DEPARTMENT OF FISHERIES

Right Hon. W. L. MACKENZIE KING (Prime Minister) moved that the house go into committee to-morrow to consider the following proposed resolution:

That it is expedient to provide that there shall be a Department of Fisheries, presided over by a minister of the crown; that the powers and duties of the minister be defined, and provision made for the appointment of a deputy minister and the employment of such officers, clerks and employees as may be deemed necessary.

He said: His Excellency the Governor General, having been made acquainted with the subject matter of this resolution, recommends it to the favourable consideration of the house.

Motion agreed to.

SALARIES ACT

Right Hon. W. L. MACKENZIE KING (Prime Minister) moved that the house go into committee to-morrow, to consider the following proposed resolution:

That the Salaries Act be amended to provide that the Minister of Marine and the Minister of Fisheries shall each be paid a salary of $10,000 per annum.

He said: His Excellency the Governor General, having been made acquainted with the subject matter of this resolution, recommends it to the favourable consideration of the house.

Motion agreed to.

APPOINTMENT OF MR. GALIPEAULT

On the orders of the day:

Mr. JEAN FRANCOIS POULIOT (Témiscouata): Before the orders of the day are called I wish to renew the strongest protest against the possible appointment of Mr. Galipeault as a judge.

THE BUDGET

ANNUAL FINANCIAL STATEMENT OF HON. CHARLES A. DUNNING, MINISTER OF FINANCE

Hon. CHARLES A. DUNNING (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, before touching on the Dominion's finances for the fiscal year just ended may I survey a few of the events which have indirectly influenced the balance sheet. As we all know, national revenues are dependent on the volume of business transacted.

During the year certain unusual factors made themselves felt, in particular, the delayed marketing of the grain crops and the great decline in prices of stocks in the latter months of the year. While these factors are important they cannot be considered as permanently prejudicial to our economic structure.

Looking back over the year, it is noted that substantial development occurred throughout Canada. Many undertakings of magnitude were completed; others made promising progress. Employment throughout industry in general was maintained at a high level, although irregular in some groups, particularly in those which are seasonal, dependent on crops or on a luxury buying demand.

There is, I think, some national significance in the fact that the railways last fall were not called upon to move harvesters to the prairies. It is true that the crop was much smaller than that of the year before, but in many a year when the volume was no larger men had to be brought from the east. It would appear that the increasing population of the prairies, coupled with the many labour and time-saving machines now available to cut, thresh and haul the crops, is bringing about the solution of a problem which has long engaged the attention of Canadians—that of seasonal supplies of labour during the harvest period. Western farmers are also advancing along cooperative lines designed to promote orderly marketing of crops. Too much importance cannot be attached to these efforts. Canada's grain producing power is tremendous. In marketing she must compete with the world. Cooperative effort in the direction of the most economical marketing methods should command the sympathetic support of all Canadians.

While nature, in no small way, influences the volume of produce grown, the same does not apply to the output of our factories. A short time ago a distinguished former Minister of Finance, Sir Thomas White, in addressing the shareholders of a corporation of which he is an officer, made the interesting comment that Canada now ranks seventh in world manufacture, and that the value of industrial production during 1929 was around 4,000 millions of dollars, an increase of about 200 million dollars since the close of 1928. He also stated that the statistics of value added by manufacture, per worker, show that the industrial efficiency of Canada is close to the level established in the United States, which is regarded as the highest in the world. Industrialists recognize that scientific research, coupled with ingenious mechanical inventions, has played an important part in bringing about this increase in per capita production, and it is evident from the figures just quoted that Canadian industry is more than keeping abreast of world development in that respect.

During the past winter some good Canadians became anxious as to the purchasing demand within the Dominion. They were influenced by the falling off in exports due to the slow movement of field crops, and a hesitancy in buying, due to the stock exchange market depression. They recognized that while only a small proportion of our population were speculators in shares, the losses of these had a psychological effect on other groups, thus creating a buyer-market in place of one limited only by the producing capacity of Canadian industry. Might I submit that were the capacity of our productive units greater than the normal non-speculative demand for our products there would be cause for alarm, but such is not the case. The development of our natural resources and industries based thereon has been accompanied by a steady widening of our markets. The outlet for our manufactured goods increases as their reputation grows and finds favour both at home and abroad. In the stock market crisis our credit agencies stood the test and were always in a position to meet the demands made upon them. These factors forecast the future strength of Canada. That Canadian business, giving the phrase the broad meaning, should be submitted to a double test simultaneously is regrettable, but the result gives us greater confidence and faith in our country. We have marshalled our resources to meet the problems arising from delayed marketing of the grain crops and, at the same time, absorbed the shock resulting from tens of millions of dollars being suddenly withdrawn from the ordinary reservoirs of credit.

I now come to the presentation of the financial statement for the year. In doing so I claim no personal credit for the favourable statement I have the honour to present. The fiscal policy for the year was planned by one who has now passed from our midst, and whose absence I feel to-day most keenly. Mr. Robb was in command during the first seven months of the period, and the stamp of his personality is to be found throughout the balance sheet and, in particular, on the debt statement.

With the Scot's characteristic dread of debt he annually budgeted for debt reduction, and in the past seven years attained for Canada greater success, relatively, than has been achieved by any country which took part in the great war from the outbreak of hostilities. Annually the debt has decreased and, in the year under review, a record which may stand as a monument to his memory was made when two loans, totalling $80,000,000, were redeemed out of accumulated revenue surpluses.

During the year the Board of Audit, on the instructions of the Treasury Board, made a survey of the operations of the Soldier Settlement Board. Their report was laid on the table of parliament on February 24, and it will be recalled that one of the board's recommendations was that a further sum of $10,000,000 of Soldier Settlement Board loans be transferred from active to non-active assets. It is the opinion of the Board of Audit that this amount, together with the $14,000,000 which was transferred to non-active assets in 1927-28 should provide for all losses which might reasonably be anticipated. In accordance with this recommendation the transfer was made.

REVENUES

Dealing first with the revenues, may I state that while the fiscal year ended on the 31st of March, the final accounting has not been completed. Consequently, minor changes may later be made in the figures now given.

Last session a number of what are generally known as "nuisance" taxes were abolished, and a substantial reduction was made in the sales tax. These reductions, it is estimated, have decreased our revenues by $20,835,000. There will also be a reduction in the net revenues from customs duties of over $7,600,000.

On the other hand, certain revenue sources show increases. The estimated revenues from the income tax are $9,700,000 in excess of the amount collected a year ago. The post office revenues are estimated at $2,700,000 above last year's; excise duties have increased by $1,295,000, and returns from investments $1,000,000. In all, $378,321,000 is the estimated revenue from taxation, while receipts from other sources are estimated at $61,985,000, thus making the estimated ordinary revenues for the fiscal year $440,306,000. To this should be added special receipts and credits of $7,016,000, making the estimated total of all revenues $447,322,000, as compared with actual revenues of $461,647,000 in the fiscal year 1928-29.

