Countries	Pounds	$
Manufactured tobacco to		
Denmark...	4	9
France..	4	7
Hong Kong..	5	9
Jamaica..	1,041	707
Japan..	2,525	1,277
Newfoundland.	26,480	17,506
New Zealand..	649	905
Panama..	12	15
St. Pierre & Miquelon.	245	263
Switzerland.	356	488
United Kingdom. ..	206	363
United States..	5,320	7,499
Total exports.. ..	264,986	62,671

THE BUDGET

ANNUAL FINANCIAL STATEMENT OF RIGHT HON. R. B. BENNETT, MINISTER OF FINANCE

Right Hon. R. B. BENNETT (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, in moving that you do now leave the chair for the purpose of enabling the house to resolve itself into a committee of ways and means to make good the supply to be granted to His Majesty for the twelve months ending March 31, 1932, I will follow the traditional practice of making a general survey of the financial and business operations of the Dominion during the last fiscal year. I will also indicate the ways and means which the government propose to utilize in providing the necessary revenues to meet the appropriations made by Parliament. I shall discuss these matters under five heads:

1. The financial operations of the Dominion for the fiscal year, April 1, 1930, to March 31, 1931.

2. The balance sheet of the Dominion on March 31 last showing assets active and non-active and liablities direct and indirect.

3. Trade and commerce.

4. The estimated revenue and expenditures for the twelve months ending March 31, 1932.

5. The ways and means which will be adopted for the purpose of providing the necessary revenues to meet the proposed expenditures.

FINANCIAL OPERATIONS DURING FISCAL YEAR 1930-31

The period of national financing under review is the twelve months from April 1, 1930, to March 31, 1931. This was a period of sluggish commercial activity, with commodity prices steadily declining throughout the world. The consequences are shown in the Dominion's balance sheet, for eighty-three per cent of the consolidated fund receipts in 1930-31 was derived from taxation, the major portion being obtained by ad valorem assessments on the monetary value of business transacted. Therefore, the revenue collections from every tax, with one exception, were substantially less than in the preceding year. The exception was the income tax, where the assessment was on earnings and profits made in the calendar year 1929. To find a parallel to the revenues in the past fiscal year, it is necessary to turn back ten years to the fiscal year 1921-22, and in that year the revenues were $26,000,000 greater than the collections in the past fiscal year.

On the expenditure side, comparatively little advantage could be taken of declining commodity prices. This is due to the fact that fixed and uncontrollable charges constitute so large a proportion of the expenditures. The interest on the national debt was over 121 millions; war pensions amounted to 46 millions, and other uncontrollable expenditures absorbed an additional $36,895,000. To these may be added the cost of civil government and other services where a somewhat lengthy time lag exists before declining commodity prices are reflected in reduced costs. These services involved an expenditure of 78 millions. In other words, 282 millions were expended during the year without the government gaining any offsetting advantages from the causes which brought about such substantial decreases in revenues.

Taxation Revenues

The major source of Canadian revenue is the customs tariff which last year produced 131 millions of dollars. This was 48 millions less than in the preceding year. A study of the imports of Canada during the period indicates that there was a substantial decline in the importations of nearly all commodities. One of the chief sources of customs revenue is the duty collected on alcoholic beverages, and in the year under review the revenue thus derived was 20 millions, as compared with 25 millions in the preceding year.

Recently our customs receipts have shown less fluctuation and the daily decreases are not so substantial as in the last fiscal year, when the monthly decreases, as compared with the previous year were:

Month	Decrease	
April, 1930..	$3,591,000	
May..	5,300,000	
June..	2,884,000	
July..	4,356,000	
August..	4,919,000	
September..	3,115,000	
		$24,165,000
October..	6,408,000	
November..	4,117,000	
December..	3,424,000	
January, 1931.	2,687,000	
February..	3,766,000	
March period..	3,653,000	
		24,055,000
		$48,220,000

The decrease during the first six months of the fiscal year was $24,165,000; during the last six months of the fiscal year it was $24,055,000.

It will be recalled that the tariff changes made at the special session came into effect during September although in certain cases, where uncompleted contracts were outstanding, the new rates were not levied until several weeks later. A comparison of the customs revenue for the two six-months' periods has this significance, that the changes did not make any material reduction in the receipts during the two six-months' periods of the year.

Excise Duties.

The excise duties are largely assessments on alcoholic beverages and tobaccos manufactured in Canada. The total collected during the year was $57,700,000. During the year excise collections on tobacco remained practically stationary at about 42 millions. Of the amount, duties on cigarettes produced $30,500,000. There was a decline of over $7,000,000 in excise duty collections on alcoholic beverages produced in Canada. On and after the 1st of July, 1930, clearances were denied to vessels having on board any intoxicating liquors destined for delivery in any country into which the importation of such liquor was prohibited. The enforcement of this law to a great extent explains the decline in the excise revenues.

Income Tax

The income tax ranks first in productivity amongst the war taxes and produced 71 millions in the year. As a matter of fact, this sum has been exceeded only once since its imposition and that was in the fiscal year 1921-22. It is a case of history repeating itself. The fiscal year 1922 was also a dark one in respect to total revenues, but income tax assessments were on the earnings and profits of 1920, the peak year of the post-war boom. In the past year total revenues were again reduced, but income tax assessments were levied on the earnings and profits of a peak year, that of the stock market boom. Of the $71,048,000 of income tax collected, $26,600,000 was paid by individuals and $44,400,000 by corporations. In the fiscal year 1921-22, when $78,600,000 was received, individuals paid $39,820,000 and corporations $38,863,000.

Sales Tax

No tax more quickly reflected the declining commodity prices than did the sales tax. The shrinkage in the volume of business transacted, coupled with the decrease in values, made it apparent at the beginning of the calendar year 1930 that with business shrinking and sales contracting, the sales tax could not be depended upon to produce revenue to the same degree as in the previous year. This loss, instead of being compensated by an increase in the rate when the budget was brought down on May 1st, 1930, was aggravated by the rate being reduced from 2 per cent to 1 per cent. The result was a decline of over 24 millions in sales tax revenues during the year under review, the collections being somewhat over 20 millions, as compared with 44 millions in the previous year. It is perhaps desirable to point out that a change has been made in the accounting methods this year in respect of sales tax. Commencing in the fiscal year 1924-25 the payments made in April by licensees on sales made in the old year were credited to the fiscal year then last ended. This practice was not in harmony with that followed in respect of other public revenues and has been discontinued. Had it been followed, the revenues from sales tax credited to 1930-31 would be approximately $1,700,000 greater.

Tax Summary

The other taxes represent small amounts, being, not infrequently, paid by the use of excise stamps, and are difficult to allocate. A statement of the revenue received from taxation for the last five years follows:

	1926-27	1927-28	1928-29 (000 omitted)	1929-30	1930-31
Customs	$141,969	$156,986	$187,206	$179,430	$131,209
Excise	48,513	57,401	63,685	65,036	57,747
War tax revenue—					
Banks	1,175	1,225	1,243	1,408	1,429
Trust and loan companies	335	345	8	....	....
Insurance companies	948	999	895	74	74
Business profits	710	956	455	173	34
Income tax	47,386	56,571	59,422	69,021	71,048
Sales tax	82,306	72,100	63,646	44,859	20,785
Tax on cheques, transportation tax, etc	23,307	18,123	19,361	18,550	13,950
Total receipts from taxation	$346,649	$364,706	$395,921	$378,551	$296,276

Public Service Revenues

The sum of $53,000,000 was collected by way of revenues from public services maintained by the government. The main contributor was the Post Office Department. The gross collections for postal services were $37,500,000 and the net revenues $30,200,000. Compared with the previous year, there was a decrease of $3,100,000 in the net revenues. On the expenditure side the postal service costs were $36,300,000, an increase of $1,300,000. Therefore, the fiscal year ended with the Post Office Department showing a deficiency of $6,100,000. To achieve an absolute calculation of the department's operations, a substantial sum, representing the expenditures of the Public Works Department for equipment, buildings, maintenance, etc., necessary for the handling of mails throughout Canada, would have to be added. On the other hand, the department is entitled to a substantial credit for the handling of government mail.

Interest on investments realized $10,400,000. Of this, $2,000,000 was on sinking funds and $1,299,000 on loans to Roumania and Greece, which were made during the war period. The harbour commissions, other than Quebec, paid $3,492,000 in interest on the $88,600,000 loaned by the dominion to them. The major reduction in revenues under this group heading was in the interest paid by the chartered banks for advances under the Finance Act, although the amount collected was $15,000 in excess of the collections in 1928. In 1929-30 the banks paid $2,234,000, while in 1930-31 the payments were $539,000.

The transfer of the natural resources to the western provinces materially reduced revenue from dominion land, there being a decrease from $4,139,000 to $1,655,000 in the year under review.

A division of the 43 millions of revenues from the public services, by sources, is:—

Revenue

—	1926–27	1927–28	1928–29	1929–30	Estimated 1930–31
Non-Tax Revenue—	$	$	$	$	$
Canada Grain Act	2,582,984	2,677,877	2,992,540	2,047,207	2,179,047
Canada Gazette	68,312	81,243	80,214	93,890	71,197
Canals	961,694	1,355,677	1,230,333	1,043,647	1,026,671
Casual	3,310,633	3,626,236	4,041,095	4,300,710	3,685,000
Chinese Revenue	13,228	14,179	18,224	14,345	21,996
Dominion Lands	3,327,273	3,688,595	4,070,339	4,139,104	1,655,401
Electric Light Inspection	538,917	563,913	563,964	546,957	632,151
Fines and Forfeitures	504,310	568,140	655,485	748,343	433,712
Fisheries	175,213	119,144	109,300	110,724	73,937
Gas Inspection	76,880	85,716	92,398	100,763	94,255
Insurance Inspection	120,334	123,768	131,626	138,780	148,942
Interest on Investments	8,559,401	10,937,822	12,227,562	13,518,205	10,421,225
Marine	264,083	191,564	182,810	184,637	186,892
Mariners' Fund	195,080	222,048	236,808	209,322	201,768
Military College	18,239	20,232	20,204	19,820	19,882
Military Pension Revenue	128,387	128,017	155,830	158,881	158,872
Ordnance Lands	29,703	14,206	24,830	30,277	29,384
Patent and Copyright Fees	517,930	495,792	530,239	574,918	559,646
Penitentiaries	170,338	177,933	178,449	181,024	183,288
Post Office	29,069,169	31,562,580	30,611,964	33,345,385	30,212,326
Premium, Discount and Exchange	649,337	594,211	568,846	531,366	521,078
Public Works	422,864	395,281	414,085	408,151	374,500
Royal Can. M.P. Officers' Pension	8,769	6,144	6,373	6,471	6,357
Superannuation Fund	392	172	81	5	....
Weights and Measures	333,034	361,690	399,247	407,248	419,750
Total Non-Tax Revenue	52,046 504	58,012,180	59,542,846	62,860,180	53,317,277

The consolidated fund receipts may now be summarized. In the fiscal year just ended these amounted to $349,593,000, as compared with $441,411,000 in 1929-30. In other words, there was a decrease of $91,818,000.

Special Receipts

During the year certain special receipts came into the treasury which must be added before the total revenues for the year are given. The most important of these were the payments received on reparations, amounting to $6,500,000. This was a larger sum than had been received in the preceding year, due to the success of the German international 5½ per cent loan 1930 making it possible for the creditor countries to receive a cash payment on future reparations account. Canada's share thus acquired was $2,173,000. The acceptance of the plan involved the establishment by Canada of a small credit, amounting to $272,000, in the Bank of International Settlements. This has been done. The amount received on ordinary reparation account was $4,395,000.

Adding these special receipts to the consolidated fund, revenues for the year make a grand total of $356,215,000, as compared with $446,182,000 in the preceding year, a decrease of $90,000,000. A comparison of revenues for the past five fiscal years is:

	1926-27	1927-28	1928-29 (000 omitted)	1929-30	1930-31
Receipts from taxation..	$346,649	$364,706	$395,921	$378,551	$296,276
Non-tax revenue..	52,046	58,012	59,543	62,860	53,317
Consolidated fund receipts.. ..	398,695	422,718	455,464	441,411	349,593
Special receipts..	1,934	7,129	5,476	4,771	6,622
Grand total revenues..	$400,629	$429,847	$460,940	$446,182	$356,215

EXPENDITURES

The past fiscal year was marked by substantial increases in the expenditures for the public service. Some of these increases were to provide for new services or undertakings, others were a consequence of statutory enactments causing greater demands to be made upon the treasury. Apart from certain expenditures in connection with unemployment relief, those incurred on authority of governor general's warrants and some items approved by parliament on the closing days of the fiscal year, all expenditures were incurred on the authority of the previous administration.

Ordinary Expenditures

Ordinary expenditures for the year were $394,000,000, as compared with $357,780,000 in the fiscal year 1929-30. This was an increase of $36,220,000, the more important items which show increases being:

Subsidies to provinces..	$4,900,000
Department of Indian Affairs.. ..	700,000
Old age pension..	4,100,000
Lighthouse and coastal services.. ..	500,000
Air services..	1,225,000
War pensions..	5,550,000
Treatment and after-care of veterans.	1,280,000
Post Office..	1,265,000
Public Works..	5,640,000
Maritime Freight Rates Act..	2,925,000
Department of Trade and Commerce.	1,690,000
Unemployment relief..	4,432,000

There was an increase in the subsidy paid to Manitoba of $4,970,027.62, as provided by legislation in connection with the transfer of natural resources to the province. The transfer of the natural resources made no change in the annual subsidy payments to the provinces of Alberta and Saskatchewan, although the dates of payments have been changed from March 1 and September 1 to January 1 and July 1.

The increase of expenditures, amounting to $700,000, in connection with the Department of Indian Affairs, falls under two heads. During the year $2,750,000 was spent in the construction of schools, which is $424,000 more than in the preceding year. For the relief of destitute Indians, the providing of hospitals and medical services, an additional $220,000 was expended.

The major increase in expenditures on account of old age pensions was due to larger payments being made in the province of Ontario. The act, during the fiscal year, applied to five provinces, and, in addition, small expenditures were made in the North West Territories. A statement of the expenditures, by provinces, is:

	1929-30	1930-31
Ontario..	$ 355,829	$3,516,806
Manitoba..	427,143	652,804
Saskatchewan..	333,287	585,941
Alberta..	62,555	320,225
British Columbia..	357,801	580,804
North West Territories	558	1,562
	$1,537,173	$5,658,142

The increase of slightly over $500,000 in the lighthouse and coast services was mainly due to the purchase of a lighthouse boat to be used in connection with the St. Lawrence river channel. The expenditures on that account, together with the purchase and erection of new lights, amounted to $480,000.

The increase of over $1,200,000 in air services falls under three headings. In connection with air services generally there was an increase of $394,000: for civil air services $387,000, and for air mail routes $494,000. The sum of $180,000 was expended in connection with the airport at Trenton, Ontario, and the establishment of new air mail routes made it necessary to establish and maintain new landing fields at various points throughout Canada. Other expenditures, due to increased use being made of the services of the air division, involved greater expenditures for supplies and equipment and also made it necessary to increase the personnel.

There is a unanimous sentiment that Canada shall provide adequately for those who served and suffered during the war, and annually the amount expended on account of pensions and after-care of veterans increases. In the year under review pension payments increased $5,558,000, and after-care accounts by $1,280,000, thus making a total expenditure on these two accounts of over 55 millions in the year under review. Since the outbreak of hostilities the dominion has paid $460,000,000 on account of European war pensions, and 182 millions for treatment and after-care of returned soldiers. In addition, sundry expenditures on account of soldier land settlement adminstration, battlefield memorials, the Imperial War Graves Commission, etc., amount to $29,000,000. These items of expenditure reached a grand total of $671,000,000 to the close of the fiscal year.

The increase of expenditures amounting to $1,265,000 on post office account may be divided into three groups. Approximately $322,000 was expended in settling overdue accounts with the printing bureau. These overdue accounts had accumulated over a series of years, and at the close of the fiscal year a supplementary estimate was authorized by parliament to bring the accounts into balance. An increase of $570,000 in expenditures was due to the extension of air mail services, and $375,000 was spent in salary increases, mainly to those in the outside service.

