

CANADA

BUDGET SPEECH

DELIVERED BY

HON. EDGAR N. RHODES

MINISTER OF FINANCE

MEMBER FOR RICHMOND-WEST CAPE BRETON, N.S.

IN THE

HOUSE OF COMMONS

APRIL 6, 1932



OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1932



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Mr. Speaker, in moving that you do now leave the Chair for the purpose of enabling the House to resolve itself into Committee of Ways and Means, to make good the supply to be granted to His Majesty for the fiscal year ending March 31, 1933, may I at the outset crave your indulgence for those imperfections which are bound to appear in the discharge of a difficult and onerous task on the part of one who has been Minister of Finance for but a few short crowded weeks.

These imperfections will be the more apparent and my task the more difficult when viewed in the light of the brilliant achievements of my immediate predecessor in office.

This review of the year's financial operations will be made under five headings:—

- (1) A brief reference to events which have so profoundly disturbed international finance and the consequent reactions on our own situation;
- (2) The financial operations and accounts of the Dominion for the fiscal year ended March 31, and in this regard it will be understood that the figures are not final but represent the closest estimates that can be made;
- (3) Canada's trade and commerce;
- (4) The estimated revenue and expenditure for the fiscal year 1932-33, and
- (5) Ways and means for securing the revenues required to meet the estimated expenditures.

The past year was replete with financial difficulties and problems, many without precedent. Canada, in common with other nations, was in the midst of a period of declining prices and diminishing revenues. During the summer, coming events

began to cast their shadow over international finance. The crisis in Germany, following quickly after the collapse in May of the most important bank in Austria, brought sharply to the attention of the world the need for international action upon the vexed question of reparations and inter-governmental war debts. The proposals of President Hoover for a one-year moratorium were heralded as a signal for returning world-confidence but the optimism was unfortunately short-lived. Although the debt holiday was accepted after some delay, its effect was partially lost in the controversy which served only to emphasize the difficulties of the situation. Meanwhile, the climax drew near, brought on by a repatriation of credits and consequent withdrawals of gold from countries whose reserves had already been reduced. Throughout the world, gold was ceasing to be a medium of exchange, becoming instead a commodity to be jealously guarded. The pound sterling became daily subject to test and finally the world was startled by the announcement on September 21 that Great Britain had been forced off the gold standard. She was followed in rapid succession by many other countries. In the United States, problems arose as a result, on the one hand, of hoarding by individuals, and, on the other, of the effort of their great financial institutions to build up their "liquid position." The fall of foreign exchanges and the dumping of securities brought on practically a demoralization of the investment markets.

It goes without saying that these events had a peculiar significance for Canada, a debtor country, having at the moment an unfavourable trade balance. Our exchange could be maintained only so long as financial operations, based upon normal conditions and confidence, were resulting in a net inflow of money. Between October 1, 1931, and March 31, 1932, the Dominion, provinces, municipalities and semi-public bodies, had, it was estimated, \$72,000,000 of debt maturing in New York or London, and in addition, \$80,000,000 of external interest charges had to be provided. Added to these, there were the debts of corporations and individuals. With these obligations to be met, the dislocation of external money markets presented no inconsiderable threat to our credit abroad.

Steps had been taken on September 8 to improve our position in New York by the opening up of negotiations for the sale of \$50,000,000 Dominion guaranteed bonds of the Canadian National Railways which at that time had \$37,000,000 of short-term credits borrowed in that market. The best tender was from a syndicate which purchased \$25,000,000 outright and took an option on the remainder. The issue was popularly priced, and the option was exercised. However, much of the buying was on Canadian account, and it was necessary to arrange

for partial settlement in Canada, the consequence being that to avoid a serious disruption of the already sensitive exchange situation, only part of the New York short-term loan could be paid off, leaving \$18,500,000 to be renewed.

Following the decline in sterling, the Canadian dollar showed continual depreciation. The low was reached on December 16 when the premium on New York funds was 24 $\frac{7}{8}$ per cent. It was realized that, notwithstanding the high credit position of Canada, any effort to stabilize exchange at par with gold could not, under conditions then existing, be successful. Our policy was therefore directed to accomplishing two results: First, to ensure the prompt payment of all obligations due abroad according to contract and, second, to assist in maintaining normal currency and credit conditions within Canada.

On the 14th of September, the Government commenced buying the gold production of the larger Canadian mines, on a basis approximate to the value of New York funds. This gold has been used to meet obligations in New York and has been sufficient to keep the Dominion out of the exchange market, and at times to provide external gold funds for the National Railways and provinces. From the viewpoint of Canadian commerce, the policy was generally advantageous.

With respect to the internal situation, the needs of industry, of crop-marketing agencies and of public bodies harassed by falling revenues, made it obligatory that credit facilities in Canada continue to operate smoothly and at reasonable cost to borrowers. Also it was imperative that there be no flight from the Canadian dollar through fear of inflation. This could be accomplished only by maintaining domestic confidence and by preserving a reservoir of credit which could be drawn upon to meet any external crisis. It was successfully accomplished under a policy authorized by the Order in Council of October 19, which, while maintaining the redemption rights under the Dominion Notes Act, permitted the export of gold only under licence issuable by the Minister of Finance to chartered banks. On the 19th of October, the note issue, including those issued under the Finance Act, was \$144,468,571, and the gold holdings represented over 45 per cent of the face value of the issue. On the 19th of March, 1932, the note issue, including those issued under the Finance Act, was \$142,896,193; the gold holdings represented over 45 per cent.

The number of licences issued to March 1 was 182, representing gold to the value of \$28,969,566. Of this amount \$19,839,286 was on the Dominion's account, being gold purchased from the mines; the balance was the property of miners, banks and individuals who deal in gold.

Well may Canadians look back with satisfaction over what has been accomplished. All external debts have been met on the due dates. The \$72,000,000 principal amount of external debts, payable by the public bodies of Canada and maturing before March 31, was provided for partly by repayment and partly by renewal, but at this date only \$33,000,000 of the original amount is represented by debt owing abroad, and this balance is so arranged that orderly redemption can be carried out without embarrassment. The holders of Canadian securities with obligations for external payment have received their 80 millions of interest as it became due.

This accomplishment, together with the strength of our banking system and stability of our financial institutions generally, has contributed greatly to the return of confidence, as exhibited in the improvement of the Canadian dollar in the exchange market, and in the higher quotations for Canadian public securities.

REVENUES 1931-32

The financial statements published from month to month during the year have indicated that in common with all other countries in the world we have experienced a marked decline in taxation revenue, which represents approximately 83 per cent of the total receipts of the Government. Of the major sources, the income tax alone has brought in approximately the sum estimated, having yielded \$61,000,000. Customs receipts fell to \$102,800,000, reflecting the drop in the value of imports occasioned by a number of factors, such as the further decline in prices, the unfavourable exchange rate as regards importations from the United States and generally the policy of encouraging production in Canada.

The total receipts from taxes will be \$273,300,000, a statement of which, together with the comparative figures for the previous four years, is now submitted.

TAXATION REVENUES (000 omitted)

	1927-28	1928-29	1929-30	1930-31	Esti- mated 1931-32
Customs Import Duties.....	\$156,986	\$187,206	\$179,430	\$131,209	\$102,891
Excise Duties.....	57,401	63,685	65,036	57,747	48,638
War Tax Revenues:—					
Banks.....	1,225	1,243	1,408	1,429	1,397
Trust and Loan Companies.....	345	8			
Insurance Companies.....	999	895	74	74	
Delayed Business Profits.....	956	455	173	34	3
Income Tax.....	56,571	59,422	69,021	71,048	61,000
Sales Tax.....	72,100	63,646	44,859	20,784	41,271
Manufacturers' Stamp, Transportation Taxes, etc.....	18,123	19,361	18,550	13,951	18,098
Total Receipts from Taxation.....	\$364,706	\$395,921	\$378,551	\$296,276	\$273,348

PUBLIC SERVICE REVENUES

Collections from the various public services, it is estimated, will total \$54,000,000. Post Office, which is the major contributor under this head, will show an increase of \$1,500,000 due to the raise in postage rates and because postage stamps may now be used for certain excise stamp taxes. The Post Office revenues are estimated at \$31,748,000, as against expenditures estimated at \$34,550,000. This does not include disbursements made by other departments on account of Post Office, nor does it, on the other hand, give any credit for handling the mail of the various branches of the public service free of charge.

Interest on investments, being payments from harbour commissions, boards, etc., financed by way of loans from the Dominion, and including the regular payments by Roumania on its loan, it is estimated will total \$10,000,000. In this is included the interest paid by the chartered banks for advances under the Finance Act, which it is estimated will amount to \$360,247, as compared with \$539,984 last year. A five year comparison of the revenue from these public services follows:—

NON-TAX REVENUES

	1927-28	1928-29	1929-30	1930-31	Estimated 1931-32
Canada Grain Act.....	\$ 2,677,877	\$ 2,992,540	\$ 2,047,207	\$ 2,179,047	\$ 1,435,054
Canada Gazette.....	81,243	80,214	93,890	71,197	71,229
Canals.....	1,355,677	1,230,333	1,043,647	1,026,671	981,963
Casual.....	3,626,236	4,041,095	4,300,710	3,678,487	4,035,864
Chinese Revenue.....	14,179	18,224	14,345	21,996	11,533
Dominion Lands.....	3,688,595	4,070,339	4,139,104	1,655,401	486,974
Electricity.....	563,913	563,964	546,957	632,151	339,405
Fines and Forfeitures....	568,140	665,485	748,343	433,716	241,326
Fisheries.....	119,144	109,300	110,724	73,937	40,197
Gas Inspection.....	85,716	92,393	100,763	94,255	75,513
Insurance Inspection.....	123,768	131,626	133,730	148,942	150,993
Interest on Investments....	10,937,822	12,227,562	13,518,205	10,421,224	9,997,357
Marine.....	191,564	132,810	184,637	199,000	137,353
Mariners' Fund.....	222,048	236,303	209,322	201,768	186,018
Military College.....	20,232	20,204	19,820	19,832	20,045
Military Pension Revenue.....	128,017	155,830	158,831	159,000	159,991
Ordnance Lands.....	14,206	24,830	30,277	29,384	13,769
Patent and Copyright Fees.....	495,792	530,239	574,918	559,646	522,846
Penitentiaries.....	177,933	178,449	181,024	183,288	145,086
Post Office.....	31,562,580	30,611,964	33,345,335	30,212,326	31,747,750
Premium Discount and Exchange.....	594,211	568,846	531,366	521,026	2,754,526
Public Works.....	395,281	414,085	408,151	362,391	358,033
Royal Canadian Mounted Police Officers' Pension Superannuation Fund....	6,144	6,373	6,471	6,357	6,871
Weights and Measures....	172	81	5		
	361,690	399,247	407,248	419,750	400,455
Total Non-Tax Revenues	\$58,012,180	\$59,542,846	\$62,860,180	\$53,310,842	\$54,370,206

SPECIAL RECEIPTS

Having accepted the principle of the moratorium in respect of inter-governmental debts, our receipts from German reparations annuities were reduced to \$1,001,570 applicable to the period prior to the 1st of July.

