

BUDGET SPEECH

DELIVERED BY

HON. CHAS. A. DUNNING, M.P.

MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS, FRIDAY, MAY 1,

1936

THE BUDGET

ANNUAL FINANCIAL STATEMENT OF THE
MINISTER OF FINANCE

Hon. CHARLES A. DUNNING (Minister of Finance) moved:

That Mr. Speaker do now leave the chair for the house to go into committee of ways and means.

He said: Mr. Speaker, I rise to address you to-day, sir, not only with a due sense of the high privilege which is mine, but also with a deeper sense of grave responsibility than I have ever felt before. In times such as these through which we are passing, the responsibility of endeavouring to place before the house and the people of this country a clear and complete statement of the economic position of Canada, the facts regarding our governmental finances, and proposals for meeting the situation thus revealed for the present fiscal year, is unusually great. I know I shall not ask in vain for the sympathetic attention of all my fellow members, although the presentation of figures will inevitably be rather trying to the patience of the house.

Before dealing with the government accounts I propose to survey briefly the recent trends of business and trade in Canada.

BUSINESS AND TRADE REVIEW

The most welcome feature in the fiscal year which has just closed has been what it indicates of a movement toward recovery. I do not wish to exaggerate the extent of that recovery, for to those who are charged with responsibilities of government in these hard days the distance yet to go and the problems still to be solved are the features of our economic record which are most impressive—and at the same time most distressing. Nevertheless, one cannot view the picture broadly without realizing that improvement—however gradual—is real and steady, and that the general undertone is one of definite strength.

In spite of prevailing uncertainties in the international political outlook and the persistence of extreme nationalistic policies, the pressure of the economic forces making for recovery continues. These forces may be retarded but they appear now to be sufficiently powerful to make continuing progress, unless war, the great destroyer, should again intervene.

Analysis of the Canadian figures indicates that our past gains are being consolidated and that the upward swing of the business cycle is currently establishing higher levels of activity generally throughout the industrial and commercial field. The index of the physical volume of business compiled by the Dominion Bureau of Statistics to indicate the broad movements of economic activity, stood at 103.3 in March of this year as compared with 94.2 for March of last year. This is an improvement of approximately 10 per cent. However, to appreciate fully the significance of this improvement, one should compare the present level of 103.3 with the figure 67.0 which was the level recorded at the low point of the depression in February, 1933. In other words, the increase during this period has been over 54 per cent. The average level of this index in each of the past three calendar years was 79.7, 94.2 and 102.4. These increases are impressive, particularly when one recalls that this index measures the physical volume of output in nearly all our leading industries as well as freight traffic on our railways, building activity and domestic trade.

While I desire to avoid complicated statistics as far as possible, it is necessary to refer to the progress made by a few of the more important Canadian industrial groups.

MANUFACTURING

For the first three months of this calendar year, 1936, manufacturing of all kinds showed an average expansion of 8.5 per cent over the first quarter of 1935. Within this broad field, the substantial improvement in the output of

the primary iron and steel industry is particularly heartening. In the latter half of 1935, this industry showed striking advances, steel output increasing 23 per cent and pig iron 48 per cent over 1934, and the improvement was continued during the first quarter of 1936, notably in January. This, in itself, is important, but it is especially significant as indicating a broadening out of the recovery movement into the heavy or durable goods industries. The construction industry, while still operating on abnormally low levels, enjoyed substantial percentage gains in 1935 over 1934, and the present outlook for building appears to be the best in several years.

FORESTRY

The forestry group of industries showed marked expansion in 1935. Lumber production on the Pacific coast was about 20 per cent greater than in 1934 and reached the highest point since 1929. Shingles found better markets abroad and exports increased 96 per cent. The newsprint industry, although still beset with abnormally low prices and financial difficulties, increased production to new record levels. Perhaps the most satisfactory evidence of improvement in this whole group of industries is found in the increase of employment afforded by the industry—8 per cent in lumbering and 4 per cent in pulp and paper plants.

