

CANADA

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# BUDGET SPEECH

DELIVERED BY

HON. JAMES A. ROBB

ACTING MINISTER OF FINANCE

MEMBER FOR CHATEAUGUAY-HUNTINGDON

IN THE

HOUSE OF COMMONS

MARCH 24, 1925



OTTAWA  
F. A. ACLAND  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
1925

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## WAYS AND MEANS—THE BUDGET

Hon. J. A. ROBB (Acting 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: In presenting to-day the annual statement of the financial affairs of our Dominion, may I express the sincere regret, which I am sure we all share, that our hopes and wishes for a speedy recovery of the Minister of Finance, the Right Honourable Mr. Fielding, have not been fully realized.

### PUBLIC ACCOUNTS, 1923-24.

The Public Accounts for the financial year 1923-24 were tabled in this House on the 9th of last month. The consolidated fund revenues or ordinary receipts are shown as \$396,837,682.22, being \$837,682.22 in excess of the estimate given to the House last session; and \$2,222,782.22 over the corresponding receipts for the previous year. Other receipts amounted to \$9,743,635.74, which brought the gross revenue to \$406,581,317.96.

The expenditure side shows \$324,813,189.75 for ordinary expenses, being a decrease of \$7,480,542.34 under corresponding expenditures for the previous year. Capital, demobilization and other charges amounted to \$19,208,597. The gross expenditure was \$344,021,786.75, or \$6,586,759.97 less than for similar services the previous year.

The public debt was decreased by the amount of \$35,993,593.86. Since Confederation decreases of debt have occurred in only nine of the fifty-seven years completed. \$35,993,593.86 is the largest decrease of any of those nine years, being \$10,375,758.83 greater than that for any previous year since Confederation.

### DEBT REDUCTION OF 1923-24

May I, before dealing with the outcome of the year 1924-25, which ends on the 31st of this month, ask the indulgence of the House to refer for a moment to a contention advanced last

session in this chamber that the reduction of debt by some \$35,000,000 was arrived at by a departure from the practice heretofore followed in dealing with loans to the Canadian National Railway system. The fallacy of this contention was fully explained by the Prime Minister from his place in this House. My reasons for referring to this matter in the budget speech are not so much in the interests of the party to which I have the honour to belong as in the interests of all who make up our national life. The attack at the time was weakened by the fact that no two of the critics seemed able to agree on just how many millions were involved and to what extent the debt should have been affected. During the recent recess of this House, these remarkable and fallacious charges have been reiterated in public speeches and also featured prominently in certain issues of the public press. Criticism of the public policies of any party is expected, but to step aside and charge an administration with altering the method of keeping our national records, for the purpose of showing the financial position of the country to be other than it really is, brings with it a danger which I am sure is not fully realized by those carrying on such propaganda. We Canadians are in the process of becoming in the not far distant future a great nation. We are in the growing period. We must practise economy, but we must make such provision for the development of our country and of our transportation facilities as will be necessary to meet our growing needs. To meet the necessary capital charges required for national development we may need outside capital. If we require to go to a foreign money market for loans to be used for the development of this country, I submit there is danger that our credit, now at its highest point, may be damaged and that we may be called upon to pay higher rates for accommodation. It was not until I feared that such criticisms of the accuracy of our public records might result in impairing our national credit that I thought it worth while to take the necessary steps to have our balance sheet for 1923-24, the year concerned, examined by two of the most outstanding chartered accountants in Canada, men to whom no one could take exception. This was done for the double purpose of satisfying the people of Canada as well as those outside of Canada whose good-will and financial resources we might need in the developing of our country. On the 27th January, 1925, I received the auditors' certificate, a copy of which has been printed on the balance sheet on page number three of the Public Accounts for 1923-24. The certificate reads as follows:—

“ We have examined the Balance Sheet of the Dominion of Canada as at March 31, 1924, and we certify that the Balance Sheet conforms to the Balance Sheets of previous years in not including in the Net Debt of

the Dominion, issues of the Canadian National Railway Company and Companies included in its System, which carry the Guarantee of the Dominion of Canada. Such Guaranteed issues are shown year by year as Indirect Liabilities.

"GEO. EDWARDS,  
Of the firm of Edwards, Morgan & Co.

"W. GARTH THOMSON,  
Of the firm of Peat, Marwick, Mitchell & Co.

"OTTAWA, CANADA, 27th January, 1925."

While guaranteed loans in the past have been issued for the purpose of taking care of deficits, capital and other charges, and treated in our public accounts as indirect obligations, I submit that it would be an ideal practice if, for the purpose of securing better terms in the flotation of Canadian National Railway loans, the guarantee of the Minister of Finance could be confined solely to loans raised for the betterment of the Railway System; and in this respect this administration has been singularly successful. The System is now meeting its running expenses with a surplus left over for fixed charges. The Railways are not called upon to pay out of their revenues interest on Dominion loans made to them by way of cash, although such is included in the annual railway budget as submitted from time to time by the Minister of Railways and Canals. They are thus relieved for the present from a very large annual commitment, and in consequence are able to carry on their capital and betterment requirements by loans guaranteed by the Minister of Finance. Net operating income surplus, together with the cash loans made by the Government, meet the railway's fixed charges, which, of course, include interest charges on obligations held by the public.