The expenditures on ordinary account by the Public Works department were $5,600,000 in excess of the expenditures in the previous year. Of this, the additional expenditures in connection with the erection and improvement of public buildings amounted to $3,425,000. On harbour and river works expenditures showed an increase of $2,100,000 as compared with the previous year.

The expenditures in respect to the Maritime Freight Rates Act in 1929-30 were $7,400,000, and in the year under review they were $10,327,000. The increase divides itself under two heads: $627,000 was an account carried forward from the previous fiscal year, having been received too late to be included in the accounts for that year, and the balance, $2,300,000, represented the additional amount payable as provided by the act for reductions in tolls and deficits on eastern lines.

The expenditures in respect to penitentiaries increased by $676,000. During the year the penitentiary population increased 527, thereby requiring larger staffs and supplies. Of the increase, $125,000 represents expenditures in connection with the erection of a new institution which was established during the year.

The Department of Trade and Commerce administers the Canada Grain Act, and during the year there was an increase of $1,085,000 in its expenditures over those of the previous year in connection with the providing of elevators at Lethbridge, Moose Jaw and Saskatoon. An additional $100,000 was spent on national research and $126,000 in connection with the Canadian display at the exhibition at Buenos Aires.

The special session of September last provided for the expenditure of $20,000,000 to relieve unemployment. As a result, at the close of the fiscal year, the contracts initiated in consequence of this legislation amounted to $69,690,948, and at the end of March, 248,000 persons were employed. However, at the close of the fiscal year only a small portion of the total expenditures authorized had been presented for payment. In all, $4,431,000 was actually paid, the money being disbursed as follows:

Alberta..	$ 186,600 17	
British Columbia.. ..	259,040 82	
Manitoba..	305,638 53	
New Brunswick.	250,233 67	
Nova Scotia.	62,066 05	
Ontario..	1,219,433 18	
Prince Edward Island.	21,529 88	
Quebec..	319,452 87	
Saskatchewan..	535,698 95	
Yukon..	20,000 00	
		$3,179,694 12
Canadian National Ry.	352,961 82	
Canadian Pacific Ry..	345,420 00	
Grade Crossing Fund.	500,000 00	
Parks Branch, Interior	36,996 81	
		1,235,378 63
Administration.		16,582 32
		$4,431,655 07

May I add the records show that at the end of April employment had been given to 25,000 additional persons as compared with those employed on March 31.

A statement of the expenditures, by services, on ordinary account for the last five fiscal years now follows:

Expenditures

Items	1926-27	1927-28	1928-29	1929-30	Estimated 1930-31
Consolidated Fund Expenditure—	$	$	$	$	$
Finance—					
Interest on debt	129,675,367	128,902,945	124,989,950	121,566,213	121,259,844
Subsidies to provinces	12,516,740	12,516,740	12,553,725	12,496,959	17,435,736
Charges of Management	963,252	884,532	923,363	1,015,766	920,136
Premium, Discount and Exchange	24,013	42,233	67,254	72,976	19,477
Superannuation No. 1 (Act of 1870)	677,692	625,005	577,661	531,253	492,101
Superannuation No. 3 (Printing Bureau)	20,789	19,038	17,792	15,930	14,413
Superannuation No. 4 (Act of 1920)	770,121	723,825	671,611	631,293	592,846
Superannuation No. 6 (Widows' Annuities)	....	130,946	140,570	142,708	140,167
Civil Government	10,865,757	11,576,140	11,819,981	12,258,009	12,628,562
Agriculture	5,838,941	6,487,766	7,201,566	9,286,746	9,143,977
Fisheries	1,437,179	1,751,147	1,974,118	2,274,294	2,261,817
Immigration	2,338,992	2,704,698	2,631,967	2,757,331	2,255,249
Indian Affairs	3,869,394	4,199,541	4,598,292	5,134,553	5,866,219
Interior—					
Dominion Lands and Parks	4,251,663	4,082,752	4,986,962	5,479,835	4,967,569
Scientific Institutions	717,000	733,919	793,594	816,515	817,052
Government of N.W. Territories	233,541	249,642	317,725	434,789	545,605
Government of Yukon Territory	189,120	178,511	184,181	186,374	201,451
Justice—					
Administration	2,201,141	2,190,810	2,203,209	2,198,909	2,214,268
Penitentiaries	1,685,556	1,755,763	1,807,655	2,561,115	3,236,816
Labour—					
Technical Education	1,047,536	965,955	1,152,165	413,287	391,397
Old Age Pensions	....	131,452	832,687	1,537,173	5,658,143
Administration, etc	404,879	313,620	364,819	415,939	509,980
Legislation—					
Senate, House of Commons, etc	2,699,262	1,995,707	2,264,008	2,292,633	2,427,781
Elections	1,844,536	45,485	62,454	26,292	2,234,767
Marine—					
Ocean and River Service	2,566,730	3,749,105	3,683,256	5,136,332	3,638,911
Lighthouse and Coast Service	2,463,558	2,771,031	2,812,900	2,874,623	3,391,875
Scientific Institutions	243,233	270,276	287,908	316,706	367,620
Steamboat Inspection	121,961	131,065	141,485	140,253	143,763
Mines	558,695	624,184	679,179	805,748	789,327
National Defence—					
Militia Services	9,141,220	10,151,975	11,044,334	11,032,749	10,979,659
Naval Service	1,597,407	1,702,225	1,836,488	3,013,396	3,597,591
Air Services	2,197,645	3,891,861	5,040,505	5,920,670	7,151,163
General Services	149,779	116,199	102,735	226,952	103,562
Government of N.W. Territories	137,779	142,736	138,715	140,161	217,521
National Revenue	10,130,430	11,801,331	12,876,760	13,130,611	13,206,442
Pensions, War, etc	37,902,939	39,778,130	41,487,323	40,406,565	45,964,868
Pensions and National Health—					
Treatment and after care of returned soldiers	6,976,762	6,958,811	7,901,957	8,494,277	9,775,228
Health	695,219	771,435	924,003	1,021,371	943,384
Post Office	31,007,698	31,782,968	33,483,059	35,036,629	36,292,604
Public Works—					
Charges to Income	11,178,054	14,037,366	17,003,254	18,134,359	23,763,284
Charges to Collection of Revenue	918,580	942,544	939,985	924,110	936,020
Railways and Canals—					
Maritime Freight Rates Act	....	3,471,401	7,177,538	7,401,034	10,327,457
Other Charges to Income	1,581,688	2,366,744	1,120,376	1,279,867	1,199,560
Charges to Collection of Revenue	2,152,015	2,535,361	2,405,272	2,459,990	2,911,228
R. C. M. Police	2,097,887	2,300,439	2,600,525	2,901,817	2,957,087
Soldier and General Land Settlement Administration	1,250,787	1,334,008	1,441,951	1,362,122	1,300,148
Trade and Commerce—					
Canada Grain Act, Exhibitions, etc	4,168,047	4,015,985	4,476,131	4,894,120	6,585,958
Bounties, Copper Bars, etc	164,791	82,807	79,290	40,030	92,181
Mail Subsidies and Steamship Subventions	1,008,999	844,591	1,026,375	1,083,437	1,314,169
Other Expenditures	4,863,799	6,385,211	7,104,311	5,054,973	5,344,739
Unemployment Relief	....	....	....	....	4,431,655
Total Ordinary Expenditure	319,548,173	336,167,961	350,952,924	357,779,794	393,992,377

Expenditures on Capital Account

Parliament, for the fiscal year 1930-31, appropriated the sum of $33,484,000 for capital expenditures. In the year $28,222,000 was actually expended on that account. These expenditures, for the purpose of convenience, may be classified under the following heads: (1) Railways, (2) Canals, (3) Public Works, and (4) Marine.

Taking first the railways: On this account over $6,000,000 was disbursed, and of this amount $2,500,000 was spent on the Prince Edward Island ferry and terminals, and $4,137,000 on the Hudson Bay railway and terminals. The investment in the Hudson Bay railway and terminals at the end of the fiscal year amounted to $43,880,000.

The expenditures on canals amounted to $9,800,000, of which expenditures on the Welland ship canal represented $9,600,000.

The expenditures in connection with Public Works capital account were largely those in connection with shipping, although at Ottawa $2,500,000 was spent on the new Confederation building and the National Research Council laboratories. The expenditure in connection with the Burlington channel, lake Ontario, amounted to $1,151,000, while over $3,000,000 was disbursed in connection with the lower lake terminals at Prescott. Expenditures of approximately $400,000 in each case were also made in connection with harbour improvements at the head of the great lakes and at Sorel.

In connection with the capital expenditures of the Marine department, it may be said that practically all were in connection with the St. Lawrence ship channel, for $3,464,000 was spent on dredging the channel, etc., and $400,000 in the construction of regulating and retaining dams in the St. Lawrence river below Montreal.

A summary of the capital expenditures for the past five fiscal years is:

	1926-27	1927-28	1928-29 (000 omitted)	1929-30	1930-31
Canals	$13,846	$13,763	$13,164	$ 9,324	$ 9,846
Railways	2,792	3,592	6,302	6,663	6,367
Public Works	2,921	3,281	3,343	6,574	12,009
Total	$19,559	$20,636	$22,809	$22,561	$28,222

Special Expenditures

The special expenditures amounted to $12,358,000. The most important item was $8,599,000 which represents 30 per cent reduction in soldiers' indebtedness to the Soldier Settlement Board as authorized by chapter 42, Acts 1930: $2,067,000 represents the government's contribution to the civil service superannuation fund: $639,000 was spent on account of railway grade crossings, and $105,000 was the amortized discount on the loan flotation made in New York in October last. The other important item was the payment of $500,000 for civilian war claims—in the previous fiscal year $6,700,000 was disbursed on this account.

A summary of these expenditures compared with previous years is:

	1926-27	1927-28	1928-29 (000 omitted)	1929-30	1930-31
Adjustment of war claims	$ 242	$1,861	$ 120	$ 95	$ 111
Cost of loan flotations	3,278	13	11	17	193
Miscellaneous charges	4,537	1,692	2,056	3,027	11,554
Reparations, claims for compensation	....	....	....	6,700	500
Total	$8,057	$3,566	$2,187	$9,839	$12,358

Loans and Advances Non-active

The final group of expenditures are those which are treated as loans and advances, but, being non-interest producing, are treated as non-active, charged as expenditures of the year, and not treated as assets in establishing the net debt of the dominion. In the year under review the amount advanced was $5,500,000. Of this $3,491,000 consisted of loans to the Quebec harbour commissioners, and $1,826,000 to the Canadian Government Merchant Marine and the Canadian National (West Indies) Steamships, this being the amount required to meet their deficits.

A comparison of the loans and advances non-active for the past five years is:

	1926-27	1927-28	1928-29 (000 omitted)	1929-30	1930-31
Loans to Canadian National Railways..	$10,000	....	....	$2,933	....
Loans to Canadian National Steamships..	427	$ 1,000	$ 758	2,491	$1,827
Loans to Quebec Harbour Commissioners..	680	1,458	2,888	2,821	3,491
Miscellaneous non-active accounts	26	....	....	17	170
Accounts carried as active assets transferred to non-active.. .	436	16,035	10,000	....	....
Total..	$11,569	$18,493	$13,646	$8,262	$5,488

Summary

Grouping the 1930-31 expenditures together, it will be observed that total expenditures amounted to $440,060,657, as compared with $398,442,247 in the previous year. With respect to these expenditures, it may be said that for none of them is the present government responsible, with the exception of $4,431,000 for unemployment relief, $681,000 under governor general's warrants (mainly for ex-soldiers' relief), $2,000,000 for the Welland ship canal, $288,000 for Port Arthur and Fort William, harbour improvements, and a number of smaller items included in the supplementary estimates brought down at the end of March, these amounting to less than $100,000.

It will be noted that ordinary revenues were $44,398,879 less than ordinary expenditures, and that total revenues were $83,844,-358 less than total expenditures. It should perhaps be noted that $8,599,385 of this deficit is brought about by the writing down of soldier land settlement loans advanced in previous years, so the balance, namely $75,-244,973, is really the amount of the deficiency for the fiscal year period. Minor adjustments have yet to be made before the accounts are officially closed, but the foregoing is anticipated to be within a few thousands of the final balances for the fiscal year 1930-31.

CAPITAL BORROWINGS

The fiscal year under review was marked by a change in circumstances in respect of the national debt. For several years there had been a surplus of revenues over expenditures which could be applied to maturing obligations. Such was not the case in the past year.

In January, 1929, the Canadian National Railways were in need of money for capital requirements and, as will be recalled, interest charges were then at abnormal heights. The government, therefore, between that date and May, 1930, advanced to the railways $33,000,-000, taking demand notes as security. In June, 1930, the Canadian National Railways carried out a borrowing operation and repaid the dominion $11,839,458, leaving a balance of $21,160,542 payable to the dominion. On July 1st, with $5,000,000 thus received, the government repurchased $5,000,-000 at par of the 4 per cent treasury notes which were to mature on December 1st, 1930. This transaction represented a net saving of $83,000 in interest.

Last autumn, the New York money market for railway securities was unreceptive, but, with the company reporting deficits each month and with large capital undertakings of the railway proceeding, provision had to be made for the company's financial requirements. The dominion decided it was in the public interest to continue the providing of funds for the Canadian National and in October sold to a syndicate, headed by the Chase Securities Corporation and the Bancamerica-Blair Corporation of New York, an issue of $100,000,000, 4 per cent, thirty year bonds, but callable at the end of twenty years. The amount realized was $93,646,000, or a cost of approximately 4·38 per cent. This rate is the best which has been secured by the dominion for any long-term financing since the outbreak of the war.

The sum of $10,000,000 was immediately advanced to the railways and before the end of December a further $15,500,000 was loaned to the company.

Due to the fact that the requirements of the railways had made it necessary for the government to make a large public offering earlier than had been planned, the dominion did not require to refinance immediately all of the $45,000,000 of three-year treasury notes which matured on the 1st of December. It was found practicable to retire, permanently, the $5,000,000 which had been purchased on the previous first of July, and a new loan was arranged with a group of Canadian banks. An issue of four per cent two-year treasury notes for $40,000,000 was authorized; $13,300,000 was sold on December 1st, $10,000,000 on January 1st, and the balance, $16,700,000, on February 15th.

The transfer of the natural resources to the three prairie provinces during the past fiscal year vested the responsibility for the administration of the school land funds in the three provincial governments. The Dominion Lands Act provides that sections eleven and twenty-nine in every surveyed township in Manitoba, Saskatchewan and Alberta, shall be set aside as an endowment for purposes of education in those provinces. The act also provides that all moneys, from time to time, realized from the sale of such school lands shall be invested in securities of Canada and the interest arising therefrom, after deducting costs of management, shall be paid to the provinces towards the support of schools organized and carried on in accordance with the laws of such province.

The agreements with the provinces, as ratified at the last general session of parliament, provided that the transfer of these moneys might be either by cash of securities. The amount involved was over $33,000,000.

Until 1917, the fund moneys were carried in the cash working accounts of the dominion and 3 per cent interest was paid. The war had greatly altered money values, and the provinces submitted a request for a higher rate of interest. This was granted by the government of the day, on the authority of an order in council dated June 7th directing that the moneys, then in the fund, be invested in 5 per cent debenture issue which had been created in 1916 and which would mature on the 1st of October, 1919.

In 1919 the government, by order in council dated March 12, directed that the moneys which had accumulated in the interval be invested in the 1916-1919 debenture issue. On December 1, 1919, an executive direction was given that the moneys of the fund be invested in debenture stock to mature on October 1, 1922. The rate was again 5 per cent.

On September 25, 1922, an order in council was passed which, after reciting the December 1, 1919, order in council, continued:

> In view of the approaching maturity of the said debenture stock, the minister recommends that authority be given to continue the payment of interest at the rate of five per cent per annum on school land funds held from time to time by the Minister of Finance in trust for the provinces of Manitoba, Saskatchewan and Alberta.