MINING

The mineral industry continues to establish new records of output. Canada's mineral output, valued at over 308 million dollars in 1935, recorded a gain of 11 per cent over the previous year and was only 1 per cent below the record year 1929 when prices for most metals were higher. Production of gold, copper, nickel, zinc and several of the minor metals made new high records. Total output of gold amounted to 3,283,000 fine ounces with a total value at current market prices of nearly \$115,000,000. Increase in mineral output continued unabated during the first quarter of this year. In February, for instance, the export of copper was greater than in any other February, and exports of nickel exceeded any other month in history, the bureau's index standing at 490.2 as compared with 317.9 in February, 1935.

AGRICULTURE

Unfortunately, our most important primary industry cannot boast such results. Agriculture has again suffered from climatic hazards, restricted markets and low prices. According to the bureau's estimates, total farm revenue in 1935 amounted to \$943,081,000, an increase

of less than one per cent as compared with the previous year. Most disappointing was an 8 per cent decline in the value of the principal field crops, chiefly as a result of the price factor. Wheat prices were generally higher than in 1934, but the low grading resulting from rust and frost reduced the value of the crop to about that of the previous year. Increases in yield of oats and barley were more than offset by reduced prices. On the other hand, the contribution of animal products to farm purchasing power more than made up for the loss in field crops. The live stock industry showed considerable improvement. Higher marketings of cattle and better prices increased the value of live stock sales in 1935 by 22 per cent. Milk prices improved somewhat and exports of hog products to Great Britain expanded. The prairie provinces shared in the better returns from cattle and milk and a more uniform distribution of farm income prevailed than in 1934. In this connection I may point out that the advantages of access to wider markets to the south are already being realized. Three months' operation of the recent trade treaty offers evidence of its value to the farmers of this country. Every step which helps to provide markets for agriculture brings nearer that day when the Canadian farmer, receiving more for his products than it costs to produce them, will once more provide, through the stimulus of his purchasing power, a sound basis for national prosperity.

EMPLOYMENT

My colleague, the Minister of Labour (Mr. Rogers), has recently placed on Hansard comprehensive statistics in regard to the numbers of unemployed in various classifications. One of the most disappointing features of the business improvement so far is that the numbers of those on relief do not decline at the same pace as business activity recovers. The causes of this are chiefly to be found in the continuing growth of population bringing annually a new supply of workers into the industrial field, the customary initial effects of invention of new machines and processes, the gradual decline in the number of those unemployed or dependent who are taken care of by charity or by relatives, and the surplus labour power employed by many corporations which preferred to retain redundant staff or to work short time rather than to dismiss employees during the years of depression.

While for these reasons, expanding employment makes only slow progress in reducing the numbers on the relief rolls, nevertheless the increase in employment appears to be real

and substantial. The bureau of statistics tabulates monthly statements on employment from over 9,000 of the larger firms engaged in manufacturing, logging, mining, transportation, communications, construction and maintenance, services and trade, and employing some 45 per cent of the total persons at work in all industries. From 93.4 on April 1, 1935, the index for all industries rose to a peak of 107.7 on November 1, an increase of 15.3 per cent, and with the usual seasonal decline during the winter months the index stood at 97.4 on April 1 this year, an increase of 4.3 per cent over April 1 a year ago. The index for manufacturing industries rose 10.2 per cent from April to November and on April 1 this year was still about 8 per cent above the level of the same date in 1935.

Supplementing this information it is encouraging to note from data published by the Department of Labour that remuneration to wage earners in 1935 was greater than in 1934 as a result of increases in various industries and localities. Part time and short time work were less prevalent. In logging, wages advanced generally throughout the maritime provinces and Quebec, while in Ontario and British Columbia rates had risen considerably in 1934. In coal mining, wages increased appreciably in Nova Scotia and Alberta, and there were some increases in metal mining wages. Improvement was also witnessed in manufacturing, particularly in clothing and furniture factories. Rates were raised in the construction trades in Quebec and Ontario, and railway wage rates also increased. Long-shoremen's wages rose in most of the ocean ports and in some of the lake ports. Common factory labour was up 2.4 per cent, miscellaneous factory trades 2.3 per cent, and logging and sawmilling 5 per cent.