#### THE CANADIAN NATIONAL RAILWAYS

May I here explain, for the information of this House and the country, the relationship of the Canadian National Railways' finances to the Dominion accounts. During war time stress it was deemed advisable, by the Government of the day, in order to avoid a possible breakdown in our transportation facilities, to give substantial financial aid to the Canadian Northern Railway and its constituent companies. Very large sums of money were loaned to the Company, the Government taking as security railway interest-bearing bonds or demand notes. These interest-bearing bonds or demand notes were until 1920 treated as active assets and they so appeared in the Federal balance sheet, being deducted from our gross debt in determining the net debt of the Dominion. The present Minister of Finance, Mr. Fielding, in this connection made the following statement in the House:—

"When the amount was not very great in proportion to our business, perhaps there was no need of any discrimination, but when these assets,

under the operation of our railways, grew to very large figures, it became desirable or necessary that there should be discrimination."

He further stated:—

"My predecessor in office very properly made that discrimination by dividing our assets into active and non-active."

The railway loans were, for the year 1919-20, classified as non-active, thus increasing the net debt of the Dominion by the amount of the total of the then railway loans. The amount so added at that time by the immediate predecessor in office was \$272,624,931.34. When the present Minister of Finance, Mr. Fielding, took office, he continued the policy of his predecessor, and that policy is still being followed. Each year Government loans to the Railway Company are added to our debt, and the Company's own securities issued to the public carrying the guarantee of the Minister of Finance are, as formerly, set out in our public accounts as indirect obligations. To illustrate: on the 31st March, 1922, the net debt of the Dominion stood at \$2,422,135,801. On the 31st March, 1924, the net debt was \$2,417,783,275, a decrease in the net debt of \$4,352,526. The amount of loans to the Railway Company from the 31st March, 1923, to the 31st March, 1924, namely, \$24,500,000, was added to the debt of the country. Fortunately, our financial condition was sufficient to more than offset this heavy addition to the net debt, and in spite of it we more than balanced our budget in that year by some \$35,900,000. The total of our net debt, as of the 31st March, 1924, namely, \$2,417,000,000, included the total amount of approximately \$582,000,000 of railway indebtedness as up to that date.

#### THE RAILWAYS HAVE NOT PAID ARREARS OF INTEREST

The Railway Company from earnings are not yet able to meet the arrears of interest accumulated on our loans to the Company. This Government, following the policy of its predecessors, continues to relieve the Company from the payment of interest. To do otherwise would require the increasing of our annual provisions in the estimates, thus adding to our debt on the one hand, and, after receiving back from the Company the amount so provided in our estimates, crediting it to interest on investments account on the other hand, thus reducing our debt by the very amount by which we increased it. The total amount of these arrears of interest on the 31st March, 1924, was about \$131,000,000, but it is not treated in our public accounts as an asset: it is held in abeyance only as an overdue account.

May I, before leaving this question of debt reduction, direct the attention of the House to the balance sheet of the Public Accounts at the close of the financial year 1923-24, page two, where will be found among our assets an amount of \$43,612,756.16, cash left in our hands after the closing of our accounts for that year; and I submit the question: Is not the actual possession of so much cash conclusive evidence that we ended that year with excellent results? For the information both of this House and of the country, may I point out that of this amount—the savings made—\$34,500,000 was segregated and deposited in an interest-bearing special account, until such time as the pressing needs of the country required it for our general purposes.

Last year the statement was made that during the fiscal year 1922-23 the Minister of Finance had paid out actual cash for all the requirements of the Railway System for that year and that the same course should have been followed in the year 1923-24. It is perfectly true that during 1922-23 the Minister of Finance was able to meet the requirements in cash for all railway obligations including capital charges. In that year we received from the Imperial Government \$56,000,000 towards liquidation of large outstanding obligations incurred by the Imperial Government during the war. The Minister of Finance thus found himself in possession of a large amount of cash which was not the outcome of that year's taxation, and rather than issue securities to the public, and thus incur an additional obligation with its annual high interest charges, he wisely took the position that, in view of the high interest rates then prevailing, it would be better to utilize this cash for all the purposes of the railways and allow that part of it for capital requirements to enhance the value of the road.

Parliament has made provision for our railway requirements by authorizing the Government to make loans to the railways for all purposes by way of cash or by way of guarantee or partly one way and partly the other. This was the nature of the authority asked for by our predecessors in office and is still the form of authority given by Parliament. Parliament does not authorize the Government to issue loans for railway purposes, except by way of guarantee.

Mr. Speaker, I now ask that the courtesy of the House be extended to enable me to put into Hansard a tabulated statement supporting the remarks I have just made as to the allocation of Government aid, by cash or guarantee, given to the railways.