This has been supplemented by \$6,000,000 received from the Custodian of Enemy Property and taken into our accounts as a partial offset to the disbursements from the Consolidated Revenue Fund in respect of compensation paid to civilians for damages sustained in the war.

The following is a comparative summary of the total revenues over the last five-year period:—

SUMMARY OF ALL REVENUES
(000 omitted)

	1927-28	1928-29	1929-30	1930-31	Esti- mated 1931-32
Receipts from Taxation.....	\$364,706	\$395,921	\$378,551	\$296,276	\$273,348
Non-Tax Revenues.....	58,012	59,543	62,860	53,311	54,371
Consolidated Fund Receipts.....	\$422,718	\$455,464	\$441,411	\$349,587	\$327,719
Special Receipts.....	7,129	5,476	4,771	6,622	7,022
	\$429,847	\$460,940	\$446,182	\$356,209	\$334,741

ORDINARY EXPENDITURES 1931-32

The ordinary expenditures for the year are placed at \$378,700,000, which is approximately \$19,000,000 less than was estimated. The expenditures on services for which provision is made annually by vote actually were \$25,000,000, less than the amounts authorized by Parliament. On the other hand, certain statutory expenditures, such as subsidies to provinces, old age pensions and exchange, exceeded the estimate by \$6,000,000.

Over \$3,635,000 was in connection with exchange, mainly the premium on gold purchased from the mines. This expenditure was largely offset on the revenue side by credits totalling \$2,248,000, resulting from the sale of New York exchange and the discount on sterling purchased to meet London requirements. A further credit of \$506,000 was realized in the purchase below par of sterling securities for sinking funds, which made a net expense for the year on premium, discount and exchange of \$381,000.

A statement by services of expenditure on ordinary account for the last five fiscal years is as follows:—

EXPENDITURES BY SERVICES ON ORDINARY ACCOUNT
(000 omitted)

	1927-28	1928-29	1929-30	1930-31	Esti- mated 1931-32
<i>Finance—</i>					
Interest on Public Debt.....	\$128,903	\$124,990	\$121,566	\$121,290	\$121,163
Subsidies to provinces.....	12,517	12,554	12,497	17,436	13,695
Charges of management.....	885	923	1,016	920	874
Premium, Discount and Exchange....	42	67	73	19	3,635
Superannuation.....	1,499	1,409	1,321	1,238	1,148
<i>Civil Government</i>	11,576	11,820	12,258	12,628	12,181
<i>Agriculture</i>	6,488	7,202	9,287	9,144	9,275
<i>Fisheries</i>	1,751	1,974	2,274	2,262	1,922
<i>Immigration</i>	2,705	2,632	2,757	2,255	1,857
<i>Indian Affairs</i>	4,200	4,508	5,135	5,866	4,861
<i>Interior—</i>					
Dominion Lands and Parks.....	4,083	4,987	5,430	4,970	2,659
Scientific Institutions.....	734	794	817	817	550
Government of Northwest Territories.	250	318	435	546	376
Government of the Yukon.....	178	184	186	201	184
<i>Justice—</i>					
Administration.....	2,191	2,203	2,199	2,214	2,216
Penitentiaries.....	1,756	1,808	2,561	3,237	2,808
<i>Labour—</i>					
Technical Education.....	966	1,152	413	391	300
Old Age Pensions.....	131	833	1,537	5,658	10,251
General.....	314	365	416	511	353
<i>Legislation—</i>					
Parliament.....	1,996	2,264	2,293	2,428	2,779
Elections.....	45	62	26	2,235	127
<i>Marine—</i>					
Ocean and River.....	3,749	3,683	5,136	3,639	3,824
Lighthouse and Coast.....	2,771	2,813	2,875	3,392	2,620
Scientific Institutions.....	270	288	317	368	417
Steamboat Inspection.....	131	141	140	144	144
<i>Mines</i>	624	679	806	780	649
<i>National Defence—</i>					
Militia Services.....	10,152	11,044	11,033	10,953	9,802
Naval Services.....	1,702	1,836	3,013	3,598	3,215
Air Services.....	3,892	5,041	5,921	7,147	4,072
General Services.....	116	103	227	127	4
Government Northwest Territories (Radio).....	143	139	140	218	198
<i>National Revenue</i>	11,801	12,877	13,131	13,206	13,033
<i>Pensions, War, etc.</i>	39,778	41,487	40,407	45,966	48,529
<i>Pensions and National Health—</i>					
Treatment and after-care of returned soldiers.....	6,959	7,902	8,494	9,774	11,244
Health.....	771	924	1,021	943	895
<i>Post Office</i>	31,733	33,433	35,037	36,293	34,551
<i>Public Works—</i>					
Charges to Income.....	14,037	17,003	18,134	23,763	16,060
Charges to Collection of Revenue....	943	940	924	936	774
<i>Railways and Canals—</i>					
Maritime Freight Rates Act, 1927....	3,471	7,178	7,401	10,327	11,247
Other Charges to Income.....	2,367	1,120	1,280	1,200	895
Charges to Collection of Revenue....	2,535	2,405	2,460	2,911	2,683
<i>Royal Canadian Mounted Police</i>	2,300	2,601	2,902	2,955	3,287
<i>Soldier and General Land Settlement Administration</i>	1,334	1,442	1,362	1,300	1,043
<i>Trade and Commerce—</i>					
Canada Grain Act, Exhibitions, etc..	4,016	4,476	4,894	6,586	8,137
Bounties, copper bars, etc.....	83	79	40	92	145
Mail Subsidies and Steamship Sub- ventions.....	845	1,026	1,033	1,323	3,025
<i>Other Expenditures</i>	6,385	7,104	5,055	5,342	5,036
Total Ordinary Expenditure.....	\$336,168	\$350,953	\$357,780	\$389,558	\$378,743

CAPITAL EXPENDITURES

The amount voted for capital expenditures was \$18,861,000, of which it is estimated \$16,975,000 was spent in 1931-32. A year ago the expenditures on capital account were \$28,200,000. Savings of \$600,000 were made by the Department of Public Works and \$1,300,000 by Railways and Canals. The principal items of expenditure were: Hudson Bay Railway, \$5,215,000; Welland Canal, \$2,940,000; St. Lawrence River Channel Dredging, \$4,200,000; and the Research Building, Ottawa, \$1,700,000.

A five-year comparison of Capital Expenditures follows:—

CAPITAL EXPENDITURES
(000 omitted)

	1927-28	1928-29	1929-30	1930-31	Estimated 1931-32
Canals.....	\$ 13,763	\$ 13,164	\$ 9,324	\$ 9,842	\$ 3,255
Railways.....	3,592	6,302	6,663	6,371	6,269
Public Works.....	3,281	3,343	6,574	12,009	7,451
	\$ 20,636	\$ 22,809	\$ 22,561	\$ 28,222	\$ 16,975

SPECIAL EXPENDITURES

It is estimated that special expenditures will amount to \$55,100,000, as compared with \$16,789,000 on this account in the previous year. The chief items are wheat bonus and unemployment relief.

The wheat bonus will cost \$11,000,000 as compared with the estimate made originally of \$7,000,000, the increase being due to the fact that the crop proved to be greater than was anticipated.

UNEMPLOYMENT RELIEF ACT, 1930

A reference to the Public Accounts will disclose that as of March 31, 1931, the sum of \$4,432,000 had been paid on account of unemployment relief under the authority of the Act of 1930. In the year now under review, expenditures on the authority of that Act will, it is estimated, amount to \$13,250,000. This brings the total expenditure by the Dominion under the authority of the 1930 legislation to \$17,682,000. A small residue of accounts has still to be adjusted, the estimated amount being \$400,000.

UNEMPLOYMENT AND FARM RELIEF ACT, 1931

Expenditures under the Unemployment and Farm Relief Act of 1931 fall into three divisions:—

- (1) Dominion services, the whole cost of which is borne by our treasury;
- (2) Provincial and municipal public works, to which the Dominion contributes an agreed proportion and
- (3) Direct relief, to which also the Dominion contributes a proportion of the provincial and municipal expenditures.

Under Dominion services, expenditures amounting to \$6,481,000 have been approved, of which \$3,765,000 will be chargeable to the accounts of the fiscal year now ended. The distribution by departments is as follows:—

Public Works.....	\$1,560,000
Railways and Canals.....	568,000
Interior.....	885,000
National Defence.....	71,000
Justice.....	83,200
Board of Railway Commissioners.....	500,000
National Battlefields Commission.....	25,000
Agriculture.....	7,000
Administration.....	65,800
	\$3,765,000

The program of provincial and municipal public works involves an expenditure estimated at \$70,469,675, of which the Dominion's contribution is placed at \$26,586,763. These undertakings are under the control of either provincial or municipal authority, and payments of the Dominion's contribution are made only after the submission of accounts for expenditure, duly certified by the appropriate provincial authority. Under this head, provision is made in the accounts of the fiscal year 1931-32 for disbursements of \$12,278,000. The following statement shows a division of this program of works by provinces:—

UNEMPLOYMENT RELIEF WORKS 1931

Province	Total Works	Dominion Share	Provincial and Municipal Share
Prince Edward Island.....	\$ 272,250	\$ 125,000	\$ 147,250
Nova Scotia.....	2,546,869	999,923	1,546,946
New Brunswick.....	1,911,870	749,692	1,162,178
Quebec.....	14,612,975	4,643,808	9,969,167
Ontario.....	27,869,177	8,790,833	19,078,344
Manitoba.....	6,565,495	2,931,987	3,633,508
Saskatchewan.....	5,519,843	2,759,922	2,759,921
Alberta.....	5,171,225	2,585,612	2,585,613
British Columbia.....	5,999,971	2,999,986	2,999,985
	\$ 70,469,675	\$ 26,586,763	\$ 43,882,912

For direct relief, the federal contribution chargeable to the 1931-32 accounts is estimated at \$8,957,000, the major part of which applies to the drought areas in Saskatchewan.