One of the most important signs of a more healthy business condition is that industrial and commercial earnings are continuing to show improvement. An analysis of the record of earnings of 241 leading Canadian corporations discloses that net earnings are about 8 per cent greater for the latest fiscal year than for the previous fiscal period. When business is showing an increasing scale of earnings there are excellent grounds for anticipating further industrial and commercial improvement with increased volume of employment.

A very interesting feature of our Canadian economy is the remarkable degree of stability in the price level during the last two years. For March the bureau's index was 72.4 as compared with 71.9 a year ago, and since February, 1935, the range of variation from the line of 72 per cent of the average level

of prices during 1926 has been extremely small. Further progress, however, was made during the year in correcting some of the disparities between various types of prices created by the drastic fall in the price level during the early years of the depression. One important feature of this corrective process was that farm product prices, particularly the prices of animal products, improved more rapidly than the general level. It is of vital importance that this corrective process should continue.

INTEREST RATES

One price whose falling tendency is watched with considerable enthusiasm in many quarters is the cost of money; in other words, the rate of interest. In this case, of course, the decline is a favourable factor. This factor is usually measured by the yield on long term bonds. The bureau computes an index of the yield on long term Dominion of Canada bonds, using the average monthly yield for 1926 as the base or 100. The course of this index during the past year provides an interesting record of the investor's reaction to enactments or threatened enactments by provincial legislatures, to administrative decisions, to official pronouncements by radio or in the press or on the public platform, and to the manifold other hazards that may affect the capital markets. It bears eloquent testimony to the oft-repeated saying that capital is timid. Beginning at 70.9 in January the index of interest rates rose to 73.2 in February, dropped to 71.4 in March, rose to 72.2 in April, declined to 71.4 in May, rose to 73.4 in June, declined to 71.6 in August, then rose sharply to 79.8 in September, and thereafter with a slight interruption in December dropped steadily to 69.9 in March, the latest month for which the index is available. The March index is the lowest rate of interest figure recorded since the bureau began compiling this series in 1919 and probably represents the lowest yield on long term funds in the history of our country. Considering also the steady decline in the yield on our three-months treasury bills—our latest issue of these bills was sold on April 15th on a yield basis of approximately seven-eighths of one per cent—and I should interject here that another issue was sold yesterday at the slightly higher rate, if my memory serves me correctly, of just over nine-tenths of one per cent per annum—we have ample evidence of the progress which the dominion has made in securing that stimulus to economic recovery through low interest rates which has been so important a factor in the United Kingdom.

Unfortunately, these low rates are not available to all borrowers, particularly the most needy ones who are not usually considered the most credit-worthy. Nevertheless the low rates are beginning to permeate the interest rate structure as a whole. One evidence of this is the increasing volume of security flotations, not only by governments but also by private corporations, both for refunding and for new capital purposes. In 1935 the total volume of new issues offered has been estimated at 571 million dollars, an increase of 83 million dollars over 1934. Of this total, 325 million dollars were for refunding and the balance for new capital purposes. During the first quarter of this year, activity was greatly accelerated. In this period total new Canadian bond financing amounted to 241 million dollars, an increase of 180 million dollars over the first quarter of 1934. Of this total 70 million dollars were for refunding purposes. It is also significant that financing by corporations accounted for 105 million dollars or over 43 per cent of the financing of the first quarter of 1936 compared with 9 million dollars or less than 15 per cent for the first quarter of last year.

PROVINCIAL FINANCE

One factor retarding the full revival of confidence and the healthy functioning of the capital markets has been the cloud of uncertainty which has been overhanging the financial position of several of the provinces. It is revealing no secret to say that the credit of the four western provinces has been maintained during the last few years only by the financial support of the dominion. Despite the efforts—in some cases, the heroic efforts—of these provinces to cut expenditures and increase revenues, the burden of unemployment relief added to heavy interest charges on outstanding debt has been so heavy and the taxpaying ability of the people reduced so drastically by the economic conditions which prevailed that it has been impossible to provide out of taxes for the cost of unemployment relief, and even in some cases for a portion of ordinary governmental expenditures. In view, in part, of their own financial position and in part of conditions in the investment market, particularly in the early years of the depression, these provinces have not been able to borrow economically, in the public markets. Whether wisely or not, the dominion government of the day faced with what it regarded as an emergency problem, initiated the policy of making loans to these provinces in order to enable them to meet their share of relief costs, maturing obliga-

tions, and in some cases even ordinary governmental expenditures. As I shall show later, such loans now amount to \$116,500,000.