STATEMENT OF LOANS TO RAILWAYS FOR 1922-23, 1923-24 AND 1924-25  
MADE IN CASH AND GUARANTEED BOND ISSUE UNDER AUTHORITY OF THE APPROPRIATION ACTS

	1922-23	1923-24	1924-25	Total
	\$	\$	\$	\$
<i>Deficit</i> —Operating deficit, interest due public, and rentals of leased lines.....	36,722,181	20,356,198	21,343,940	78,422,319
<i>Redemption of Debt</i> —including equipment trust principal payments and sinking funds.....	25,275,902	11,469,369	7,007,533	43,752,804
<i>Capital</i> —Investment in road and equipment including acquisition of property.....	18,214,940	41,630,933	33,765,527	93,611,400
	80,213,023	73,456,500	62,117,000	215,786,523
Discount on Government Guaranteed Bond Issues.....		1,093,500	1,910,000	3,003,500
	80,213,023	74,550,000	64,027,000	218,790,023
These totals are made up as follows:				
Loans by way of cash charged to the net debt of the Dominion.....	80,213,023	24,550,000	18,027,000	122,790,023
Loans by way of Government Guaranteed bond issues.....		50,000,000	46,000,000	96,000,000

While the estimated loans by way of cash of \$18,027,000 for 1924-25 are short of the estimated deficits for this year by \$3,316,940, the statement shows that for the three years under review the Government loans in cash have not only enabled the Railway Company to meet all deficits, including fixed charges due the public, but also left the substantial sum of \$44,000,000 to be applied to capital requirements.

#### WORLD ECONOMIC CONDITIONS

Mr. Speaker, before dealing with the present financial year, which closes on the 31st of this month, I would like to refer to the disturbed world-wide economic conditions which affected all nations so disappointingly during the year 1924. Early in the year a still more pronounced business depression swept the European nations. Their vexed unsolved reparations problem, with no satisfactory suggestions towards effecting a readjustment of their difficulties, brought discouragement and depression. This gradually spread until it affected Canadian industrial and business activities. The ratification of the Dawes plan, providing for the establishment of an internationally controlled gold reserve bank of issue for the purpose of stabilizing the credits and currency of Germany, now carries with it a feeling of relief and hope as the first promising solution of the reparations problem.

It will be some time before all returns for the fiscal year ending March 31, 1925, come to hand, but we are to-day in a position to estimate closely for the balance of the year's operations.



## DECREASE OF \$52,800,000 IN REVENUES

The actual revenues received by the Department of Finance up to and including 28th February last amounted to \$308,994,207.71. The amount of revenues yet to come when the accounts for the year are finally closed is estimated at \$35,005,792.29. This gives a total revenue of about \$344,000,000, being a decrease of some \$52,800,000 under the revenue of 1923-24.

## SOURCES OF REVENUE

The estimated revenue from customs duties will be \$108,200,000, a decrease of some \$13,300,000 under the previous year. From excise duties we expect \$39,200,000, an increase of about \$1,000,000. We estimate that the revenue from excise taxes will be \$85,000,000, a decrease of about \$35,600,000. From income taxes we estimate \$56,550,000, being an increase of some \$2,350,000. From delayed business profits tax we will receive some \$2,400,000, a decrease of \$2,350,000. From interest on investments we estimate a revenue of \$9,350,000, being a decrease of about \$2,550,000. We expect to receive \$28,100,000 as Post Office receipts, being a decrease of about \$750,000. From all other sources we estimate a total of about \$15,200,000, being a decrease of about \$1,500,000.

Mr. Speaker, I again request the courtesy of the House in order to place on record in the form of a summary the figures which I have just given.

	Estimated Receipts	Actual Receipts	Increase		Decrease	
	1924-25	1923-24	\$	cts.	\$	cts.
Customs.....	108,200,000	121,500,798 49			13,300,798 49	
Excise Duty.....	39,200,000	38,181,747 33	1,018,252 67			
Excise Taxes.....	85,000,000	120,676,375 89			35,676,375 89	
Income Tax.....	56,550,000	54,204,027 99	2,345,972 01			
Delayed Business Pro- fits Tax.....	2,400,000	4,752,680 89			2,352,680 89	
Interest on Investments.	9,350,000	11,916,479 11			2,566,479 11	
Post Office.....	28,100,000	28,866,808 41			766,808 41	
All other revenue.....	15,200,000	16,738,764 11			1,538,764 11	
	344,000,000	396,837,682 22	3,364,224 68		56,201,906 90	
		344,000,000 00			3,364,224 68	
		52,837,682 22			52,837,682 22	

## \$5,100,000 REDUCTION IN EXPENDITURES

Coming now to expenditures, it is estimated that when all accounts are closed the expenditure for the year on ordinary account will be \$319,700,000, a decrease, as compared with the previous year, of some \$5,100,000.

Taking the estimated revenue for the year ending 31st March, 1925, as \$344,000,000, and the estimated expenditure chargeable to Consolidated Fund as \$319,700,000, there will be a surplus of revenue over the ordinary expenditure of \$24,300,000 available for capital, special and other obligations.

Capital expenditure for public works, including Marine Department, will amount to some \$6,697,000.

