

CANADA

BUDGET SPEECH

DELIVERED BY

HON. W. T. WHITE, M.P.

MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS

THURSDAY, FEBRUARY 11

1915



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CONTENTS.

Introduction.....	5
Fiscal year 1914-15.....	5
War expenditure.....	7
Financial arrangements since August, 1914.....	8
Fiscal year 1915-16.....	9
Conditions affecting trade.....	10
Estimated revenue and expenditure, 1915-16.....	11
War expenditure 1915-16.....	12
Means for supplementing revenue.....	13
Proposed fiscal measures.....	14
Special taxes.....	14
Tariff taxation.....	17
Resolutions.....	19
Special taxes.....	19
Tariff.....	22
Canadian economic conditions.....	25



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WAYS AND MEANS—THE BUDGET.

Hon. W. T. WHITE (Minister of Finance) moved that the House go into Committee of Ways and Means. He said: Mr. Speaker, in the Budget Speech of August last I dealt with the commercial and monetary conditions resulting from the outbreak of war and then prevailing and their probable effect upon the finances of the Dominion. With respect to the latter, I stated at the time that I put forth my views with much diffidence because it was not possible to make a forecast with any measurable degree of certainty.

FISCAL YEAR 1914-1915.

In presenting my statement of to-day I shall deal first with the subject of our revenues and expenditures, actual and estimated, for the current fiscal year which ends on March 31st next. In August I pointed out that we were certain to experience a sharp decline in revenue due to decreased importations attributable to the shutting-off of our trade with the enemy, the interruption and increased risk of ocean traffic and above all the cessation of Canadian borrowings abroad and its effect upon our purchasing power as a community. This forecast has been realized in ampler degree than was at the time expected. Taking the ten months of the year which have already elapsed, that is to say from April 1st, 1914, to January 31st, 1915, the Dominion's revenue from all sources has totalled, in round figures, \$109,500,000. This compares with \$139,000,000 for the corresponding period of the last fiscal year, a decline of

nearly thirty millions. Entering into details we find that of this heavy loss in revenue the falling-off in customs accounts for nearly twenty-eight millions; in excise two hundred thousand; and in miscellaneous items a million and a half. Since the outbreak of the war the contraction in customs revenue has been fairly constant in monthly amount, representing about one-third of the returns for the corresponding period of the previous year. As regards excise the additional duties imposed by the August Budget have had the effect of counteracting the heavy losses which would otherwise have been experienced.

Upon the basis of these figures for the ten months' period and having regard to the present action of the revenue-producing services we estimate that the revenue of the Dominion for the fiscal year ending March 31st next computed upon the present basis of duties would amount to \$130,000,000. The figures for the previous year having been \$163,000,000, this year's loss of revenue would reach a total of thirty-three millions.

So far as the expenditures of the year are concerned, I stated in August that it would be the policy of the Government, in the interest of employment, to maintain as far as possible the programme of public works then under construction but that new works would not be undertaken until the financial outlook became clearer and we should have in view the source of funds from which to meet the expenditure. This policy we have endeavoured to carry out. For the ten months ended January 31st the current expenditure has reached \$102,000,000 and the capital and special \$37,000,000. These figures compare with \$93,000,000 and \$47,000,000 the outlays under the headings in question respectively for the same period of the previous year. The drop in capital and special expenditure is due to the fact that railway subsidy payments have been much less during the present year. For public works and undertakings our disbursements have been greater.

For the whole of the present fiscal year we estimate our current expenditure will be \$140,000,000 and our capital and special expenditure \$50,000,000. Summarizing the estimated results we have the out-turn of the year, stated concisely, as follows:—

Current expenditure	\$140,000,000
Capital and special (other than war) expenditure	50,000,000
	<hr/>
Total	\$190,000,000

Our revenue on the present basis being estimated as I have stated at \$130,000,000, we should have to meet for this year a deficit of ten million dollars on current account plus the entire amount of our capital and special expenditure, a substantial part of which we have in the past been able to defray out of current revenue, a balance only having been provided by borrowing. Included in our ordinary expenditure is an amount of \$2,500,000 which will be required this year for the relief of distress in the drought-stricken districts of Saskatchewan and Alberta. In addition we are making provision for about seven and a half millions or more to be expended in the purchase of seed-grain.

WAR EXPENDITURE.

I have still to deal with the expenditure representing the cost of organizing, training, equipping, transporting and maintaining our forces enlisted for active service in defence of the Empire. In connection with the War Appropriation Bill presented by him at the August session the Right Hon. the Prime Minister presented an estimate of \$30,000,000 covering expenditure until March 31 next for the mobilization, equipment, transport and maintenance of an overseas contingent of 25,000 men and pay of detachments of troops on active home service. Such was the patriotic spirit and enthusiasm with which the call to arms was received throughout the Dominion and such the vigour and expedition with which the mobilization, organization and training of the troops was conducted by the Militia Department that within six weeks after the close of the session, Canada had despatched a contingent of 33,000 men fully armed and equipped as her first contribution in this war to the ranks of the Empire's army. To-day there are nearly fifty thousand troops in active training throughout Canada, their number being increased daily by enlistment. From this body as a permanent nucleus, constantly replenished by recruitment, further contingents will be sent forward from time to time as practicable. The estimate of expenditure presented in August was of course inadequate to meet the enlarged programme and the special war expenditure during the present fiscal year will probably reach the total amount of the appropriation, namely, \$50,000,000. The expenditure to date has been \$38,000,000.