No further action was taken and the records do not disclose the reason. Whatever may have been the cause, the fact is that when the present administration took office the fund was in the same state as in 1922. The amount was entered annually in the public accounts as a liability of the dominion; five per cent interest was being paid and there was no dispute as to the amount which was to be paid, but there were no certificates which could be transferred to the provinces.

The provinces were consulted to ascertain whether they desired settlement in cash, or the transfer of the fund by securities of Canada. It was agreed that, until an arrangement could be made, the dominion would continue to pay interest at the rate of 5 per cent. Early in April last, representatives of the provinces met with the dominion and it was arranged that a new debenture issue would be created for the amount of the capital account of the fund on the dates of the transfer of the resources to each of the provinces. This has been done, and the provinces receive certificates for the following amounts:

Manitoba..	$ 5,919,862 65
Saskatchewan.	17,809,039 00
Alberta.	9,564,569 20
	$33,293,470 85

The maturity date is July 1, 1934, and the interest is at the rate of 5 per cent, payable half-yearly on the first of July and January.

$25,000,000 MATURITY

While the actual settling of the $25,000,000 loan which had been obtained in New York in 1916 took place on the first day of the present fiscal year, might it be pointed out that the financial operation of last fall provided the money for that purpose. The loan was a five per cent issue, while the cost of the re-financing was at the rate of 4·38 per cent. This means a saving in the annual interest charges of $155,000.

1931 CONVERSION LOAN

The only funded debt to be refinanced in the present fiscal year is the $52,929,600 falling due on October 1, and the success of the conversion loan recently completed leaves less than 15 millions to be refinanced. At the present moment it would appear that this can most profitably be done by the use of treasury bills.

The debt conversion operation, which commenced on May 11 last, does not properly belong to a review of the financial operations of the last fiscal year, but it is a matter of general interest at the present time. The basis was: in exchange for bonds maturing in 1931, 1932, 1933 and 1934, new securities were given, bearing interest at the rate of 4½ per cent per annum, and maturing twenty-five years after the due date of the bonds surrendered for conversion, the dominion having the right to redeem after fifteen years. The holder was, naturally, guaranteed all the benefits, including difference in interest rate, associated with his old bond to the date of its maturity. The first offer to the public was for $250,000,000. The success of the operation was assured at the close of business on the first day, and it became necessary to increase the amount the government was prepared to accept for conversion. The subscription books remained open until the advertised closing date, Saturday, May 23. It was a remarkable success, it being estimated approximately 640 millions were converted. Until all adjustments are made and the overseas subscriptions actually delivered to the department, a final statement cannot be presented, but at the moment the report is:

Year of Maturity	Total Amount of Loan	Amount Surrendered for Conversion
1931..	$ 52,929,600	$ 38,762,500
1932..	73,323,150	37,011,400
1933..	446,659,950	272,989,100
1934..	511,910,650	278,703,500
	$1,084,823,350	$627,466,500
Not yet distributed as to maturity.		12,350,000
		$639,816,500

The dominion sponsored the conversion operation and paid a commission of one-half of one per cent, except on conversions of bonds maturing on October 1st, 1931. No commission was paid to any one for the $38,000,000 of bonds of this issue which were surrendered for conversion.

RAILWAYS, STEAMSHIPS, AND HARBOUR COMMISSIONS

The financial provision which it was necessary to make in the fiscal year for the Canadian National Railways and Steamships, and the various harbour commissions, reached important dimensions. So far as capital expenditures are concerned, they represent the carrying out of the extensive programs of construction approved by parliament in previous sessions, and where payments have been required for operating deficits, the amounts naturally reflect the unfavourable situation.

Canadian National Railways

The accounts of the Canadian National Railways for 1930 have been presented to the house. The company failed to earn its fixed charges to the public by $29,219,738. This figure is exclusive of the operations of the eastern lines of the accruing interest on the cash advances of $604,000,000 which the government has made to the company in previous years.

The deficit on the system, exclusive of eastern lines, was financed by the company and is not reflected in the government accounts for this year.

The general budget of the railways for 1930, which included provision for deficit, general additions and betterments and miscellaneous debt retirements, amounted to $63,010,400.85, of which $51,600,000 was authorized at the 1930 session and the balance, $11,410,400.85 was passed at the present session as a supplementary provision to cover over-expenditure due to the unanticipated falling-off in receipts. In respect of these requirements, guaranteed bonds to the amount of $51,600,000 were issued and the sum of $11,410,000.85 has been financed temporarily by a bank loan.

The expenditures just referred to do not include those incurred on branch lines and terminals authorized by special statutes. For these purposes the actual expenditures in 1930 amounted to $21,112,073, financed from the proceeds of guaranteed bonds. The total amount of bonds issued in the past fiscal year for these purposes was $32,577,779, a substantial amount having been provided for expenditures on these accounts in 1931.

For the purposes mentioned above and to refund certain maturing and temporary loans, the company issued $120,000,000 of securities in the period of our fiscal year to which the guarantee of the government, in accordance with the authorization of parliament, was given. An issue of $50,000,000 4¾ per cent 25-year bonds was sold in June, 1930, and an issue of $70,000,000 4½ per cent 25-year bonds was sold in February, 1931.

The following statement summarizes the purposes for which these issues were made and the total amount of securities issued in each case:

Canadian National Railway Company

Guaranteed Bond Issues, 1930-31

Authority		Securities Issued
Railway loan appropriation, 1930 budget.. ..		$ 51,600,000 00
Special Projects—		
Branch lines construction:		
Special acts, 1927-30 program..	$ 226,166 83	
Special acts, 1929-32 program..	13,524,749 04	
Toronto Terminals Railway Act..	3,650,000 00	
Can. National Montreal Terminals Act.. ..	12,300,000 00	
Northern Alberta Railways Act..	1,589,904 62	
St. John & Quebec railway acquisition.. ..	1,286,959 00	
		32,577,779 49
Refunding—		
Temporary loan, railway loan appropriation, 1929 budget..	$ 7,171,181 67	
Can. National (Central Vermont) Financing Act, 1930..	8,609,000 00	
Can. National Refunding Act, 1930..	20,042,038 84	
		35,822,220 51
		$120,000,000 00

As in former years the company financed the purchase of new equipment to the extent of seventy-five per cent of the cost thereof, by the sale of equipment trust certificates not guaranteed by the Dominion government. An issue, authorized in June, 1930, of $15,750,000 4½ per cent certificates was made for this purpose.

Canadian National Steamships.

The operating loss on the Canadian Government Merchant Marine, Ltd., 1930, involved a cash payment by the government of $834,-210.89. We were also called upon to advance $992,730.62 to the Canadian National (West Indies) Steamships, Ltd., this amount being the cash deficit resulting from the 1930 operations of the company after absorbing the contributions made by the colonies under the West Indies trade agreement towards the cost of the service. The sum advanced does not, however, represent the whole cost of this service which, including depreciation, amounted to $1,362,655 in 1930. The operation of these two organizations in 1930 resulted in a charge of $1,826,941.51 on the government accounts for the year.

Harbour Commissions.

Advances to harbour commissions on capital account for the development of port and terminal facilities, totalled $15,606,600. The following statement shows the amount advanced in 1930-31 to each of the commissions:

[Mr. Bennett.]

	Advances, 1930-31
Chicoutimi..	$ 846,000 00
Halifax..	3,539,000 00
Montreal..	2,291,000 00
Quebec..	3,491,000 00
St. John..	1,094,000 00
Three Rivers..	1,543,000 00
Vancouver..	2,802,000 00
	$15,606,600 00

In July, 1930, the sale was made of a further $500,000 5 per cent guaranteed bonds of the harbour commissioners of Montreal for purposes of the Montreal harbour bridge, bringing the outstanding debt for this project to $19,000,000. The revenues of the bridge in 1930 were not adequate to meet the interest charges and, consequently, on November 1, 1930, the government was called upon to implement its guarantee to the extent of providing $170,000.

CANADIAN FARM LOAN BOARD

During the year, the government advanced $2,600,000 to the Canadian Farm Loan Board, being the balance of the $5,000,000 initial capital which the act provided that the government should supply for the operations of the board. Subscriptions to capital stock of the board under the terms of the scheme, involved a further payment of $199,839. Apart from the initial capital subscribed by the dominion government and capital stock subscriptions made by the dominion and provincial governments and the borrowers, respectively, the board is to be financed by the issue of farm loan bonds to be sold either to the public or to the Minister of Finance. In view of the difficulties at the moment of securing a favourable market reception for farm loan securities, the government has undertaken to purchase on a 5 per cent basis farm loan bonds to finance the 1931 operations of the board. The amount of bonds purchased prior to the end of the fiscal year was $300,000, bringing the total capital furnished by the government to the board in the year, to $3,099,839.

The transactions involved in the year's operations are now summarized in the condensed cash statement which follows:

Receipts—		
Cash balances in banks, March 31, 1930.. ..		$ 27,991,597 06
Loans and advances repaid:		
Canadian National Railways temporary loan..	$21,060,541 78	
Provincial Housing Loans..	639,515 00	
Government of Greece..	225,000 00	
Soldier Settlement Loans..	285,904 06	
		22,210,960 84
Loan Accounts Receipts:		
4 per cent 1930-60 New York Loan proceeds..	93,646,000 00	
School Lands debenture Stock..	509,000 00	
		94,155,000 00
Annuities, Insurance and Superannuation Funds—net accretion..		9,835,077 39
Miscellaneous Accounts..		533,639 93
Revenues for year 1930-31..		356,216,299 00
		$510,942,574 22
Payments—		
Reduction in Liabilities:		
Post Office Savings Bank withdrawals.. ..	$ 1,335,809 06	
Post Office Money Orders, etc., redeemed..	956,419 94	
4 per cent Treasury Notes redeemed.. ..	5,000,000 00	
Bonds and Stocks acquired for sinking funds..	3,673,666 19	
Overdue bonds and stocks redeemed.. ..	203,874 50	
Overdue coupons redeemed..	425,395 16	
		$11,595,164 85
Payments on Active Asset Accounts:		
Bonds acquired and held..	1,034,805 56	
Loans to Harbour Commissioners..	12,115,600 00	
Loans to Canadian Farm Loan Board.. ..	3,099,839 00	
Bullion and Specie, increase in surplus held.	5,090,776 58	
Ottawa Mint Bullion advance account.. ..	1,947,206 82	
		23,288,227 96
Expenditures 1930-31, exclusive of $8,599,385 Soldier Settlement Loans written off.. ..		431,461,272 00
Cash balances in banks, March 31, 1931.. ..		44,597,909 41
		$510,942,574 22

BALANCE SHEET

The assets and liabilities of the Dominion are set out in the balance sheet published in the public accounts: active assets comprising cash balances and specie accounts; loans and advances that are realizable or income-producing, and other miscellaneous accounts. These assets are taken as an offset against the gross liabilities of the dominion in arriving at the net debt. The balance sheet also sets out non-active assets that are not considered as an offset against the gross liabilities, as they represent loans and advances that are neither realizable nor income-producing and the large capital expenditures made on government-owned properties. Taking first the active assets, the statement is, and I think the house will be somewhat interested in this statement of our assets that are regarded as having value:

Active Assets on March 31, 1931

Cash balances in banks..		$44,597,909 41
Specie Reserve..	$ 81,457,889 05	
Advances to Banks under Finance Act..	6,500,000 00	
		87,957,889 05
Loans to Provinces for Housing..		10,671,687 72
Loans to Foreign Governments:		
Greece..	6,640,000 00	
Roumania..	23,969,720 00	
		30,609,720 00
Loans to Harbour Commissioners:		
Chicoutimi..	2,161,000 00	
Halifax..	4,841,000 00	
Montreal..	55,977,000 00	
St. John..	3,407,000 00	
Vancouver..	20,607,900 00	
Three Rivers..	1,679,600 00	
		88,673,500 00
Canadian Farm Loan Board..		5,608,862 00
Soldier and General Land Settlement..		48,150,885 44
Seed Grain and Relief Advances..		2,426,508 29

For seed grain and relief advances this amount only is being carried as an active asset.

Advances for working capital and Miscellaneous—		
Advances to Royal Mint..	$ 4,221,401 34	
Canadian Government Railways, Open and Stores Accounts..	15,748,921 60	
Miscellaneous Advances, etc.	4,265,215 87	
Unamortized discount on 4 per cent loan, 1930/60..	6,248,100 00	$30,483,638 81
		$349,180,600 72

I shall now make, as I think it is desirable, a short statement with respect to each of these items in the statement of active assets that I have just placed on Hansard.

Cash balance in banks.

Cash balance in banks, $44,500,000 is the amount of cash at the credit of the Receiver General in the several banks at the close of the fiscal year. Of the amount $25,000,000 was paid out on April 1, 1931, to retire the 5 per cent Public Service Loan which matured in New York on that date.

Specie Reserve.

Specie Reserve is the gold held by the Department of Finance as security for Dominion Notes in circulation and Post Office Savings Bank deposits. At the end of the year there was $81,000,000, an increase of $15,000,000 for the year.

Advances to banks under the Finance Act.

Advances to banks under the Finance Act, amounting to $6,500,000, are made by issue of Dominion Notes against approved securities deposited by the banks with the department as collateral.

Loans to Provinces for erection of houses.

Under authority of appropriations granted in 1919 and 1920 advances were made to the provincial governments to encourage the erection of dwelling houses throughout Canada. The loans were repayable within twenty years and carried interest at the rate of five per cent per annum. Advances to the amount of $23,500,000 were made. Repayments received have reduced this to $10,600,000 on March 31, 1931, made up as follows:

British Columbia..	$ 1,701,500
Manitoba..	1,475,000
New Brunswick..	1,057,000
Nova Scotia..	1,017,000
Ontario..	......
Prince Edward Island..	36,500
Quebec..	5,384,688
	$10,671,688

Loans to Foreign Governments.

Following the termination of the Great war, the Dominion government made available to certain foreign governments credits for the purchase of Canadian products. A number of the countries that took advantage of these credits have already repaid the amounts advanced. There is still $6,600,000 owing by the government of Greece, and $23,900,000 by the government of Roumania. Arrangements were made with the government of Greece in 1924 which provided for semi-annual payments on account of principal so that the debt will be retired by 1948. Interest at 5 per cent and redemption payments have been made when due.

The Roumanian debt was funded in 1922 on a 4 per cent basis, and since then interest has been paid regularly. These bonds mature on April 1, 1968, and a provision is made for a sinking fund to redeem them on or before the due date.

Loans to Harbour Commissioners.

Prior to 1921 the policy had been to provide for necessary harbour improvements by direct government expenditures, except at the ports of Montreal and Quebec to which the funds required were loaned by the government. In 1921 the harbour commission of Vancouver was added to those receiving aid by way of loans. Harbour commissions at Chicoutimi, Halifax, St. John and Three Rivers have since been added to the list. The amount which had been so loaned is carried as an active asset, and reached the figure of $88,600,000 on March 31, 1931. This is exclusive of advance to the Quebec Harbour Commission which is carried as a non-active asset.

Canadian Farm Loan Board.

The financial requirements of the Canadian Farm Loan Board have been met from the federal treasury and the board has, so far, received $5,600,000. This is made up of $5,050,000 of initial capital and advances; $250,000 in subscriptions to capital stock, and $300,000 in purchase of farm loan bonds.

Soldier and general land Settlement.

The Soldier Land Settlement Act of 1919 provided for the granting of financial assistance by way of loans to returned soldiers who were desirous of settling on the land. Up to the 31st of March, 1931, loans to the amount of $116,500,000 were granted, against which $32,800,000 has been realized. As the major portion of the advances was made at a period of inflated values it became necessary to afford measures of relief. Accordingly in 1925, 1927 and 1930 the Soldier Land Settlement Act was amended to provide for reduction in the amounts of loans outstanding to settlers. As a result of these amendments $18,900,000 has been written off to Consolidated Fund.

Substantial losses have been experienced in resale of farms, stock and equipment that reverted to the board. To provide for these losses $16,600,000 has been transferred to non-active assets. There is left $48,200,000 as an active asset out of a net capital investment of $83,700,000.