Capital expenditure for railways and canals will be \$11,800,000, of which \$11,000,000 is for the Welland Ship Canal. From this amount \$420,000 is to be deducted as refunds from previous years' expenditures,—\$180,000 on account of the Welland Ship Canal; \$141,000 on account of Hudson Bay Railway; \$47,000 National Transcontinental Railway; \$36,000 Canadian Government Railways and \$16,000 from other sundry railway and canal services—leaving the net capital charges at \$11,380,000.

The total net capital expenditures for the year would therefore be \$18,077,000.

Special expenditures will amount to \$4,400,000, made up of: adjustment of war claims \$475,000; cost of and discount on loan flotations for refunding maturing loans \$3,350,000; Consolidated Fund transfer charges \$575,000.

#### SURPLUS OF \$1,823,000 ON GOVERNMENT SERVICES

Comparison therefore of the total of expenditures on all Government services, namely,—\$342,177,000, with our estimated revenue receipts for the year, \$344,000,000, will show that we have more than balanced the year's business on Government services by the sum of \$1,823,000; a remarkable result, I submit, in which Canadians may feel a justifiable pride when we realize that this year, as a result in part of our policy last year in reducing the burdens of taxation, we will receive from the people \$52,837,000 less than in 1923-24; and may I repeat that notwithstanding this large reduction in our revenues we will end the present year with a surplus of revenues over expenditures of \$1,823,000.

#### \$4,000,162 FROM ROUMANIA AND GREECE

In addition to this surplus on government business over the year's transactions, the sum of \$4,000,162 must be taken into account as an improvement in our financial position by an additional active asset having been added to our balance sheet, arising from negotiations begun in 1922 by our High Commissioner in London with the Governments of the Kingdoms of Roumania and Greece for the consolidation of our loans to those countries, with arrears of interest, thus placing their obligations upon a sound financial basis. The arrears of interest were,—Roumania \$3,520,636 and Greece \$479,526. The High Commis-

sioner was successful in coming to an arrangement with these countries whereby such arrears were capitalized and additional bonds issued and transferred to the Dominion of Canada. The debts at that date, with the interest added as capital, were,—Roumania \$23,969,720, and Greece \$8,000,000, making a total of \$31,969,720. This increased asset over the capital amount of their debt, which previously stood in our books, was \$4,000,162. Treasury Bills previously deposited to secure the debt were backed only by the general credit of these countries. New securities given to the Dominion for the total indebtedness are further secured by specific charges on certain revenues of these countries. In the case of Roumania the service of the new bonds is a first charge upon export duties collected on wheat exports and other products; in the case of Greece, their obligations are a charge upon the revenues of the International Financial Commission appointed to administer certain specified revenues of the Greek Government for the purpose of meeting charges in connection with their external indebtedness. These governments have, since 1922, been paying their interest charges regularly and promptly, and in the case of Greece part of the principal in addition.

This amount of \$4,000,162, now classified in our books as an active asset, although resulting from previous years' operations pertaining to our own public business, must be added to our surplus of \$1,823,000 previously referred to, thereby making a total of \$5,823,162 as the surplus of the results of the past year from government services.

#### RAILWAY ACCOUNTS KEPT SEPARATE

If here I may digress for a moment, I would like to point out that in all budget speeches, as well as in the Public Accounts the results of the country's own business transactions have always been dealt with separately and apart from other transactions, such as loans to the railways and Merchant Marine which, previous to 1918, were not provided for in our annual budget of estimates but were authorized by special Acts of Parliament.

This year we presented our estimates for such services separately, in order to have them conform to the method followed in the submission of budget speeches and in the making up of our public accounts.

#### RAILWAY FINANCING

Parliament at its last session authorized \$56,527,000 for loans to the Canadian National Railway Company. A further supplementary estimate has lately been placed on the Table of the House amounting to \$7,500,000, which will bring the total provision for 1924-25 up to \$64,027,000.

As in previous years, provision has been made that the loans might be by way of cash or by way of guarantee of railway securities for any or all of the requirements. Cash loans, provided that the full amount will be required, will total \$18,027,000. The difference between the \$18,027,000 and the total amount asked for has been covered by way of bond issues, carrying the guarantee of the Minister of Finance:—

\$20,000,000 three-year, four per cent (4%) notes, and  
 \$26,000,000 thirty-year, four and a half per cent (4½%)  
 bonds,

issued on the New York market under conditions distinctly favourable to the railways.

Apart from the annual vote, the railways were required this year to raise additional funds for special purposes. An issue of \$9,375,000 four and a half per cent, serial equipment trust bonds was sold. The money is being applied to the purchase of new equipment, which, following the usual plan of financing such issues, was pledged as security for the bonds. The Government's guarantee was not required.

During the year securities of the Canadian Northern Railway Company, guaranteed by the Minister of Finance under the provisions of the Acts of 1917 and 1918, respecting the acquisition of the Canadian Northern Railway system, fell due, as follows: \$6,000,000 at five and one-half per cent; \$11,000,000 at five per cent. These maturities were refinanced by a consolidated issue of \$17,000,000 four and one-half per cent ten-year bonds guaranteed by the Minister of Finance under the same statutory authority. A further flotation of \$18,000,000 four and one-half per cent five-year guaranteed bonds was made under the provisions of the Acts of 1924 respecting branch lines and Toronto Terminals construction, the proceeds of which are to be paid out as expenditures thereon are incurred.