Taking all the foregoing into consideration the increase of Canada's national debt for the year would probably aggregate

\$110,000,000. In this I am of course including our expenditure for war.

In addition to the expenditures to which I have referred the Dominion has made advances on investment account under statutory authority and has met its sinking fund obligations as usual, the funds required to be found for these purposes aggregating \$5,000,000. We also provided for the retirement of £1,700,000 of yearling Treasury Bills which matured in November last.

The House will, from the statements I have made gather that the task of finding money for our requirements as outlined has been somewhat onerous. For four or more months after the outbreak of war international money markets were closed to new issues. By December, after the successful flotation of the British war loan, an easier tone prevailed and it became possible to obtain short date money in limited amounts at fairly reasonable rates. Capital was still, however, averse to permanent investment, although evidence was not wanting of improvement in that regard. Any prospect of general resumption in this respect in Great Britain was, however, terminated by the announcement by the British Treasury authorities on January 18th that owing to the necessity of conserving the financial resources of the country during the war fresh issues should thereafter be made only with their approval. Issues for undertakings outside the British Empire were prohibited. Issues for undertakings within the United Kingdom are to be allowed only if considered advisable in the national interest; those for undertakings in the British Empire overseas only where urgent necessity and special circumstances exist.

FINANCIAL ARRANGEMENTS SINCE AUGUST, 1914.

To meet our financial requirements since the August session the following steps have been taken:—

We arranged with the Imperial Government for advances from September until March 31st of £12,000,000, or say \$60,000,000, of which we have received to date £8,000,000.

We issued for Dominion purposes Dominion notes to an amount of ten million dollars in excess of the additional issue of \$15,000,000 authorized by Parliament at its last session. For this I am introducing special legislation confirmatory of our action.

We borrowed five million dollars from the Bank of Montreal.

We issued after the successful flotation of the British war loan £3,000,000 of six months Treasury Bills negotiated at $4\frac{1}{2}$ and $4\frac{1}{4}$ per cent and maturing in June next.

We sold at a net price of $94\frac{1}{2}$ £1,300,000 of our 1940/60 stock to meet the private requirements of our investing clientele in London.

By these means we have arranged our finances until the end of March of the present fiscal year. At present we have substantial balances to our credit both here and in London.

So far as floating indebtedness is concerned we shall therefore enter upon the new fiscal year with £3,000,000 of Treasury Bills maturing in June and a bank indebtedness of \$5,000,000. Apart from these we have no maturing loans to meet until the year 1919, a most satisfactory situation which I am disposed to attribute to the policy hitherto followed by the Dominion of financing by selling its permanent stock at such prices as could from time to time be obtained rather than by issuing short date loans in the hope of more favourable conditions developing later.

As regards our borrowings from the Imperial Government, our arrangements are that we shall pay interest at the same rate as is paid by the Imperial Treasury upon its war loans, from the proceeds of which advances are to be made to us. At such time or times in the future as may be agreed upon by the British Chancellor of the Exchequer and the Canadian Minister of Finance, a Canadian war loan will be issued and the borrowings from the Imperial Government repaid. It seems to me that no fairer terms could be named than those so generously accorded us by the Imperial authorities.

FISCAL YEAR 1915-1916.

In approaching the question of our finances for the coming fiscal year beginning April 1st next it will be advisable to give preliminary consideration to prevailing trade conditions because upon such conditions will depend the amount of revenue which will be derived from all sources and particularly from customs which is our principal mainstay in the matter of income. Since the outbreak of war there has of course been a most serious interruption of our international trade. Commercial dealings with enemy nations have been automatically

shut off. The increased risk of ocean traffic and higher freights have had their influence. The demoralization of the rates of exchange, which are now happily becoming normal, was for several months a serious detriment to international transactions.

CONDITIONS AFFECTING TRADE.