Seed Grain and Relief Advances.

Advances for seed grain and relief have been made from time to time to needy settlers in western Canada. These advances are repayable with interest, and, on March 31, 1931, $2,400,000 was carried in the account as realizable.

Advances for Working Capital and Miscellaneous.

The remaining assets carried as active total $30,400,000 under the general heading of advances for working capital and miscellaneous. The chief items under this category are amounts advanced to the Ottawa Mint for purchase of precious metals, the stores and open accounts of the Canadian Government Railways (now entrusted to the Canadian National Railways for operation) and the unamortized discount on the 4 per cent 1930-60 loan sold at a substantial discount, which will be absorbed over the life of the loan by annual charges to income.

LIABILITIES

The liabilities of the Dominion as of March 31, 1931, may be summarized as follows:

Liabilities of Dominion on March 31, 1931

Dominion Notes Outstanding		$ 141,066,256 69
Bank Circulation Redemption Fund		6,788,162 46
Insurance and Superannuation Funds:		
Government Annuities	$23,306,954 65	
Insurance Fund, Civil Service	6,373,647 19	
Insurance Fund Returned Soldiers	9,249,236 10	
Retirement Fund	6,271,610 87	
Superannuation Funds	35,056,489 12	
		80,257,937 93

Liabilities of Dominion on March 31, 1931—Concluded.

Trust Funds:		
Indian Funds	$13,764,581 06	
Common School Funds	2,668,449 17	
Contractors' Securities Deposits	1,712,817 35	
Other Trust Funds	2,473,324 90	
		20,619,172 48
Contingent and Special Funds		1,285,406 40
Post Office Money Orders, Postal Notes, etc., outstanding		4,135,347 92
Province Accounts		9,623,816 77
Post Office Savings Bank deposits		24,750,226 97
Funded Debt—Unmatured	$2,319,279,007 20	
Matured but not presented for payment	555,882 04	
		2,319,834,889 24
Interest coupons matured but not presented for payment		2,427,700 58
Total liabilities		$ 2,610,788,917 44

It may be well to make a brief explanation of these items. I may say, Mr. Speaker, that part of this labour is taken because this is a new parliament and there are a large number of young members who seem to take considerable interest in the financial structure of the country. Therefore I thought it desirable that they might have this record of the position as it existed on the 31st March, 1931. Although this has involved a very considerable amount of labour, I think they will regard the information thus afforded as being of value to them when they are considering the public questions of the country.

Dominion Notes Outstanding

At the close of the fiscal year, dominion notes in circulation amounted to $141,000,000. This is a reduction of $33,000,000 in the amount of notes outstanding at the commencement of the year. The decrease is more than accounted for by the reduced demands of the banks for notes under the Finance Act, which dropped from $50,200,000 at the commencement of the year to $6,500,000 on March 31, 1931. During the same period, the gold held as security for the redemption of the notes increased from $63,000,000 to $80,000,000, so that, while on March 31, 1930, gold reserves represented 36·30 per cent of the total notes in circulation, this percentage was increased to 56·90 per cent on March 31, 1931.

Trust and Special Funds

Each year the Dominion government derives a substantial amount of receipts from trust and special funds. These funds are not earmarked in any way, but are deposited in the general cash fund and are used to meet the current financial requirements of the government. These deposits create a liability which the government will be required to meet by future disbursements. During the past year the treasury received a net amount of $10,000,000 from these sources. The amounts standing at the credit of these accounts on March 31, 1931, were:

Bank Circulation Redemption Fund	$ 6,788,000
Government Annuities, Insurance and Superannuation Funds	80,257,000
Trust Funds	20,619,000
Contingent and Special funds	1,285,000
Post Office, Money Orders, Postal Notes, etc., outstanding	4,135,000
	$113,084,000

Province Accounts

In the dominion books, a liability of $9,623,000 is carried representing the capital debt assumed by the dominion when the provinces entered confederation in respect of the assets taken over. The obligation is discharged by annual interest payments forming part of the subsidies.

Post Office Savings Bank Deposits

Deposits in the post office savings banks have continued to decrease. The reduction for the year amounted to $1,300,000, leaving deposits of $24,750,000 on March 31, 1931.

Matured Funded Debt and Interest Unpaid

As at March 31st, our accounts carried as a liability $555,000 for unpresented matured bonds and $2,400,000 for matured coupons outstanding.

Unmatured Funded Debt

The unmatured funded debt on March 31, 1931, was $2,319,000,000. This shows an increase of $92,000,000 compared with the debt on March 31, 1930, but in the issue that was floated in New York last October, provision was made for the retirement of the $25,000,000, 5 per cent public service loan which matured on April 1, 1931, after the end of the fiscal year. When allowance is made for this retirement, the increase is reduced to $67,000,000.

Sinking Fund

Provision is made for a sinking fund contribution of one-half of 1 per cent per annum on $254,000,000 of sterling debt payable in London.

The annual contribution of $1,272,263.57, together with the interest derived from the bonds and stocks held, are invested each year by the Bank of Montreal, London, acting as fiscal agent for the government. There is no sinking fund provision for the remaining $57,215,000 of sterling debt outstanding. The total investments on account of sinking funds on March 31, 1931, was $59,-700,000, of which $3,670,000 was purchased during last year.

After the three 5 per cent domestic war loans were issued in the years 1915 to 1917, a sinking fund of one-half of 1 per cent per annum was authorized by the governor in council. Certain investments were made on account of this sinking fund but purchases were discontinued when the bonds sold above par. No sinking fund provision has been made for the remaining domestic issues nor for the issues made in New York.

A statement showing the unmatured funded debt and the annual interest charges thereon follows:

Date of Maturity	Name of Loan	Rate	Where Payable	Amount of Loan	Amount Interest Charges
		%		$ cts.	$ cts.
1931—April 1...	Public Service Loan 1916..	†5	New York........	25,000,000 00	1,250,000 00
Oct. 1...	War Loan 1916–31.........	†5	Canada...........	52,929,600 00	2,646,480 00
1932—Nov. 1...	Renewal Loan 1922.........	5½	Canada...........	73,323,150 00	4,032,773 25
Dec. 1...	Two Year Notes...........	4	Canada...........	40,000,000 00	1,600,000 00
1933—Nov. 1...	Victory Loan 1918.........	†5½	Canada...........	446,659,950 00	24,566,297 25
1934—June 1...	Loan of 1884..............	3½	London...........	23,467,206 27	821,352 22
Nov. 1...	Victory Loan 1919.........	5½	Canada...........	511,910,650 00	28,155,085 75
1935—Aug. 1...	Bond Loan 1915–35.........	†5	Canada and N.Y.	874,000 00	43,700 00
1936—Feb. 1...	Loan of 1926–36...........	4½	New York........	40,000 000 00	1,800,000 00
1937—Mar. 1...	War Loan 1917–37.........	†5	Canada and N.Y.	90,166,900 00	4,508,345 00
Dec. 1...	Victory Loan 1917.........	†5½	Canada...........	236,299,800 00	12,966,489 00
1938—July 1...	Loan of 1888..............	3	London...........	8,071,230 16	242,136 90
July 1...	Loan of 1892..............	3	London...........	18,250,000 00	547,500 00
July 1...	Loan of 1894..............	3	London...........	10,950,000 00	328,500 00
July 1...	C.P.R. Loan..............	3½	London...........	15,056,006 66	526,960 23
1940—Sept. 1...	Refunding Loan 1925......	4½	Canada...........	75,000,000 00	3,375,000 00
1943—Oct. 15...	Refunding Loan 1923......	5	Canada...........	147,000,100 00	7,350,005 00
1944—Oct. 15...	Refunding Loan 1924......	4½	Canada...........	50,000,000 00	2,250,000 00
1946—Feb. 1...	Refunding Loan 1926......	4½	Canada...........	45,000,000 00	2,025,000 00
1947—Oct. 1...	Loan of 1897..............	2½	London...........	4,888,185 64	122,204 64
1950—July 1...	Loan of 1930–50...........	3½	London...........	137,058,841 00	4,797,059 43
1952—May 1...	Loan of 1942–52...........	5	New York........	100,000,000 00	5,000,000 00
1960—Oct. 1...	Loan of 1940–60...........	4	London...........	93,926,666 66	3,757,066 67
Oct. 1...	Loan of 1930–60...........	4	New York........	100,000,000 00	4,000,000 00
Demand.........	Debenture Stock School Lands..................	5	Canada...........	33,129,000 00	1,656,450 00
				2,378,961,286 39	118,398,405 34

Payable in Canada..	$ 1,711,252,250 00
Payable in Canada and New York............................	91,040,900 00
Payable in New York..	265,000,000 00
Payable in London...	311,668,136 39
	$ 2,378,961,286 39
Less Bonds and Stocks of the above Loans held as Sinking Funds..	59,764,439 00
	$ 2,319,196,847 39

†Tax Free.

Of the funded debt 13.10 per cent is payable in London; 11.14 per cent in New York; 3.83 per cent in either New York or Canada, and 71.93 per cent in Canada. The following summary sets out the amount of debt outstanding at the different interest rates:

$ 4,888,185 64	at 2½%	.. ..	$ 122,204 64
37,271,230 16	at 3 %	.. ..	1,118,136 90
175,582,053 93	at 3½%	.. ..	6,145,371 89
233,926,666 66	at 4 %	.. ..	9,357,066 66
210,000,000 00	at 4½%	.. ..	9,450,000 00
449,099,600 00	at 5 %	.. ..	22,454 980 00
1,268,193,550 00	at 5½%	.. ..	69,750,645 25
$2,378,961,286 39			$118,398,405 34

NON-ACTIVE ASSETS

The gross liabilities of the Dominion on March 31, 1931, were $2,610,700,000 as against which there were active assets of $349,180,000, to which reference has been made. The difference $2,261,600,000, commonly referred to as the net debt, but which is really the net debit balance in the accounts, is briefly accounted for under three heads.

First, there are loans and advances made for various enterprises which are not presently realizable, yield no direct return to the treasury, and in the presentation of the accounts are treated as losses. These total $673,000,000, the chief of which are $614,000,000 to the Canadian National Railways, $15,500,000 to the Canadian National Steamships, $24,400,000 to the Quebec harbour commission and $16,600,000 soldier land settlement loans.

The second division is comprised of the aggregate of capital expenditures made on canals, railways, public buildings and harbour and river improvements, which total $927,300,000. Another item of $88,000,000 is shown as "Railway Accounts (Old)", which refers to railway capital expenditures made in the early history of the country, the fruits of which were by legislation transferred to certain railway companies, hon. members will recall the transaction with respect to them during the Grand Trunk arbitration.

Then there is the balance of $572,500,000 at debit of consolidated fund on March 31, 1931. This is the accumulated deficits since the commencement of the accounts, or since confederation. All expenditures arising out of the world war have been absorbed in this balance. A tabulation of the non-active assets follows:

Non-Active Assets on March 31, 1931

Canadian National Railways		$ 614,406,239 42
Canadian National Steamships		15,550,748 55
Harbour Commissioners:		
Quebec	$24,429,995 68	
Montreal and Three Rivers	251,760 97	
		24,681,756 65
Seed Grain and Relief Advances		1,128,829 50
Soldier and General Land Settlement		16,648,957 95
Miscellaneous Advances, etc		995,678 82
Capital Accounts:		
Canals	$233,782,788 90	
Railways	435,687,262 93	
Public Buildings, Harbour and River Improvements	235,898,706 71	
Military Property and Stores	12,035,420 50	
Territorial Accounts	9,895,947 68	
		927,300,126 72
Railway Accounts (old)		88,398,828 78
Consolidated Fund, balance at debit of, March 31, 1931		572,497,150 33
Net Debt March 31, 1931		$2,261,608,316 72

INDIRECT OBLIGATIONS OF THE DOMINION

Hon. members will recall I spoke of obligations direct and indirect. Having dealt with the balance-sheet position of the dominion, its direct liabilities and the liquid and income-producing assets offsetting these in part, there remain for consideration the contingent or indirect liabilities. As at March 31, 1931, these indirect liabilities, as represented by securities guaranteed by the dominion outstanding in the hands of the public, amounted to $954,892,779. If to this figure there be added that part of the funded debt of the Canadian National Railways which does not bear a dominion government guarantee, a total of $1,268,748,433 is reached, accounted for as follows:—

Securities Guaranteed by the Dominion Government:

Harbour Commissions		
Montreal Harbour Bridge	$19.000.000	
New Westminster Elevator	700.000	
St. John Harbour Improvements	2.135.118	
	$	21.835.118
Canadian National (West Indies) Steamships		9.400.000
Canadian National Railways		923.657.661
Total Securities guaranteed by Dominion	$	954.892,779
Canadian National Railway Debt not guaranteed by Dominion:— but for which of course we are liable—otherwise the property would cease to function—		
Guaranteed by provinces		72,184.488
Unguaranteed debt—		
Perpetual debenture stock		63.240.571
Mortgage bonds and debenture stock		88.608.374
Other miscellaneous indebtedness		7.480.621
Equipment trust notes & certificates		82.341,600
Total of which $1,237,513,315 is Canadian National Debt to the public		$1,268,748.433

The operation of the Canadian National Railways as an amalgamated unit dates from 1923. In January of that year, the former administration, by order in council, declared the preference and common stock of the Grand Trunk Railway Company of Canada to be the property of the Minister of Finance in trust for His Majesty and thereupon the amalgamation of the Grand Trunk with the Canadian National took place. It may be well for us to examine briefly the results of these eight years of operation, having regard particularly to their association with and reflex upon the dominion's financial position.

The period has been one in which a large sum of money has been made available to the system for capital investment, and there has been a corresponding increase in the debt of the company. In eight years some 400 millions of dollars have been added to the Canadian National Railways investment account for the construction and acquisition of lines, for terminals, hotels, new equipment, etc. This increase in debt has resulted in an addition to the annual interest charges on the system of almost 20 millions of dollars or about 55 per cent, so that when we consider the result of operations over the period, we must have in mind, on the one hand, the advantages expected to accrue from the assumption of a heavy additional obligation and, as an offsetting factor, the annual carrying charges resulting therefrom.

The balance sheet of the Canadian National Railways, through the profit and loss account indicates a loss in the eight-year period of 346 millions of dollars. The first and largest item making up this loss consists of 253 millions of dollars charged in the railway accounts—but not paid—as interest on the sum of 604 millions of dollars of direct assistance by way of cash loans which the government has given to the company. As between the government and the system, this is only a bookkeeping item. The actual burden of this liability was taken over by the dominion and has been carried by the tax-payers of the country.

The balance of the loss, totalling $93,000,000, is made up of $86,000,000, being the actual deficiency of earnings in the eight-year period after charging interest due the public, but leaving aside the interest due the government, and $7,000,000 representing the net debit of adjustments through profit and loss account. These figures leave out of consideration the operations of the eastern lines since the passing of the Maritime Freight Rates Act in July, 1927, from which date the government has contributed directly to operating losses on these lines, apart from the 20 per cent reduction in tolls, the sum of $17,500,000.

The situation, therefore, is that since 1923 an additional capital liability of 400 millions of dollars has been assumed in respect of the railways, involving an increase in the annual interest charge of 20 millions of dollars. The system has failed to earn its interest charges during the period by a round sum of 86 millions, and the government has itself borne the carrying charges in respect of 604 millions of dollars contributed direct to the system, as well as, since 1927, operating losses of $17,500,000 on eastern lines.

It is well known and fully realized that the difficulties of transportation systems are not unique to Canada or to the Canadian-owned system. To realize that in 1930 the gross revenues of the system were less than in the year 1923, notwithstanding the addition of 400 millions of dollars to the investment in the property, serves only to impress the seriousness of the problem.