#### THE PUBLIC DEBT

I now come to the public debt: On March 31, 1924, our net public debt stood at \$2,417,783,274.88.

We will deal first with the business transactions pertaining to government services proper. Our ordinary revenues for the current fiscal year will be \$344,000,000. Our estimated ordinary, capital, special and other expenditures will amount to \$342,177,000, leaving a favourable balance in the year's operations of \$1,823,000. To this must be added the sum of \$4,000,162 previously referred to, making a total of \$5,823,162 as a reduction in dealing with our net debt on account of Government services proper. This amount is available to be applied on account of our loans to the Canadian National Railways of \$18,027,000; to Canadian Government Merchant Marine of \$900,000; and to

the Quebec Harbour Commission of \$600,000, all of which, while being assets, but for the present considered as non-active, are to be added, thereby making an increase of debt during the year of about \$13,703,838.

#### LOAN FLOTATIONS DURING FISCAL YEAR

During the fiscal year obligations amounting to \$199,270,650 matured. In addition provision had to be made for the meeting of obligations to the value of £5,000,000 falling due in London on the first day of May, 1925. In consequence the total sum of \$223,603,983.33 had to be provided for. As a result of the successful financing of the Government the maturing obligations were met by new issues totalling \$223,333,333.33, a saving of \$270,650 and by refinancing at better rates of interest a saving of \$2,643,264.92 has been made in the annual interest charges.

The securities which matured for which refunding loans were issued consisted of \$91,315,000 five and a quarter per cent. Treasury Bills held by the Canadian banks and \$107,955,650 five and a half per cent bonds of the Victory Loan of 1919 due November 1st, 1924.

To meet these obligations, on September 15th, 1924, one-year four per cent notes amounting to \$90,000,000 were sold to a New York Syndicate at par. Later, \$35,000,000 four per cent two-year notes dated October 1st, 1924, and \$50,000,000 four and a half per cent twenty-year bonds dated October 15th, 1924, were sold to a Canadian Syndicate, realizing 99 for the two-year notes and 95 for the bonds. The syndicate made a public offering of the \$50,000,000 twenty-year bonds, with conversion privileges to holders of maturing Victory Loan bonds.

On November 15th, 1924, an issue was made of \$24,000,000 one, two and three-year four per cent notes, \$8,000,000 maturing in each year. This issue was sold to a Canadian Syndicate at 99 $\frac{1}{4}$ .

Advantage was taken of the low interest rates prevailing on short term borrowings to sell in London £5,000,000 six months' four per cent Dominion of Canada Treasury Bills, dated February 1st, 1925, and maturing August 1st, 1925, for the purpose of retiring our £5,000,000 four and a half per cent Bond Loan falling due in London May 1st, 1925, upon which we exercised an option to redeem in advance of the maturity date.

#### REDUCTION IN PRINCIPAL AND SAVING IN INTEREST

To sum up, the total of maturing obligations, including the sterling bonds, amounted to \$223,603,983.33, while the new securities issued represent a par value of \$223,333,333.33, being a reduction of \$270,650 in our outstanding public debt. There will also be an annual reduction in the interest rate of the

refunding issues under the interest rates of the matured loans which will result in an annual saving of \$2,643,264.92.

#### TRADE BALANCE INCREASES

I desire, Mr. Speaker, to place on record a statement showing our trade with the British Empire and with foreign countries. This statement shows that in our trade with the British Empire during the fiscal year ended 31st March, 1924, the balance of exports over imports was nearly \$243,000,000, and in our trade with foreign countries the balance of imports over exports was nearly \$78,000,000, making a net balance of exports over imports with all countries of \$165,186,430. During the period of ten months ended the 31st January, 1925, the balance of exports over imports in our trade with all countries has increased to \$263,414,526. During the first period there was a favourable balance with all countries excepting the United States of nearly \$325,000,000 and an unfavourable balance with the United States of nearly \$160,000,000; during the second period there was a favourable balance with these countries of nearly \$328,000,000 and an unfavourable balance with the United States of nearly \$65,000,000. With the permission of the House I shall place this statement on Hansard.

#### CANADIAN TRADE DURING THE FISCAL YEAR ENDED MARCH 31, 1924

	Imports	Exports Domestic and Foreign	Balance of Exports over Imports
	\$	\$	\$
<i>British Empire—</i>			
United Kingdom.....	153,613,003	361,197,041	207,584,038
Other British Countries.....	41,772,629	77,132,395	35,359,766
Total, British Empire.....	195,385,632	438,329,436	242,943,804
	Imports	Exports Domestic and Foreign	Balance of Imports over Exports
<i>Foreign Countries—</i>	\$	\$	\$
United States.....	601,295,121	441,650,861	159,644,260
			Balance of Exports over Imports
Other foreign countries.....	96,686,114	178,573,000	\$ 81,886,886
			Balance of Imports over Exports
Total, foreign countries.....	697,981,235	620,223,861	\$ 77,757,374
	Imports	Exports Domestic and Foreign	Balance of Exports over Imports
<i>All countries—</i>	\$	\$	\$
Total, all countries.....	893,366,867	1,053,553,297	165,186,430