In addition our import and export trade was for a considerable time and is still in some degree adversely affected by the interruption of our merchant marine service through the chartering so many steamships for the transport of our troops and the engagement of a part of our shipping by the Imperial authorities. The falling-off of immigration, the departure from Canada of reservists and of our own contingent have also had their effect. But by far the most important factor has been the curtailment of our borrowings abroad. This has been the outstanding feature of the economic effect of the war upon Canada. Canada has been borrowing at the rate of from two to three hundred million dollars annually for some years past. For the six months preceding the war our loans abroad and principally in Great Britain aggregated two hundred million dollars or over a million dollars a day. These borrowings represented the sale of securities by the Federal and Provincial Governments, by municipalities and by railway, public utility, industrial and financial corporations. For the most part the purpose of loans so effected was to provide funds for the construction of public undertakings, works and services, railways and industrial and other plants and establishments. The war at once cut off this stream of borrowed money and only recently have there been evidences of its resumption upon a greatly reduced scale. Until the war is over and for a considerable period afterwards it is not probable that monetary conditions will permit of the issue of securities even of the highest character other than for war purposes in any such volume as that to which we have been accustomed in the past. This interruption of the influx of capital has necessarily meant marked curtailment of expenditure upon undertakings, works and buildings in all parts of Canada with consequent reaction upon the industries, trades and businesses furnishing material and supplies therefor. The result has been a material slackening of general constructional activity, considerable unemployment and attendant diminished buying power on the part of the community. Commercial houses are exercising prudence in com-

mitments and the public generally are practising economy, that is to say they are buying less both of domestic and imported produce. The result of all this has been a rapid change in the volume of our imports and exports. For the nine months ended December 31 of the present fiscal year our total exports (merchandise only) amounted to \$353,000,000 as compared with \$380,000,000 for the corresponding period of the previous year, a decrease of \$27,000,000. For the same nine months of the present year our imports (merchandise only) have been \$391,000,000, a decline of \$112,000,000 over those of the corresponding period of the previous year. Thus the ratio of decrease in our exports has been much less than in the case of our imports. The total trade for the first nine months of the present and last fiscal years was \$745,000,000 and \$885,000,000 respectively. In 1912 the so-called adverse balance of trade against Canada was \$225,000,000; in 1913 \$300,000,000; in 1914 \$180,000,000. From present indications it would appear that we shall to a large degree overtake this balance. In view of the decrease in our borrowings which have accounted in large measure for our excess of imports this condition is what we should naturally expect. Our exports will, it is to be hoped, so increase as to enable us, with such borrowings as may be obtained outside of Canada, to pay any trade balance against us together with our interest maturing abroad without resort to gold exports.

ESTIMATED REVENUE AND EXPENDITURE 1915-1916.

From what I have stated it is apparent, that with the war still continuing we may expect for the year 1915-1916 diminishing imports and consequently reduced revenue as compared with the present year in which there have been four ante-bellum months. Upon the present basis of duties of customs and excise we estimate that our revenue from all sources for the coming year would not exceed \$120,000,000. So far as expenditures are concerned the policy we enunciated in August we shall continue. Our estimates contain no new items and as to items which they include we shall proceed with works not already under contract only as we feel justified having regard to the financial situation. Dealing with what we may call uncontrollable expenditure, that is to say expenditure necessary for the conduct of civil government and required to meet interest and other obligations of the Domin-

ion, we cannot look forward to any reduction over the past year. The Dominion has large undertakings under contract for construction. Chief among these may be mentioned terminal and harbour works and improvements in our larger port cities, the completion of the National Transcontinental Railway and the Quebec bridge, the Hudson Bay Railway and the Welland canal.

We must calculate upon a Consolidated Fund expenditure of \$140,000,000 and of Capital and Special expenditure of \$40,000,000. For investments authorized by statute we shall have to provide \$4,000,000 additional. It will be necessary also to raise funds to meet the outstanding Treasury Bills to which I have referred. Our special war expenditure may reach \$100,000,000 for which a special Appropriation Bill will be passed at this session. Our interest charges will, of course, greatly increase from this forward. Our outlay for this year on this account will exceed sixteen millions. In next year's estimates they appear at twenty-one and a half millions. We must also look forward to a large and increasing pension-list expenditure.

It is apparent in these conditions that we must obtain additional revenue to a very substantial amount. Assuming that our total cash requirements for all purposes whatsoever, including our war expenditure, will amount during the coming year to over \$300,000,000 while our revenue on the present basis would yield only \$120,000,000, we are faced with the problem of raising by additional taxation and borrowing a sum in excess of \$180,000,000. My proposals for meeting the situation are as follows:

WAR EXPENDITURE 1915-1916.

So far as concerns our special war expenditure which may reach one hundred million dollars I should be disposed, if we had not such heavy and uncontrollable capital expenditure to meet, to recommend that we should pay at least a part of it from current revenue. But it is obvious upon a consideration of the figures which I have submitted that we shall not by any reasonable supplemental taxation measures be able to close the gap between revenue and expenditure much less to pay a portion of the principal of our special war outlay. In the circumstances I have no hesitation in proposing to the House that we shall borrow the full amount required under this heading. Canadian Governments have always justified public borrowing for

capital account on the principle that expenditure upon enterprises, permanent in their nature, enures to the benefit and advantage of future generations who may therefore fairly be asked to pay interest upon the debt contracted in respect of them. If this theory is correct, and so far as I know it has never been seriously challenged, then we need have no reluctance in borrowing to meet the expense of this war because such borrowing is for the purpose of accomplishing for future generations that which is infinitely more precious than material undertakings, namely, the preservation of our national and individual liberty and the constitutional freedom won by our forefathers during centuries of struggle, enjoyed by us to-day and destined we believe to be ours for all time. It is therefore the intention of the Government to negotiate for a continuance of the arrangement which I have mentioned with the Imperial Government for the purpose of procuring the funds necessary to meet our special war expenditure.