With the permission of the house I place on Hansard a comparative statement of the estimated revenues for the fiscal year 1929-30 and the actual revenues received during the previous fiscal year:

REVENUES

—	Actual 1928-29	Estimated 1929-30	Increase	Decrease
ORDINARY REVENUE	$	$	$	$
Taxation Revenue—				
Customs Import Duties	187,206,332	179,540,000	....	7,666,332
Excise Duties	63,684,954	64,980,000	1,295,046	....
War Tax Revenues—				
Excise Taxes (Sales, stamps, etc.)	83,007,283	63,000,000	....	20,007,283
Income Tax	59,422,323	69,155,000	9,732,677	....
Delayed Business Profits Tax	455,232	172,000	....	283,232
Miscellaneous Taxes	2,144,904	1,474,000	....	670,904
Total Revenue from Taxation	395,921,028	378,321,000	11,027,723	28,627,751
Interest on Investments	12,227,562	13,300,000	1,072,438	....
Post Office Revenue	30,611,964	33,345,000	2,733,036	....
Dominion Lands and Parks	4,070,339	4,100,000	29,661	....
Canada Grain Act	2,992,541	1,950,000	....	1,042,541
Miscellaneous Receipts	9,640,440	9,290,000	....	350,440
Total Ordinary Revenue	455,463,874	440,306,000	14,862,858	30,020,732
SPECIAL RECEIPTS AND CREDITS				
German Reparation Payments— Under Dawes Plan	4,025,165	4,600,000	574,835	....
Sundry Credits including Canadian Wheat Board Surplus	....	173,000	173,000	....
Refunds and credits on account of Previous Years' Expenditure—Adjustment of War Claims	789,247	35,000	....	754,247
Capital Account	706,296	2,208,000	1,501,704	....
Received from Imperial government in final settlement of outstanding claims and counter claims arising out of the war	662,442	....	....	662,442
	461,647,024	447,322,000	17,112,397	31,437,421 17,112,397
Estimated decrease	....	....	....	14,325,024

EXPENDITURES

For the last fiscal year the ordinary expenditures are estimated at $360,050,000 as compared with $350,952,924 actually spent in the previous fiscal year.

$25,342,000 is estimated for expenditures on capital account, all being paid out of the revenues for the year. The more important items are $10,000,000 for the new Welland ship canal, and $6,500,000 for the Hudson Bay railway and terminals. In connection with the St. Lawrence river ship channel, it is estimated that $2,700,000 were spent and, in addition, the construction of regulating and retaining dams in that river cost $400,000. Half a million dollars were spent in improving the harbours at the head of the great lakes, while $1,500,000 is the estimated expenditure on account of the construction of the lower lakes terminals. The other major items under capital account are $1,900,000 spent in constructing new public buildings in Ottawa.

Before leaving this phase of our expenditures, may I be permitted to address a brief comment to those who study and compare the public accounts over periods of years. All governments make expenditures on capital account and frequently such undertakings are carried out by the use of borrowed capital. With that practice I find no fault, but may I emphasize the fact that in the past seven fiscal years it has been possible to carry out all capital expenditures of the Dominion without borrowing. The 132 millions of dollars thus spent have been provided out of the revenues collected in the usual way. In addition 74 millions have been paid out of revenue in the form of non-active loans to the railways and other publicly-controlled bodies without borrowing for the purpose.

Loans and advances of the character just referred to have been made during the year and, being non-revenue producing, are treated as expenditures. Under this head the largest item is $2,933,000 for the deficits of the Canadian National Railways. $1,629,000 was paid to the Canadian Government Merchant Marine, and $862,000 to the Canadian National (West Indies) Steamships, Limited. The other advance under this head is the sum of $2,821,000 to the Quebec harbour commission.

For the information of hon. members, may I be permitted to place on Hansard a detailed comparison of the estimated expenditures for the last fiscal year with the actual expenditures for the fiscal year 1928-29.

EXPENDITURES

—	Actual 1928–29	Estimated 1929–30	Increase	Decrease
ORDINARY EXPENDITURE	$	$	$	$
Interest on Public Debt	124,989,950	121,750,000	....	3,239,950
Pensions	41,487,323	40,350,000	....	1,137,323
Subsidies to Provinces	12,553,724	12,497,000	....	56,724
Soldier and General Land Settlement Administration	1,441,951	1,350,000	....	91,951
Pensions and National Health	8,825,960	9,780,000	954,040	....
National Revenue	12,876,760	13,300,000	423,240	....
Post Office	33,483,058	35,400,000	1,916,942	....
National Defence	18,024,061	20,400,000	2,375,939	....
Agriculture	7,201,566	9,400,000	2,198,434	....
Public Works—Income	17,003,254	18,100,000	1,096,746	....
Ocean and River Service	3,683,256	4,950,000	1,266,744	....
Lighthouse and Coast Service	2,812,900	3,350,000	537,100	....
Fisheries	1,974,118	2,120,000	145,882	....
Dominion Lands and Parks	4,986,962	5,380,000	393,038	....
Trade and Commerce	4,476,131	5,180,000	703,869	....
Special Grants to Maritime Provinces	1,600,000	1,600,000	....	....
Maritime Freight Rates Act:				
Due to 20% Reduction in Freight Rates	2,758,893	2,874,000	115,107	....
Deficit on Eastern Lines (C.N.R.)	4,418,645	4,527,000	108,355	....
Old Age Pensions Act	832,687	1,560,000	727,313	....
Federal District Commission	2,189,960	380,000	....	1,809,960
Civil Government	11,819,981	12,420,000	600,019	....
Other Expenditures	31,511,784	33,382,000	1,870,216	....
Total Ordinary Expenditure	350,952,924	360,050,000	15,432,984	6,335,908
SPECIAL EXPENDITURES				
Reparations—				
Claims for Compensation	....	6,700,000	6,700,000	....
Adjustment of War Claims	119,848	95,000	....	24,848
Miscellaneous Charges to Consolidated Fund	2,067,153	2,383,000	315,847	....
CAPITAL EXPENDITURE				
Public Works—Canals	13,680,064	10,249,000	....	3,431,064
Railways	6,449,849	6,551,000	101,151	....
Miscellaneous	3,385,658	8,542,000	5,156,342	....
LOANS AND ADVANCES NON-ACTIVE				
Canadian Government Merchant Marine	758,000	1,629,000	871,000	....
Canadian National (West Indies) Steamships	....	862,000	862,000	....
Quebec Harbour Commission	2,888,000	2,821,000	....	67,000
Canadian National Railways	....	2,933,000	2,933,000	....
	380,301,496	402,815,000	32,372,324	9,858,820
			9,858,820	
			22,513,504	

It has been the practice during the past several years also to place on Hansard a statement of the estimated revenues and expenditures, by services, showing, by means of percentages, their relationship to the whole and, with the consent of the house, this will again be done. In doing so may I be permitted to emphasize the annual burden which still exists, and will continue for many years, on account of the great war. Over 39 per cent of the total expenditures is directly attributable to the war, while receipts from the war taxes represent about 30 per cent of the revenues. The largest item of expenditure is the interest account which, it will be noted, decreased $3,239,950 during the year. War pensions amounting to thirty-nine millions represent almost 10 per cent of the total expenditure for the year. This statement will now be tabled:

ESTIMATED REVENUE FOR THE FISCAL YEAR 1929-1930 BY SERVICES WITH PERCENTAGES OF TOTAL REVENUES

—	Amount	Percentage of Total Revenue
ORDINARY REVENUE	$	
Special War Tax Revenue—		
Excise Taxes (Sales, Stamps, etc.)	63,000,000	14·08
Income Tax	69,155,000	15·46
Delayed Business Profits Tax	172,000	0·04
Miscellaneous Taxes	1,474,000	0·33
Total Special War Tax Revenue	133,801,000	29·91
Customs Import Duties	179,540,000	40·14
Excise Duties	64,980,000	14·52
Total Revenue from Taxation	378,321,000	84·57
Interest on Investments	13,300,000	2·97
Post Office Revenue	33,345,000	7·45
Dominion Lands and Parks	4,100,000	0·92
Canada Grain Act	1,950,000	0·44
Miscellaneous Receipts	9,290,000	2·08
Total Ordinary Revenue	440,306,000	98·43
SPECIAL RECEIPTS AND CREDITS		
German Reparation Payments—		
Under Dawes Plan	4,600,000	1·03
Sundry Credits including Canadian Wheat Board Surplus	173,000	0·04
Refunds and Credits on account of Previous Years' Expenditure—		
Adjustment of War Claims	35,000	0·01
Capital Account	2,208,000	0·49
	447,322,000	100

ESTIMATED EXPENDITURES

For the Fiscal Year 1929-30

By services with percentages of total expenditures

—	Amount	Percentage of Total Expenditure
Principal Expenditure attributable to the Great War	$	
Interest on Public Debt (Increase over 1914)	108,857,000	27·02
War Pensions	39,000,000	9·68
Treatment and after care of Returned Soldiers (Pensions & National Health)	8,757,000	2·17
Soldier Land Settlement Administration	1,350,000	0·34
Imperial War Graves Commission	574,000	0·14
Battlefields Memorials	170,000	0·04
Adjustment of War Claims	95,000	0·03
	158,803,000	39·42
Other Fixed and Public Debt Charges		
Interest on Public Debt (as of 1914)	12,893,000	3·20
Other Pensions	1,350,000	0·34
Superannuation	1,400,000	0·35
Subsidies to Provinces	12,497,000	3·10
Expenses of Loan Flotations	18,000	....
Premium, Discount and Exchange	73,000	0·02
	28,231,000	7·01

ESTIMATED EXPENDITURES—Concluded

—	Amount	Percentage of total Expenditure
GENERAL EXPENDITURE	$	
Charges of Management	1,020,000	0·25
Civil Government	12,420,000	3·08
Administration of Justice	2,200,000	0·55
Legislation	2,330,000	0·58
Penitentiaries	2,677,000	0·66
Agriculture	9,400,000	2·33
Immigration and Colonization	2,750,000	0·68
Pensions and National Health—Health Branch	1,023,000	0·25
National Defence	20,400,000	5·06
Royal Canadian Mounted Police	3,007,000	0·75
Public Works—Chargeable to Income	18,100,000	4·49
Railways and Canals—Chargeable to Income	1,233,000	0·31
Mail Subsidies and Steamship Subventions	1,121,000	0·28
Ocean and River Service	4,950,000	1·23
Lighthouse and Coast Service	3,350,000	0·83
Steamboat Inspection	145,000	0·04
Fisheries	2,120,000	0·53
Mines and Geological Survey	910,000	0·23
Scientific Institutions	1,116,000	0·28
Indians	5,150,000	1·28
Government of the Northwest Territories	605,000	0·15
Government of the Yukon Territory	224,000	0·05
Miscellaneous	1,466,000	0·36
National Revenue (Outside Service)	13,300,000	3·30
Post Office (Outside Service)	35,400,000	8·79
Public Works—Collection of Revenue	930,000	0·23
Railways and Canals—Collection of Revenue	2,523,000	0·63
Dominion Lands and Parks	5,380,000	1·33
Trade and Commerce	5,180,000	1·29
Labour	828,000	0·21
Public Printing and Stationery	210,000	0·05
External Affairs	720,000	0·18
Miscellaneous Consolidated Fund Charges	2,365,000	0·59
Capital Expenditure—		
Public Works—Canals	10,249,000	2·54
Public Works—Railways	6,551,000	1·63
Public Works—Miscellaneous	8,542,000	2·12
	189,895,000	47·14
Total Estimated Expenditure on Government Services	376,929,000	93·57
OTHER EXPENDITURES		
Maritime Freight Rates Act—Estimated amount required—		
Due to 20% reduction in freight rates	2,874,000	0·71
Deficit on Eastern Lines (C.N.R.)	4,527,000	1·13
Special Grant to the Maritime Provinces	1,600,000	0·40
Old Age Pensions Act	1,560,000	0·39
Federal District Commission Act	380,000	0·09
Reparation Payment Act, 1929 (Claims for Compensation)	6,700,000	1·66
Loans to Quebec Harbour Commission	2,821,000	0·70
Loans to Canadian Government Merchant Marine	1,629,000	0·41
Loans to Can. Nat. (West Indies) Steamships Ltd	862,000	0·21
Loans to Canadian National Railways	2,933,000	0·73
Grand Total	402,815,000	100

The revenue and expenditure statements may now be summarized. The ordinary and special receipts amount to $447,322,000. The total expenditures for all purposes amount to $402,815,000, thereby leaving an estimated surplus of revenues over all expenditures of $44,-507,000.

THE NATIONAL DEBT

During the year two loans fell due and were retired by utilizing surplus revenues available after the expenditures of the Dominion had been met. The first loan to mature was the ten-year 5½ per cent loan of 1919. It was for

$60,000,000, and fell due in New York on the first of August. Previous to the date of maturity $5,400,000 of these bonds were purchased in the open market and, as a result, a saving of $146,000 in interest was effected. The balance of the loan was redeemed in cash at maturity.

On the 1st of February, 1930, the four-year four and a half per cent $20,000,000 loan issued in 1926 matured, and was paid off out of surplus revenues. The retirement of these two issues, aggregating $80,000,000, creates a new peak in debt retirement,. and will result in the saving of $4,200,000 in interest charges this year.

The annual interest charges on outstanding bonds, debentures and treasury bills in the hands of the public now amount to $112,900,000. This is $20,500,000 less than the corresponding interest charges were at the commencement of the fiscal year 1922-23. The reduction has been brought about by savings of $5,100,000 through the refunding of loans at lower interest rates and $15,400,000 by the actual retirement of maturing loans.

Since the 1st of April, 1925, substantial reductions have been made in the outstanding public debt by the redemption of maturing loans, in whole or in part, out of surplus revenues. These retirements, together with the bonds and stock acquired as sinking funds, make a total of $257,800,000 of debt retired out of surplus revenues during the past five years.

For the information of honourable members I now place on Hansard a statement showing the debt retired each year.

OUTSTANDING PUBLIC DEBT RETIRED OUT OF SURPLUS REVENUE DURING THE YEARS 1925-1926 TO 1929-1930

Fiscal Year	Maturing Loans Retired	Bonds and Stocks acquired for Sinking Funds	Total
1925-26..	$ 18,571,834	$ 3,584,841	$ 22,156,675
1926-27..	33,000,000	3,313,141	36,313,141
1927-28..	61,759,650	3,418,686	65,178,336
1928-29..	52,167,100	3,462,312	55,629,412
1929-30..	74,577,800	4,011,575	78,589,375
Total during 5 years..	$240,076,384	$17,790,555	$257,866,939

At the close of the fiscal year the unmatured funded debt was $2,250,837,336. Of this amount $56,090,000 are held as sinking funds, leaving $2,194,746,563 outstanding in the hands of the public.