The following is a statement of these indirect obligations:

Bonds Guaranteed by Dominion Government as at March 31, 1931

Date of Maturity	Issue	Interest Rate	
		%	$ cts.
Sept. 1, 1934	Canadian Northern	4	17,060,033 33
Feb. 15, 1935	Canadian Northern	4½	17,000,000 00
Sept. 1, 1936	Grand Trunk	6	25,000,000 00
Oct. 1, 1940	Grand Trunk	7	24,743,000 00
Dec. 1, 1940	Canadian Northern	7	24,793,000 00
July 1, 1946	Canadian Northern	6½	25,000,000 00
April 1, 1948	New Westminster Harbour Comm	4¾	700,000 00
Aug. 1, 1952	St. John Harbour Comm	5	667,953 04
July 10, 1953	Canadian Northern	3	9,359,996 72
Feb. 1, 1954	Canadian National	5	50,000,000 00
Sept. 15, 1954	Canadian National	4½	26,000,000 00
Mar. 1, 1955	Canadian National (West Indies) Stps	5	9,400,000 00
June 15, 1955	Canadian National	4¾	50,000,000 00
Feb. 1, 1956	Canadian National	4½	70,000,000 00
July 1, 1957	Canadian National	4½	65,000,000 00
July 20, 1958	Canadian Northern	3½	7,896,564 81
May 4, 1960	Can. Nor. Alberta	3½	3,149,998 66
May 19, 1961	Can. Nor. Ontario	3½	34,229,996 87
Jan. 1, 1962	Grand Trunk Pacific	3	34,992,000 00
Jan. 1, 1962	Grand Trunk Pacific	4	8,440,848 00
Dec. 1, 1968	Canadian National	4½	35,000,000 00
July 1, 1969	Canadian National	5	60,000,000 00
Oct. 1, 1969	Canadian National	5	60,000,000 00
Nov. 1, 1969	Harbour Comm. of Montreal	5	19,000,000 00
Feb. 1, 1970	Canadian National	5	18,000,000 00
By tenders or drawings	Canadian National	2	30,534,780 67
Various dates, 1932-54	City of Saint John Debs. assumed by Saint John Harbour Commissioners	various	1,467,164 96
Serial—			
Feb. and Aug. 1, 1931-38	Canadian National Equipment "G"	5	11,250,000 00
Perpetual	Grand Trunk Guaranteed Stock	4	60,833,333 33
"	Grand Trunk Debenture Stock	5	20,782,491 67
"	Great Western Debenture Stock	5	13,252,322 67
"	Grand Trunk Debenture Stock	4	119,839,014 33
"	Northern Ry. of Canada Debenture Stock	4	1,499,979 67
			954,892,778 73

Now, Mr. Speaker, at this point I should like to point out that there is a tendency on the part of the press supporting hon. gentlemen opposite to allege that the government is opposed to the Canadian National Railways. May I venture to declare that no man is a good Canadian who does not take time to study and realize the extent of the obligations which are being laid upon this country by this parliament. The Canadian National Railways' management cannot be charged with responsibility for this. The Canadian National Railways Act provides that the governor in council takes the position of shareholders under the Railway Act, and when I point out the sums that have been expended and the obligations that have been created during the last eight years, I do so because it has been done at the initiation of the government which is now the official opposition. Bear that in mind. I do think there is a failure on the part of the Canadian people to understand and appreciate the extent and character of the obligations which have thus been placed upon them. There you have $86,000,000 of a deficit in interest earning power in the last eight years, in addition to which the people of this country paid interest on $604,000,000 advance for the running of the enterprise.

Now, I submit, sir, I would be derelict in my duty, and I believe any hon. member would be derelict in his duty, if he did not analyze and ponder these matters. And the blame must rest with the government of the day for the management of railway companies are always prone to submit requests for larger sums than they expect to get. Yet so far as I have been able to ascertain, not one single capital request made by the management of the Canadian National Railways during the last eight years was refused by the late government—not one. Is that so in any privately owned road? Go through the requisitions made on the Canadian Pacific Railway or on the Union Pacific, the Southern Pacific or the Santa Fé, and you will not find that state of affairs existing. Yet the late government, for reasons best known to themselves, have put the country in the position that I have just pointed out. And I do suggest that there is no business of the nation which should so concern hon. members—who represent the shareholders in a larger way than does the governor in council—as that resulting in figures to which I have just directed their attention. I certainly think, and this government certainly thinks, it is most unfair and unjust, and, what is more, inimical to the well-being of the enterprise itself, to say that because you direct attention to those figures and the effect of them that therefore you are an enemy of the enterprise. The best friend any business enterprise has is that shareholder who carefully scrutinizes the expenditures made by the directors during the year.

TRADE

Canada at the close of the year 1930 again ranked fifth among the nations in the volume of international trade. There were substantial decreases in the dollar value of trade, as compared with the year before, but were a graph made by use of quantities it would present a jagged picture. The fiscal year 1929-30 closed with an unfavourable balance of visible trade amounting to 103 millions. In the year under review the unfavourable balance was 89 millions.

The United States was the principal customer of Canada during the year, taking 44½% of our exports and in turn Canada purchased over 64% of its imports from the United States. In dollars, imports from the United States amounted to 584 millions, and the exports 364 millions. This left an unfavourable balance in the trade with the United States of 220 millions. In the preceding year imports had amounted to 847 millions and exports to 536 millions.

Trade with British Empire

Trade with the British Empire was unevenly affected during the year. On the import side, while there was a decrease from 252 millions to 204 millions, this decrease was largely in the imports from two countries—the United Kingdom and New Zealand. There was a 40 million dollar decrease in imports from the United Kingdom, $3,000,000 being in iron products, 8 millions in alcoholic beverages and 19 millions in textiles. The balance was spread throughout a wide list of articles. From New Zealand the decline was in imports of butter which decreased $9,700,000.

The exports to the British Empire amounted to 295 millions, a decrease of 86 millions from the year before. The countries to which exports fell off the most were: United Kingdom (62 millions), Australia (9.6 millions), New Zealand (6.4 millions), West Indies (3 millions), and Newfoundland (1.5 millions). Naturally, the greatest falling off in exports to the United Kingdom consisted of food stuffs. The decrease in exports of grains amounted to 41 millions, in meats to $3,900,000, in milk products to $4,400,000, in paper to $2,300,000, and in iron and its products to $2,800,000. The principal decreases in exports to other parts of the British Empire were in food commodities such as flour, paper and wood products, automobiles, farm implements, etc.

The trade of Canada in the fiscal year, when calculated by means of percentage, was divided as follows:

With—	Imports %	Exports %
British Empire	22.6	36.1
United States	64.4	44.5
Treaty countries	9.2	14.1
Other countries	3.8	5.3
	100.	100.

Imports of Commodities

Ten product groups make up in value the major part of the imports into Canada, and a comparison over the last five year period emphasizes the material reductions which took place.

Group	1927	1928	1929 (in millions)	1930	1931
Sugar and products	40.4	38.8	31.7	27.9	25.1
Alcoholic beverages	29.3	45.9	48.8	45.0	35.4
Cotton and products	54.1	58.2	63.2	54.0	35.2
Wool products	50.5	48.8	54.4	46.6	33.6
Textile products, other	78.9	79.8	88.7	84.5	61.8
Iron products	229.4	259.5	346.6	316.8	194.9
Non-ferrous metal products	52.7	60.1	75.4	87.9	59.6
Coal and products	68.6	64.8	63.1	64.1	58.1
Petroleum	54.4	53.5	64.0	78.7	62.7
Chemicals	31.8	33.5	37.7	39.9	35.6

Exports of Commodities

A study of the exports shows every activity to have been touched by the decline in values —the products of the farm, the mine, the forest, the fishery and the factory. Again summarizing under ten groups, the record of the past five years shows:

Group	1927	1928	1929 (in millions)	1930	1931
Grains	394.4	391.6	476.1	232.7	180.8
Flour	68.7	59.8	65.1	45.4	32.8
Milk and products	41.6	34.0	35.7	27.4	18.7
Lumber, logs, etc	107.8	99.3	91.6	89.7	60.7
Paper	123.2	134.9	148.3	151.5	131.9
Fish	34.5	33.5	34.9	34.7	27.8
Rubber products	26.6	28.6	30.5	32.2	21.0
Non-ferrous metal products	80.6	90.8	112.7	154.3	95.6
Iron products	74.2	62.7	82.2	78.5	38.9
Wood pulp	49.9	47.3	44.9	44.7	35.1

Imports of Certain Goods

In the month of September, changes were made in the rates of over one hundred tariff items. A comparative statement is difficult because some divisions were previously incorporated into general items. With this reservation, the imports under the 129 items amounted to $112,271,000 in the period from October 1st, 1929, to March 31st, 1930, and in the same period commencing October 1st, 1930, and ending March 31st, 1931, the imports were $61,920,000.

Summary of the Trade

A statement of the world trade of Canada in the past five years follows:

Year	Imports $	Total Exports $	Balance $
1927	1,030,892,505	1,267,573,142	+236,680,637
1928	1,108,956,466	1,250,598,034	+141,641,568
1929	1,265,679,091	1,388,896,075	+123,216,984
1930	1,248,273,582	1,144,938,070	−103,335,512
1931	906,612,681	817,003,048	− 89,609,633

New Industries Established in Canada

Since August, 1930, there has been a marked influx of new concerns from outside countries into the dominion. It will be some time before full details in regard to capital invested, number employed, etc., can be secured since some are still in process of organization, but eighty-seven such concerns have already been listed by the dominion bureau of statistics and the number continues to grow. Of the eighty-seven, seventy-four are United States manufacturing concerns, eleven are British—seven manufacturing and four non-manufacturing—and two are French.

These firms represent considerable diversification in industry. United States firms include eight in the vegetable products groups—such as foods and rubber—two animal products, eight textile, eight wood and paper products, twenty iron and steel, twelve non-ferrous metals, three non-metallic minerals, nine chemicals and allied products, two mining and two miscellaneous. British firms include three textile, six iron and steel, one chemical and one miscellaneous. The two French firms are textile manufacturers.

List of New Concerns Establishing in Canada since August, 1930

United States

A. Vegetable Products:

1. Campbell Soup Co., Ltd., New Toronto, Ont.
2. Fine Foods of Canada, Ltd. (Minnesota Canning), Windsor, Ont.

A. Vegetable Products—Conc.
3. Hill Nut Co., Ltd., Toronto, Ont.
4. Liberty Cherry Co. of Canada, Ltd., Toronto, Ont.
5. Newton Products, Toronto, Ont.
6. Stedfast Rubber Co., Granby, Que.
7. Stedman Flooring Co., Farnham, Que.
8. Teabury Chewing Gum Co., Sherbrooke, Que.

B. Animal Products (Except Textiles):
1. Cantilever Shoe Co. of Canada, Ltd., Toronto, Ont.
2. Schwegler's Hatchery, Bridgeburg, Ont.

C. Textiles:
1. Aero Corp. of Canada, Kitchener, Ont.
2. B. Edmund David, Hawkesbury, Ont.
3. Dominion Webbing Co., Ltd., Kingston, Ont.
4. Donahue Corp. of Canada, Ltd., St. Hyacinthe, Que.
5. Henry Hamer & Sons, Ltd., St. George de Beauce, P.Q.
6. Esmond Mills, Ltd. of Canada, Granby, Que.
7. Herbert Hosiery Mills, Ltd., Toronto, Ont.
8. Westminster Hosiery Ltd., Mount Denis, Ont.

D. Wood and Paper Products:
1. Belleville-Sargent & Co., Ltd., Belleville, Ont.
2. Brown & Bigelow Ltd., Toronto, Ont.
3. Dixon Pencil Co., Newmarket, Ont.
4. Eagle Pencil Co. of Canada, Ltd., Drummondville, Que.
5. Hardware, Woodenware and Toys, Ltd., Coaticook, Que.
6. Schaeffer Ross Co. of Canada, Ltd., Toronto, Ont.
7. Schlegel Co. of Canada, Ltd., Toronto, Ont.
8. Venus Pencil Co. of Canada, Ltd., Toronto, Ont.

E. Iron and its Products:
1. A. B. C. Washer Co., Granby, Que.
2. Burr, Patterson & Auld Co., Walkerville, Ont.
3. Castings of Canada, Ltd., Smiths Falls, Ont.
4. Cross Coal-O-Matic Co. of Can., Ltd., Montreal, P.Q.
5. Dominion Hoist & Shovel Co.
6. Dominion Motors Ltd., Toronto, Ont.
7. Fedder Mfg. Co., Toronto, Ont.
8. Heaters of Canada, Oakville, Ont.
9. Hump Hairpin Co., St. Hyacinthe, Que.
10. Hupp Motor Car Corp., Windsor, Ont.
11. Johnson (S. T.) Oil Burners of Canada, Ltd., Montreal, P.Q.
12. Lodge Motor Co., Ltd., Walkerville, Ont.
13. Lynn Canadian Products, Ltd., Brockville, Ont.
14. Metal Textile Corp., Hamilton, Ont.
15. Radiator Specality Co. of Canada, Toronto, Ont.
16. Reo Motor Co. of Canada, Toronto, Ont.
17. Taco Heater Ltd. of Canada, Toronto, Ont.
18. D. D. Terrill Saw Co., Pembroke, Ont.
19. Tower Oil Burner Co. Ltd., Montreal, Que.
20. Stewart Truck Corp. of Canada (Assembling), Fort Erie, Ont.

F. Manufacturers of Non-Ferrous Metals:
1. Curtis Lighting Co. of Canada, Ltd., Toronto, Ont.
2. Dennison Electric Co., Toronto, Ont.
3. Dictograph Co. of Canada, Ltd., (Assembling), Toronto, Ont.
4. Eastern Power Devices, Ltd. (Formerly Sales Office), Toronto, Ont.
5. Hammond Co. of Canada, Ltd., Toronto, Ont.
6. International Resistance Co. Ltd., Toronto, Ont.
7. Leland Electric of Canada, Ltd., Toronto, Ont.
8. Noma Electric Co. of Canada, Toronto, Ont.
9. General Railway Signal Co. of Canada Ltd., Toronto, Ont.
10. Packard Cable Co. of Canada, Ltd., Toronto, Ont.
11. J. P. Seeburg Corp., Toronto, Ont.
12. Wheeler Reflector Co., Toronto, Ont.

G. Manufacturer or Non-Metallic Minerals:
1. Messrs. Bundy Insulators Co., Oshawa, Ont.
2. Master Builders, Ltd., Toronto, Ont.
3. Tranco Manufacturing Co. (Canada) Ltd., (formerly sales office), Leaside, Ont.

H. Chemicals and Allied Products:
1. Canadian Bitumels Co., Ltd., New Toronto, Ont.
2. Everett & Barron of Canada, Ltd., Toronto, Ont.
3. Fyr-Fyter Co. of Canada, Ltd., Hamilton, Ont.
4. The A. W. Higgins Co., St. John, N.B.
5. Mallinckrodt Chemical Works of Can., Ltd. (formerly sales office), Toronto, Ont.
6. Mum Mfg. Co. Inc., Windsor, Ont.
7. Ober Fertilizer Co., Welland, Ont.
8. Sheffield Bronze Powder Co., Ltd., (formerly sales office), Toronto, Ont.
9. Summers Fertilizer Co. Inc., St. Stephen, N.B.

I. Miscellaneous Industries:
1. L. G. Balfour Co., Sherbrooke, P.Q.
2. Film Laboratories of Canada, Ltd., Toronto, Ont.

J. Mining and Metallurgical:
1. Northwest Stellarene Co., Coutts, Alta.
2. Parco Oil Co., Ltd., Calgary, Alta.

List of New Concerns Establishing in Canada since August, 1930

Great Britain

C. Textiles:
1. Hield Bros., Kingston, Ont.
2. G. H. Hirst & Co., Carleton Place, Ont.
3. Hiram Leach & Co., Huntingdon, Que.

E. Iron and Steel Products:
1. Imperial Typewriter Co. (Canada), Ltd., (Non-Mfg.), Toronto, Ont.
2. Quasi-Arc Co., Ltd., (Non-Mfg.), Toronto, Ont.
3. Taylor Instrument Co. of Canada, Ltd., (Non-Mfg.), Toronto, Ont.
4. Warwick Time Stamp Co., Toronto, Ont.
5. Wright's Canadian Ropes, Ltd., Vancouver, B.C.
6. Zanogen Steel Co. of Canada, Ltd., Toronto, Ont.