MEANS FOR SUPPLEMENTING REVENUE.

Assuming that this can be accomplished and I have reason to believe it can, we have still to deal with the problem of so increasing our revenue as to meet our current expenditure and at least a part, and I should hope a substantial part, of our capital expenditure. I express this hope because we shall be obliged to borrow heavily for military purposes and our interest charges upon the vast amount which will be required on this and capital accounts will mount up rapidly in terms of millions by way of fixed charge to be provided yearly.

Many suggestions for supplementing our revenue have been put forward by members of the community and in the public press throughout the country, some quite impracticable, others worthy of consideration and adoption, but, speaking generally, wholly lacking in adequacy to meet the situation which the war has so suddenly brought upon us. It is not a question of raising a few millions by stamp taxes, by income tax or other minor means of supplementing revenue. We must endeavour to raise additional revenue to an amount of at least thirty million dollars and when we have accomplished this we shall still be obliged to borrow heavily over the next fourteen months, that is to say between now and March 31st, 1916, to meet expenditure for purposes other than war. We feel that the situation with which we are confronted should be resolutely met

and the finances of the country placed upon a basis which will enable us to go forward prepared to face whatever may lie before us until this war is concluded and concluded as we would wish. In making this statement I am convinced I am expressing the sentiments of the whole Canadian people who will, I know, be eager to make whatever of sacrifice may be required from them during this supreme crisis in the Empire's history.

PROPOSED FISCAL MEASURES.

The chief source and mainstay of our revenue is the tariff and it is to this we must look principally for relief of our present financial condition. Taxation imposed by increased customs duties bears upon all classes because all are consumers and in paying additional taxation each member of the community will feel that he is to that extent contributing to the cost of the war and the defence of his country. As an auxiliary means of raising revenue we shall resort to certain special taxes, the burden of which will fall more particularly upon those members of the community who are best able to sustain it.

To supplement our revenues to the minimum amount regarded by the Government as necessary, I shall later introduce to the House a Bill intituled "The War Revenue Act, 1915".

Its provisions will cover a levy of special and general taxation as follows:—

Special taxes.

Upon all banks to which the Bank Act applies a yearly sum equal to one per cent upon the note circulation to be computed and paid quarterly. From this taxation we shall realize approximately one million dollars.

Upon every trust and loan company incorporated under any legislative authority and carrying on business in Canada a yearly sum equal to one per cent of its gross income derived in Canada payable quarterly.

Upon every insurance corporation, society, association, firm or partnership carrying on the business of insurance, other than life, fraternal benefit and marine insurance, a sum of one per cent upon all net premiums received by it in Canada. Payments to be made quarterly.

The provisions of the Bill will apply to business of the respective banks, trust and loan and insurance companies transacted after January 1, 1915, and the first receipts therefrom will reach Consolidated Revenue Fund about May 1st.

In addition the following taxation will be provided for:—

Upon every cable and telegraph company using telegraphic cables or wires within the jurisdiction of Canada a sum equal to one cent upon each despatch or message originating in Canada for which a charge of fifteen cents or more is imposed. Returns to be made quarterly. The company is authorized to charge the additional toll and collect the same from the person sending the message.

Upon every purchaser of a railway or steamboat ticket, in Canada for any point in Canada, Newfoundland, the West Indian colonies or the United States the sum of five cents in respect of a ticket costing over one dollar and not more than five dollars, and five cents for each additional five dollars or fractional part of five dollars which the ticket costs.

Upon every purchaser of a berth in a sleeping car or seat in a parlour car the sum of ten cents in respect of each berth bought and five cents in respect of each seat bought in Canada.

The railway or steamboat company or person selling the railway, sleeping car and parlour car tickets referred to are required to collect the taxes imposed and transmit to the Government.

Upon every person, firm or company carrying passengers by vessel to ports or places other than ports or places in Canada, Newfoundland, the British West Indian Colonies and the United States, in respect of each passenger the sum of one dollar if the amount chargeable for the passage exceeds ten dollars, the sum of three dollars if such amount exceeds thirty dollars, and the sum of five dollars if the amount exceeds sixty dollars. The company is authorized to collect the tax from the passenger and is required to account therefor to the Government.

In addition to the above the following stamp taxes:—

Upon all cheques, receipts to banks by depositors and upon bills of exchange passing through a bank a stamp tax of the value of two cents.

Upon all express and post office money orders a stamp tax of the value of two cents and upon postal notes a stamp tax of one cent.