To sum up, these special expenditures for unemployment and farm relief in the fiscal year 1931-32 will be \$13,250,000 under the legislation of 1930, and \$25,000,000 under the legislation of 1931, a total of \$38,250,000, and the balance of commitments to be carried over into the next fiscal year will be \$16,000,000, not including provision for direct relief beyond the actual disbursements mentioned above. The latter requirements are difficult to estimate as they are governed by the exigencies of the situation in the different provinces and it requires a considerable period after the actual relief payments are made for the accounts for the Dominion's share to reach Ottawa.

PROVINCIAL FINANCING

Having dealt with expenditures for unemployment and farm relief, it may be appropriate, while on the subject, to refer to further assistance rendered to provincial governments by way of loans. It is a matter of common knowledge that for some months various provincial bodies have been unable to issue securities on the New York market, where they have had obligations falling due. In order to protect the credit of Canada as a whole, temporary assistance was given to certain of the provinces in meeting their obligations, but in no instance did the Government undertake the role of banker with respect to the redemption of maturing provincial debts in New York until it was satisfied that every other avenue had been diligently explored by the province without success. The sums advanced under this head total \$11,637,190. In addition to this amount \$10,794,000 was loaned for internal purposes, including provincial share of relief works. In these instances the Government's assistance was given as a part of its relief program on the urgent representations of the provinces that in existing circumstances their commitments could not be fulfilled without such aid from the Dominion. As security, the Dominion holds one-year treasury bills of the provinces and the rate of interest charged is that which the Dominion had to pay for the money. The loans by provinces are:—

	Loans covering obligations maturing in New York	Loans for public works and relief	Loans for governmental services	Total
Manitoba.....	\$ 1,189,185	\$ 1,794,733	\$ 2,983,918
Saskatchewan.....	3,934,341	500,000	\$ 6,500,000	10,934,341
Alberta.....	3,142,000	1,000,000	4,142,000
British Columbia.....	3,371,664	1,000,000	4,371,664
	\$11,637,190	\$ 4,294,733	\$ 6,500,000	\$22,431,923

Including loans and expenditures, Dominion disbursements on account of unemployment relief and assistance to the provinces, will total \$60,681,923 as follows:—

Act of 1930.....		\$ 13,250,000
Act of 1931:—		
Federal Services.....	\$ 3,705,000	
Provincial and Municipal Works.....	12,278,000	
Direct Relief.....	8,957,000	
		25,000,000
Loans to Provinces (not including advance payments on account of Dominion Contributions):		
Manitoba.....	2,933,918	
Saskatchewan.....	10,934,341	
Alberta.....	4,142,000	
British Columbia.....	4,371,604	
		22,431,923
		<u>\$ 60,681,923</u>

A comparative statement showing special expenditures during the last five fiscal years follows:—

STATEMENT OF SPECIAL EXPENDITURES
(000 omitted)

	1927-28	1928-29	1929-30	1930-31	Estimated 1931-32
Adjustment of War Claims.....	\$ 1,861	\$ 120	\$ 95	\$ 110	\$ 86
Cost of Loan Flotations.....	13	11	17	193	1,336
Miscellaneous Charges.....	1,692	2,056	3,027	2,955	3,407
Reparations:—Claims for compensation.....			6,700	500	1,027
Unemployment Relief, 1930.....				4,432	13,250
Unemployment Relief, 1931.....					25,000
Wheat Bonus.....					11,032
Reduction of Loans to Soldier Settlers.....				8,509	
	\$ 3,566	\$ 2,187	\$ 9,839	\$ 16,789	\$ 55,138

LOANS AND ADVANCES NON-ACTIVE

Advances to certain corporations, being non-interest producing, are treated as expenditures in estimating our debt position. These advances were three in number: \$1,360,000 to the Merchant Marine and Canadian National (West Indies) Service, \$1,495,000 to Quebec Harbour Commission, and \$534,000 in payment of interest which the Dominion guaranteed on bonds issued by the Harbour Commissioners of Montreal in connection with the Harbour Bridge. There is now presented a five-year summary of expenditures under the heading of Loans and Advances, Non-Active:—

STATEMENT OF LOANS AND ADVANCES, NON-ACTIVE
(000 omitted)

—	1927-28	1928-29	1929-30	1930-31	Esti- mated 1931-32
Loans to Canadian National Railways.....			\$ 2,933		
Loans to Canadian National Steamships.....	\$ 1,000	\$ 758	2,491	\$ 1,827	\$ 1,361
Loans to Quebec Harbour Commis- sioners.....	1,458	2,888	2,821	3,491	1,495
Miscellaneous Non-Active Accounts.....			17	170	534
Accounts carried as Active Assets trans- ferred to Non-Active.....	16,036	10,000			
	\$ 18,494	\$ 13,646	\$ 8,262	\$ 5,488	\$ 3,390

The total of all expenditures for the year is \$454,246,000. A comparative statement, summarising the expenditures by divisions, is now submitted:—

SUMMARY OF ALL EXPENDITURES
(000 omitted)

—	1927-28	1928-29	1929-30	1930-31	Esti- mated 1931-32
Ordinary Expenditure.....	\$336,168	\$350,953	\$357,780	\$389,558	\$378,743
Capital.....	20,636	22,809	22,561	28,222	16,975
Special.....	3,566	2,187	9,839	16,789	55,138
Loans and Advances non-active.....	18,494	13,646	8,262	5,488	3,390
	\$378,864	\$389,595	\$398,442	\$440,057	\$454,246

Having detailed the revenues from all sources and the expenditures under the appropriate divisions, the net result of the accounts for the year may now be indicated. With ordinary revenues of \$327,719,000 and ordinary expenditures amounting to \$378,743,000, the resulting deficit on ordinary account is \$51,024,000, which has occurred as a consequence of the decreased yield from taxation and notwithstanding the reductions made in expenditures. Special expenditures, including \$49,282,000 for unemployment relief and wheat bonus as previously detailed, total \$55,138,000. As an offset to this amount, \$7,022,000 was received in special revenues, leaving a balance not provided from income of \$48,116,000. In addition, there are the capital expenditures of \$16,975,000 and loans and advances non-active of \$3,390,000. The amount, therefore, of the increase in debt for the year is \$119,505,000.

1931 CONVERSION LOAN

Reference was made in the Budget last year to the Conversion Loan campaign which had just closed. As a matter of record, the final figures in connection with this debt operation are now presented: Of the \$1,084,800,000 in bonds eligible for conversion, \$638,600,000, or sixty per cent, were converted. This operation did not involve any change in the amount of public debt outstanding, as the exchange was made at par. Details of the conversion are:—

Loans Eligible for Conversion	Amount Outstanding May 1, 1931	Amount Converted
5 per cent War Loan maturing October 1, 1931.....	\$ 52,929,600	\$ 38,625,700
5½ per cent Renewal Loan maturing November 1, 1932.....	73,323,150	37,523,200
5½ per cent Victory Loan maturing November 1, 1933.....	446,659,950	276,683,100
5½ per cent Victory Loan maturing November 1, 1934.....	511,910,650	285,772,300
	\$1,084,823,350	\$ 638,609,300

While the conversion had no immediate effect on the annual interest charges, the Government will benefit substantially within the next few years by reason of the lower interest rates obtained. This is indicated by the following statement:—

Fiscal Year	Saving in Interest
1932-33.....	\$ 193,128
1933-34.....	568,360
1934-35.....	3,335,241
1935-36 and annually thereafter.....	6,192,964

The time for this conversion loan was admirably chosen. Its execution was attended with outstanding success, and its effect upon our financial position has been marked. That this is so is due entirely to the vision of the Prime Minister whose conception it was and under whose guidance it was conducted. The total expenses in connection with the Conversion Loan were slightly over one-half of one per cent.

The conversion loan operations had resulted in 70 per cent of the October 1st maturity being refunded. There remained only about \$13,000,000 to be paid on the due date. The state of the public finances did not permit this to be met out of current revenues. Consequently in August, Canadian institutions were invited to tender for the purchase of all or part of \$13,000,000 to be absorbed into the 1946-56 Conversion Loan series at the interest rate of 4½ per cent. Tenders were accepted at par for \$4,500,000. The balance was arranged through temporary credits with the Bank of Montreal, which were later paid off from the proceeds of the National Service Loan.

TEMPORARY BORROWINGS

In September last the Canadian National Railways required funds in New York to meet maturing credits and these were financed directly by the Government by an issue of \$18,500,000 in three months' $2\frac{1}{4}$ per cent Treasury Bills, which were sold to the Chase National Bank of New York at par. At the same time, \$500,000 was borrowed for purposes of the Dominion, making the total \$19,000,000. When the bills matured in December, \$1,000,000 were redeemed and the balance renewed for ninety days at 5 per cent; subsequently \$3,000,000 were redeemed, leaving \$15,000,000 still outstanding.

Pending flotation of the National Service Loan in November, it was necessary to borrow temporarily on treasury bills from the chartered banks of Canada, an aggregate amount of \$34,800,000. These bills have since been retired.

