expenditure obligations and also provide for the redemption of the loan maturing in August next.

The ordinary revenues for the present fiscal year have already been estimated at $450,000,000. It is hoped the ordinary revenues for the coming fiscal year will be at least equal. After making provision for the statutory charges and maturing obligations, the expenditures have been allocated to such votes as will provide for long deferred repairs and needed improvements to the public properties and services, as are required by a growing and prosperous country.

Mr. Speaker, the monthly publication of trade statistics being available to all, it is unnecessary to place on record any extended statement of the volume of the Dominion's external trade. In the first ten months of the fiscal year the Department of National Revenue reports total exports amounted to $1,187,400,000, which, when the total imports of $1,033,300,000 are subtracted, leaves a favourable trade balance of $154,100,000 for the ten months' period.

The remarkable growth in Canada's external trade may be illustrated by the fact that the favourable balance just quoted is almost equal to the total export trade of this Dominion thirty years ago. It might also be noted that a comparison with the pre-war year of 1913-14 shows the 1927-28 exports of fully manufactured goods exceeded the total exports of raw, semi-manufactured and fully manufactured goods in the year 1914. Canadians may well take pride in the great increase in the per capita producing ability of this Dominion.

Unfortunately, no method has yet been devised whereby the ultimate destination of our exports may be determined. This is particularly true in respect to exports of grains which, on the basis of last year's statistics, represent about one-third of the total exports of the Dominion. Vessels oftentimes obtain clearance for the United Kingdom, but unload in European ports. Thus, while our export records shows a credit to Great Britain, the actual destination is some other country or countries. The trade records of both France and Switzerland illustrate this. The import records of the French government show that in the year ended December 31, 1927, France imported from Canada goods to the value of $28,400,000, but our records for the same period credit an export to France of approximately $11,700,000. The Swiss records credit $17,000,000 as the imports from Canada, while our export records state this Dominion only sold $483,000 of goods to Switzerland.

It is gratifying to note the steady development of inter-empire trade. Canada, the pioneer of the British preference, looks on empire trade as the key-stone of its external trade policy and desires in every way to foster closer trading relations throughout the British commonwealth of nations.

Throughout a period of years parliament has authorized the adoption of various commercial treaties with foreign countries, and it will be recalled that last session agreements with a number of countries were accepted. These were formally brought into effect during the year. Sufficient time has not yet elapsed to justify a survey of these arrangements, but the trade reports show that in the fiscal year 1927-28 Canada sold 165 million dollars worth of goods to countries with which we have enjoyed most-favoured-nation treatment over a period of years. From the same countries our purchases amounted to 103 million dollars. This record is a substantial improvement over the fiscal year 1921-22 when our exports to the same countries had a value of about 82 millions of dollars and our imports of 57 millions of dollars.

In 1921-22 the concern of all Canadians was that our dollar should be brought back to par, that the nation's purchasing power be substantially increased, that no man willing to work be out of employment, that Canadian goods become firmly established on the international trading markets and that Canadians, wherever they might be, would feel that the problems of each section were the mutual concern of all.

Our dollar is no longer at a depreciated valuation. Canadians to-day are prospering. Employment is at a high level. Our basic and manufacturing industries are producing large quantities of goods for home consumption and also for the vast external trade outlets which have been developed. Many new trade channels within the British commonwealth are being opened and, in addition, the ever-increasing number of countries with which Canada exchanges most-favoured-nation treatment assists Canadian business to establish permanently "made-in-Canada" goods on the markets of the world.

These, we believe, are factors which, coupled with good crops, have materially assisted in the expansion of our basic industries, encouraged the enlargement and extension of industries throughout the Dominion, and provided much new business for Canadian transportation systems. Our railways, relieved in some measure of pressing financial problems through the general increase of business, are now in a position to extend services to parts of the Dominion where additional traffic will add to their earnings.

Enjoying such advantages and blessed with a fertile soil and vast resources, Canada has many opportunities for developing a well-balanced diversity of production within the Dominion as well as securing permanent trade channels with other nations. In so far as we have a fiscal problem, our task would appear to be that of readjusting, as necessity arises, our customs tariff schedules to meet new conditions, of removing inequalities where inquiry proves such to exist, of encouraging greater and more economical production of quality products, of assisting in the utilization of domestic resources and, other things being equal, of favouring those countries which favour our products. In applying these principles, availability of supplies, transportation costs, and the proximity of markets are factors which must be considered if all are to benefit and the Dominion prosper.

The constant expansion within Canada brings new problems. We should recognize that this generation has an obligation to build wisely for the greater to-morrow. The expansion of business within Canada has increased local competition and interlocked the interests of many activities. Add the problems arising out of the varying costs of domestic production, sources of supplies, transportation charges and the location of domestic and external markets. Consider as well the demands for tariff changes of various interests, and it may be of interest to note that there are basic industries applying to the Minister of Finance for increases in customs tariff rates, also manufacturing industries applying for reductions in schedules, and we have an appreciation of some of the domestic problems which must be considered in connection with any tariff revision.

The Advisory Board on Tariff and Taxation has actively investigated numerous requests referred for investigation. Many public hearings have taken place, and the spirit of the applicants before the board, the frankness of the discussions, and the impartiality of the commissioners have created a favourable impression among the Canadian people. It is apparent that it is physically impossible for the advisory board to investigate thoroughly in a few months the scores of applications which have been referred to it and that time must elapse before the government can be placed in possession of the fact-findings, especially in those cases where whole tariff schedules are involved.