Upon every letter and postal card posted in Canada a war stamp tax of one cent.

Upon every bill of lading a stamp tax of two cents.

Upon proprietary or patent medicines and perfumery sold in Canada, the retail price for each bottle or package of which is ten cents or less, one cent, and in addition for each ten cents of retail price, one cent.

Upon wine non-sparkling, sold in Canada, for every bottle or package containing one quart or less five cents and for each additional quart five cents.

Upon champagne and sparkling wine—

Some hon. MEMBERS: Hear, hear.

Mr. WHITE: I knew that a proposal to tax its favourite beverage would appeal to the House. Upon champagne and sparkling wine sold in Canada, every bottle containing one pint or less twenty-five cents and for each additional pint twenty-five cents.

The special taxation to which I have referred other than that levied upon banks, trust and loan and insurance companies will come into force at a date to be fixed in the Act. I am making an exception to this in the case of wines and champagnes, the stamp taxation upon which will become effectual at once.

From all these special taxes we expect to raise a sum approximating \$8,000,000 although there is no means of accurate calculation; my own view is from \$8,000,000 to \$10,000,000—I should think more likely \$8,000,000 than \$10,000,000.

It will be observed that I have in these special taxes omitted income tax upon individuals about which there has been some discussion since the outbreak of the war. The matter has had the consideration of the Government and it appears clear to us that such a tax is not expedient, at all events for the present. Under the British North America Act, while the Dominion may impose direct or indirect taxation, the provinces are restricted to the former. At present under legislation existing in certain of the Provinces income is subject to taxation by municipalities and in two instances by the provinces themselves. In other provinces no income tax exists, although in some of these a business tax in lieu thereof is levied upon incorporated companies. In order to bring into force an income tax the Government would be obliged to create machinery for assessment, revision and collection. This would involve a heavy expense as compared with the amount which would be realized. Taxing the income tax of the United

States as a basis it would appear that Canada could hardly expect to derive from a similar tax a sum in excess of two million dollars, from which would have to be deducted the heavy expense connected with its administration. My chief objection, however, to an income tax is the fact that the several Provinces are also likely to be obliged to resort to measures for raising additional revenue and I am of the view that the Dominion should not enter upon the domain to which they are confined to a greater degree than is necessary in the national interest. There is another feature of income tax which makes it unsatisfactory for the purpose of Dominion finance. I refer to the length of period which must elapse before it becomes productive. In Britain, where the tax is the chief source of revenue to the Imperial Government, there is no municipal taxation upon incomes. There is also the important difference that in Britain taxable incomes are derived largely from investments. They have therefore a settled and permanent character, are ascertainable with fair accuracy and are capable of being levied upon at their source. With us this is not the case.

Tariff taxation.

As our main revenue measure we propose with certain exceptions a general horizontal increase in the customs duties upon all goods and commodities imported into or taken out of bonded warehouse in Canada. The list includes all articles hitherto dutiable or on the free list and whether raw material or finished or partly-finished product. The increase we propose is seven and a half per cent ad valorem to the general and intermediate tariffs and five per cent ad valorem to the British Preferential. In the case of iron ore, for reasons I shall give in Committee, the added duty is specific and not ad valorem. In determining the list of exceptions regard has been had to our trade Convention with France and the obligations of our agreement with certain of the British West India Colonies. By reason of the former the increased customs duties will not apply to silk fabrics, velvets, ribbons, embroideries and certain other goods. The exceptions to the tariff increases I have mentioned include wheat, flour, tea, anthracite coal, fish from Newfoundland, salt for curing fish, lines, twines, nets and hooks for the fisheries, reapers, mowers, binders, harvesters, binder-twine, traction ditching machines, sugar, tobacco (dealt with in August), news-printing paper, newspaper printing

presses, typesetting and typecasting machines and a number of other items of lesser consequence. The tariff upon the articles exempted from the increased duties will remain as at present. So far as concerns the duty upon raw materials it is to be pointed out that in accordance with regulations made under the provisions of the Customs Act manufacturers are entitled to a drawback of 99 per cent upon all duties paid upon imported materials used, wrought into or attached to articles manufactured in Canada and exported therefrom. In addition to making the increases mentioned for the purpose of increasing revenue, we propose to alter the existing tariff by adding squid and nicotine sulphate to the free list. Squid is used as bait by the fishermen while nicotine sulphate is a spraying material used by fruit growers for destroying insect pests. These two items have for some time past been noted for change.

The revenue obtained from the proposed tariff changes will be separately shown in the Trade and Navigation returns of the Department of Customs. By this we shall know the precise amount collected through the customs under the provisions of the War Revenue Act.

Upon the basis of importations for the current year and having regard to conditions which I have described as likely to prevail during the coming year we expect to realize from our proposed customs tariff legislation from twenty to twenty-five million dollars.