It has long been clear to everyone, I believe, that this process can not go on indefinitely. We are rapidly reaching—if we have not already reached—the impossible position where the dominion government will be the largest single creditor of these provincial governments. Moreover, if we continue this process of handing out funds without security and without control of any sort, we shall be in danger of undermining dominion credit, which, in my opinion, must be protected at all costs.

LOAN AND FINANCE COUNCILS

Recognizing the importance of this problem, the government has for the past six months been devoting a great deal of time and attention to working out a solution with the cooperation of the provinces. It was one of the major questions placed on the agenda of the dominion-provincial conference in December last, and initial discussions at this conference led to the appointment of a continuing committee on financial questions which held sessions in January and again in March. During these discussions, agreement was reached on a general method of procedure. The dominion undertook to initiate an amendment to the British North America Act which would (1) validate certain taxes now imposed by one or more of the provinces and give the provinces power to levy a tax on retail sales, thus providing an enlarged and more elastic provincial tax structure; and (2) enable the dominion to guarantee existing or future debts of a province as well as enable a province to give the dominion adequate security for such guarantee by the pledge of dominion subsidies and, if necessary, other specific revenues. If and when these enabling powers should be secured, the dominion undertook to sponsor legislation providing for the setting up (1) a national finance council, which would consist of the dominion Minister of Finance and the provincial treasurer of each province, with the governor of the Bank of Canada as technical adviser, and which would provide a permanent mechanism for mutual discussion of taxation, investment and other financial problems, with advisory powers only; and (2) individual loan councils which would consist in each case of the dominion Minister of Finance and the treasurer of the province desiring to participate, with the governor of the Bank of Canada as technical adviser, and which would have power both to approve any program providing for refunding of the

debt of a province under dominion guarantee and also to supervise future borrowing by such province. Dominion guarantee would be available to the province only when loan council approval to the proposed issue of securities had been obtained. Moreover, no compulsion was involved; the legislation contemplated would merely provide machinery which any province might take advantage of if it considered it to be in accordance with its own interests.

Since March 31 the government has not had any statutory authority to make loans or give guarantees to any province and even in the relief bill which is now before parliament such authority as is being asked for relates only to loans, advances or guarantees in connection with relief measures or undertakings. It is not proposed, except through loan council legislation, to ask parliament for authority to grant financial assistance to enable a province to meet a maturing obligation or to provide for other ordinary governmental expenditures.

Provincial obligations that have matured in recent weeks or are about to mature have led to extended discussion with the interested provinces. The correspondence exchanged with the province of Alberta has been tabled. That record speaks for itself. In brief, the federal government has taken the position that not only must it have adequate security for the financial assistance which it is called upon to give but also that the dominion government must be in a position to determine the extent to which and the conditions under which dominion credit is made use of now and in the future. It was a matter of great regret to us that the government of Alberta did not see its way clear to accept the conditions under which alone our assistance could have been made available. The province of Saskatchewan, which has an issue maturing to-day, May 1, has expressed a willingness to participate in the loan council arrangement and with the understanding that the dominion will proceed with its legislation, the province, I am advised, has made arrangements with the Bank of Canada to enable it to meet this maturity. I am also advised that the province of British Columbia will be able to redeem its obligation falling due on May 15 without recourse to outside assistance.

The government believes it essential to provide the necessary machinery for any province that may deem it desirable to take advantage of the facilities I have outlined. The government will therefore proceed with the resolution now on the order paper designed to initiate the proposed constitu-

tional amendment, and thereafter with the legislation providing for the establishment of loan councils and a national finance council. I may add that after the most careful consideration we are prepared to recommend certain modifications to the loan council arrangement originally suggested. These modifications would make it possible for a province which had submitted a borrowing proposal to the loan council, and which had not obtained the council's approval, to make such offering on its own credit in the domestic market. Approval of the loan council, however, would be mandatory for all external issues and also for domestic issues in those cases where the outstanding debt of the province is refunded under dominion guarantee. These changes, it is believed, will make the arrangement more acceptable to some of the provinces and still make it possible to secure the primary objectives which the dominion has in mind.