The debt financing program of the present year will not be a serious problem. There is one maturing loan. It consists of 4 per cent treasury notes to the amount of $45,000,000, and falls due on December 1st. There is, of course, under consideration the much larger question of re-financing the 1933 and 1934 loans totalling $982,000,000, in order that the Dominion may secure the lowest possible interest charges and at the same time refinance without restricting the money credits necessary for the development of Canada. In recent years it has been possible to redeem maturing loans out of surplus revenues, thus immediately relieving the Canadian taxpayer. It is obvious that the large maturities of 1933 and 1934 cannot be met out of surplus revenues. Careful consideration is now being given to the best method of spreading maturity dates of refunding loans and also to the desirability of broadening the application of the sinking fund principle, so that when these major re-financing operations are undertaken the requirements of this decade, as well as the possible problems of the future, will be met in a sound and comprehensive manner.

With the permission of the house, I will now place on record a statement showing the unmatured funded debt held by the public.

UNMATURED FUNDED DEBT HELD BY THE PUBLIC

Maturing dates by years

Date of maturity	Name of loan	Rate	Where payable	Amount of loan	Amount maturing during year
		%		$ cts.	$ cts.
1930 Dec. 1	3 Year Notes	4	Canada and New York.		45,000,000 00
1931 April 1	Pub. 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		446,659,950 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	Loan 1915-35	5	Canada and New York.		874,000 00
1936 Feb. 1	Loan 1926-36	4½	New 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 1888	3	London	8,071,230 16	
July 1	Loan 1892	3	London	18,250,000 00	
July 1	Loan 1894	3	London	10,950,000 00	
July 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		147,001,100 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 1897	2½	London		4,888,185 64
1950 July 1	Loan 1930-50	3½	London		137,058,841 00
1952 May 1	Loan 1942-52	5	New York		100,000,000 00
1960 Oct. 1	Loan 1940-60	4	London		93,926,666 66
					2,250,837,336 39

	$ cts.
Payable in Canada	1,637,254,300 00
Payable in Canada and New York	136,040,900 00
Payable in New York	165,874,000 00
Payable in London	311,668,136 39
	2,250,837,336 39
Less Bonds and Stocks of the above loans held as Sinking Funds	56,090,772 82
	2,194,746,563 57

FINANCING OF SUBSIDIARY ENTERPRISES

A brief review will now be made of the financial commitments of the government in the past year in connection with the operations of the Canadian National Railways and Steamships, the several harbour commissions and the Canadian Farm Loan Board. These separately operated bodies receive assistance from the treasury, under the authority of parliament, either directly, in the form of cash loans, or indirectly, by way of the guarantee of securities. The practice, in past years, so far as the public accounts are concerned, has been to treat cash loans which pay interest as active assets and those that are not interest-producing as non-active assets. The guaranteed securities, which are issued in respect of capital investments, are shown in the balance sheet as indirect liabilities. The same course has been followed this year.

Canadian National Railways

Under the extraordinary business conditions prevailing last fall, particularly with reference to the crop movement, earnings of railways were severely reduced. The accounts of the

Canadian National Railways for 1929 show net earnings of $36,389,058 available to pay interest on securities in the hands of the public. Interest charges amounted to $45,258,920, the resulting deficit being $8,869,862. This result reflects not only the loss in revenues due to the causes mentioned, but also the increase in fixed charges resulting from the large necessary expenditures which have been undertaken in recent years on capital account for branch lines, terminals, rolling stock, and other additions and improvements.

Without going into greater detail, it will suffice to say that the government has paid the amount which officers of the company have certified as being the combined net cash deficit for the railway years 1928 and 1929, and which amounted to $2,932,652.91. The amount paid was greater than the actual difference between the system deficit of 1929 and the surplus of 1928, due to the fact that certain items which take their place in the accounts are eliminated when estimating cash requirements, the most important item being the 1929 surplus on the Grand Trunk Western which is now dealt with separately for financing.

The current financial requirements of the Canadian Government Merchant Marine Limited, amounting to $1,628,907.21, mainly for operating deficits, and of the Canadian National (West Indies) Steamships Limited of $862,389.98, for operating deficits and interest, have also been paid in cash as loans (non-active) to these corporations. In addition, $4,526,645 has been paid as a charge on the consolidated revenue fund in respect of the eastern lines, Canadian National Railways, for deficits arising over and above the amount represented by the reductions in tolls under the Maritime Freight Rates Act. The amount, therefore, which the government paid in the past fiscal year as a direct charge on its revenues in respect of these transportation services, is $9,950,595.10, made up as follows:

Canadian National Railway Company..	$2,932,652 91
Canadian Government Merchant Marine Limited..	1,628,907 21
Canadian National (West Indies) Steamships Limited..	862,389 98
Eastern Lines, Canadian National Railways..	4,526,645 00
	$9,950,595 10

Guaranteed Securities

The guarantee of the Dominion was given in 1929 to bond issues of the Canadian National Railway Company, aggregating $120,000,000. There were two issues of $60,000,000 each, one dated July 1, 1929, and the other October 1, 1929, bearing interest at 5 per cent and maturing in forty years, subject to prior redemption. The issues were sold by tender to the highest bidder. The proceeds of these flotations were devoted, in part, to the payment of $40,000,000 of temporary bank loans outstanding at the end of 1928. The remainder has been or will be used for capital purposes as voted in the general railway budget or authorized under special acts relating to the acquisition of railways and construction of branch lines and terminals.

With the permission of the house, I shall place on Hansard a statement indicating the authority under which these borrowings were made and guaranteed, and the amount of securities issued in each case.

CANADIAN NATIONAL RAILWAY COMPANY GUARANTEED BOND ISSUES IN 1929

Authority	Securities issued
Railway Loan Appropriation, 1929-30..	$ 49,656,805 31
Branch Lines Construction, Special Acts..	8,710,609 60
Toronto Terminals Railway Act..	232,516 03
Canadian National Montreal Terminals Act..	7,300,000 00
Acquisition of Railways, Special Acts, 1929:	
Quebec, Montreal & Southern Railway...	6,198,645 41
Inverness Railway..	387,415 34
Kent Northern Railway. .	61,986 45
Quebec Oriental Railway, and the Atlantic, Quebec & Western Railway.. ..	3,615,876 49
Northern Alberta Railways.	3,409,254 97
Repayment $40,000,000 Temporary Loan, 1928, issued under the Appropriation Acts of 1927 and 1928 and the Canadian Northern Income Charge Act, 1928 (refunding)..	40,426,890 40
	$120,000,000 00

Reference should also be made to two other guaranteed issues which fall outside the 1929 railway fiscal year but within that of the government. An issue of $18,000,000 4½ per cent Dominion guaranteed bonds of the Canadian National Railway Company matured on February 15, 1930, and was provided for by the issue of a like amount of 5 per cent forty-year bonds, guaranteed under the Canadian National Refunding Act of 1929.