This Dominion continues to be one of the world leaders in the volume of its external trade; therefore, problems arising in connection with our foreign trade can never be ignored. As the years go by an increasing quantity of our domestic production must necessarily be marketed abroad. It is our desire to trade freely with any and all who are willing to trade with us. What may, or may not, be possible in this particular necessarily depends in some measure on the purchasing power and the fiscal policies of other countries. The policy of this administration is not a high tariff policy; it is a low tariff policy. Its policy is to encourage production at home and the marketing of our excess of production abroad. In applying this policy both domestic and international factors must of necessity be considered.

In accordance with the fiscal policy of the government, the tariff changes to be submitted to-day are designed to reduce taxation and to lessen the costs of production. The changes to be submitted arise out of references which the Advisory Board on Tariff and Taxation has investigated, and are based on its fact-findings. The board is continuing its inquiries, on which substantial progress has already been made, into several larger problems which involve the consideration of whole tariff schedules and the inter-relation of many important Canadian industries. While these inquiries are being pursued, opportunity will be afforded for considering the possible effect on trade of changes being proposed in the tariff schedules of other countries, should they be implemented by legislation.

Dealing specifically with the tariff changes proposed in this budget, the resolutions now submitted provide for a revision of certain tariff items of particular interest to the mining industry. In accordance with the traditional policy of assisting the development of our basic industries, the rates of duty on certain machinery and equipment used in the mining industry have been reduced.

There have been various references before the Advisory Board on Tariff and Taxation of interest to those engaged in the fishing industry and it is proposed to assist that industry further by placing certain articles on the free list.

Representatives of the horticultural industry have stated that it would be of assistance if the tariff rates were reduced on certain apparatus for the purposes of bulb sterilization and determining the maturity of fruit. It is proposed to reduce the duty on such apparatus from 20 per cent to 5 per cent under the British preferential tariff, and from 30 per cent to 10 per cent under the general rate.

Resolutions will be submitted for your approval empowering the governor in council, when satisfied that copper bars are being sold in the country of export at a lower price than for export to Canada, to impose, under the general tariff, a duty on copper rods of one-half cent a pound, to equalize such differential as may exist.

Various reductions are submitted affecting items of concern to Canadian industries and are recommended as measures of assistance to producers in order that their cost of production may be reduced.

In all reductions, where applicable, the British preference has been kept in mind.

Mr. Speaker, a comparison of the fiscal reports shows that each year our surplus has increased, although annual reductions are made in the rates of taxation. If the duty of parliament were simply to preserve a balance of revenues over expenditures, the government might either substantially increase the public undertakings, or, abolish some sources of revenue. The national debt, however, cannot be ignored. The annual interest charges on the funded debt amounting to over 117 millions of dollars, are a direct and pressing charge on the revenues of this country. It is a sound and helpful policy to plan to reduce this non-productive outlay and to do that the national debt itself must annually be reduced. The government is, therefore, again budgeting for debt reduction.

At the same time, following the settled policy of this administration, substantial taxation reductions are again proposed. It is the intention of the government, in addition to other reductions, to abolish as quickly as possible those taxes generally known as "nuisance taxes," and which affect the general public.

Early in the war years, under the Special War Revenue Act, a tax of one per cent was imposed on insurance premiums, other than life or marine. This tax has been a heavy burden to certain companies, particularly farmers' mutuals and the hail insurance companies. This tax is now abolished.

Another tax imposed during the war was the transportation tax, a levy on railway and steamship tickets. It is now felt that this tax can be dispensed with and, effective May 1, it is abolished.

Allied with the transportation tax is the three cent tax on telegrams and cables. This tax was also imposed during the war years. It is another of the nuisance taxes which the government feels our revenues can do without, therefore, it is proposed to abolish it.

The major reduction will be in the sales tax. This year a reduction of one-third of the tax is proposed. The reduction involves a large loss of revenue, but the tax is burdensome and its gradual disappearance meets with general commendation.

For many years there has been a tax imposed on the sale and transfer of shares of stocks. Instead of a flat rate, it is proposed to classify the tax in four divisions on a graduated scale, ranging from one cent to four cents per share, regardless of par values. The change will simplify the collecting of the tax and at the same time will ensure that the government receives a more equitable share of the proceeds resulting from the present-day stock market transactions.

The taxation changes just submitted, on the basis of this year's estimated revenues, represent an estimated loss of revenue of approximately $25,000,000.

The past fifteen years have witnessed the dislocation of many international structures and the financial stability of many countries is not now measured by the possible producing capacity of the citizens, but by the degree of success with which these national governments are able to meet the demands made upon them. Sometimes inability to do so has interfered with general credit and hampered industrial and national expansion.

Happily Canada is not suffering from such a blight. For six successive years the rigid application of a policy of spending less than was collected has made it possible for every activity of the Dominion, including all capital expenditures, to be paid out of current revenues and, in addition, to reduce the national debt. This fiscal record has not only enhanced the international credit of the Dominion, but has also strengthened confidence in our domestic credit markets, thus smoothing the way for the provinces and private enterprises. A healthy business expansion, the government feels, is of the greatest importance to Canada.

In drafting the fiscal program for the coming fiscal year, the government has sought to err on the side of caution. The lightening of the burden of taxation is, admittedly, a sane policy, and to that program this government remains committed. Previous taxation reductions have stimulated business and simplified public financing and it is hoped the experience will again be repeated, but I frankly state that, while the government is prepared to encourage in every way the national progress of Canada, the administration will refuse to support any extravagance in the spending of the taxpayers' money. To this policy we again solicit the support of hon. members in order that at the end of another year it may again be found that, continuing to live within the public income, Canada is able to retire maturing obligations and also to make still further reductions in taxation.

I beg to give notice that when the house resolves itself into committee, I shall move the following resolutions:

1. Resolved, that it is expedient to amend Schedule A to The Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, as amended by chapter seventeen