CANADIAN TRADE  
DURING THE PERIOD OF TEN MONTHS ENDED JANUARY 31, 1925

	Imports	Exports Domestic and Foreign	Balance of Exports over Imports
	\$	\$	\$
<i>British Empire—</i>			
United Kingdom.....	121,884,189	349,600,037	227,715,848
Other British countries.....	38,143,314	69,333,218	31,184,904
Total, British Empire.....	160,032,503	418,933,255	258,900,752
	Imports	Exports Domestic and Foreign	Balance of Imports over Exports
<i>Foreign Countries—</i>			
United States.....	\$ 415,332,165	\$ 350,508,647	\$ 64,823,518
			Balance of Exports over Imports
Other foreign countries.....	75,520,886	144,867,178	\$ 69,337,292
			Balance of Exports over Imports
Total, foreign countries.....	490,862,051	495,375,825	\$ 4,513,774
	Imports	Exports Domestic and Foreign	Balance of Exports over Imports
<i>All Countries—</i>			
Total, all countries.....	\$ 650,894,554	\$ 914,309,080	\$ 263,414,526

TARIFF BOARD TO BE APPOINTED.

Since last session the revenue collecting services of the Government have been consolidated under one administrative head. Pending the removal of restrictions, imposed during the discussion of the estimates in this House, in the manner of appointment of its personnel, the formation of the Board which it was proposed to constitute to investigate and study the various modes of taxation has not been proceeded with. It is now proposed to have this inquiry made as a part of the larger study of taxation in general, in conjunction with the survey of our customs tariff schedules upon which officers in the public service are already engaged. In order that an efficient organization may be effected, an item has been included in the estimates to provide for the salaries and expenses of a Board of Advisors to the Minister of Finance, whose duties are to inquire into all matters pertaining to the tariff and other forms of taxation and to advise the Minister of Finance in regard thereto. The policy of the Government is that the Board shall be made up in part of officers of the service having special knowledge of tariff and other taxation and trade problems, who will give a

portion of their time to the work of the Board. The remaining members will be persons specially qualified to advise upon such questions, who will give continuous time and attention to these and kindred matters. The Government is of the opinion that expert and exact knowledge to be obtained in the manner mentioned should precede any general tariff revision and that, for the present, opportunity of unobstructed observation of the effect of the extensive tariff changes made last year should be afforded.

#### EXPORT DUTY ON ELECTRICITY

Section 10 of The Electricity and Fluid Exportation Act gives the Governor in Council power to impose export duties on electricity. An Order in Council has been passed imposing an export duty for revenue purposes of three one-hundredths of a cent per kilowatt hour upon power, as defined in the said Act. This duty will be payable on and after the first day of April, 1925. The rate will be equal to about \$1.95 per horse-power year.

#### AMENDMENT TO THE CUSTOMS ACT

A Bill will be introduced providing for amendments to The Customs Tariff Act for the better enforcement of the sections for the prevention of smuggling.

#### CUSTOMS TARIFF CHANGES

It is proposed to make very few tariff changes. The principal change will be in bituminous coal. The item "slack coal" is repealed, which puts this class of coal into the item of "coal, n.o.p." This change will remove difficulties in the administration of the Act. There will be a slight reduction on other bituminous coal. The changes should encourage greater production of Canadian coal and also be of considerable advantage to Canadian transportation companies.

It is proposed to make a reduction in the rate on well-drilling machinery for deep wells and on engines for the propulsion of boats owned by individual fishermen.

The estimated increase in revenue from the amendments will be about \$1,000,000.

During the recess rolling mill rolls were by Order in Council placed on the free list. It has since been represented to the Government that these rolls are manufactured in Canada. It is proposed to repeal this Order, thereby restoring the rolls to their former rate of duty.

It is proposed to amend The Special War Revenue Act, 1915, by providing for a better definition of cheque, bill of



exchange, etc. It has been found that the intention of the Act is being evaded by the substitution of other documents, which cannot be rated as cheques within the meaning of the Act. Well-drilling machinery and engines for the propulsion of boats owned by individual fishermen will continue to be exempt from the consumption or sales tax. A few other slight changes will be proposed.

#### CANADA'S WAR BURDENS ARE HEAVY

Mr. Speaker, I have submitted a statement of the financial position and trade activities of Canada for the current fiscal year and have made some comparisons with other years. But in making any comparison it should never be forgotten that the problems of Canada to-day are not comparable with those of countries whose people were not in the war so early nor so long as were the Canadian people. Canada was in the war from the day the first gun was fired. Into that struggle we, in common with many other nations of the world, poured our treasure, and what was infinitely more dear, the life-blood of our country. Gloriously succeeding in our duty, our country four years later was freed from the struggle; but we found ourselves being borne along new and uncharted channels, channels which were strewn with and made dangerous by the wrecks of great nations, national discords and sectional strifes.