Under legislation passed in 1927, an expenditure not exceeding $10,000,000 was authorized in connection with the establishment by the Canadian National (West Indies) Steamships, Limited, of a mail, passenger and freight steamship service between Canada and the West Indies. The cost of five new ships and the expenses of converting vessels transferred from the merchant marine fleet were financed during construction by bankers' loans. As of March 1, 1930, an issue of five per cent twenty-five year bonds amounting to $9,400,000 was made and guaranteed, this being the amount necessary to provide for the capital cost of establishing the service. The temporary bank loans have been paid off. Both these issues were sold by tender to the highest bidder.

HARBOUR COMMISSIONS

During the fiscal year, the treasury has been called upon to finance capital expenditures of the several harbour commissions, amounting to $10,436,000. Details of the loans made to them are shown in the statement which I now place on record.

LOANS TO HARBOUR COMMISSIONS IN 1929-30

Montreal Harbour Commission	$4,336,000	
Less matured loan repaid	1,000,000	
		$ 3,336,000
Quebec Harbour Commission		2,821,000
Three Rivers Harbour Commission		136,000
Chicoutimi Harbour Commission		815,000
Saint John Harbour Commission		1,711,000
Halifax Harbour Commission		1,272,000
Vancouver Harbour Commission		345,000
		$10,436,000

During the year, the Board of Audit, upon direction of the Treasury Board, made investigations into the financial affairs of the various harbour commissions. Reports have been received from the board and tabled in the house. Some recommendations are made, particularly with respect to provision for sinking funds and replacements, which will have the attention of the government and commissions concerned.

CANADIAN FARM LOAN BOARD

The Canadian Farm Loan Act authorizes the government to provide an initial capital not exceeding $5,000,000 for the operations of the board, and also requires the Dominion to subscribe for capital stock to the extent of five per cent of the loans outstanding. Initial capital paid by the Dominion treasury to the board in 1929-30, the first year of the board's operations, amounted to $2,400,000, and subscriptions to capital stock to $59,023.

TRADE

The past fiscal year was marked by a decline of $244,000,000 in the value of our visible exports. In the trade between Canada and the countries of South America there were increases in both imports and exports. There was a decrease in the unfavourable visible trade balance between Canada and the United States of $35,800,000 during the fiscal year. There was no material change in the trade with Africa, but both imports and exports decreased between Canada and the Asiatic countries. No appreciable increase is to be noted in the imports from either Great Britain or the European countries, but major decreases in transatlantic exports reduced the visible trade balance with that area. In all, the preliminary statistics for the last fiscal year show imports to the value of $1,248,200,000, of which 429 millions entered duty free. The exports were valued at $1,144,900,000, thus leaving an adverse balance in visible trade of $103,300,000.

Canada's largest volume of trade continues to be with the United States. During the year our total imports from that country decreased $20,500,000, as compared with the previous year, while Canada's total exports to the republic increased $15,300,000.

The decrease in exports to the United Kingdom and the European countries is apparently in grains. Total exports to the United Kingdom decreased 148 millions of dollars, but during the period our exports of grain to the United Kingdom decreased by 138 millions of dollars. The same influences have affected the sales to the continent of Europe. There was, in comparison with the previous year, a decrease of 80 million dollars in the value of our exports to the continent, but the decrease in value of exports of grains amounted to $81,000,000. In consequence, as there are still large quantities of grain available for marketing, it is reasonable to anticipate a gradual readjustment of our trade balance with the United Kingdom and Europe.

In comparing the imports from all countries, a large increase is to be found in the petroleum group, owing to imports of crude petroleum having increased by over $13,000,000. Another increase among specific groups was in electrical apparatus where imports expanded by over twelve million dollars. Principal import decreases in specific group sections include the automotive vehicle group which fell off by $28,000,000, and farm implement imports by $10,000,000.

On the export side three groups show material depreciation. Grains were down $243,000,000; flour exports decreased by $20,000,000, and dairy products by $8,000,000. On the other hand, among the increases in exports are: Farm implement exports, which increased by $2,500,000; exports of paper and its products were up $3,000,000; aluminum and its products $6,800,000; copper and its products increased by $11,000,000 and precious metals by nearly twenty-two millions.

A study of the records shows that when cereal crop items are separated, the past year maintained a steady level in volume of exports of goods. It also emphasizes the development in the mining industry, which is demonstrated by a study of the imports of certain classes of mining machinery, which were recently given favourable treatment by this house, and which increased to over $11,000,000 in the period under review.

During recent years the growth in production in agriculture, lumbering, mining and manufacturing, has been supplemented by a new activity which is usually termed tourist business. Various estimates are made as to the money spent by tourists in Canada. Some estimate that it was in excess of $300,000,000 last year. The exact amount does not concern us at the moment, the more important phase being the continued growth of this form of trade and its development to a higher standard. We have magnificent national parks and excellent transportation facilities.

[Mr. Dunning.]

No country in the world has better hotel service than Canada, and each year substantial additions are made. Attention has been directed recently to the sales opportunity represented by this tourist traffic. Is there any reason why trade in quality goods should not be increased? Many commodities can be purchased in Canada more cheaply than in the countries from which the tourists come. The provincial and the municipal authorities, the transportation companies, and the Dominion government may co-operate and bring tourists to the doors of Canadian shops; after that, success depends on the initiative of the retailer and the maker of the goods offered for sale. With this seasonal influx of eighteen million visitors, it should be our aim to develop an extensive market and thus enlarge the benefits of the tourist trade.

INCOME TAX

Turning now to taxation matters, in connection first with income tax, it is proposed that the corporation rate of tax shall be paid in respect of undistributed income when such undistributed income is received by a corporation on the sale or winding up of another corporation.

It is also proposed that the corporate rate of taxation shall be imposed on family corporations in respect of the interest therein of non-resident shareholders and also that directors, officers and employees of a Canadian company who reside abroad shall be taxable in respect of the dividend and interest income received from the company.

A further amendment provides for exemption from income tax for bona fide cooperative companies and associations.

Government or other like annuities are to be exempt from income tax to the extent of five thousand dollars.

It is proposed also that an exemption of five hundred dollars each, the same as for dependent children, be granted for dependent parents, grandparents, brothers, sisters, sons and daughters, who are incapable of self-support, owing to mental or physical infirmity.

It is also proposed that donations to any church, university, college, school or hospital in Canada shall be treated as deductions from income up to a maximum of ten per cent of the net income of the taxpayer.

All these income tax amendments apply with respect to 1929 income.

TAX ON SALES OF SHARES

A readjustment of the scale of taxation on the sale and transfer of shares is proposed, which will have the effect of materially reducing taxation on shares of low value.

Some hon. MEMBERS: Hear, hear.

Mr. STEVENS: We told you you would do it.

Mr. DUNNING:

SALES TAX

A further major reduction is proposed in the sales tax by reducing it to one-half the present rate. It is estimated that this proposal effects a reduction in taxation of approximately twenty-two million dollars.

These reductions in taxation constitute a further step in the government's policy which has been steadily applied for some years past, of reducing the public debt and at the same time reducing the burden of taxation.

TRADE AGREEMENTS

Regarding trade agreements, I had hoped to be able to announce the definite completion of a trade agreement with Newfoundland, following negotiations which took place in Ottawa with the prime minister of that dominion.