NATIONAL SERVICE LOAN

A major operation for the year was the flotation of the 5 per cent National Service Loan in November. The subscription lists were opened on November 23 with provision that they might remain open until December 12. The bonds were offered for public subscription in two maturities at a price of 99.25 and accrued interest for the five-year bonds, and at 99 and accrued interest for the ten-year bonds maturing in 1941. The campaign was under the direction of a Dominion-wide management committee, under the chairmanship of Sir Charles Gordon, President of the Bank of Montreal.

The offering was \$150,000,000 and, while provision was made for the campaign to extend over a period of twenty days, the issue met with such popular response, that the amount was substantially over-subscribed and the lists closed on November 30; but, to meet popular demand, subscribers on November 30 were allowed to offer in payment cheques dated December 1. The accepted over-subscription was \$71,198,200, the total issue being \$221,198,200, of which, \$79,535,200 was for the 1936 maturity and \$141,663,000 for the 1941 maturity. The total number of subscriptions was 109,000, indicating that the loan was widely distributed. While the banks made application for \$30,000,000 the Government took the view that it was in the national interest to give the preference to small investors; therefore, when subscriptions far exceeded the \$150,000,000 offering, the banks were asked to withdraw their applications.

The following statement indicates the extent and nature of the distribution:—

NATIONAL SERVICE LOAN
DISTRIBUTION OF SUBSCRIPTIONS

	Number	Amount
Subscriptions of less than \$1,000.....	55,761	\$ 21,629,900
Subscriptions of \$1,000 to \$5,000 inclusive.....	48,649	38,889,900
Subscriptions of \$5,100 to \$10,000 inclusive.....	2,937	24,106,900
Subscriptions of \$10,100 to \$25,000 inclusive.....	1,013	18,154,200
Subscriptions of \$25,100 to \$50,000* inclusive.....	310	12,815,900
Subscriptions of over \$50,000*.....	241	52,918,200
Unallocated.....		2,683,200
	108,911	\$ 221,198,200

* Largely made by institutions.

In making announcement on the night of November 29 of the acceptance of the over-subscription which, due to the influx of applications on the last day, turned out to be much larger than was then anticipated, it was stated that the Government would put into motion a plan whereby the excess would be used for debt reduction. As of this date, \$50,745,000 of debt has been taken up, while over \$11,600,000 is temporarily invested in provincial treasury bills of the four Western Provinces taken in connection with New York debts.

The expense of raising the National Service Loan, including commissions, advertising, printing and delivery of securities, was less than one per cent.

Canadian National Railway Company

The annual report of the Canadian National Railway Company for the year 1931 having already been presented to the House and the whole railway problem being under review by a Royal Commission, remarks under this head will be confined to a brief statement of the operating results and capital requirements in the year and the financing arranged.

The year 1931 was marked by a further sever drop in gross earnings to a low point since 1919, and notwithstanding reduced operating expenses, the System's operations (excluding Eastern Lines) showed a net income deficit of \$84,262,000 after taking into consideration all debt charges, an increase of \$23,000,000 over 1930. Deducting the interest charged but not paid upon debt to the Government represented by loans and advances carried in the public accounts as non-active assets, the loss amounted to \$52,200,000 and this is the amount which might be considered as the addition to the country's deficit for the year, interest charges in respect of Government loans having already been absorbed in the public accounts.

In addition to provision for the deficit, it was necessary to provide a further large sum for capital expenditures and the retirement of railway debt. While new capital expenditures were greatly curtailed in 1931, commitments arising out of expenditure programs for branch lines, terminals and hotels undertaken prior to 1930, were still large. The total financial provision which the Government was required to make, either directly or indirectly, for expenditures of the Canadian National Railways in 1931, was \$108,976,265, made up as follows:—

Deficit, Canadian National Railways, excluding Eastern Lines.....	\$ 52,255,676
Deficit, Eastern Lines.....	8,712,762
	\$ 60,968,438
Capital Expenditures including new equipment.....	33,990,106
Debt Retirement.....	9,791,691
Discount on Securities Issued.....	4,226,030
	\$108,976,265

Of these requirements, \$41,282,899 are being furnished by way of advances by the Government out of the proceeds of the National Service Loan and temporary borrowings in New York already referred to. The deficits on the Eastern Lines, amounting to \$8,712,762 have, in accordance with the provisions of the Maritime Freight Rates Act, been paid as an expense of the Government and are included in the statement of expenditures submitted. The balance of the requirements, namely \$58,980,604, including discount, was provided from the proceeds of Canadian National Railway bonds guaranteed by the Government. These proceeds came, in part, from an issue (dated February 1, 1931) made in the previous fiscal year and, in part, from the \$50,000,000 4½ per cent twenty-year bonds, to which reference has already been made, sold in New York early in September last at a cost of 4.79 per cent. Only \$38,589,599.15 of this issue was applicable to 1931 expenditures, as \$11,410,400.85 of the bonds were sold to redeem a temporary bank loan carried over from the previous year. The guarantee of the securities was authorized by legislation of 1931.

The advances made by the Government stand as to \$29,910,400.85 under authority of the Canadian National Railways Financing and Guarantee Acts of 1931, and as to \$11,372,498.86 under the Supplementary legislation recently passed by Parliament to provide for expenditures up to the end of 1931 in excess of amounts authorized for such purposes.

These advances have been made from the Treasury under legislation which anticipates repayment through the sale of securities guaranteed by the Government. It may, of course, transpire that such repayment will not be practicable and that the Company will find it is unable to assume carrying charges on this debt. It has not been considered advisable, however,

to take these advances into our accounts as expenditures, pending the determination of policy with reference to the future financing of the Company after the report of the Royal Commission on Railways has been received and considered.

The estimate which is before the House for the operations of the Canadian National Railways for the year 1932, is \$61,500,000, to which \$6,217,000 is to be added for Eastern Lines deficit, after crediting the 20 per cent reduction in tolls, making a total of \$67,717,000. Of this amount, about \$49,000,000 represents the estimated deficit after paying interest on funded debt held by the public but without provision for interest on the Government's capital in the System. The total shows a considerable reduction from the requirements in the past few years but it is still a very large figure and constitutes one of the country's major financial problems. Outside of the interest on the national debt of the Dominion, it is the largest single item in the country's budget and represents over one-seventh of the money which the Government is called upon to raise for all current purposes.

Indirect Liabilities of the Government

The amount of railway securities presently outstanding bearing the guarantee of the Dominion of Canada, is \$969,683,288, to which should be added \$31,235,118 of securities guaranteed for other enterprises, making a total of guaranteed obligations outstanding as of March 31, 1932, of \$1,000,918,406, as compared with \$954,917,112 a year ago, a net increase of \$46,001,294. The total funded debt of the Canadian National Railways to the public now amounts to \$1,274,587,745.

Steamship Companies

The steamship companies operated on behalf of the Government, which are budgeted for on the basis of actual cash outlay required in the year, received advances from the Dominion Treasury amounting to \$1,360,853, divided as follows: Canadian Government Merchant Marine, Limited, \$444,285, and Canadian National (West Indies) Steamships, Limited, \$916,568.

Harbour Commissions

Advances to Harbour Commissions in 1931-32 totalled \$14,148,540. The chief expenditure, amounting to approximately \$5,800,000, was made in Saint John where a reconstruction program was necessary on account of the disastrous fire which occurred there. The balance of the expenditure consisted mainly of commitments in connection with the completion of development programs undertaken prior to 1930.

The following statement shows the amounts advanced to each Commission in 1931-32 and the total advances to date:—

ADVANCES TO HARBOUR COMMISSIONS

	Advances 1931-32	Advances to date
Chicoutimi.....	\$ 465,000	\$ 2,626,000
Halifax.....	2,752,000	7,593,000
Montreal—Harbour.....	1,412,000	57,389,000
“ —Bridge (deficit).....	534,000	704,000
New Westminster.....	170,685	170,685
Quebec.....	1,495,000	25,924,995
Saint John.....	5,763,855	9,170,855
Three Rivers.....	747,000	2,426,600
Vancouver.....	809,000	21,416,900
	\$ 14,148,540	\$127,422,035

The Quebec Commission does not pay any interest and consequently its loans are treated as non-active assets. This also applies to the advances made to enable the Harbour Commissioners of Montreal to meet the deficit on the Harbour Bridge. The other loans have paid interest and are carried as active assets, although it may be observed that some adjustments may prove necessary in this respect in the near future.

Canadian Farm Loan Board

The loaning operations of the Canadian Farm Loan Board were again financed from the Dominion Treasury by the purchase of \$1,500,000 of the Board's 5 per cent bonds at par. In addition \$107,603 was paid for capital stock of the Board in accordance with the provisions of the Canadian Farm Loan Act. The total capital furnished by the Dominion Government for the Board's operations since its inception amounts to \$7,216,465, divided as follows:—

Initial Capital.....	\$ 5,050,000
Purchase of Bonds.....	1,800,000
Purchase of Capital Stock.....	366,465
	<u>\$ 7,216,465</u>

WHEAT MARKETING GUARANTEES

Under the authority of section 3 of chapter 58, Statutes of 1931, Orders in Council concerning the marketing of the Western grain crops were made. The House will recall the problems which the Canadian Co-Operative Wheat Producers, Limited, faced in financing its operations in connection with the 1930 crop. The Government, believing that it was in the national interest to protect the credit of the marketing agencies in such a way that the grain might be marketed to the general advantage of growers, had given an undertaking to the seven chartered

banks concerned, which then made available the necessary credits. The undertaking was given status by Order in Council P.C. 2238, dated September 12, 1931. This undertaking has served its purpose, and without cost to the Treasury. Based upon present market prices, the expectation is that, when all accounts are settled, the Canadian Co-Operative Wheat Producers, Limited, will be able to settle all advances without recourse being had to the Dominion's guarantee.