Moreover, upon the Dominion treasury had fallen the cost of our share in the war, the interest on the war debt, the pensions to our disabled soldiers and to the widows and orphans of our men who had fallen at the front. The present Government, representing the will of the Canadian people, has constantly borne in mind the debt we owe to the disabled and the needs of the widows and orphans, which necessitated pension increases from year to year.

#### EXPENDITURES HAVE BEEN REDUCED

On the other hand, by reductions in general expenditures and by refinancing maturing loans, the Government has succeeded in reducing the interest charges and also our annual expenditures, thus enabling us last year to report a material reduction in our net debt and this year a substantial reduction in taxation and a surplus in the Government's own administrative services.

The Government has attempted to give a lead, which it is hoped will encourage general support of our policy of practising rigid economy in all public services, so that the costs of such services throughout Canada may be still further reduced.

## A. RETROSPECT OF 1924

The past year was not without its difficulties. Trade depressions in Europe reduced the purchasing power of the people of many countries and have adversely affected business on this continent. Short crops in some parts of Canada and the United States resulted in less labour being required for the harvesting; it meant fewer car-loads to be hauled; it limited charters for vessels and curtailed employment among those who are usually engaged in the moving of the crops from the farm to the seaboard. But there is a bright spot. Agricultural industries, especially in the prairie provinces, are now receiving the benefits of greatly increased prices for last year's crops, and these increased revenues are being applied, not to luxuries or comforts, but to wiping off the indebtedness incurred during the lean years. The farm, free from debt, brings more general economic value to the owner and to Canada as a whole than would be obtained from the free spending of profits for other than actual requirements.

## THE FUTURE IS BRIGHT

Summing up our prospects, the immediate future looks brighter. No world state has a more self-reliant and virile people than has Canada. But to achieve our destiny we must remove all sectional, all provincial, jealousies from our hearts; we must keep faith; forget all differences of tongue and creed; remembering only and always that we enjoy a great heritage: that we are Canadians.

## RESOLUTIONS

The following are the Budget Resolutions, as passed by the House of Commons:—

## CUSTOMS TARIFF

1. Resolved, That schedule A to the Customs Tariff, 1907, as amended by chapter forty-seven of the Statutes of 1919, chapter twenty-seven of the Statutes of 1921 and chapter thirty-eight of the Statutes of 1924, and by Order in Council, be further amended by striking thereout tariff items 101a, 587, 588, 591 and 591a, the several enumerations of goods respectively, and the several rates of duties of Customs, if any, set opposite each of said items and to repeal paragraph (a) of regulation 1 of Order in Council, P.C. 1344, dated 5th day of August, 1924, designated as item 774 of the Customs Tariff, and to provide that the following items, enumerations and rates of duty be inserted in said schedule A:—

Tariff Items	—	British Preferential Tariff	Inter-mediate Tariff	General Tariff
101a	Shaddocks or grape fruit, n.o.p., per one hundred pounds.....	50 cts.	\$1	\$1
101aa	Shaddocks or grape fruit, when imported from the place of growth, by ship, direct to a Canadian port, per one hundred pounds	Free	50 cts.	\$1
453e	Engines to be used exclusively in the propulsion of boats <i>bona fide</i> owned by individual fishermen for their own use in the fisheries, under regulations prescribed by the Minister of Customs and Excise.....	10 p.c.	12½ p.c.	15 p.c.
469a	Well-drilling machinery and apparatus and parts thereof, and rope twenty-one hundred feet and over in length, capable of drilling wells of two thousand feet and over in depth, of four inches and over in diameter, and of raising and lowering casing over four inches in diameter for such wells, for drilling for water, natural gas and oil, and for prospecting for minerals, not to include motive power.....	5 p.c.	5 p.c.	5 p.c.
553a	Braided candle-wick with or without wire centre or braided taper-wick with or without wire centre when imported by manufacturers of wax candles or wax tapers for use only in their own factories in the manufacture of wax candles or wax tapers.....	Free	Free	Free
588	Coal, bituminous, and coal, n.o.p., per ton.	35 cts.	45 cts.	50 cts.
588a	Gas for heating, cooking or illuminating, imported by pipe line per one thousand cubic feet.....	6 cts.	6 cts.	6 cts.
591	Farm wagons, farm sleds, logging wagons, logging sleds, and complete parts thereof	5 p.c.	10 p.c.	10 p.c.
591a	Freight wagons, drays, sleighs, n.o.p., and complete parts thereof.....	17½ p.c.	25 p.c.	25 p.c.

2. Resolved, That Schedule B to The Customs Tariff, 1907, be amended by providing that the following items, enumerations, and rates of drawback of customs duties be inserted in said schedule B:—

Tariff Items	Goods	When Subject to Drawback	Portion of Duty (Not including Special Duty or Dumping Duty) Payable as Drawback
1045	Materials.....	When used in the manufacture of tubes enumerated in tariff item 397.....	99 p.c.
1046	Materials.....	When used in the manufacture of articles entitled to entry under tariff item 663b when such articles are sold to manufacturers to be used as specified in said item.....	
1047	Materials.....	When used in the manufacture of articles enumerated in tariff item 469a.....	99 p.c.
1048	Materials, including all parts.	When used in the manufacture of goods enumerated in tariff item 453e.....	50 p.c.
1049	Bituminous Coal.....	When imported after the twenty-fourth day of March, 1925, by proprietors of by-product recovery coke ovens and converted into coke at their by-product recovery coke ovens. Provided that no drawback shall be paid under this item on coal converted into coke at a gas retort plant or at a plant using any other process than the by-product recovery coke oven process, also provided that drawback payable under this item is in lieu of drawback payable under any other item.....	99 p.c.