Definite final word, however, has not yet been received from Newfoundland, but I hope before this session is concluded to be able to present the proposed agreement to parliament.

With respect to New Zealand, as already intimated to parliament, the government of Canada has proposed to the government of that dominion that a direct trade agreement be negotiated to supersede the present arrangement.

We hope to be able to arrange for meetings of representatives of both countries in the near future in order to endeavour to reach a mutually satisfactory agreement. In any event, the present arrangement will cease on October twelfth next. Following that date, Canada will extend her full British preference to New Zealand, pending the completion of a direct agreement.

CUSTOMS TARIFF

In connection with the customs tariff, an amendment is proposed relating to excise taxes in foreign countries and the valuation for special or dumping duty.

At present excise taxes are not added to cost in valuing goods for duty which come from Great Britain, and it is proposed to extend this provision to all countries, the produce of which enters Canada under the intermediate or any more favourable tariff.

During the past few years, the Canadian people have had every opportunity to be heard in connection with tariff matters through the establishment of the Tariff Advisory Board. The degree of confidence displayed has steadily grown, as is evidenced by the printed records of public hearings. Gradually in past budgets the effects of this system of public inquiry have become apparent and the printed reports of the hearings have facilitated the work of the government and of this house.

This budget will extend further than ever before revision of the tariff structure based upon inquiries made by the board.

IRON AND STEEL

Amendments in the wording, structure, and rates of the iron and steel schedules are the results of months of investigation by the Tariff Advisory Board, involving many public sittings and intensive technical research. This inquiry early revealed that many items were obsolete in wording; that many others were lacking in accurate and definite description; that the classification and structure of the schedule had not kept pace with modern developments in metallurgy, manufacturing and merchandising; and that the actual rates, in scores of cases, had lost the relationship, one to another, that once marked them.

Active and intelligent leadership in the prolonged inquiry now ended was given by the Tariff Advisory Board, both at the public hearings, which are now a matter of record, and the private research and investigation which had to go hand in hand with the hearing of evidence. Officers of the board and their experts have won the commendation of the industry for their efficiency and impartiality.

The labours of the Tariff Advisory Board could not have been successful, however, had it not received the active cooperation of all branches of the industry itself. Scores of manufacturers have given ungrudgingly their personal time and the services of their technical officers; importers and jobbers have placed at the disposal of the board their staffs, warehouses and books; laboratory and research experts have been detailed to assist the board's own investigators; and no fewer than two hundred different firms, associations and interests participated actively in the weeks of open hearings at which information was being placed on record for parliament and the public.

Various government departments—notably those of National Revenue, Mines and the Bureau of Statistics—rendered valuable assistance.

For the first time in the history of tariff making in Canada, there was publicly presented to the industry a suggested wording for classification purposes, some six thousand copies of which were distributed by the board before the demands of interested parties were satisfied. This classification was the subject of a final public hearing at which it was considered, item by item, and at which the board received definite suggestions regarding wording, arrangement and rates of duty.

The iron and steel schedule may be said to rank first in the tariff in length, intricacy and importance. Its relationship to our national life is illustrated by the fact that the industries concerned employ over one hundred and twenty thousand people in over eleven hundred plants with an aggregate annual payroll of about one hundred and seventy million dollars.

In revising the schedule the government has kept in mind first, the national necessity of maintaining an efficient and self reliant iron and steel industry supplying Canadian consumer demand at reasonable prices, and, second, the national desire to facilitate trade, in iron and steel products, with those countries which facilitate export trade from Canada.

These considerations have been kept in mind throughout the schedule but particularly in those sections which cover crude, primary and secondary forms, up to and including the products of the rolling mill. Within this range lie the products of Canada's great basic ferrous industries, as well as many others in the production of which Great Britain excels.

It is proposed to implement the recommendation of the Royal Commission on Maritime Claims with respect to Canadian coal used in the manufacture of iron or steel.

Realizing that Canada is now producing in huge quantities ingots, billets, blooms and slabs of steel, we have adjusted the duties thereon to facilitate the further development

[Mr. Dunning.]

of the native iron and steel industry. At the same time reductions in the British tariff rates are provided on special and heavy forms of iron and steel and on those primary products which Great Britain is equipped to produce. The internal economy of the industry is such that practically the entire incidence of the increases proposed in respect of the primary forms will be absorbed by subsequent processors of those forms, before or by the time they reach the stage of bars and rods, in the case of which, with one material exception, duties have not been raised, but in which, again, very considerable reductions have been made in the British preferential tariff rates.

In the case of structural steel, an effort has been made to adjust the tariff language and rates to the development in Canadian mills, where larger and more varied shapes are now being rolled than ever before; definite provision has been made for certain weights and shapes now rolled in Canada. On heavy structural sections, considerable reduction has been effected in the British preferential rate, thus affording British mills a greater chance for business in this Dominion.

Steel plates are now being rolled in the Dominion and the revised schedule takes cognizance of this fact. Inquiry before the Tariff Advisory Board revealed that the rates formerly effective were out of line with the highly processed character of the product. This inequity within the schedule has been rectified by increases in the intermediate and general tariffs, while opportunity to British mills to participate in the Canadian market, especially in those widths and weights of plates in which they excel, is given by the free listing of such plates under the British preferential tariff.

No changes are proposed as regards black sheets and but one increase, in the general tariff, is suggested on cold rolled steel.

Hot rolled strip is not made in Canada and adjustments in rates are proposed which should divert to Great Britain a large part of the Canadian trade in both light and heavy gauges of this material.

Most flat forms which are coated, dipped or similarly finished are grouped, in the revised schedule, with increased rates under the general tariff.

Reductions under all tariffs are proposed on flat forms which are painted or coated with enamel. In this connection, it should be pointed out that provision is made for a duty on sheets coated with tin (so-called "tinplate") on the same basis as applies to all other coated forms.

The existing provision of duty-free sheets for galvanizing is widened to cover sheets for dipping in any metal, but is so worded as to expire on December thirty-first next, after which all "dippers" of sheets will pay, on their raw materials, rates of duties apportioned to those applying on their finished products.

The rates on corrugated sheets are reduced under all tariffs, while sheets to be used as bases for enamelling, and also blue polished sheets are given lowered rates under the British preferential and intermediate tariffs.

Saw steel is a commodity which Great Britain is eminently fitted to produce. Opportunity is opened to her mills through the rates now proposed on untempered and tempered steels for saw-making, in both of which the spread in favour of British products is materially widened.

Skelp for pipe making is an import of huge proportions. It is not being rolled in Canada and heretofore has enjoyed low rates under all tariffs. In order to encourage Great Britain to supply the Canadian demand, skelp is made free under the British preferential tariff. Parliament is also asked to sanction a provision for higher rates which may be imposed should Canadian mills enter the skelp-making field. Should such higher rates become effective, they are such as to maintain a material spread in favour of skelp from Great Britain and involve the same rate as now applies under the British preference.

The schedule covering pipes and tubes has been reworded and reclassified, a prime object being simplification of the present items. Rates of duties are little altered; duties are imposed on butted tubing and increased on cast iron pipe except under the British preferential tariff.