H. Chemicals and Allied Products:
1. British Drug Houses (Canada) Ltd., (Non-Mfg.), Toronto, Ont.

I. Miscellaneous:
1. Bovil & Hood (Canada), Ltd., Montreal, P.Q.

France

C. Textiles:

1. Canadian T.S.R. of Lyons, Ltd., Cap de la Madeleine, Que.
2. Henry Potez of Canada, Ltd., Cap de la Madeleine, Que.

Mr. MACKENZIE KING: They are practically all in Ontario and Quebec, are they not?

Mr. BENNETT: With the exception of two, I think. Now, may I just meet a few words of criticism in advance, although perhaps it is unnecessary. The extent of investment in Canadian industry by United States, other foreign countries and Great Britain is a subject of far-reaching importance. All young or undeveloped nations have been dependent on large capital investments by outside countries for the development of their natural resources and for assistance in the establishment of the diversified industry necessary to all-round national development. Without such assistance industrial progress would be slow and desperately difficult. The hardships being endured by the Russian people to-day exemplify the sacrifice which an undeveloped nation would be called upon to make, not for five but many times five years, if that nation were to strive to become industrialized through its own savings of capital. Canada has for many years received large investments from other countries. Fear has sometimes been expressed that these outside nations by starting industries in this country or investing their capital in various Canadian enterprises, commercial, governmental, financial or other, are obtaining a menacing position in our economic life. The facts of the case reveal these fears to be entirely unfounded. A recent bulletin of the bureau of statistics shows that in January, 1930, there were located in Canada 1,199 British, United States and other foreign branch, subsidiary and affiliated firms concerned with manufacturing or production. Of these, 1,023 were from United States, 162 from Great Britain and 14 from other countries. The capital employed in these concerns amounted to $1,818,000,000, ownership of which in individual firms ranged from less than 50 per cent to 100 per cent. In all, 68 per cent or $1,239,000,000 was owned in the United States, 17 per cent or $317,000,000 was owned in Canada, 14 per cent or $257,000,000 in Great Britain and $6,000,000 or less than 1 per cent in other countries.

Even in such branch or subsidiary firms Canadians held nearly 20 per cent interest, and it is a well known fact that the Canadian proportion tends to increase. There have been many instances of firms established in Canada by outsiders eventually passing into Canadian hands.

To see such facts in their proper perspective, however, it is necessary to compare the figures with those of the geographical distribution of ownership of all capital employed in Canada. It is estimated that the amount is $17,500,000,000. This sum includes the bonded indebtedness of Dominion, provincial and municipal governments, investments in railways, manufacturing concerns, mines and metal industries, public utilities, trading establishments, finance, insurance, etc. It includes private capital in domestic enterprises such as farms and homes. Of this sum it is estimated that 65 per cent or $11,500,000,000 is owned in Canada, 20 per cent or $3,500,000,000 in the United States, 13 per cent or $2,200,000,000 in Great Britain and 2 per cent or $300,000,000 in other countries. It is obvious that the control of our enterprises is very predominantly in our own hands. If the basis of comparison be our total national wealth, foreign and British investments are still less significant. Our national wealth is now probably in the neighbourhood of $30,000,000,000; British and foreign investments of capital in Canada are $6,000,000,000 or just 20 per cent. Even of this 20 per cent many millions of dollars are represented by bonds which do not ordinarily carry with them direction or control of industry.

I believe, sir, that any member of this house reading these figures must be impressed with the resource and courage and enterprise of the Canadian people in industrial, agricultural and manufacturing fields of endeavour. Of sums so vast, I do not believe there is any record on the part of any other population equally small and scattered over an area so great.

May I point out now that Canada carries on its business at home and abroad by the application of principles that vary with the administrations of the day. So far as this party is concerned, it directs, and will continue to direct its operations from three angles: first, we believe that we have been entrusted with great resources which it is our duty to develop to the greatest possible extent; secondly, that Canadians are entitled to carry on that development, enjoying an equal opportunity with the other peoples of the world engaged in the development of their respective countries; and, thirdly, that Canadians are entitled to fair competition in carrying forward that development. We meet the last requirement by dumping legislation; we meet the second requirement by tariff legislation; and we meet the first requirement by the courage and enterprise of our people.

Now it has been customary, in the course of very many centuries, for trading peoples to negotiate agreements or treaties with others who are engaged in commerce; and in this regard the Canadian people have not been unlike others. But may I point out this: that Canada, by reason of being a part of the British Empire, has treaties applying to our trading enterprises somewhat different from those that exist in other parts of the world. For instance, Canada has treaties which were made direct by this dominion. That is fact No. 1. We have a treaty with France made on December 15, 1922; one with Italy made on January 4, 1923; one with Belgium made on July 3, 1924; one with the Netherlands made on July 11, 1924; one with Czechoslavakia made on March 15, 1928; and one, modus vivendi, made with Cuba, November 1929.

Then Canada has a second kind of treaty —a treaty made by Great Britain on behalf of the British Empire but which provides that this part of the empire is bound by it only when we accede thereto. Of this kind of treaty we had two, one with Japan, made on April 3, 1911, to which we acceded on May 1, 1913, and one with Spain, made on April 5, 1927, to which we acceded on August 1, 1928.

Again, we have another, a third form of treaty, namely, that which contains a clause providing that the most-favoured-nation terms shall be accorded to Canada if similar treatment is given by this dominion to the country with which the treaty is made. Such treaties we have with Finland, Esthonia, Hungary, Jugoslavia, Latvia, Lithuania, Portugal and Roumania.

Lastly, we have that class of treaty which was made by Great Britain before we became a confederation, or before we negotiated treaties on our own behalf—treaties that bound every part of the British Empire when they were made by Great Britain, long years before we became a dominion. The list is interesting. Of such treaties, there is one with Argentina, made on the 2nd day of February 1825; one with Colombia, made on the 16th day of February 1866; one with Denmark, made on February 13, 1660; one with Norway, made on March 18, 1826; one with Sweden —the oldest of all—made on April 11, 1654; one with Switzerland, made on September 6. 1855; and one with Venezuela, made on April 18, 1825.

These trade treaties exist for the purpose of extending trade and commerce on mutually advantageous terms. For instance, the late government made a treaty with Australia which was extended to New Zealand by order in council on October 1, 1925. It was withdrawn by order in council on October 12, 1930, after it had been in force a little over five years.

Now, the difference between my hon. friends opposite and ourselves is this: we believe in trade treaties that are mutually advantageous to the parties to the treaty. And we believe that the only method by which you can understand and appreciate just what the effect of treaties will be is to have a clear conception of their possible implications; for nothing could be more ruinous than what has transpired during the last few months in connection with the treaties with Australia and New Zealand. We negotiated a treaty with Australia. I may say for the information of the house that that treaty was never signed. That probably was merely an accident or an oversight. The treaty consisted of so many pieces of paper—some twenty-five in all, I believe. Difficulties were experienced; differences arose, parliament was in session, and it became necessary to complete the matter before the rising of the house. And so we passed the statute that ratified that Australian treaty, and made provision therein whereby, by order in council, it might be extended to other countries. On October 1, 1925, it was extended to New Zealand. The right hon. member opposite who leads the opposition to-day (Mr. Mackenzie King), shortly before that, in Woodstock, Ontario, declared that he could not conceive it possible—and he honestly so believed—that the extension of the treaty to New Zealand could be inimical to the trading interests of Canada. But let us see what happened. At that time New Zealand had no channel of trade with Canada for butter. Now, a channel of trade is like any other channel that may be created: it is something which once created cannot as a rule be changed without injury. That channel not having been established in 1925, they began just as an individual would do, to widen and deepen such a channel by sending forward their butter under that treaty at 1 cent per pound. By that means they began to create a channel of trade. That channel grew in size until the imports into this country year by year expanded, reaching at last so colossal a figure as to amount to several millions of dollars for butter alone.

There you have a well-defined, well-established channel of trade between the sister dominion of New Zealand and Canada, with the result that this trade was injurious to the Canadian producer. And the government of the right hon. gentleman opposite—not this government—gave notice terminating that treaty. They gave notice in April of last year while this house was in session, because the right hon. gentleman was himself convinced that the treaty should be denounced, and he gave six months' notice under the terms of the treaty, terminating that arrangement with New Zealand. With what result? With this result—that when we came into office New Zealand bitterly complained of the situation; they said that they could not entertain the idea that their butter should not continue to come into this country as it had done before. We endeavoured to explain to them that Canada believed that this dominion should also be on an export basis for buter. We pointed out that we were a dairy country and that they must not think that they could displace Canadian produce for their own, excellent though it is. Having pointed that out to them, we continued in our efforts to make some arrangement, some modus vivendi, by which we could carry on reciprocal trade. But for some reason, best known to its government, New Zealand believed that Canada must—I use the word advisedly—buy butter from New Zealand. Either to-day or tomorrow the parliament of New Zealand will refuse the British preference to Canada and they will do so because we are not in a position to let their butter come into this country practically free to supplant our own product. Who is to blame for that? Who is to blame for the unfortunate difficulties which exist between the two great dominions? The government that did not foresee the implications of the treaty it made, and the government that terminated that treaty thereby creating the condition to which I have referred. Let there be no shaking of heads—did or did not the former government terminate that treaty? If it did, then it must accept responsibility. The result is that New Zealand says—very properly so, I suppose, from their standpoint, thinking of themselves alone—that they are not going to permit Canada to have a British preference in their markets unless we allow their butter to come in here.

I cite that for the simple and obvious reason that it becomes necessary to realize that when treaties are made there should be a clear understanding and appreciation of their implications. That is one of the reasons why we endeavoured while in England and since, to arrive at some arrangement with our great sister dominion, Australia, which would not make it necessary to destroy channels of trade and bring about the hard feelings which no doubt would prevail and have prevailed in connection with New Zealand. During the last few months, while he has been in health, the Minister of Trade and Commerce (Mr. Stevens) has been engaged constantly in endeavouring to insure that a reasonable treaty may be made between Australia and Canada. I trust that in furtherance of the unanimous view expressed by the overseas dominions at the Imperial economic conference last year we may be able to negotiate an agreement which will be mutually advantageous to both countries. It is my earnest hope and my confident belief that before this house rises we will submit such a treaty or agreement for the consideration of this house. I cannot permit this opportunity to pass without stating that we are really under an obligation to the government of Australia for the manner in which they have treated us during the last year in connection with butter and its products. They have made it possible for the channels of trade not to be destroyed in such a way as to bring about that condition of mind on the part of their country which now prevails in New Zealand. We are under a great obligation to them for what they have done in that regard.

I mention also another treaty which stands in a somewhat similar position, namely, the treaty negotiated with France. The French treaty provides that a fixed and definite rate must prevail and that we cannot grant to any other country a different rate without violating the provisions of that treaty. In the budget presented to this house in May last there was an interference with the provisions of that treaty, to which the great republic very properly directed our attention. A treaty containing provisions such as that cannot, I submit, ever be a sound treaty because it disregards the fundamental rule which must always obtain in connection with trade treaties and which we propose to continue so far as we are concerned. That rule is this: Treaties must be mutually advantageous; if they are not they fail, and unless there is a clear appreciation of that fact there cannot be other than failure. This rule was stated very clearly the other day by the president of the United States Steel Corporation. Speaking to the National Foreign Trade Convention on May 28, he said: It is a sound economic principle to sell in markets where the product is needed for consumption and where there is no surplus of the same commodity

May I point out to the house that all the domestic trade of this country which represents imports is foreign trade to some other country. If hon. gentlemen opposite will only get in their minds that fundamental thought they will realize that this government on the one hand, desires to maintain the economic principle to which Mr. Farrell referred and on the second hand, to realize to the full that every import brought into this country from abroad represents foreign trade to some other country. Our business is to see that we do not expand the foreign trade of any other country when we ourselves are producing or can produce the goods so imported.

Mr. MACKENZIE KING: How does my right hon. friend propose to expand the foreign trade of Canada under rules of that kind?

Mr. BENNETT: It is very simple. Does the right hon. gentleman for a moment mean to say that there are not countries which do not produce the commodities which Canada produces and which they require? That is what he is trying to say, and I can tell him that the whole theory upon which trade within the British Empire will ultimately be built up is upon the proper appreciation and realization that the requirements of each part can be filled by requisitioning the production of such commodities from other parts of the empire. The foreign trade of Canada can be built up, just as Mr. Farrell said, by making our arrangements with countries which have to have what we produce and which do not come in competition with the surplus they themselves produce in their own countries.

Hon. gentlemen opposite seem to find some difficulty in working that out. Of course they will find difficulty, for the simple and obvious reason that for nine years the colossal failures they made themselves indicate their inability to do so, and that is why we are here to-day.

Mr. MACKENZIE KING: The colossal trade was not a colossal failure.

Mr. BENNETT: The loss of trade was exactly the same—

Mr. MACKENZIE KING: I said colossal trade.

Mr. BENNETT: —in Canada as in other countries of the world, and we are still the fifth trading country of the world. In other words, the ten millions of people inhabiting this vast territory are the fifth trading people in the world. I will admit that the right hon. gentleman and his friends opposite would like that not to be. They would rejoice if it were not so because it would be of some political advantage to them. Their constant fear seems to be that by the application of business principles to these matters we will insure success, and they have made every effort they could to bring about failure with respect to the Imperial economic conference. Their every effort has been directed in an endeavour to bring about if possible a failure in order that they may derive some political credit. What is more, that is well understood in the various parts of this empire.

Mr. MACKENZIE KING: Could my right hon. friend have asked for more in the way of a free hand than what he had at the last Imperial conference?

Mr. BENNETT: The right hon. gentleman has failed to appreciate what I say—the former Minister of the Interior (Mr. Stewart) never could understand it—hon. gentlemen opposite must realize that I am referring to their efforts to belittle and if possible destroy the adjourned conference at Ottawa. That fact is fairly well understood.

Mr. MACKENZIE KING: Is there to be a conference this fall?

Mr. BENNETT: The hon. gentleman knows that I cannot be diverted by that from this budget. Let me proceed.

Mr. POWER: The hon. gentleman is giving us considerable diversion.

Mr. BENNETT: The hon. gentleman's wit is greater than his understanding.

May I now, having reverted to the question of trade, point out the position which this country occupies amongst the nations of the world and the result of the efforts which were made in September last to ensure that there should be less of other people's products come into competition, on terms that are injurious and destructive to our own industrial well-being, with the products we ourselves produce.

Having done that, I shall now speak of two matters further and then I shall have done in that regard. A few months ago I pointed out that the republic of France, realizing the weakness to which attention was directed with respect to the treaty, had undertaken to increase their purchases of wheat from this country during the current wheat season, and prior to the end of April they had bought six times as much wheat from Canada as during the preceding year. Moreover, notwithstanding the statements that have been made as to the difficulties under which we labour, the statement made by the former Minister of Trade and Commerce that this country could do nothing to sell wheat—selling wheat is something he could not do—all I can say is this: The net result of the situation to-day is that we have sold at least one-third more wheat than we did for the same period the year before. That is the lowest estimate, and it is increasing very rapidly.

An hon. MEMBER: What about the price?

Mr. BENNETT: The price is just as low this year as it was last with respect to the other countries of the world, but we have endeavoured as best we could, although opposed by hon. gentlemen opposite, to secure the markets, and as a matter of fact, as is shown by the increased exports of wheat, we have to some extent secured them.

WAYS AND MEANS FISCAL YEAR 1931-32

I now come to what probably to some is the most interesting part of our discussion, namely, to what ways and means we shall resort for the purpose of providing the money to carry on the public business. I shall come first of all to a statement of anticipated revenues and expenditures. I will admit that this is the first time for many years that this country has had a budget.

Some hon. MEMBERS: Oh, oh.