3. Resolved, That any enactment founded on the foregoing resolutions shall be deemed to have come into force on the twenty-fifth day of March, one thousand, nine hundred and twenty-five, and to have applied to all goods mentioned in the foregoing resolutions imported or taken out of warehouse for consumption on and after that date, and to have applied to goods previously imported for which no entry for consumption was made before that day.

#### SPECIAL WAR REVENUE ACT

Resolved, That it is expedient to introduce a measure to amend The Special War Revenue Act, 1915, and to provide:—

1. That "cheque" shall be further defined to include any document or writing, not drawn upon or addressed to a bank, in exchange for which a bank makes payment of a sum of money, except a coupon and a document used solely for the purpose of settling or clearing any account between banks, and that such a cheque shall be liable to the stamp tax imposed on cheques by the said Act.

2. That a bill of exchange transferred or delivered to a bank drawn upon a person outside of Canada shall, for the purpose of the value of the stamp to be affixed thereto, be deemed to be drawn for an amount not exceeding twenty-five hundred dollars.

3. That no person selling foreign exchange shall for the purpose issue a bill of exchange drawn upon a person outside of Canada unless there is affixed thereto a stamp of the value of two cents for every fifty dollars up to twenty-five hundred dollars.

4. That the stamp tax imposed by the said Act on money orders or traveller's cheques shall be similarly imposed on money orders or traveller's cheques issued by a bank or other person.

5. That any promissory note held by a bank as collateral security for an advance on other indebtedness and in respect of which advance or other indebtedness stamps of the requisite value under this section are affixed to the relevant note or other proper document, shall not be subject to the provisions of this section. If such collateral is paid by a person liable thereon, stamps of the requisite value according to subsection 3 (a) of this section shall before surrender thereof be affixed thereto and cancelled by the bank.

6. That a request in writing by a customer of a bank asking the bank to transfer from the account of the customer to another bank a sum certain for deposit only to the credit of the customer in such other bank, and an advice in writing by a bank to its customer that a sum certain is placed to the credit of the customer for transfer and deposit only to the customer's credit in another bank, shall not be subject to the stamp tax prescribed by section twelve of the said Act.

7. That in the case of the first complaint to the Minister or any officer of Customs and Excise against a person for failure to properly stamp a receipt given by such person the Minister may permit the person to affix the stamp in the manner prescribed in section fourteen of the said Act within one month of the date of the permit on payment of a penalty of ten dollars.

8. That subsection four of section nineteen BBB of the said Act as amended by section three of chapter sixty-eight of the statutes of 1924, being the list of excepted articles not liable to the consumption or sales tax, be amended by striking out of said section three of chapter sixty-eight the words "gasoline engines to be used in boats bona fide used by individual fishermen for their own personal use in the fisheries" where they occur in lines twenty, twenty-one and twenty-two, thirty-eight, thirty-nine and forty, and fifty-eight, fifty-nine and sixty of said section three; and that the said subsection four of section nineteen BBB be further amended by adding thereto the following:—

"Vegetable plants; lasts for boots and shoes including rubber footwear and patterns and dies for boots and shoes including rubber footwear; goods enumerated in Customs Tariff items 453e, 469a; articles and materials to be used exclusively in the manufacture of goods enumerated in Customs Tariff items 453e, 469a; materials, not to include plant equipment, consumed in process of manufacture or production which enter directly into the cost of goods enumerated in Customs Tariff items 453e, 469a."

9. That the bond required under the provisions of subsection seven of section nineteen BBB of the said Act to be given by a licensed wholesaler or jobber shall be for an amount not more than fifteen thousand dollars and not less than two thousand dollars.

10. That it is expedient to bring in a measure to provide that an advance made by any person on the security of bonds, debentures, stocks, or other securities, shall be taxable quarterly at the rate of two cents for every fifty dollars or fraction thereof.

10a. That it is expedient to repeal Section 17 of Chapter 47 of the Statutes of 1922, which makes the liability to the Crown for payment of excise taxes specified in The Special War Revenue Act, 1915, a first charge on the assets of the debtor.

10b. That it is expedient to provide that the stamp tax imposed by "The Special War Revenue Act, 1915," on a cheque, receipt for money paid by a bank, money order, traveller's cheque, post office money order and postal note, shall not be payable in respect of any of the said instruments which is for an amount not exceeding five dollars.

11. That any enactment founded on paragraph eight of this Resolution shall be deemed to have come into force on the twenty-fifth day of March, 1925, and to have applied to all goods imported or taken out of warehouse for consumption on and after that day and to have applied to goods previously imported for which no entry for consumption was made before that day.

12. That any enactment founded on this Resolution, excepting paragraph eight thereof, shall come into force on the first day of July, 1925.

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