The wire, spring and chain schedules are reworded and in the revision of rates extensions of the British preference are provided upon such commodities as: wire rope or cable, galvanized wire, covered wire, wire cloth, wire netting, springs for railway vehicles. Wire fencing of certain gauges is made free under the British preferential tariff, as is, also, silent and roller chain.

The machinery section has been reworded and reclassified in a radical manner as regards arrangement, and with certain alterations in

rates. Various generic groupings have been devised, notably: agricultural, mining, lumbering, textile, printing, office, and household machinery, with improved and more orderly sequence of items. In agricultural machinery, all items are made free under the British preferential tariff and such tractors as do not now enter free are reduced under all tariffs. Complete parts of all tractors are reduced under all tariffs. Among the implements now made free under the British preferential tariff, are the following:

Milking machines,
Pasteurizers and dairy equipment,
Ploughs,
Rollers,
Spraying and other horticultural equipment,
Hay loaders and tedders,
Grain and hay grinders and crushers,
Potato diggers and planters,
Incubators and brooders,
Hay presses,
Scythes,
Sickles,
Rakes and forks,
Separators,
Fanning mills,
Peaviners,
Cornhuskers,
Windmills,
Electric-power generators.

In mining machinery the items have been revised in accordance with views expressed by both manufacturers and consumers at sittings of the Tariff Advisory Board.

The lumbering machinery items have been redrafted to meet the unanimous views of producers and users, as expressed to the Tariff Advisory Board.

Material reductions under all tariffs have been made in machinery and equipment for use in printing; and the entire list is made free under the British preferential tariff.

In office machinery, reductions under the British preferential tariff are made on pieces of equipment which Great Britain can produce, such as:

Typewriters,
Dictaphones,
Teletypewriters,
Calculating machines.

Under household machinery, there are numerous reductions: washing machines are made free under the British preferential tariff and reduced under all tariffs; vacuum cleaners and polishers, domestic refrigerators, wringers and sewing machines are reduced under all tariffs.

Under miscellaneous machinery, fire engines and fire extinguishers, equipment for carbonizing lignite coal, for tanning and embossing leather, machinery for the manufacture of fish meal, stock and poultry food and fertilizers, and also equipment for use in the ceramic industries are made free or granted material reductions.

Construction machinery and equipment, such as is used in the making and maintenance of highways is given a definite place in the schedules, is made free under the British preferential tariff and is reduced under all tariffs. Such machinery formerly dutiable and now free under the British preferential rate includes:

Concrete and asphalt road machines,
Cranes,
Shovels,
Back-fillers,
Steam and air-driven pile hammers,
Turntables.

All other machinery—including engines and boilers and electrical apparatus—imports of which amount to scores of millions of dollars, and a great part of which is machinery of production, not procurable in Canada, is divided into two classes—made in Canada and not made in Canada; the former group is slightly increased under the general tariff; the latter is reduced under all tariffs and made free under the British preference. Among the machinery and equipment in this latter class which formerly was dutiable and is now made free under the British preferential tariff, are included:

Air compressing machinery,
Cranes and derricks,
Icing and refrigerating machinery,
Metal working machinery,
Pulp and paper mill machinery,
Power pumps and parts,
Steam and other shovels,
Steam boilers,
Internal combustion engines,
Steam engines,
Switches and switchboards,
Spark plugs and magnetos,
Rheostats, controllers and motors,
Fuses and fuse plugs.

Among the miscellaneous iron and steel commodities which will now enter free or under a materially widened British preference are the following:

[Mr. Dunning.]

Nuts and bolts,
Screws,
Tools of precision,
Containers for food products,
Bathtubs and lavatory equipment,
Wheelbarrows, trucks, etc,
Drays and sleighs,
Buggies and cutters,
Children's carriages and sleds,
Hand pumps,
Engines for fishing vessels,
Aircraft and aircraft engines,
Guns and rifles,
Steel wool,
Skates,
Needles,
Frames for purses,
Safes,
Mathematical instruments,
Card clothing,
Two-colour printing plates.

Equipment for cooking or heating using coal or wood, gas, electricity or oil, is made free under the British preferential tariff and there are reductions of the British rates on:

Electric light fixtures,
Electric light bulbs,
Lamp shades,
Gas meters,
Flashlights,
Headlights,
Enamelled hollow-ware,
Hollow-ware, plain,
and Tinware for shipping milk or cream.

We have decided to make free of duty under all tariffs a large range of hospital and sick-room supplies, including:

Syringes,
Catheters,
Parts of Anaesthetic apparatus,
All hospital sterilizers,
Surgical suction apparatus,
Chloroform,
Ethyl chloride,
Operating room lights.

The iron and steel schedule is now an entity, compact and orderly, consisting of a single group of three hundred and twenty-five items. I have not attempted to refer in detail to all individual commodities affected, but only those of greatest interest. Details of each item will, of course, be dealt with in committee of ways and means.

Summarizing numerically I may say that under the iron and steel schedule general tariff rates have been reduced on sixty-six items and increased on forty.

Under the intermediate tariff, the reductions number eighty-six, and the increases twenty-four.

Under the British preferential tariff, the rates have been increased in eight cases and reduced, or made free, in one hundred and fifty-two. Prior to this budget the number of items in the iron and steel schedule which were free under the British preferential tariff was ninety-seven; this group of free items has been increased in number to one hundred and seventy.

FRUITS AND VEGETABLES

In revising the customs tariff on fruits and vegetables the government has given serious consideration to the representations of growers and consumers, as presented on several occasions before the Tariff Advisory Board. The irregular nature of the severe competition which Canadian producers frequently face from the earlier-maturing crops of other countries has been weighed in the light of various suggested remedies, most of which were found to have inherent defects, a fact long since recognized by the growers themselves. Seasonal tariffs, for instance, are not applicable to a country such as Canada, with its extremes of distance, latitude and climate.

After careful study of the situation from all angles, we have decided to apply to fruits and vegetables a combination of specific and ad valorem duties; this combination will, it is believed, meet the urgent need of the growers during those periods when they suffer from acute instability of prices and, at the same time, guarantee to consumers, at all seasons of the year, supplies of these products at reasonable prices.

The ad valorem rate on fresh vegetables is retained at thirty per cent under the general tariff and specific minimum duties will be effective, under the general tariff, on all except green peas and green beans.

All fresh vegetables of domestic character are made free of duty under the British preferential tariff.

Some hon. MEMBERS: Oh, oh.

Mr. DUNNING: I am glad my hon. friends approve. In taking this action, we have had in mind the growing ability of Bermuda and the West Indies to supply the Canadian market during the Canadian off-season, a possibility which is rendered more feasible than before, now that Canada has her own direct steamship connection with these islands, employing vessels which are specially built for efficient transportation of perishable commodities.

Small increases in the general tariff, accompanied by material reductions in the British preferential rates are made in canned vegetables, while extensions of the existing British preference are provided in dried and desiccated vegetables, extracts, sauces, pastes and soup.

An ad valorem rate of twenty-five per cent has been applied to all fresh fruits of domestic character, imported under the general tariff with specific minimum rates effective under the general tariff.