With respect to the 1931 crop, the three semi-public marketing agencies in the prairie provinces found their position a perilous one at the commencement of the marketing season. The assets usually pledged against bank credits were already encumbered, thus restricting the credit available. Representations on their behalf were made to the Dominion Government by the Premiers of the three provincial governments concerned, and, as a result, an Order in Council was passed on the 12th of September, 1931, authorizing Dominion guarantee of credits under certain conditions to the Manitoba Pool Elevators, Limited; Saskatchewan Pool Elevators, Limited; and Alberta Pool Elevators, Limited, calculated against their respective working capital at the commencement of the 1931 marketing season. However, the certificates of the chartered accountants directed to establish the amount of working capital showed that the proposed basis would not be a satisfactory one, and, therefore, a subsequent Order in Council was issued establishing specific amounts which the Dominion would guarantee under certain conditions. The amounts were: Manitoba Pool \$1,250,000; Saskatchewan Pool \$12,000,000; Alberta Pool \$7,500,000. This plan has functioned to the satisfaction of all concerned and no liability has developed against the Consolidated Revenue Fund.

The operations of the year are summarized in a condensed cash statement, which now follows:—

CONDENSED CASH STATEMENT, 1931-32 (ESTIMATED)

RECEIPTS		
Cash balances in banks March 31, 1931.....		\$ 44,599,432 02
Loans and advances repaid—		
Provincial Housing Loans.....	\$ 150,500 00	
Government of Greece.....	115,000 00	
Soldier Settlement Loans.....	783,900 00	
	1,049,400 00	
Loan Proceeds—		
National Service Loan.....	219,185,056 00	
Conversion Loan.....	4,500,000 00	
Temporary Loan, New York.....	19,000,000 00	
	242,685,056 00	
Annuities, Insurance, Superannuation Funds—net accretion.....		10,130,581 80
Bullion and Specie, reduction in free holdings.....		7,883,448 00
Royal Canadian Mint bullion advance account—reduction.....		1,084,964 81
Revenues 1931-32.....		334,740,468 00
		\$ 642,173,350 63

CONDENSED CASH STATEMENT, 1931-32 (ESTIMATED)—Concluded

PAYMENTS

Reductions in Liabilities—			
Post Office Savings Bank withdrawals.....	\$	831,855	58
Post Office Money Orders, etc., redeemed.....		734,193	82
Redemption of Debt—			
War Loan 1916-31.....	\$	12,627,000	00
Temporary Loan, N.Y.....		4,000,000	00
Public Service Loan, N.Y. 1916-31.....		24,924,000	00
Renewal Loan 1922-32.....		1,350,000	00
Miscellaneous Matured Stock and Bonds.....		82,072	04
		<u>42,983,072</u>	<u>04</u>
Bond Purchase Account.....		3,368,370	50
Bonds and Stock acquired for sinking funds.....		3,834,185	00
Matured Coupons redeemed.....		127,782	34
Cost of Loan Flotations—Unamortized.....		4,491,521	28
Investments—Active Assets—			
Provincial Governments, Relief Act, 1931.....	\$	22,431,923	00
Canadian National Railways.....		41,282,899	00
Harbour Commissions.....		12,119,540	00
Canadian Farm Loan Board.....		1,607,603	00
		<u>77,441,965</u>	<u>00</u>
Miscellaneous Accounts.....		912,530	38
Expenditures, 1931-32.....		454,240,018	00
Cash Balances in banks, March 31, 1932.....		53,201,347	69
		<u>\$ 642,173,350</u>	<u>63</u>

Continuing the practice introduced last year, the cash statement is followed by the balance sheet. The active assets are made of of cash balances and specie accounts, loans and advances which are realizable or income-producing, and other miscellaneous accounts. These assets are taken as an offset against the gross liabilities in arriving at the net debt.

Total liabilities as at March 31, 1932, being estimated at \$2,832,355,834, and active assets at \$451,238,348, the resulting net debt figure is \$2,381,117,486.

The balance sheet follows:—

LIABILITIES, MARCH 31, 1932 (ESTIMATED)

Dominion Notes Outstanding.....	\$	157,300,000	00
Bank Circulation Redemption Fund.....		6,811,792	41
Insurance and Superannuation Funds—			
Government Annuities.....	\$	26,643,412	41
Insurance Fund, Civil Service.....		7,026,451	72
Insurance Fund, Returned Soldiers.....		10,340,486	30
Retirement Fund.....		6,888,204	08
Superannuation Funds.....		39,488,306	22
		<u>90,386,860</u>	<u>73</u>
Trust Funds—			
Indian Funds.....	\$	13,591,800	48
Common School Funds.....		2,668,449	17
Contractors' Securities Deposits.....		560,000	00
Other Trust Funds.....		2,163,541	17
		<u>18,983,790</u>	<u>82</u>
Contingent and Special Funds.....		1,847,315	00
Post Office Money Orders, Postal Notes, etc., outstanding.....		3,401,154	10
Province Accounts.....		9,623,816	77
Post Office Savings Bank Deposits.....		23,918,371	39
Temporary Loan.....		15,000,000	00
Funded Debt—			
Unmatured.....	\$	2,501,732,733	23
Matured but not presented for payment....		1,000,000	00
		<u>2,502,732,733</u>	<u>23</u>
Interest coupons matured but not presented for payment.....		2,300,000	00
		<u>\$ 2,832,355,834</u>	<u>45</u>

ACTIVE ASSETS, MARCH 31, 1932 (ESTIMATED)

Cash balances in banks.....		\$ 53,201,347 69
Specie Reserve.....	\$ 64,600,000 00	
Advances to banks under Finance Act.....	32,000,000 00	
		<u>96,600,000 00</u>
Loans to provinces for housing.....	10,521,187 72	
Loans to provinces, Relief Act, 1931.....	22,431,923 00	
		<u>32,953,110 72</u>
Loans to Foreign Governments—		
Greece.....	6,525,000 00	
Roumania.....	23,969,720 00	
		<u>30,494,720 00</u>
Loans to Harbour Commissioners—		
Chicoutimi.....	2,626,000 00	
Halifax.....	7,593,000 00	
Montreal.....	57,389,000 00	
Saint John.....	9,170,855 00	
Vancouver.....	21,416,900 00	
Three Rivers.....	2,426,600 00	
New Westminster.....	170,685 91	
		<u>100,793,040 91</u>
Canadian Farm Loan Board.....		7,216,465 00
Soldier and General Land Settlement.....		47,366,985 44
Seed Grain and Relief Advances.....		2,391,971 84
Canadian National Railways.....		41,282,899 00
Bond purchase Account.....		4,403,676 06
Advances for Working Capital and Miscellaneous—		
Advances to Royal Canadian Mint.....	\$ 3,223,200 00	
Canadian Government Railways Open and Stores Accounts.....	15,748,921 60	
Miscellaneous.....	3,020,994 36	
		<u>21,993,115 96</u>
Deferred Debits—		
Unamortized discount and commission on loans.....		12,541,015 28
		<u>\$ 451,238,347 90</u>

NON-ACTIVE ASSETS, MARCH 31, 1932 (ESTIMATED)

Canadian National Railways.....	\$	614,406,239 42
Canadian National Steamships.....		16,911,482 55
Harbour Commissioners—		
Quebec.....	\$ 25,924,995 68	
Montreal and Three Rivers.....	783,452 56	
		<u>26,708,448 24</u>
Seed Grain and Relief Advances.....		782,464 71
Soldier and General Land Settlement.....		16,468,957 95
Miscellaneous Advances.....		997,987 23
Capital Accounts—		
Canals.....	\$ 237,033,725 90	
Railways.....	441,960,292 77	
Public Buildings, Harbour and River Im- provements.....	243,349,535 87	
Military Property and Stores.....	12,035,420 50	
Territorial Accounts.....	9,895,947 68	
		<u>944,274,922 72</u>
Railway Accounts (old).....		88,398,828 78
Consolidated Fund Balance as at debit, March 31, 1932.....		672,168,154 95
		<u>\$ 2,381,117,486 55</u>
Net Debt, March 31, 1932.....		<u>\$ 2,381,117,486 55</u>

Completing the statistical tables to be submitted, there are those showing by maturity dates the direct obligation of the Dominion in the form of unmatured funded debt and the indirect obligation represented by guaranteed securities outstanding in the hands of the public, as follows:—

UNMATURED FUNDED DEBT AS AT MARCH 31, 1932, AND ANNUAL INTEREST CHARGES

Date of Maturity	Rate %	Where Payable	Amount of Loan		Interest Charges 1932-33	
			\$	cts.	\$	cts.
1932—Nov. 1.....	5½	Canada.....	34,449,950	00	1,894,747	25
Dec. 1.....	4	Canada and New York.	40,000,000	00	1,600,000	00
1933—Nov. 1.....	5½	Canada.....	169,971,850	00	9,348,451	75
1934—June 1.....	3½	London.....	23,467,206	27	1,821,352	22
July 1.....	5	Canada.....	33,293,470	85	1,664,673	54
Nov. 1.....	5½	Canada.....	226,138,350	00	12,437,609	25
1935—Aug. 1 (a)...	5	Canada and New York.	874,000	00	43,700	00
1936—Feb. 1.....	4½	New York.....	40,000,000	00	1,800,000	00
Nov. 15.....	5	Canada.....	79,535,200	00	3,976,760	00
1937—Mar. 1 (a)...	5	Canada and New York.	90,166,900	00	4,508,345	00
Dec. 1 (a)...	5½	Canada.....	236,299,800	00	12,996,489	00
1938—July 1.....	3	London.....	8,071,230	16	242,136	90
July 1.....	3	London.....	18,250,000	00	547,500	00
July 1.....	3	London.....	10,950,000	00	328,500	00
July 1.....	3½	London.....	15,056,006	66	526,960	23
1940—Sept. 1.....	4½	Canada.....	75,000,000	00	3,375,000	00
1941—Nov. 15.....	5	Canada.....	141,663,000	00	7,083,150	00
1943—Oct. 15.....	5	Canada.....	147,000,100	00	7,350,005	00
1944—Oct. 15.....	4½	Canada.....	50,000,000	00	2,250,000	00
1946—Feb. 1.....	4½	Canada.....	45,000,000	00	2,025,000	00
1947—Oct. 1.....	2½	London.....	4,888,185	64	122,204	64
1950—July 1.....	3½	London.....	137,058,841	00	4,797,059	43
1952—May 1.....	5	New York.....	100,000,000	00	5,000,000	00
1956—Nov. 1.....	4½	Canada.....	43,125,700	00	2,102,377	87
1957—Nov. 1 (b)...	4½	Canada.....	37,523,200	00	2,063,776	00
1958—Nov. 1 (c)...	4½	Canada.....	276,638,100	00	15,217,845	50
1959—Nov. 1 (d)...	4½	Canada.....	285,772,300	00	15,717,476	50
1960—Oct. 1.....	4	London.....	93,926,666	66	3,757,066	67
Oct. 1.....	4	New York.....	100,000,000	00	4,000,000	00
			2,564,170,057	24	127,598,186	75

Payable in Canada..... \$ 1,881,461,020 85
 Payable in Canada and New York..... 131,040,900 00
 Payable in New York..... 240,000,000 00
 Payable in London..... 311,668,136 39

\$ 2,564,170,057 24

Less bonds and stocks of the above loans held as
 Sinking Funds..... 62,387,324 01

\$ 2,501,782,733 23

- (a) Tax free in Canada.
 (b) 5½% to Nov. 1, 1932.
 (c) Tax free to Nov. 1, 1933, 5½% to Nov. 1, 1933.
 (d) 5½% to Nov. 1, 1934.