I might advise the house that the modification to which I have just referred is being communicated to all the provinces, particularly those primarily concerned, and of course will have their consideration, and we shall hear from them with respect to it before very long.

I trust that the position which the government has taken in these matters and the action which it proposes to take will commend themselves generally to the good judgment of members of this house. The record of Canadian securities in the investment markets of the world has been a most enviable one. It would be unfortunate if that record were seriously marred at this late stage when the outlook appears to be for continuing recovery and a probable rise in the world price level which will ease the burdens of debtor classes and debtor communities. The arrangement which we contemplate should provide a method for reducing interest burdens in a way acceptable to creditors. It should provide a means whereby provinces, fully cooperating, may restore their credit and place themselves in a position gradually to secure necessary funds for justifiable capital purposes. It should provide a regular and permanent mechanism for the mutual study, with expert assistance, of the difficult, technical financial problems with which all governments are faced. It should make for an avoidance in future of some at least of the costly mistakes made by dominion and provincial governments alike in the past, the continuing burden of which has made it so difficult to assume the new burdens of the present prolonged depression.

It is our hope that the arrangement which is now offered will appeal to all provinces which find it impossible economically to finance their own requirements. We are convinced that it will remove a factor which is now retarding economic recovery. As long as we have an economy based on private enterprise—based on the willingness of thousands of individuals to make commitments for the future in the hope that profits will accrue—so long will the factor of confidence play an important part. As long as fear of the safety of investments or uncertainty in any form persists, private enterprise will not go forward vigorously. We in Canada are powerless to remove the uncertainties in the world political outlook which unfortunately have been aggravated in recent months. We are in duty bound, however, to endeavour to remove all those factors in our domestic situation which tend to retard economic recovery.

TRADE OF CANADA

I turn now to a brief outline of the trends in our external trade. It is not putting it too strongly to say that foreign trade is the very life-blood of Canada. We have seen only too clearly in recent years the appalling effects on our internal economy of the decline of international commerce to about two-thirds of its former physical volume. The fruits of economic nationalism in reduced business activity, shrinking governmental revenues and widespread unemployment are such as to justify in abundant measure the efforts which the present government has made, and will continue to make, to free the channels of international trade and expand the markets for our primary and other industries which must otherwise suffer stagnation and drastic readjustment.

A start in this direction has already been made with the negotiation of a trade agreement with the United States. The conclusion of this agreement is probably the most significant step taken by two leading trading nations to reverse the trend of economic nationalism. Not only does the agreement open up wider markets for the products of each country, but it is also hoped that it will serve as a lead to other countries and thereby promote progressive lowering of the barriers which have been damming up the trade of the world. Such a movement would be of the greatest value to Canada, the prosperity of the whole dominion being so largely dependent on export outlets for the disposal of our surplus production.

An adjustment was also made of the difficulties which had arisen in relation to our trade with Japan. Without foregoing the safeguards necessary to legitimate Canadian enterprise, we succeeded in securing the cancellation of the duty surtaxes on a number of important products for which Japan has been a valuable customer.

Other steps taken to promote our export trade have been the extension of the trade agreement with New Zealand, which was due to expire on November 24, 1935, for a further period until July 31, 1936; an exchange of notes with France providing for certain adjustments in duties and quotas to supplement the agreements which had been concluded with that country; and the extension of the *modus vivendi* with Haiti whereby Canada is guaranteed the minimum tariff of that country for a further period of one year from April 15, 1936, or until the entry into force of a trade agreement, proposals for which have been submitted to the Haitian government.