All fresh fruits are to be granted free entry under the British preferential tariff; here again the government has kept in mind the possibilities of greatly extended trade with Bermuda and the West Indies Islands and has taken another step in the direction commenced two years ago when free entry was accorded bananas imported direct from the islands. So far as possible, Canada desires to purchase from these British islands to the south those fresh fruits which they are capable of supplying to this market.

The free listing of fresh fruits and vegetables has added thirty-two items to the total number in our schedules which are free under the British preferential tariff; the total number of such free items in the entire fruit and vegetable schedule is now forty-nine as against ten immediately prior to this revision. We are confident that this further expression of Canada's desire to develop goodwill and improve trade with Bermuda and the British West Indies will be appreciated and will result in greater opportunity for Canadian exports to those islands.

BEANS

Following an inquiry by the Tariff Advisory Board into rates upon field beans, it has been decided to increase the intermediate and general tariffs on this product to one and a half cents and two cents per pound respectively. Beans entering under the British preferential tariff will, in the future, be free.

TEA

Tea now carries a duty of seven cents per pound under the British preference. It is proposed to make this article of wide general consumption in Canada free under the British preference and also to lower the intermediate rate of duty.

PORCELAIN AND CHINAWARE

Bearing in mind that porcelain and chinaware bulk very large in our import trade and that Great Britain has long held a high place in quality production of these articles which are necessities in every Canadian household, we have decided to accord free entry under the British preferential tariff to all tableware of china, porcelain, white granite, or iron stone. The general tariff rate on these products has been slightly increased.

LIVE ANIMALS AND MEATS

Live animals and meats, other than fresh or canned meats, are to be free under the British preferential tariff and reductions have been made under all tariffs on feeds such as soya bean meal and cotton seed.

BUTTER

Following the hearing before the Tariff Advisory Board relating to butter, the government has carefully considered the representations of the producers and as a result proposes an increase in rates of duty on butter to four cents British preference, six cents intermediate and seven cents general tariff.

MALT AND MALT PRODUCTS

Consideration has been given to the effects of imports of malt and malt products in displacing the malting in Canada of Canadian barley and it has been decided to increase the general tariff rate on malt and malt extracts, decreasing, at the same time, the rates under the British preferential tariff. The general rates on barley have been increased proportionately.

INVERT SUGAR

Provision has been made for invert sugar at rates proportionate to those on refined sugar.

BELTING LEATHER

The general tariff rate on highly processed belting leather has been increased to the level of the rate now effective on leather belting.

MISCELLANEOUS

There have existed in our tariff, for years, many items carrying rates of duty in the British preferential column, but relating to commodities in which none of the various British countries has been an effective trader. Some of these items represent materials or articles in which, for the present at least, British countries may continue to be more or less ineffective factors; others are clearly of a nature in which a wider preference may be of real value in promoting inter-empire trade.

We have decided, therefore, to make free under the British preferential tariff a further group of fifty items of this class.

COUNTERVAILING DUTIES

There are certain commodities which are or will become of double significance in Canada's trade with the world, both as imports and exports. On such commodities our policy has been, and is, to avoid extreme rates of duty, and we propose, regarding these products, to maintain in general the existing rates of duty.

It has been decided, however, to embody within the wording of a limited number of items of this class provision for a "countervailing duty" whereby Canada, while not generally raising its schedule rates, imposes upon such products from another country rates equivalent to those imposed by that country upon the identical Canadian product, where these are higher than the rates enumerated in the Canadian tariff schedule. This means that other countries who both buy from and sell to us these commodities, have it in their own power, by reciprocal action on their part, to enable us to reduce duties to the level of the rates stated in our tariff.

Provision for countervailing duty is now made effective in the case of:

Potatoes,
Soups and soup preparations,
Live stock,
Fresh meats,
Cured and pickled meats,
Butter,
Eggs in the shell,
Frozen eggs,
Frozen egg albumen,
Wheat,
Wheat flour,
Oats,
Oatmeal,
Rye,
Cut flowers,
Cast iron pipe.

This tariff revision will involve consideration of a total of four hundred and ninety-five separate tariff items.

I purpose at the conclusion of this address to table the resolutions necessary to enable the committee of ways and means to deal with each item.

For the convenience of hon. members arrangements are being made to print a full list of the tariff changes together with rates which were effective on each item until to-day.

The changes in rates are numerous and complex and I have not attempted to refer to all changes in detail. Summarizing numerically the present budget tariff proposals involve under the general tariff, increases in rates on 54 items and decreases on 46; under the intermediate tariff, increases in rates on 35 items and decreases on 98; under the British preferential tariff, increases in rates on 11 items and decreases on 270.

When this revision is completed the Canadian cutoms tariff will consist of 1,188 items of which 589 will be free under the British preference. The changes proposed have the effect of greatly increasing the British preference in the Canadian market.

The importance of this enlargement of the preference is indicated by the fact that Canada imported last year over two hundred million dollars worth of the commodities on which we are now increasing the British preference.

The tariff changes now made are designed to serve what we believe to be the best interests of the Canadian people.

It must never be forgotten that a large and increasing proportion of our producers and manufacturers are vitally interested in the maintenance of friendly markets for their products outside of Canada. Indeed, our national well being depends largely upon exporting freely those commodities which we produce greatly in excess of our own needs. This budget is frankly framed to enable us to buy more freely from those countries which buy from us most freely those commodities which are of vital importance to us, and in the confident belief that by this means we shall help to develop and stabilize export markets for our surplus products.

Canada will not engage in a tariff war with any country. The world shows at the present time too many examples of disaster following such a course. As a great exporting nation our course must be the contrary one of facilitating trade with those who facilitate trade with us. Those who raise prohibitive barriers against our products entering their markets must expect that we will extend favour to our own good customers rather than to them. I speak in no spirit of retaliation. I would much rather extend lower tariff favours to those who extend them to us than to impose prohibitive tariffs in return for like treatment.

Lower tariffs to those who buy most freely from us make for trade extension and wider markets for our products, while prohibitory duties to meet prohibitory duties generally applied would constantly tend to restrict our export markets.

In studying these trade matters in detail it is evident that more British goods can be sold in this country, having regard to the tariff preference we have granted in the past and which is now being much further extended. Opportunity undoubtedly exists along many lines, but in modern commerce the buyer does not seek the seller. The seller, even with the advantage of the British preference, must seek the buyer in Canada through sales and service organizations comparable with those of his effective competitor.

These tariff favours to those who favour our products are not the result of any bargain with any other country but of an attitude in international relations which we believe to be mutually beneficial and are an expression of the spirit in which Canada will approach the Imperial economic conference in a few months time. In other words we do not intend to meet the other countries of the British commonwealth of nations in a spirit of petty bargaining but rather in the broad spirit of willingness to become in ever increasing measure good customers to those who treat us in like manner. This is the spirit in which we desire to meet all nations, but we believe that within the British community of nations lies the greatest measure of opportunity for mutual development of trade because of our common heritage, kindred institutions and a common patriotism.

The Minister of Finance—On next —In Committee of Ways and Means—The following resolutions—

1. Resolved, that it is expedient to amend the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, by repealing subsections (c), (d), (e), (i), (l) of section two thereof and by substituting the following therefor:

(c) "hoop, band and strip" when applied to metals mean flat forms not more than fourteen inches in width and less than .1875 inches in thickness;