BONDS GUARANTEED BY DOMINION GOVERNMENT AS AT
MARCH 31, 1932

Date of Maturity	Issue	Interest Rate	Amount Outstanding
		%	\$ cts.
Sept. 1, 1934.....	Canadian Northern.....	4	17,060,333 33
Feb. 15, 1935.....	Canadian Northern.....	4½	17,000,000 00
Sept. 1, 1936.....	Grand Trunk.....	6	24,734,000 00
Oct. 1, 1940.....	Grand Trunk.....	7	24,492,000 00
Dec. 1, 1940.....	Canadian Northern.....	7	24,282,000 00
July 1, 1946.....	Canadian Northern.....	6½	24,636,000 00
April 1, 1948.....	New Westminster Harbour Comm.	4½	700,000 00
Sept. 1, 1951.....	Canadian National.....	4½	50,000,000 00
Aug. 1, 1952.....	Saint John Harbour Comm.....	5	687,953 04
July 10, 1953.....	Canadian Northern.....	3	9,359,996 72
Feb. 1, 1954.....	Canadian National.....	5	50,000,000 00
Sept. 15, 1954.....	Canadian National.....	4½	26,000,000 00
Mar. 1, 1955.....	Canadian National (West Indies Steamships).	5	9,400,000 00
June 15, 1955.....	Canadian National.....	4½	50,000,000 00
Feb. 1, 1956.....	Canadian National.....	4½	70,000,000 00
July 1, 1957.....	Canadian National.....	4½	65,000,000 00
July 20, 1958.....	Canadian Northern.....	3½	7,896,563 49
May 4, 1960.....	Can. Nor. Alberta.....	3½	3,149,998 66
May 19, 1961.....	Can. Nor. Ontario.....	3½	34,229,996 87
Jan. 1, 1962.....	Grand Trunk Pacific.....	3	34,992,000 00
Jan. 1, 1962.....	Grand Trunk Pacific.....	4	8,440,848 00
Dec. 1, 1968.....	Canadian National.....	4½	35,000,000 00
July 1, 1969.....	Canadian National.....	5	60,000,000 00
Oct. 1, 1969.....	Canadian National.....	5	60,000,000 00
Nov. 1, 1969.....	Harbour Comm. of Montreal.....	5	19,000,000 00
Feb. 1, 1970.....	Canadian National.....	5	18,000,000 00
By tenders or drawings.	Canadian National.....	2	29,452,409 67
Various dates 1932-54.	City of St. John Dehs. assumed by St. John Harbour Commissioners.	various	1,467,164 96
Serial—Feb. 1, & Aug. 1, 1932-1938.	Canadian National Equip. G.....	5	9,750,000 00
Perpetual.....	Grand Trunk Guaranteed Stock..	4	60,833,333 33
".....	Grand Trunk Debenture Stock...	5	20,782,491 67
".....	Great Western Debenture Stock..	5	13,252,322 67
".....	Grand Trunk Debenture Stock...	4	119,839,014 33
".....	North. Ry. of Canada Deb. Stock	4	1,499,979 67
			1,000,918,406 41

TRADE OF CANADA

Turning now to the matter of external trade, Canada has continued to share in the pronounced shrinkage, both in volume and value, that has marked the commerce of the world. The following is a statement of Canada's foreign trade for the first eleven months of the last fiscal year, as compared with the same period in 1930-31:—

	Eleven months ended Feb. 28, 1931	Eleven months ended Feb. 29, 1932	Decrease
	(000 omitted)		
	\$	\$	\$
Imports.....	831,232	521,056	310,176
Exports, Canadian produce.....	744,669	536,595	208,074
Re-exports, foreign produce.....	16,038	9,951	6,087
	1,591,939	1,067,602	524,337

The figures indicate a reduction in the dollar value of total trade of approximately 33 per cent, which corresponds fairly closely to the average fall in world trade. Notwithstanding this unfavourable aspect of our external commerce, a very distinct improvement has taken place in the conversion of an unfavourable into a favourable balance. Starting last June, our exports commenced to exceed the imports and a surplus of exports over imports has continued month by month to date. Taking the last eleven months' figures as a basis, the balance has been favourable to the extent of \$25,491,000, as compared with an unfavourable balance of \$70,524,000 in the previous corresponding period. Comparative figures are as follows:—

(000 omitted)

Eleven months ended	Imports	Exports	Excess of Imports over Exports
February 28, 1930.....	\$ 1,135,248	\$ 1,053,246	\$ 82,002
February 28, 1931.....	831,232	760,708	70,524
			Excess of Exports over Imports
February 29, 1932.....	521,056	546,547	25,491

In the eleven months' period ended February 29, 1932, the latest date for which statistics of trade by countries are available, Canada's imports from the British Empire amounted to 131 million dollars, representing 25.3 per cent of total imports and showed a decrease of 56 million dollars from the previous corresponding period. Our exports to the British Empire are shown at 204 million dollars representing 37.4 per cent of total exports, a drop in the period of 71 million dollars.

The imports from the United Kingdom decreased 43 million dollars and exports dropped 44 million dollars.

A summary showing the imports from and exports to the principal parts of the British Empire is as follows:

TRADE WITH BRITISH EMPIRE—FIRST ELEVEN MONTHS

(000 omitted)

	Imports 1931-32	Decrease from 1930-31	Exports 1931-32	Decrease from 1930-31
United Kingdom.....	\$ 94,579	\$ 42,842	\$ 163,152	\$ 43,922
Australia.....	5,357	1,495*	4,688	1,605
British South Africa.....	4,259	1,091*	8,011	1,554
New Zealand.....	938	5,347	3,433	8,777
West Indies.....	10,995	2,359	7,694	3,657
Newfoundland.....	1,465	1,007	6,320	3,987
Other.....	14,247	7,526	11,266	7,808
Total British Empire.....	131,840	56,495	204,564	71,310

*Increase.

Our largest trade continues to be with the United States, to which exports in the eleven months ended February 29, 1932, amounted to 227 million dollars and from which imports were 317 million dollars, an unfavourable balance of 90 million dollars to Canada on the interchange. While exports declined 32.5 per cent in the period, our purchases from the United States have decreased 40.6 per cent.

A statement is submitted to show the percentage of our trade with the British Empire, United States and other countries in the first eleven months of the fiscal year, and for purposes of comparison to indicate the trend, similar percentages for the previous fiscal year.

TRADE OF CANADA

	Imports		Exports	
	Fiscal year 1930-31	First 11 months 1931-32	Fiscal year 1930-31	First 11 months 1931-32
	%	%	%	%
British Empire.....	22.6	25.3	36.6	37.4
United States.....	64.5	60.9	43.7	41.5
Other Countries.....	12.9	13.8	19.7	21.1
	100.00	100.00	100.00	100.00

Having reached the conclusion that the interests of both contracting parties would be promoted by the negotiation of an entirely new convention, Canada gave notice to France, in December last, of her desire to terminate the French convention made in 1922, and to proceed to the making of a new agreement. The existing Treaty terminates, therefore, on June 16th of this year and it is the earnest hope of the Government that its place will in the near future be taken by a commercial convention which may be of mutual advantage.

ESTIMATED REVENUES AND EXPENDITURES 1932-33

Based upon present rates of taxation and reasonably stable conditions, it is anticipated that the revenues in the fiscal year 1932-33 which has just commenced, will amount to \$319,100,000 from the following sources:

Customs Duties.....	\$100,000,000
Excise Duties.....	45,000,000
Excise Taxes.....	70,000,000
Income Tax.....	48,000,000
Post Office.....	32,000,000
Interest on Investments.....	11,500,000
Other sources.....	12,600,000
	<u>\$319,100,000</u>

The ordinary requirements for Government services in 1932-33, as provided for in the main estimates, together with

certain special and statutory amounts such as for old age pensions and payments to railways under the Maritime Freight Rates Act, are estimated at \$369,900,000, and, in addition, \$9,600,000 is voted for capital expenditures.

A very considerable contribution to the balancing of the budget has already been made in the reductions of appropriations which have been recommended to the House for the current year. Leaving aside the extraordinary expenditures on wheat bonus and unemployment relief, the expenditures in the fiscal year just ended are estimated at \$404,900,000, in comparison with which the estimated expenditures of \$379,500,000 for 1932-33 show a reduction of \$25,400,000, after absorbing an increase in interest on the public debt of \$12,700,000,

The perplexities which ordinarily attend the curtailment of expenditures on governmental services are rendered much greater in the present instance by reason of the reductions which had already been effected in the ordinary and capital expenditures, and particularly by reason of the increasingly smaller proportion of the expenditures which are controllable. Thus in the proposed expenditures for 1932-33, the fixed and, in general, uncontrollable amounts, including debt charges, pensions and ex-soldiers' welfare, provincial subsidies, and similar items, aggregate approximately \$236,000,000, leaving only \$143,500,000, or 38 per cent, under the classification of controllable. In the fiscal year just ended, the corresponding figure of controllable expenditures was \$179,300,000. It will therefore be seen that the reduction which it is proposed to effect this year in the controllable expenditures is \$35,800,000, which is the equivalent of 20 per cent. These figures have been cited to illustrate the drastic economies which the Government has felt it necessary to institute, having regard to the depleted returns from taxation.