These, Mr. Speaker, are the proposals of the Government having as their object the raising of additional revenue rendered necessary by the war and our participation therein as a belligerent. We are not unmindful that they will entail a considerable financial burden upon the community. We believe, however, that to adopt measures less comprehensive in their scope would be but to temporize with a situation with which it is our duty to adequately cope. That the people will cheerfully respond to the demands made upon their patriotism goes without saying. At the outbreak of the war it would have been premature to have brought forward measures which to-day have been long foreseen by public opinion to be necessary and indeed inevitable. It would also have been most inopportune and inexpedient by reason of the profound dislocation and disorganization of business caused by the war and the shock to financial stability which the Dominion was so suddenly called upon to withstand.

We believe the tariff increases which we propose will be not only effectual in producing greater revenue, but will be strongly efficacious in stimulating Canadian industry and agriculture and in relieving unemployment. In order to initiate the legislation necessary to give effect to the proposals I have laid before the House I beg to give notice that when the House goes into Committee I shall move the following resolutions:—

SPECIAL TAXES—RESOLUTION.

RESOLVED that it is expedient to provide—

1. That each bank to which the Bank Act applies, exclusive of banks in the course of winding-up, shall pay for Consolidated Revenue Fund quarterly a tax equal to one-fourth of one per cent upon the average amount of the notes of the bank in circulation during the three months preceding, the greatest amount of notes in circulation at any time during each of the three months being the basis of the average, provided, however, that where the greatest amount of notes in circulation exceeds the amount of the paid-up capital then an amount equal to the paid-up capital shall be the basis used in calculating the average;

2. That every loan and trust company incorporated under any legislative authority, including the banks subject to the Quebec Savings Banks Act, 1913, shall pay for Consolidated Revenue Fund a tax of one per cent upon the gross amount of

(a) interest, the property of the company, from loans and investments in Canada and

(b) income, other than interest, on business transacted within Canada,

received by the company on and after the first day of January, 1915;

3. That every insurance company other than life and marine companies and fraternal benefit societies shall pay for Consolidated Revenue Fund a tax of one per cent upon the net premiums received by the company in Canada on and after the first day of January, 1915;

4. That every cable and telegraph company shall pay for Consolidated Revenue Fund a sum equal to one cent upon each despatch or message originating at the offices of the company in Canada and transmitted thence over the company's lines for which a charge of fifteen cents or more was imposed, the com-

pany having the right to charge the one cent to and collect the same from the person paying or liable to pay the regular charges for the transmission of the despatch or message;

5. That every purchaser of

(a) a railway passenger ticket or right to transportation over a railway to any place in or outside of Canada,

(b) a steamboat passenger ticket or right to transportation by steamboat between ports or places in Canada or from a port or place in Canada to a port or place in Newfoundland, the West Indian Colonies or the United States,

(c) a ticket or right entitling the passenger to transportation over a railway and by steamboat to a port or place in Canada, Newfoundland, the West Indian Colonies or the United States, whether such transportation be by railway and steamboat or by steamboat and railway or by railway, steamboat and railway,

shall pay for Consolidated Revenue Fund, in addition to the regular charge for the ticket or right, in respect of a ticket or right costing—

(i) over one dollar and not more than five dollars—five cents.

(ii) over five dollars—for each five dollars and in addition for any fractional part of five dollars—five cents;

6. That every purchaser of a berth in a sleeping car or seat in a parlour car shall, in addition to the regular charge for the berth or seat, pay for Consolidated Revenue Fund—

(a) ten cents in respect of each berth bought;

(b) five cents in respect of each seat bought;

7. That every company carrying passengers by vessel from any port or place in Canada to any port or place outside of Canada, except Newfoundland, the West Indian Colonies and the United States, shall pay for Consolidated Revenue Fund in respect of each passenger carried—

(a) the sum of one dollar if the amount chargeable for the passage exceeds ten dollars,

(b) the sum of three dollars if the amount chargeable for the passage exceeds thirty dollars,

(c) the sum of five dollars if the amount chargeable for the passage exceeds sixty dollars,

and that the company may charge to the passenger and may collect from him the sum so payable;

8. That no person shall issue a cheque payable at or by a bank and no person shall negotiate a bill of exchange through a bank or deliver a bill of exchange to a bank for collection unless he affixes thereto a stamp of the value of two cents; that a cheque or other bill of exchange made or drawn out of Canada in the possession of a bank in Canada shall before payment or presentment for payment have affixed thereto a stamp of the value of two cents, and the value of the stamp shall be chargeable to the person entitled to the proceeds of the cheque or bill;

9. That every customer of a bank shall affix to a receipt for money paid to him by the bank and chargeable against a deposit to his credit in the bank a stamp of the value of two cents;

10. That every express company carrying on business in Canada shall, before the issue of a money order or traveller's cheque, affix thereto a stamp of the value of two cents chargeable to the purchaser of the order or cheque or to the payee thereof;