Canada has long enjoyed profitable and pleasant trading relations with Belgium, and is anxious to strengthen our traditional friendship with that country. Representations having been made by the Belgian government that the specific duties imposed in 1935 on dressed and dyed rabbit skins have had the effect of very seriously curtailing exports of these to Canada, the government has decided to remove the duties in question, and to revert to the *ad valorem* rate formerly effective. In consideration of this treatment, I may say to hon. gentlemen who are smiling, the Belgian government has agreed to remove the turnover tax which for some time has been imposed on Canadian goods imported into that country and, also, to classify as *cheddar* the cheese received from this dominion. These concessions, the removal of the heavy turnover tax in particular, should stimulate our exports to Belgium in many lines of goods.

The government continues to give careful study to our trade relations with other countries having in view a steady increase in opportunities for the sale of Canadian exportable products. It may be expected that steps will be taken in the near future to enter into active negotiations for the conclusion of trade agreements with several important countries, in accordance with the policy of the government to bring about by the negotiation of bilateral agreements the progressive removal of the hindrances now hampering our international trade.

Serious attention is now being given to our trade relations with the most important of our customers, the United Kingdom. I am happy to be able to state that discussions will shortly take place between representatives of the two governments. I shall make more extended reference to this matter when discussing tariff changes.

I am pleased to be able to report, for the fiscal year just ended, an important gain in our total trade with other countries, amounting in round figures to 152 million dollars. This is an increase of 12.8 per cent over the

previous year. It is true that world trade generally has improved during the past year, but it should be noted that while the average increase in trade of 24 leading countries in the calendar year 1935 was 4.1 per cent our own trade increase was 11.3 per cent. As a result of this marked expansion in our foreign commerce Canada has moved up from eighth to sixth place among the nations in total world trade.

A statement of total trade for the twelve months ended March 31, 1936, with comparative figures for 1935, follows:

Trade of Canada
(excluding gold coin and bullion)

	Fiscal year ended		
	March 31, 1935	March 31, 1936	Increase
Imports.....	\$ 522,416,844	\$ 562,803,001	\$ 40,386,157
Exports:			
Canadian produce.....	659,899,994	765,615,563	105,715,569
Foreign produce.....	7,658,963	13,441,659	5,782,696
	<u>\$1,189,975,801</u>	<u>\$1,341,860,223</u>	<u>\$151,884,422</u>

Both imports and exports shared in the increase, but while imports rose by 40.4 million dollars, a gain of 7.7 per cent, exports were 111.5 million dollars higher, having increased by 16.7 per cent. This expansion of our exports gave us, for the year, a favourable balance of trade of 216 million dollars. This is the fifth successive yearly balance in our favour and is the largest since 1927. The importance to be attached to a favourable balance of trade must, of course, be considered in relation to total trade.

The figure for the balance of trade just mentioned does not include our exports of gold—the usual practice among nations being to show this item separately because of its monetary use. With us, however, gold is a commodity and a very important part of our regular export trade. In the fiscal year just ended the adjusted estimate of our gold sold abroad was about 119 million dollars. By adding this to the merchandise balance of 216 million dollars already referred to it is seen that the total balance of commodity trade for the fiscal year just ended was 335 million dollars in our favour. Our tourist trade is also an extremely important credit item in Canada's international account. Preliminary estimates for 1935 show tourist expenditures in Canada of about 201 million dollars against Canadian expenditure in other countries of about 91 million dollars giving us a net credit balance in tourist traffic of about 110 million dollars.

The house will see, therefore, that if to our credit balance of 335 million dollars on merchandise and gold we add the net figure of 110 million dollars from tourists, the total balance in our favour from these items is 445 million dollars without taking into account the movement of securities, Canada is thus in a strong position with respect to payments which must be made abroad on account of our foreign financial obligations. Obviously there is here a solid foundation supporting our dollar in the foreign exchange market.

ANALYSIS OF EXPORTS AND IMPORTS

Upon analyzing our export trade, it is found that the United Kingdom is still our largest market having taken 293 million dollars or 41½ per cent in value of our goods exported in the eleven months ended February 29, 1936, which is approximately the same proportion of the total as in the previous similar period. The British empire as a whole purchased 362 million dollars worth, which was 15½ per cent more than for the same eleven months a year ago. Within the empire the increased purchases from us were distributed as follows; the United Kingdom 15.6 per cent, Australia 35.1 per cent, New Zealand 28.7 per cent, and South Africa 7.1 per cent. Exports to British India decreased by 17.2 per cent.