Mr. BENNETT: Will any hon. member on the other side of the house say that last year there was any estimate given of expected revenues? Was there any estimate given of expected expenditures? Was there any word given of a $75,000,000 deficit? What did they do? What the then government did was merely to bring down estimates for moneys to be raised by taxation without any estimate of what was to be realized. I said frequently in this house in those days, and I now repeat, that not in any municipal council in this country would the people tolerate their mayor and councillors conducting business without giving an estimate of expected expenditures and revenues for the current year. It is the basis of responsible government, it is the basis upon which representative institutions have been established, and that responsibilty can only attach when there is some estimate as to what is being received by the country from the taxation imposed and as to what expenditures are to be made. So I propose under the heading which I have given to draw attention to these matters. I shall ask hon. gentlemen to go through the record of my predecessors in that regard during the last seven or eight years and see if they can find any such record there. I could have easily escaped doing so. All I would have had to do would have been to follow the example of my predecessors during the past eight years, and I would have escaped all responsibility for giving any figures of what the proposed income and expenditure will be during the present year.

On the basis of existing taxation rates, the anticipated revenues in the present fiscal year will be $325,120,000. A division of the amount by sources is:—

Customs	$117,000,000
Excise duties	59,500,000
Income tax	54,000,000
Excise taxes	38,000,000
Post Office	30,500,000
Interest on investments	8,800,000
Miscellaneous revenues	13,276,000
	321,076,000
German reparation payments and miscellaneous receipts	4,044,000
	$325,120,000

The expenditures for the year, including all statutory charges, are estimated at $430,457,828. A division of these, and a comparison with the actual expenditures last year, are:

	Actual 1930-31	Estimated 1931-32
Ordinary expenditures	$389,560,722	$391,552,085
Unemployment relief	4,431,655	13,000,000
Capital expenditures	28,222,342	18,484,243
Special expenditures	12,357,674	4,378,000
Loans and advances non-active	5,488,264	3,043,500
	$440,060,657	$430,457,828

It will, therefore, be noted that with estimated revenues of $325,120,000 and with estimated expenditures of $430,457,828, parliament must take under consideration ways and means to secure added revenues if the accounts are to be balanced. The sum of $105,337,828 will be required if all expenditures are treated as charges against the year's revenues. On the other hand, if the $18,484,243 on capital account, plus the $1,700,000 estimated to be required by the Quebec harbour commission, which in the foregoing table is included in Loans and Advances non-active are treated as permanent improvements, and paid from borrowings, the additional amount required is $85,153,585. The new imposts to be authorized by the resolutions about to be tabled will, it is hoped, produce an additional estimated amount of $78,175,000 and for the purpose of showing the increases by sources, a summarized list is now given:

Customs duties..	$ 5,000,000
Excise taxes	
Sales tax..	52,500.000
Tax on imports..	7,500,000
Stamps..	1,000,000
Income tax..	9,500,000
Post Office..	2,175,000
Other taxes..	500,000
	$78,175,000

On the basis of the present volume of business, it is estimated that these additional taxes will yield $94,000,000 in a twelve months' period.

To give a comparison of the estimated total revenues for the present year, with the actual revenues of last year, the following is submitted:

	Actual 1930-31	Estimated 1931-32
Customs duties.. ..	$131.209.000	$122,000,000
Excise duties..	57,747.000	59,500,000
Excise taxes..	34,735.000	99,000.000
Income tax..	71.048.000	63,500,000
Post Office..	30,212.000	32,675,000
Interest on Investments..	10.421.000	8,800,000
Miscellaneous Revenue..	14,221,000	13,776,000
	$349,593,000	$399,251,000
German reparation payment and Miscellaneous receipts.	6,622,000	4,044,000
	$356,215,000	$403.295,000

With estimated expenditures of $410,273,000 exclusive of expenditures on capital account and advances to Quebec harbour commission, but including the balance of $13,000,000 of the unemployment relief appropriation of 1930 and estimated revenues of $403,295,000, the deficiency in revenues under expenditures, based upon the estimates made, will be some $7.000,000.

The $13,000,000 for unemployment relief is a commitment actually made in 1930-31, and would more properly be considered in the accounts of last year, but under the government's system of book-keeping, the actual disbursements not being made until this year due to the time necessary for the usual accounting formalities, they serve to add to the expenditures of the present year. Taking this into consideration, the figures presented indicate a balancing of the budget by a substantial margin in respect of expenditures properly applicable to 1931-32, after excluding capital.

While on the subject of our commitments for the year, let me say that contractual obligations entered into by the harbour commissions of Halifax and St. John under the former administration involving millions of dollars of expenditure for which no parliamentary sanction was in existence will add materially to our financial requirements. It will be necessary for the government to ask parliament to make provision for the implementing of these contracts. The whole matter is under investigation and report but it is possible to say that the amounts involved in these contracts and in ancillary expenditures which are recommended to render the main projects of commercial value will be over $6,000,000 divided about equally between these ports. Also, in respect of the elevator built in 1927 at New Westminster but not yet in operation, some $300.000, in addition to $700,000 already provided by way of guarantee of securities, is asked of this administration to meet commitments made but not provided for.

Included in the expenditures to which I have referred, contemplated for this year, are those provided by the main estimates, and the additional sums which we have provided for supplementaries, besides a sum for old age pensions, increasing our contributions to the provinces from 50 to 75 per cent for this year only in respect of the total sums that are paid. We propose to implement the promise made by the Conservative party at the convention which was held at Winnipeg and at which during the succeeding election I became the mouthpiece of that party and its policies by providing a further sum of $1,800,000 for coal subsidies.

ALBERTA AND EASTERN BRITISH COLUMBIA MOVEMENT

On coal movements from Alberta and the eastern area of British Columbia to the Manitoba market some 100,000 tons have been moved since June of last year.

We now propose to grant a higher rate of assistance on Canadian coal shipped to this market and at the same time extend the area as far east as Fort Frances and Sioux Lookout. The increased assistance now provided should do much to extend the market for Canadian coals. The assistance provided in this case is by the payment of ½ of one cent per ton per ton per mile on coal to Manitoba and ⅓ of one cent per ton per mile on movements eastward as far as Fort Frances and Sioux Lookout.

Maximum $2 per ton into Ontario.

Maximum $1.50 per ton into Manitoba.

Saskatchewan

Shipments of lignite from the Saskatchewan field will be assisted by a payment of $\frac{1}{7}$ of one cent per ton per mile on movements to Manitoba and that part of Ontario just mentioned. The previous assistance granted amounted to a straight bonus of 50c. per ton applying only to the Manitoba market. This is now extended as far east as Fort Frances and Sioux Lookout.

Maximum $1 per ton.

British Columbia

It appears that with reasonable assistance the coal industry of British Columbia can be improved and with this end in view the government has decided to assist by granting the sum of 25c. per ton on sales of coal sold for fuel. for ships' stores or for export to foreign countries. This assistance will not apply on exports to the United States of America.

There again one is confronted with a situation of great seriousness. The people of the Pacific slope, when they substituted oil for coal, probably did not realize the extent of the injurious effect upon the coal industry. Therefore, along the coast of British Columbia oil burners have been substituted for coal grates, and changes cannot be made without causing tremendous losses in a period of great depression. The same thing applies to other matters, so much so that when the new hotel was built at Vancouver, the pressure to burn oil succeeded over the pressure to have coal used until my hon. friend the Minister of Railways reversed the decision and provided that coal should be burned. There are great merits to the use of oil as a fuel, but it is imported into this country and when the gasoline is taken from it the crude oil becomes available for fuel purposes. Industries have been established using that fuel, and to change back to coal would involve tremendous losses at this time.

New Brunswick

The assistance previously granted to the eastern coal industry did not extend the markets for New Brunswick coal. The assistance now authorized is by a payment of $\frac{1}{6}$ of one cent per ton per mile on movements to points in the provinces of Quebec and Ontario.

Maximum $1.50 per ton.

Nova Scotia

Coal movements from the province of Nova Scotia to points in the provinces of Quebec and Ontario are further encouraged by a payment of $\frac{1}{5}$ of one cent per ton per mile to Quebec and $\frac{1}{3}$ of one cent per ton per mile to Ontario from St. Lawrence ports. An all rail winter movement is also provided by the payment of $\frac{1}{7}$ of one cent per ton per mile.

Maximum 75 cents on the $\frac{1}{5}$ rate; maximum $2 on the $\frac{1}{7}$ rate; maximum $1.50 on the $\frac{1}{3}$ rate.

Summary

If, under this assistance, the total potential coal markets are secured it should provide a movement of nearly 1,800,000 tons of Canadian coal at a cost of approximately $2,000,000.

That extends until the year 1933, as will be indicated further as we progress.

Shipment of Alberta coal to Ontario at $6.75 freight rate

Order in council P.C. 439, approved 16th March, 1928, authorizing $6.75 rate for seasonal movements of coal from Alberta to Ontario for not less than three months in each year during a period of three years.

Provisions were extended for another year by P.C. 1268 of 5th June, 1930.

Seasonal Movements	Tonnage Shipped	Cost to Government
1928: April 15 to July 15..	32.101	$47.509 50
1929: Jan. 15 to July 31..	37.115	$2.396 55
1929-30: Dec. 1 to July 31..	26.156	No payments as yet
1930-1931: Oct. 25 to July 31..	12.167	No payments as yet

Provisions have been made for a continuous movement from August 1, 1931, to March 15, 1932.

Findings of Cost by Railway Board

In respect of the 1928 movement the Board of Railway Commissioners reported that payments were to be made by the Government on the cost basis of $8.23 per ton, making $1.48 per ton as the amount to be paid by the government to the railways.

With respect to the 1929 movement the railway board's finding was on the cost basis of $8.97 per ton, making $2.22 per ton as the amount to be paid by the government.

No decision has been handed down for the 1930 movement.

The third matter to which attention might be directed is that touching the movement of wheat. There has been a succession of bad harvests in some parts of western Canada, and during the last few weeks lack of moisture—I speak subject to correction, I hope—has caused a loss of this year's prospective crop in a great deal of that area. My advices by telephone were that very few days would determine the fate of a considerable portion of the crop. In some parts of the country this is the third crop failure and the reserves of the people are entirely exhausted. Two things must happen: First, provision should be made to assist those who have a crop, because they have considerable obligations, taxes, etc., which must be discharged. Other methods will be taken to deal with the situation of the provinces which are not in a position to assist those who with their reserves exhausted and their crops a failure for the third time are practically ruined. We therefore propose to provide that the freight rates shall be adjusted by this country absorbing five cents per bushel on all wheat that is exported of the crop of this year. That provision is effective this year. That amount is taken into consideration in the estimates I have given of the expenditures for the year.

We propose therefore to indicate now to the house the methods to be adopted for the purpose of raising necessary revenue to meet expenditures. We believe that if the revenues show any appreciable expansion the budget will be balanced at the end of the year. At the most however the expenditures which will be called upon to be met by short date treasury bill transactions will amount to less than $10,000,000. I thus come to the ways and means by which we propose to make good the supply.

Two principles have to be borne in mind; the first is that however tempting the field may be, in a period of great depression departure from known practised methods of taxation should be as slight as possible. In other words there should be as little dislocation of business as possible and the taxes imposed should be those with which the people are familiar. The second is that taxes should be as light as possible having regard to the conditions which prevail. One of the paradoxes of a situation such as the present one is that when money is required, most, the people are least capable of paying it in the form of taxation. That is the condition found in periods of universal depression.

Applying these rules first of all we take up customs duties, or the tariff. By this government the tariff is used for the purposes I have indicated. I should have liked to have a complete revision of the tariff, as I indicated at the short session would take place. However circumstances and conditions over which we had no control made such a revision impossible at the present moment. With that in mind/we have undertaken revision of only such items as it was necessary to deal with to ensure the maximum of employment by reason of the operation of the new rates. A similar result was obtained by our action during the last session. I pause at this time to ask hon. members opposite what the condition of this country would have been had there been no short session/ I just put that question to my hon. friends. The number of items with which we have dealt and which deal with rate-making included in the resolutions number about two hundred. A feature of the amendments is a provision for the collection of duty by which we follow the modern practice adopted in other countries whereby for duty purposes containers are treated as contents. That provision applies to cheese, powdered milk, macaroni, dried fruits, soap and the like. In almost every case, with only two or three exceptions, changes of rates are confined to the intermediate and general tariffs; in other words, the British preference has been left untouched. In connection with agricultural and other food products there are increases under the intermediate or general tariff, or both, in respect to numerous commodities. The more noticeable items in this class are live hogs, fresh meats, bacons, hams and shoulders; shell eggs, cheese, hops, powdered milk; peas, Indian corn, hay; field, root and garden seeds; canned fruit and vegetables, raisins, oranges.

Another item which has involved much discussion is that concerning the automobile industry. Hon. members will recall that a few weeks ago certain changes were made in the automobile schedule under an order in council which provided that the discount to dealers should not exceed 20 per cent for duty purposes. As is known, automobiles subject to duty at the present time are divided into two classes, those valued up to $1,200 and those ranging from that figure upward. We propose for duty purposes to divide automobiles into three classes: first those valued up to $1,200, second, from $1,201 to $2,100, and third, above $2,100. In connection with the first named class there are no changes in duties. In connection with the second group the general tariff is increased from 27½ per cent to 30 per cent. On the third group the intermediate and general rates are increased to 30 and 40 per cent respectively. The automobiles in this latter group are what my hon. friend's refer to as luxury cars.

Now I come to the question of drawbacks. It will be recalled that on more than one occasion the hon. member for Macleod (Mr. Coote) pointed out that the drawback of 25 per cent on all the imported commodities which went into the production of an automobile operated, if at all, unfairly on Canadian industry. What we propose to do is this: first, the drawback shall not in any event exceed 60 per cent, and second, the drawback shall not apply to commodities which I shall hereafter enumerate. As indicating the extent to which this country has made progress in the way of developing its industries I should like the house to consider the items upon which drawbacks will not be granted. The articles to which I have referred are as follows:

Rubber tires; wheel rims; wheels, including hubs and drums; tire carriers; tire covers; wheel carriers; brakes, service and emergency; brake linings; brake pedals and operating levers; chassis springs, between frame and axles; shock absorbers, chassis frames; front axles, forged type only; clutch and clutch pedals; universal joints; propeller shafts; transmissions; gear shift levers; rear valves, except banjo housings; radiator cores; exhaust pipes; mufflers; gasoline tanks; running boards and covers; front and rear fenders; bumpers and bumperettes; steering gears; head and tail lights, not including lenses; dome lamps; electric light globes; electric wiring and cable; spark plugs; batteries, starting motors; electric generators; drag links; motor fans; motor fan belts; thrust bearings, ball or plain; motor hoods, sheet metal; motor hood clamps; anti-squeak braids and strips; moulded rubber parts; lubrication fittings; wheel hub caps; sand castings; drop rolled or pressed forgings; bolts, nuts, screws, tacks and studs; head pins and clevis; cotter pins; plain washers; coil springs and seat springs; wood frames for bodies; rubber and pyroxilin covered or doubled top fabrics and curtains; windshields complete; upholstering fabrics and materials other than printed fabrics; rubber tubing and windlaces; floor boards; carpets; window shades; paints and varnishes and solder; stampings of all kinds other than radiator shells, and cowls and body stampings; tool kit equipment, including jacks; robe rails and foot rests; curtain and carpet fasteners; rear view mirrors; gear shift lever knobs; felt parts; clocks, stem winding; window finishing strips.

The list I have given comprises items made in Canada and which it is proposed shall hereafter be used in manufacturing automobiles if duty agreements are not to be made. Canadian manufactured cars using those parts will not receive any drawback, with respect to the other items which have to be used to produce cars in this country the drawback will be 60 per cent instead of 25 per cent.

Closely associated with the automobile question is that of used automobiles. Endeavours to dump such cars into this country have been very noticeable during the last few months. We propose to place used automobiles on the prohibited list, hereafter no used automobiles will be imported into Canada except as settlers' effects or travellers' vehicles.

We come now to another item which will greatly interest the house, I am sure—that is coal. It is proposed to impose a duty of 40 cents per ton on anthracite coal and $1 on coke under the general tariff—free under British preferential tariff. It is proposed that the rate on bituminous coal and coal screenings shall be raised to 75 cents per ton, and that the general tariff rate on charcoal be $7.50 per ton.