11. That no money order or postal note shall be issued under the provisions of the Post Office Act until there is affixed thereto a postage stamp of the value of two cents and one cent respectively, to be paid for by the purchaser of the order or postal note, and upon such stamp there may be printed or impressed the words "war tax";

12. That on every letter and post card for transmission by post a tax of one cent shall be levied and collected, such tax to be payable by affixing to the letter or card a postage stamp of that denomination, upon which there may be printed or impressed the words "war tax";

13. That every person by whom goods are received—

(a) to be exported or carried coastwise, or

(b) to be transported by railway shall attach to the bill of lading or other evidence of receipt a stamp to be furnished by the shipper or consignor of the value of two cents;

14. That every bottle or package containing—

(a) a proprietary or patent medicine

(b) perfumery

(c) wine, non-sparkling

(d) champagne and sparkling wine shall be subject to the payment of the stamp duties hereinafter set out:—

Article.	Stamp of the Value of
(a) A proprietary or patent medicine, (b) Perfumery, the retail price for each bottle or package thereof being—	
Ten cents or less	One cent
More than ten cents—	
For each ten cents and in addition for any fractional part of ten cents	One cent
(c) Wine, non-sparkling, each bottle or package containing—	
One quart or less	Five cents
A quantity greater than one quart—	
For each quart and in addition for any fractional part of a quart	Five cents
(d) Champagne and sparkling wine, each bottle or package containing—	
One pint or less	25 cents
A quantity greater than one pint—	
For each pint and in addition for any fractional part of a pint	25 cents;

15. That the provisions of any Act founded on these Resolutions, in so far as such provisions relate to wine, non-sparkling, champagne and sparkling wine, shall be deemed to have come into force on the twelfth day of February, 1915, and to have applied to all such articles

(a) imported or taken out of customs warehouse for consumption on and after that day and to have also applied to such articles previously imported for which no customs entry was made before that day,

(b) owned by or in the possession of the manufacturer or producer thereof,

(c) owned by or in the possession of the wholesale or retail dealer therein.

Customs Tariff.

1. Resolved—that it is expedient to amend Schedule A of The Customs Tariff, 1907, and to strike thereout tariff item

329 and the enumeration of goods set opposite said item, and to provide that the following items, enumerations and rates of duties, if any, be inserted in said Schedule A:—

Tariff Items.	—	British Preferential Tariff.	Intermediate Tariff.	General Tariff.
118a..	Squid.....	Free.	Free.	Free.
209b..	Nicotine sulphate.....	Free.	Free.	Free.
329...	Ores of metals, n.o.p.....	Free.	Free.	Free.
329a..	Iron ore.....per ton	6 cents.	8 cents.	8 cents.

2. Resolved,—that it is expedient to amend The Customs Tariff, 1907, by providing that:

(1) There shall, in addition to the duties of Customs otherwise established by Schedule A to The Customs Tariff, 1907, and Orders in Council amending Schedule A, be levied, collected and paid upon all goods enumerated, or referred to as not enumerated, in Schedule A, except as hereinafter provided, when imported into Canada or taken out of warehouse for consumption therein, the several rates of duties of Customs herein specified:

British Preferential Tariff.	Intermediate Tariff.	General Tariff.
5 p.c.	7½ p.c.	7½ p.c.

(2) There shall be levied, collected and paid upon all goods enumerated as being free of duty in Schedule A and in Orders in Council amending Schedule A, except as hereinafter provided, when imported into Canada or taken out of warehouse for consumption therein, the several rates or duties of Customs herein specified:

British Preferential Tariff.	Intermediate Tariff.	General Tariff.
5 p.c.	7½ p.c.	7½ p.c.

Provided, however, that the following goods shall be exempt from the foregoing provisions:

(a) goods admitted into Canada free of Customs duty under the provisions of sections 8 and 9 of The Customs Tariff, 1907;

(b) goods enumerated in Schedule C of the French Convention Act, 1908;

(c) goods imported to be used in the manufacture of mowing machines, harvesters, self-binding or without binders, binding attachments, reapers, and complete parts thereof, under regulations by the Minister of Customs;

(d) goods imported to be used in the manufacture of binder twine for harvest binders, under regulations by the Minister of Customs;

(e) articles imported to be used in the manufacture of goods enumerated in Tariff Item 682 in Schedule A, under regulations by the Minister of Customs;

(f) anthracite coal and anthracite coal dust;

(g) bacteriological products or serum for subcutaneous injections;

(h) vaccine and ivory vaccine points;

(i) pressed felt, elastic webbing and hollow blocks of wood imported to be used in the manufacture of artificial limbs;

(j) steel imported to be used in manufacturing rough unfinished parts of rifles, when such parts are to be used in rifles to be made for the Government of Canada;

(k) fabrics of which silk is the component material of chief value imported to be used in the manufacture of neckties;

(l) goods enumerated in the following Tariff items in Schedule A: 1, 2, 3, 19, 20, 20a, 21, 22, 23, 28a, 29a, 39b, 40, 55, 60, 61, 66, 77a, 101a, 118a, 129, 132, 134, 135, 142, 143, 144, 145, 153, 164, 169, 171, 172, 173, 174, 175, 176, 178a, 180a, 184, 196, 201, 209b, 329, 329a, 348a, 352a, 359, 360, 369, 373, 441, 443, 445, 445a, 446a, 464, 466, 466a, 470, 483, 544, 544a, 576, 595, 596, 676, 682, 688, 689, 689a, 690, 690a, 691, 692, 692a, 693, 694, 695a, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, and 709.