With revenues estimated at \$319,100,000 and the usual current expenses of government amounting to \$369,900,000, it is clear that increases in the rates of taxation are necessary. Accordingly it is proposed to recommend measures which will, it is estimated, increase the revenues by \$55,000,000, thus balancing the current expenditures and leaving a surplus of \$4,300,000. If expectations are realized, this surplus would serve to cover a large part of the capital expenditures as well. Even a slight improvement in price levels, and the general volume of business would, of course, be reflected immediately in the returns from customs and excise taxes, and our budget position would be correspondingly improved.

Without building too greatly on help from this source in the present year, it is the considered view of the Government that reductions in expenditures, on the one hand, and proposed

additions to the taxation revenues on the other, will, in the final outcome, represent a complete balancing of the budget on the usual current governmental services. While, unfortunately, the estimates of revenues, which are conservatively based having regard to the present conditions of business, do not cover the special expenditures on unemployment relief, nor the more indirect liabilities arising out of the financing of the Canadian National Railways, it is nevertheless, in our judgment, as substantial a step in the direction of providing currently for every responsibility of the Government as would be in the public interest to make effective in any one year under existing conditions.

INCOME TAX

It is proposed to raise the rate of taxation on incomes of corporations and joint stock companies to 11 per cent, to take effect in the 1931 taxation period. Under the Act at present, a corporation whose financial year is not coincident with the calendar year is allowed until April 30th of the following year to pay the tax. It is proposed to amend the Act to provide in such cases for the return of income and payment of the tax within four months from the close of the fiscal period. This will have the effect of accelerating the collection of the tax from those corporations whose fiscal periods do not end with the calendar year. A further amendment to the Income War Tax Act will repeal the provisions relating to family corporations.

In respect of the tax on personal incomes, it is proposed to repeal the deduction of 20 per cent now allowed from the tax payable under the established schedule of rates. In addition, all taxpayers, including corporations, in receipt of net income in excess of \$5,000 will be required to pay a surcharge of 5 per cent of the amount of tax otherwise payable.

The personal exemption, where heretofore \$3,000, will be reduced to \$2,400, and where heretofore \$1,500, will be reduced to \$1,200. No change is to be made in the exemption for dependent children. Hereafter the exemption granted in respect of income from annuity contracts will be \$1,200 instead of \$5,000. This will bring the exemption into conformity with the Annuities Act as amended in 1931.

The penalty provisions in the Income War Tax Act will be amended so as to provide that in cases where investigation reveals that a taxpayer has deliberately understated his income, the amount of income not disclosed will be added in double the amount and the tax assessed thereon. The decease of the taxpayer will not avoid the tax penalty.

The changes in the exemptions and in the rates of tax payable will apply to incomes of 1931. The following statement indicates the proposed increase in taxation, in the case of a married person without dependents, at various amounts of income:

INCOME TAX
MARRIED PERSON WITHOUT DEPENDENTS—TAXES PAYABLE

Income	Present Tax	Proposed Tax	Increase
\$	\$ cts.	\$ cts.	\$ cts.
2,400	—	—	—
2,500	—	2 00	2 00
2,600	—	4 00	4 00
2,700	—	6 00	6 00
2,800	—	8 00	8 00
2,900	—	10 00	10 00
3,000	—	12 00	12 00
4,000	16 00	32 00	16 00
5,000	32 00	58 00	26 00
6,000	56 00	98 70	42 70
7,000	88 00	147 00	59 00
8,000	128 00	205 80	77 80
9,000	176 00	275 10	99 10
10,000	232 00	354 90	122 90
11,000	296 00	445 20	149 20
12,000	368 00	546 00	178 00
13,000	448 00	657 30	209 30
14,000	536 00	779 10	243 10
15,000	632 00	911 40	279 40
16,000	736 00	1,054 20	318 20
17,000	848 00	1,207 50	359 50
18,000	968 00	1,371 30	403 30
19,000	1,096 00	1,545 60	449 60
20,000	1,232 00	1,730 40	498 40
25,000	2,024 00	2,788 80	764 80
30,000	2,880 00	3,918 60	1,038 60
35,000	3,776 00	5,100 90	1,324 90
40,000	4,712 00	6,335 70	1,623 70
45,000	5,688 00	7,623 00	1,935 00
50,000	6,704 00	8,962 80	2,258 80
55,000	7,760 00	10,355 10	2,595 10
60,000	8,856 00	11,799 90	2,943 90
65,000	9,992 00	13,297 20	3,305 20
70,000	11,168 00	14,847 00	3,679 00
75,000	12,384 00	16,449 30	4,065 30
80,000	13,640 00	18,104 10	4,464 10
85,000	14,936 00	19,811 40	4,875 40
90,000	16,272 00	21,571 20	5,299 20
95,000	17,648 00	23,383 50	5,735 50
100,000	19,064 00	25,248 30	6,184 30
110,000	22,000 00	29,103 10	7,103 10
120,000	25,016 00	33,072 90	8,056 90
130,000	28,112 00	37,142 70	9,030 70
140,000	31,288 00	41,317 50	10,029 50
150,000	34,544 00	45,597 30	11,053 30
175,000	42,920 00	56,597 10	13,677 10
200,000	51,496 00	67,859 40	16,363 40
250,000	69,072 00	90,934 20	21,862 20
300,000	87,048 00	114,534 00	27,486 00
350,000	105,424 00	138,658 80	33,234 80
400,000	124,200 00	163,308 60	39,108 60
450,000	143,376 00	188,483 40	45,107 40
500,000	162,952 00	214,183 20	51,231 20
600,000	202,928 00	266,658 00	63,730 00
700,000	242,928 00	319,158 00	76,230 00
800,000	282,928 00	371,658 00	88,730 00
900,000	322,928 00	424,158 00	101,230 00
1,000,000	362,928 00	476,658 00	113,730 00

SALES TAX

The sales tax will be increased by 2 per cent. Some additional revenue will also be derived from a limited adjustment of the exempt and partially exempt list, in the case of a number of articles not primary products which it is believed should, under present conditions, carry a proportionate share of the tax burden. The chief items to be taken from the exempt list are bakers' cake and pies, lard compound and similar substances made from animal or vegetable stearine or oil, ice cream, processed milk foods and cereal foods under Customs Items 45 and 46, and usual coverings for goods not subject to the sales tax. Biscuits are to be raised from the half to the full rate.

SPECIAL EXCISE TAX ON IMPORTS

The special excise tax on goods imported into Canada will be increased by 2 per cent.

INSURANCE TAX

The tax upon insurance premiums passed at the last session was not put into effect by proclamation as provided by the statute, owing to difficulties over the jurisdiction of the Dominion and provinces in the matter of insurance. It is now proposed, under the Special War Revenue Act, to impose a tax of 1 per cent of net premiums of insurance companies authorized to transact business in Canada or in any province of Canada, other than life, marine and farm mutual. This tax was in force from 1915 to 1929. British and foreign companies, not so authorized but maintaining deposits with the Dominion, will also be assessed 1 per cent of net premiums received in Canada. Canadian policyholders who insure their property in Canada with companies other than those mentioned above, will be charged a tax of 15 per cent of the gross premiums payable on such insurance.

The stamp tax on cheques, promissory notes, money orders, etc., will be increased. The present rate is two cents for each instrument exceeding \$5. The new rate will be three cents over \$5 to \$100 and on instruments over \$100, six cents. The tax of 10 per cent, minimum 25 cents, on sleeping car tickets and of 10 cents on each parlour car ticket, will be re-enacted. The tax on cable and telegraphic messages will also be re-enacted, but the rate will now be five cents for each message costing more than fifteen cents, and the measure will be extended to include long distance telephone calls at the same rate.

A minor amendment also is proposed to the Spécial War Revenue Act in connection with the stock and bond transfer tax. The present exemption for inter-dealer transactions in bonds is to be repealed and a regulation substituted which will ensure the application of the tax in all transactions except where dealers in securities are acting as purchasing agents for clients.

The sales tax changes come into force immediately; the stamp tax on cheques, telegraph and telephone and transportation taxes, it is proposed to put into effect as of May 2.

TARIFF

Having in mind the near approach of the meeting of the Imperial Conference, it is deemed undesirable to make any tariff changes touching the British Preference. This decision of necessity precludes any major tariff adjustments.

With one exception, no tariff amendments are therefore proposed. The exception relates to repair parts for farm implements, for which the special rates granted to March 31, 1932, will be further extended to March 31, 1933.

In proposing these additional measures of taxation, consideration has been given, on the one hand, to the ability of our people to bear the extra burden, and, on the other, to the absolute necessity of placing our financial house in order.

Bearing fully in mind the fact that, in common with the whole world, we have suffered—while not in equal degree at least in substantial degree—as the result of a depression universal in scope and of unparalleled magnitude; realizing also the anxieties and burdens of the people and the manifold difficulties resulting from the trying period through which we are passing; and appreciating how desirable it is that we should endeavour to the fullest possible extent compatible with the public interest to call for as little further sacrifice as possible; at the same time we would be recreant to our duty if we failed to face our problems with determination and at whatever sacrifice, fully meet our financial obligations, balance our budget and preserve our national credit in the eyes of an observant financial world.

This course may result in hardship. It may entail sacrifice. But in the long run it will result in less hardship, and will call for less sacrifice than that which would flow from a policy less courageous.

Furthermore, the preservation of our national credit is an indispensable prerequisite to the return of prosperity.

While the world is close knit to-day in matters of trade and finance as never before in its history—and we cannot

expect normal or prosperous conditions apart from the general world trend—nevertheless some one nation, or group of nations, must assume the leadership and point the way. To that end an opportunity unique in history is afforded to the British nations, whose representatives will assemble in Ottawa at the Imperial Economic Conference in July next.

If the delegates who assemble here meet in an atmosphere charged with determination to approach their deliberations from the viewpoint of mutual advantage, there will result measures which will give a marked stimulus to Empire trade.