The leather schedule secures increased rates under all tariffs, the alterations affecting kid, upper leathers, sole leathers, East India kips, belting leather and belting, glove leathers and leather garments.

We come now to another matter which has been given much attention by legislators during the last twenty-five years, namely, the importation of magazines and periodicals. I was told the other day that at one newsstand there were 350 different magazines and newspapers on sale. As to a very large number of them, certainly some people would be better off if they did not read them.

An hon. MEMBER: All people.

Mr. BENNETT: Yes, all people. We therefore propose that magazines and periodicals shall be made subject to a specific duty of 15 cents per pound, under the general tariff, except in the case of such as may be placed on an exempted list by order in council. At the present time the censor undertakes to exercise some control over these matters—a control that at times has been more or less difficult. That provision of the tariff as to prohibition of the importation of such publications will remain as at present. Under the direction of the governor in council magazines for educational and scientific and religious purposes will be allowed to enter free.

Tariff changes affecting iron and steel include increases on steel plate, wire netting, machinery, safes and miscellaneous manufactures of iron and steel, with decreases on green saw steel, hot rolled strip steel for cold rolling, various kinds of steel wires and bessemer steel billets.

One of the items that I mentioned in September last about which there has been much discussion in this country is furniture. Last summer I had an opportunity to see many of the furniture factories of this country I found that they were working a very limited time per day but making quite as good furniture as is made in any part of the world, if not better—

Some hon. MEMBERS: Hear, hear.

Mr. BENNETT: —but they were subject to dumping competition that certainly was interfering with their trade. We propose to make some slight change in that regard, particularly with respect to furniture, including metal furniture, veneers, ply wood, clothespins, golf clubs, tennis rackets, and so on.

The textile schedules are limited, and the changes very few, the significant one being increases on linen fabrics and articles, excepting damasks, all of which are made in Canada. Damasks,—a tariff on which might affect the trade of northern Ireland—have not been touched. We propose to see that there shall be no increase in price, but that the Canadian industries shall have an opportunity to compete fairly with their competitors. The changes also involve increased tariffs on fabrics of pure silk, with decreases on mohair yarns. With respect to pure silk, we desire to protect our manufacturers from competition with dumped silk from abroad which is sent in here at almost any price. Our silks are the equal of any made in the world; in fact a branch factory in this country is a subsidiary of a company that employs some 50,000 people in the United States.

Prepared roofings, wallboards, insulating materials, and so on, are increased in rates, as are wallpapers and containers.

Building stone of all kinds, both rough and finished, as well as building brick, magnesite and ground feldspar, will bear higher rates than formerly.

No changes are made in respect of farm implements, although the item covering repair parts is extended in point of time. That is, when we increased the duty last year on agricultural implements, we found there were certain repair parts made by companies that had no factory in Canada. I am happy to say they are likely to open one at no distant date. In the meantime parts to repair their machines will continue to come in under the old tariff for another year.

The tariff on clocks and watches is revised, the rate being increased, and provision is made for increases on window glass and laminated glass. I should think there would now be a noise on the other side of the house.

The tea schedule is radically revised, the former free entry of bulk teas under the British preferential tariff being cancelled and replaced by rates of 4 cents, 8 cents, and 8 cents per pound on teas imported direct from place of growth or imported from the United Kingdom, and rates of 10 cents, 10 cents, and 10 cents per pound on teas otherwise imported. It will probably be remembered that at the last general session one item only in the tea schedule was touched, and that tea unless it came in in packages of a certain weight was still subject to a high tariff; it was made free in respect to other packages. It is now proposed to revise that schedule by placing a duty of 4 cents and leaving the rates for other tea items just as they stood, except as to making the tariff applicable to all packages regardless of their weight.

The rates on the so-called "basket" item, that is, the rates covering everything not specified, has been increased to 25 per cent. That is only in keeping with the conditions now obtaining throughout the world.

I have given the principles which govern the application of the tariff to protect Canadians. I put this question to every member of this house: Can Canada in a protected world be other than a protected country?

Mr. YOUNG: Yes.

Mr. BENNETT: Then if that be so it merely means that we are inviting all the protected countries of the world to destroy our own. There is no gainsaying that. It is an unfortunate thing perhaps, but it is true that all the countries of the world are now protected countries, and Canadian products may find access to their markets only by paying very high tolls. Can this country afford to be an unprotected country against the competition of the protected countries of the world?

Some hon. MEMBERS: No.

Mr. BENNETT: We have answered that question in the way I have indicated, and by that answer we stand or fall. By the application of this tariff we are of the opinion that we shall receive substantially increased revenues as I have indicated in the table I have just given to the house.

I next pass to the income tax. We propose to raise additional revenue by increasing the rate on corporations from 8 to 10 per cent—an increase of 2 per cent. The United States rate at the present time is 12 per cent. That additional 2 per cent we will make payable between now and December, free of interest, on the present tax returns. That, we believe, will yield us an additional $8,000,000.

We also propose that there shall be a modification of the present income tax by providing that a 2 per cent rate shall be levied on the returns of all investments made by non-residents in this country. All other countries of which I am aware have such a tax, usually higher than 2 per cent; but in order to attract, if it be necessary, additional capital to this country for safe investment, we are asking that the rate be only 2 per cent. In other words, those from abroad who have formed companies here or put their moneys in trust companies for investment will contribute to our revenue 2 per cent of such income derived from their Canadian investments. We believe that is not an unreasonable rate to charge under existing conditions, being, as I have said, somewhat less than that obtaining in other countries. I am reminded by my friend the Minister of National Revenue (Mr. Ryckman) that those who pay on their Canadian income 2 per cent will receive credit in their own country, wherever it may be, so far as we are able to ascertain, certainly in Great Britain, France and the United States—for the tax thus paid in this country upon production of satisfactory evidence that it has been paid. That is the principle adopted by other countries; on investments made in Great Britain by Canadians the tax paid is credited against their tax bill in this country when they come to pay their income tax.

I may add that it is proposed also during the present session entirely to amend the Income Tax Act. Family corporations will be abolished; it is about time. In addition to that we propose to present a new schedule of rates based upon the experience of the commissioner of taxation. Mr. Walters was asked to prepare, with the aid of his officials, what he conceived to be a proper tax rate for this country, having regard to known conditions He has done so, and the government proposes to adopt his recommendations. The exemptions will be somewhat increased, but it is thought desirable that the rate should start at one per cent, with another one per cent added with each additional $1,000 of income until the maximum is reached, which will be 25 per cent. In other words, on the larger incomes 25 cents out of each dollar will be paid to the state.

It may amaze the house to learn—and perhaps it will be interesting to hon. members, as it was to me—that the amount of income tax collected in this country since the tax first was put on the statute books, including the business profits war tax, has reached the huge sum of $902,000,000 collected at a cost of $24,000,000. The rate I have mentioned is a little, but not much, greater than the rate prevailing in the United States. There the exemption is $1,500 for unmarried persons and $3,500 for married persons. On the first $4,000 of income the rate is 1½ per cent; on the next $4,000 the rate is 3 per cent, and on the balance the rate is 5 per cent, with a surtax to a maximum of 20 per cent on incomes in excess of $10,000.

In addition it is proposed that dividends from Canadian corporations, up to $10,000, shall be exempt from taxation, to the extent of one-half the income of the taxpayer. In other words, if a man has an income of $20,000 per annum, of which $10,000 is derived as dividends from Canadian corporations, he will not pay a second tax on his dividends, because it has already been paid through the tax paid by the company. That was the law at one time and still is the law in most countries. The limit, however, is $10,000, and the exemption granted shall not in any case exceed one-half of the total income of the taxpayer. If a taxpayer has an income of $30,000 he will be able to obtain credit only for $10,000 of Canadian dividends.

Mr. POWER: May I ask when these changes will come into effect?

Mr. BENNETT: On the 1st day of July; I was just coming to that. The first item I mentioned, that is, the two per cent additional which corporations must pay, will be between now and December 31, with interest, and the other items will become effective on the 1st day of July. The new act will be introduced for the purpose of dealing with next year's taxes. There will be no change in the present individual rates; they will remain for the current year.

I pointed out a moment ago that the Post Office Department has a very substantial deficit. We propose to meet that deficit first of all by adding one cent to the postage rate. That is, the tax is one cent, as it was and is on drop letters, the full rate being two cents, one cent for postage and one cent for tax. We propose to make that of universal application and put back the one cent tax where it was before it was taken off a few years ago. It will be recalled that the government of Great Britain declined to reduce the postal rate in that country from three cents because the revenue was required. The Prime Minister of Australia told me this rate was required also in Australia in order to balance their postal budget. So we propose to obtain the additional revenue by adding the one cent tax, which is now applicable only to drop letters in the city, making the rate three cents in the one case and two cents in the other.

We also propose that the Post Office Department, which every year has lost millions of dollars in the transportation of newspapers and magazines, now shall be reimbursed as far as it is possible to do so, by the payment first of all of a cent and a half per pound instead of one cent per pound on all newspapers and periodicals having a net circulation in excess of ten thousand. The first ten thousand will carry the present rate of one cent, and the weekly newspapers will continue to be carried at the rate in force at this time. The new rate will be one and a half cents, subject to the exception of religious, agricultural, scientific and educational papers and magazines. By these methods we believe we will make nearly a balanced budget of the Post Office Department.

We have then added an additional one per cent special excise tax on all imports that pass through the customs of the country, free or otherwise. That is a special excise tax of one per cent on the invoice price passed by the customs. We have also provided for increase of an additional three per cent in the sales tax. This will put it back where it was some years ago, as hon. members will recall. Last year it was reduced one per cent, and one per cent reductions have been made in other years. We are putting it back to four per cent, adding three per cent to the present rate.

We believe that, with one more addition, these changes will provide a very substantial increase in our revenue. I refer to the stamp tax on cheques. You will recall that the law now provides that cheques for an amount of less than $10 pay no tax, while cheques for over $10 pay two cents. Many people who receive their embossed cheque books have been in the habit of not differentiating between cheques for less than $10 and cheques for more than that amount. It is now proposed that all cheques shall pay two cents, as it is in England. Probably the embossed cheque will enable everyone supplied with cheque books by the banks to carry on their banking operations without inconvenience, and this will add greatly to the revenue of the country. Referring back to the sales tax for a moment, of course that tax is subject to exemptions, which are somewhat circumscribed as compared to those now provided.

Sir, I think it will be agreed that the record of the performance of the Canadian people during the last fifty or sixty years is such as to command the pride of every Canadian and the admiration of most people throughout the world. We now face a period of world wide depression, and it becomes important for us to face what lies before us with courage, with determination and with faith. I am sure there is no Canadian who has not sufficient faith in his country to believe that we cannot fail in building up a great nation; I am sure there is no Canadian who does not realize that to do so we must have not only faith but courage, persistence and determination. Above all we must have that unity of thought and purpose which is so essential at a time like this. Differences of political opinion we can readily understand, but there is a side to the lives of all of us which is not purely political. We are citizens of a great Dominion, and I think we can with fairness—and I trust with a great deal of assurance—appeal to all Canadians regardless of their political views, to unite in the common purpose of insuring that this country, in the greatest trial it has ever had in peace time, does not fail. It must not fail; and if I read a few words which I have extracted from the Chronicles of the Pilgrim Fathers, written over three hundred years ago, I think the house will agree with me that they truly indicate the attitude of mind which we Canadians should all take to the problems that confront us. With these words I will conclude what I have to say:

> It wonderfully encourageth men in their duties, when they see the burthen equally borne; but when some withdraw themselves, and retire to their own particular ease, pleasure, or profit, what heart can men have to go on in their business? When men are come together to lift some weighty piece of timber, or vessel, if one stand still and do not lift, shall not the rest be weakened and disheartened? Will not a few idle drones spoil the whole stock of

laborious bees? So one idle belly, one murmurer, one complainer, one self-lover, will weaken and dishearten a whole colony. Great matters have been brought to pass, where men have cheerfully, as with one heart, hand and shoulder, gone about it, both in wars, buildings and plantations; but where every man seeks himself, all cometh to nothing.

These words were written some three hundred and ten years ago at a time of great strain and stress in the new colony that had been founded by the efforts and labours of those who, coming out from the old country, landed at or near Plymouth. They are applicable to-day; and if many of the observations I have made are highly disputatious, as they may be, I feel quite certain that in this great crisis that now faces us, men will not for a single moment be governed and guided entirely by political considerations but rather that they will have an enduring faith in their country, a courage and determination that it shall not fail in the great task in which we are engaged, and that all Canadians, men and women of good will, will unite for the common purpose of advancing the common interest of all our citizens.

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

The Minister of Finance, in Committee of Ways and Means:

Resolved, That it is expedient to amend the Income War Tax Act and to provide:—

1. That the rate of income tax applicable to the income of corporations and joint stock companies for the year one thousand nine hundred and thirty and thereafter, be increased from eight per centum to ten per centum.

Resolved, That it is expedient to amend and consolidate the Income War Tax Act and to provide:—

1. That the Consolidated Act be known as the Income Tax Act (1931) Consolidated;

2. That the exemption for persons presently entitled to three thousand dollars be raised to an exemption of three thousand five hundred dollars;

3. That the provisions relating to family corporations and personal corporations be repealed;

4. That in respect of fiscal periods not coincident with the calendar year the return of income and payment of the tax may be made within four months from the close of the fiscal period and if not so made and paid interest on the tax payable therefrom shall be paid to the thirtieth day of April in the next succeeding calendar year at the rate of six per centum per annum; or to the time of the filing of the return and payment of tax, should such filing and payment be made before the said thirtieth April but in any case the return must be made on or before the thirtieth day of April in the next succeeding calendar year;

5. That income by way of dividends, rentals, interest, royalties or other like income not disclosed by the taxpayer in his return of income shall be added to the other income of the taxpayer in double the amount and the whole taxed under the provisions of the act;

6. That net dividends from Canadian companies liable to corporation tax to the extent of one-half of the taxable income of a taxpayer, shall be exempt from tax up to ten thousand dollars thereof, provided that the exemption shall be allocated, in calculating the tax payable, five hundred dollars to each successive tax rate as in the first schedule to the act provided, commencing with the lowest rate and bracket of income of one per centum until like successive allocations of the dividend income, or fraction thereof, shall have exhausted the dividend exemption provided for;

7. That a tax of two per centum be collected at the source on dividends payable to non-resident shareholders, such deduction to be effected by the companies paying the dividend or trustees receiving the dividend for and on behalf of non-resident persons. The tax shall be deducted at the time of the paying of the dividend by the company or on receipt of the dividend by the trustee and within thirty days thereafter paid to the Receiver General of Canada. Failure to remit the tax deducted shall render the company or trustee personally liable to interest thereon from the date when it should have been paid to the date of payment at the rate of six per centum per annum. Failure to deduct the tax shall render the company or receiving trustee personally liable for the tax which should have been deducted, together with interest thereon at six per centum per annum until paid.

8. That when the assets or shares of a company, having on hand undistributed income at the end of one thousand nine hundred and twenty-nine, are sold directly or through an intermediary to a company, which company issues shares, bonds, notes or other like documents as fully paid up by capitalizing the said undistributed income, then on the redemption of such documents the company redeeming shall pay a tax of four per centum on the amount of such documents redeemed.

9. That in respect of the income for the year one thousand nine hundred and thirty-one and each year thereafter the rates of tax at present imposed on individuals be repealed and the following substituted in lieu thereof:—

"On the first $1,000 or any portion thereof, 1 per centum;

On the amount in excess of $1,000 but not in excess of $2,000, 2 per centum;" and so forth to—

"On the amount in excess of $24,000, 25 per centum."

(See statement attached).

10. These resolutions shall be applicable to the income of the taxation period one thousand nine hundred and thirty-one, with the exception of resolution numbered seven, which shall come into force on the first day of July, one thousand nine hundred and thirty-one.

First Schedule

Rates of Tax Applicable to Persons other than Corporations and Joint Stock Companies

On the first $1,000 or any portion thereof, 1 per centum;

On the amount in excess of $1,000 but not in excess of $2,000, 2 per centum;