Provided, further, that the duties of Customs collected and paid under the provisions of this section shall not be subject to drawback under Schedule B.

3. RESOLVED that any enactment founded on the foregoing resolutions shall be deemed to have come into force on the twelfth day of February, 1915, and to have applied to all goods mentioned in the foregoing resolutions imported or taken out of warehouse for consumption on and after that day, and to have also applied to goods previously imported for which no entry for consumption was made before that day.

Mr. GERMAN: Are the materials for the manufacture of binder twine subject to an increased duty, or are they left as now?

Mr. WHITE: Binder twine is free and the material of which it is made is free.

Mr. A. K. MACLEAN: Will the minister please state the effect of these changes upon sugar?

Mr. MACDONALD: And upon tea.

Mr. WHITE: Tea, sugar and tobacco are left precisely as they are to-day.

Mr. MACDONALD: What is the article 682 of schedule A, referred to in section (e) of resolution 2?

Mr. WHITE: Fish-hooks for deep-sea or lake fishing, and a line of articles of cognate character.

Mr. MACDONALD: As to section (f), anthracite coal, that is free now, is it not?

Mr. WHITE: It is free now and remains free; the additional duty is imposed upon bituminous.

CANADIAN ECONOMIC CONDITIONS.

In conclusion it may be fitting that I should say something as to general economic conditions actual and prospective. On the whole, having regard to the vast dislocation of finance and commerce occasioned by the war, the Dominion has withstood the shock exceedingly well. When we consider the immense distance we have traversed since August last in improved tone, confidence and commercial and financial outlook there is abundant cause for gratification and thankfulness. Readjustment has necessarily been a painful process for many of our industries but it must be considered as having proceeded and as proceed-

ing satisfactorily. The consequences of the interruption of our borrowings abroad for purposes to which I have alluded in the course of my remarks have been shown in a slackening of activity in many trades. On the other hand production in various lines has been greatly quickened and stimulated by orders on a very large scale for clothing, munitions and other equipment and material placed in Canada not only by the Canadian Government, but by Britain and her Allies as well. Expenditure for supplies of this character must appreciably assist in counteracting the adverse factors of which I have spoken. It will also exert a most favourable influence upon the important problem of international exchange with which is involved the question of gold export. It is apparent that throughout the Dominion strong efforts have been and will continue to be made to increase production. The enhanced prices of grain and other products will be a great inducement to exceptional exertion along this line. The returns as to fall ploughing and general condition of land are most favourable for a record crop production next year. The intervening period we shall bridge successfully in proportion to the courage and energy displayed by our citizens in their several callings. During wartime it is the duty as well as the interest of all to multiply effort, to increase to the utmost their production, in order that wastage may be repaired and the nation kept strong for the struggle. Our farmers, tradesmen, manufacturers will no doubt more keenly study their problems and expand wherever possible the scope of their enterprise.

While one hesitates to attempt a forecast in conditions so variable and subject to sudden and violent change it would appear that accumulations of funds with accompanying easier interest rates and increasing confidence on the part of investors will result in a gradual resumption of the sale abroad and at home of securities for needed expenditures on the part of our Provinces, municipalities, railways and industries. Such expenditures, even on a greatly reduced scale, together with war outlays in Canada should go a long way towards the restoration of such of our trade and industry as have suffered from the effects of the war. Above all will our commercial improvement and for that matter commercial improvement everywhere, follow upon the continuing success of the Allies. With such continuance legitimate business throughout the world must improve during the remaining period of the war. Should

the progress of that success be interrupted international trade and commerce must receive a further setback. To put it another way: if the exchanges of the world were in operation as before the war any notable success on the part of the Allies would cause securities everywhere to rise; with any notable success on the part of the enemy they would fall. Happily we have no cause to be apprehensive as to the continued favourable progress and the certain ultimate triumph of the arms of the Empire and her Allies. So far as any war can be said to go well we have every reason to make the statement as to this the most terrible or all wars. As to its duration it would be idle to hazard even a guess. But one thing is certain that be it long or be it short the Empire and every part of it is determined that its conclusion must be upon such terms that the ensuing peace will be not a transient truce, not an armed and arming armistice, but a real and lasting settlement with securities amply guaranteeing the world against a recrudescence of the militarist ambition, the aggrandizing spirit, the greed of possession, the lust of conquest, which have brought about almost a subversion of our civilization.

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