And while these measures are primarily designed to stimulate trade within the Empire, they will release forces and establish currents which may well flow beyond our borders to the eventual benefit of the world at large.

As a final word, may I say that I do not propose to indulge in prophecy. But I do desire to record my firm conviction that we are not far removed from events which will herald the dawn of better days; that those qualities of courage, resourcefulness and thrift which characterized our forebears are not lost to the present generation; that our struggles and difficulties of to-day will serve as a challenge to greater effort on the part of governments and people to the end that Canada will be found in the vanguard of those nations who successfully emerge from the greatest testing time in modern history.

RESOLUTIONS

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

CUSTOMS TARIFF

1. RESOLVED, That Schedule A to the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, as amended by chapter seventeen of the Acts of 1928, chapter thirty-nine of the Acts of 1929, chapter thirteen of the Acts of 1930 (first Session), chapter three of the Acts of 1930 (second Session) and chapter thirty of the Acts of 1931, be further amended by striking thereout tariff item 409g, the several enumerations of goods, respectively, and the several rates of duties of customs, if any, set opposite thereto, and by inserting the following item, enumerations and rates of duty in said Schedule A:—

Tariff Item		British Preferential Tariff	Inter-mediate Tariff	General Tariff
409q	Complete parts for repairs, if imported on or before the thirty-first day of March, 1933, under regulations prescribed by the Minister—			
	(i) For the implements or machinery enumerated in tariff items 409c, 409e, 409f, 409g, 409j, 409o, 409p and 439c.....	Free	10 p.c.	10 p.c.
	(ii) For the implements or machinery enumerated in tariff item 409b.....	Free	7½ p.c.	7½ p.c.
	(iii) For the implements or machinery enumerated in tariff item 409d.....	Free	6 p.c.	6 p.c.
	(iv) For the implements or machinery enumerated in tariff items 409h and 409n.....	Free	10 p.c.	15 p.c.
	(v) For the implements or machinery enumerated in tariff items 409i and 409k.....	Free	17½ p.c.	17½ p.c.

2. RESOLVED, That any enactment founded upon the foregoing resolution shall be deemed to have come into force on the seventh day of April, one thousand nine hundred and thirty-two, and to have applied to all goods mentioned in the foregoing resolution imported or taken out of warehouse for consumption on and after that date and to have applied to goods previously imported for consumption for which no entry for consumption was made before that date.

INCOME WAR TAX ACT

RESOLVED, that it is expedient to amend the Income War Tax Act and to provide:—

1. That the reduction of twenty per centum from the rates of tax under the first schedule of the Act be repealed;
2. That the rate of tax applicable to corporations be increased from ten per centum to eleven per centum on the income in excess of \$2,000;
3. That all taxpayers in receipt of net income in excess of \$5,000, excluding incomes exempt under section 4 of the said Act, shall pay an additional tax of five per centum of the amount of taxes otherwise payable under the provisions of the said Act;
4. That the personal exemption heretofore afforded to the extent of \$3,000 be reduced to \$2,400 and where heretofore afforded to the extent of \$1,500 be reduced to \$1,200;
5. That incomes arising by way of annuity contracts within the meaning of paragraph (k) of section 3 of chapter 24 of the Statutes of 1930 be exempt to the extent of \$1,200 in lieu of the exemption heretofore provided of \$5,000, but the said exemption of annuity income heretofore provided and arising out of annuity contracts entered into prior to the passing of any Act based on this resolution shall continue in full force and effect;
6. That the provisions relating to family corporations be repealed, such repeal to come into force at the end of the 1932 calendar year or fiscal periods ending therein;

7. That in respect of fiscal periods not coincident with the calendar year the return of income and payment of the tax, by persons other than individuals, in lieu of being made and paid on or before the 30th day of April in each year as in the said Act provided; must be made and paid within four months from the close of the fiscal period and if not so made and paid all provisions of the said Act shall mutatis mutandis apply;
8. That income by way of dividends, rentals, interest, royalties and other like income not disclosed by the taxpayer in his return of income may be added to the other income of the taxpayer in double the amount and the whole taxed under the provisions of the Act;
9. That any enactment founded on paragraphs one, two, three, four, five and eight of this resolution shall be deemed to have come into force at the commencement of the 1931 taxation period and to be applicable thereto and to fiscal periods ending therein and to all subsequent periods;
10. That any enactment founded on the provisions of paragraph seven of this resolution shall be deemed to have come into force at the commencement of the 1932 taxation period and to be applicable thereto and to fiscal periods ending therein and to all subsequent periods.

SPECIAL WAR REVENUE ACT

RESOLVED, that it is expedient to introduce a measure to amend the Special War Revenue Act, chapter 179 of the Revised Statutes of Canada, 1927, as amended by chapter 50 of the Statutes of 1928, chapter 57 of the Statutes of 1929, chapter 43 of the Statutes of 1930, and chapter 54 of the Statutes of 1931, and to provide:—

1. (i) That every company authorized to transact the business of insurance in Canada or in any province of Canada, other than life and marine insurance companies, fraternal benefit societies and purely mutual fire insurance companies insuring principally farm risks, shall pay for Consolidated Revenue Fund a tax of one per centum upon the net premiums received by the company in Canada on and after the first day of January, 1932.

(ii) That every insurance company not so authorized to transact the business of insurance in Canada or in any province thereof but which maintains a deposit with the Minister of Finance as security for the claims of all Canadian policyholders exclusively of such company to the amount of at least the amount of the liabilities of the company to policyholders in Canada, shall pay for Consolidated Revenue Fund a tax of one per centum upon the net premiums received by it in respect of insurance on property in Canada, other than marine insurance, effected or renewed in the portion of the calendar year 1932, and of each calendar year thereafter for which it maintains such deposit.

(iii) That every person resident in Canada who insures or has insured his property situate in Canada, or any property situate in Canada in which he has an insurable interest other than that of an insurer of such property with any British or foreign company or British or foreign underwriter or underwriters, or any association of persons

(a) which, on the twenty-second day of October, 1931, had not a deposit with the Minister of Finance for the purpose and to the amount aforesaid, shall pay for Consolidated Revenue Fund a tax of fifteen per centum of the gross premiums paid or payable by such person for such insurance during the year 1931; and a tax of five per centum

of the total net cost to such person of such insurance effected or renewed in each of the calendar years 1921 to 1930, both inclusive during which such company, underwriter or association did not maintain a deposit with the Minister for the purpose and to the amount aforesaid, the amount of such tax payable in respect of any calendar year to be reduced by the amount of any tax heretofore paid to the Minister in respect of such insurance for such calendar year; or

- (b) which does not on or before the first day of May, 1932, or at the time such insurance is effected or renewed, if after the said date, maintain a deposit for the purpose and to the amount aforesaid, shall each year pay a tax of fifteen per centum of the gross premiums paid or payable for such insurance during the next preceding calendar year.

2. That on every cable and telegraph or radio message originating in Canada for which a charge of more than fifteen cents is made, except press despatches, and on every long distance telephone call originating in Canada for which a charge of more than fifteen cents is made the sending company shall pay to the Consolidated Revenue Fund a tax of five cents and may charge the same to the person paying the regular charges for such message.

3. That every purchaser of a seat in a Pullman or parlour car shall pay, in addition to the regular price of each such seat, a tax of ten cents and that every purchaser of a berth in a sleeping car or other sleeping accommodation on a railway train shall pay in addition to the regular price thereof a tax equal to ten per cent of the said price, provided that such tax shall in no case be less than twenty-five cents.

4. That the stamp tax imposed by Parts VI, VIII, and IX of the said Act on cheques, receipts to banks, money orders, travellers' cheques and post office money orders for amounts exceeding five dollars, and on bills of exchange and promissory notes, be increased to three cents on every instrument for an amount not exceeding one hundred dollars, and to six cents on every instrument for an amount exceeding one hundred dollars.

5. That subsection (e) of section sixty-one of the said Act, as enacted by chapter 54 of the Statutes of 1931, be repealed.

6. (i) That the rate of consumption or sales tax as imposed by section eighty-six of the said Act, as amended by section eleven of chapter 54 of the Statutes of 1931, be increased to six per cent.

(ii) That the following words be removed from the list of articles exempt from the consumption or sales tax set out in Schedule III to the said Act, as enacted by chapter 54 of the Statutes of 1931, that is to say:—

“Bakers' cake and pies, not to include biscuits;” “and substitutes therefor” in line seven of the said Schedule; “lard compound and similar substances, made from animal or vegetable stearine or oils;” “materials for use solely in the manufacture of any substitute for butter or lard;” “extract of rennet;” “ice cream;” “usual coverings to be used exclusively for covering goods not subject to the consumption or sales tax;” “materials to be used exclusively in the manufacture of usual coverings to be used for covering goods not subject to the consumption or sales tax.”

Also under the heading “Goods Enumerated in Customs Tariff Items;” the following figures and words, namely;—

“45. Milk foods, n.o.p.; prepared cereal foods, in packages not exceeding twenty-five pounds weight each;”

“46. Prepared cereal foods, n.o.p.;”

And that the word "lard" where it first appears in line eight of the said Schedule be struck out and the words "lard, when produced in Canada" be substituted.

(iii) That the following words be inserted in the said schedule:—

"All articles manufactured or produced by the labour of the blind in institutions established for their care or under the control or direction of such institutions."

(iv) That the following words be removed from the list of articles exempt to the extent of fifty per cent of the consumption or sales tax set out in Schedule IV to the said Act, as enacted by chapter 54 of the Statutes of 1931, that is to say:—

"Biscuits of all kinds."

7. That the special excise tax on imports imposed by section eighty-eight of the said Act, as enacted by section fourteen of chapter 54 of the Statutes of 1931, be increased to three per cent.

8. That any enactment founded on paragraphs two, three and four of this resolution shall come into force on the second day of May one thousand nine hundred and thirty-two.

9. That any enactment founded on paragraphs six and seven of this resolution shall be deemed to have come into force on the seventh day of April one thousand nine hundred and thirty-two, 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 date.

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