Not only do our increased exports bear witness to the steady growth of our trade with empire countries, but the same trend is

also revealed in the figures of our purchases from these countries. While our exports to empire countries gained by 48.5 million dollars, our imports increased 19.4 million dollars or 13½ per cent in the eleven months period. This increase in imports from British countries was shared as follows: the United

Kingdom 5.4 per cent, Australia 16 per cent, British India 13.4 per cent, New Zealand 21.7 per cent, and South Africa 41.3 per cent.

Figures showing trade with the United Kingdom and with other empire countries in the eleven months ended February 29, 1936, and in the previous year are as follows:

Trade of Canada with Empire Countries
(excluding gold coin and bullion)

	Eleven months ended	
	Feb. 28, 1935	Feb. 29, 1936
Imports from the United Kingdom.. . . .	\$102,602,618	293,002,334
Exports to the United Kingdom.. . . .	253,488,637	163,429,300
Imports from the British Empire.. . . .	143,989,314	362,178,462
Exports to the British Empire.. . . .	313,665,822	\$108,177,173

Turning now to foreign countries, our trade with the United States is of particular interest following the recent agreement. Exports to the United States for the full year ended March 31, 1936, amounted to 291.3 million dollars as compared with 230.8 million dollars for the previous year. This is a gain of 60.5 million dollars or 26.2 per cent in our exports to the United States. Thus out of a total increase in exports for the year of 111.5 million dollars over 54 per cent of the gain was accounted for by additional sales to the United States. While it is too soon to expect to have realized the full expansion of trade which is expected to follow from the agreement, the latest monthly figures clearly indicate a growing volume of goods moving in both directions across the border.

Exports to the United States for the three months January, February and March of this year totalled \$70,868,053 as compared with \$57,061,713 for the same three months of 1935. This is a gain of 24.2 per cent for the period.

Imports from the United States for the full year just ended were \$319,610,706 which is an increase of 16 million dollars over the preceding year. 7.2 million dollars of this increase were recorded in the first three months of this year under the operation of the trade agreement.

Over 56 per cent of our imports come from the United States. At the same time they take only 37 per cent of our exports. From empire countries we purchase about one-third of our imports and sell to them just over one-

half our goods exported. Approximately 89 per cent of our total trade is with the British empire and the United States.

There is in this brief survey of our foreign commerce much to cheer us, and I believe this steadily expanding trade with other countries testifies strongly to the fundamental soundness of the movement toward recovery in Canada.

GOVERNMENT ACCOUNTS, 1935-36

Turning now to the government accounts, may I state that, while the fiscal year ended on March 31, the final accounting has not yet been completed. Consequently, minor changes, and minor changes only may later be made in the figures now given.

I trust the house will allow for my difficulties in dealing with a fiscal year seven months of which had elapsed before the present government came into office. We were faced with the commitments of our predecessors, which, in large measure, prevented important changes in financial policy during a year more than half of which had already passed.

In order to simplify the presentation of the accounts, I shall, with the permission of the house, now place on Hansard a number of tables showing the usual five-year comparisons of revenues and various classes of expenditure. This will enable me to present a clearer explanation of a technical and complicated series of accounting and statistical facts. The tables follow:

Statement of Revenues for the last Five Fiscal Years
(000 omitted)

Tax Revenues	1931-32	1932-33	1933-34	1934-35	Estimated 1935-36
Customs import duties.....	\$ 104,133	\$ 70,073	\$ 66,305	\$ 76,562	\$ 74,000
Excise duties.....	48,655	37,834	35,494	43,190	44,410
War tax revenues—					
Banks.....	1,390	1,328	1,336	1,368	1,305
Insurance companies.....	12	826	742	750	760
Delayed business profits.....	3				
Income tax.....	61,255	62,067	61,399	66,868	82,700
Sales tax.....	41,734	56,814	61,392	72,447	77,000
Manufacturers' importation, stamp, transportation taxes, etc.....	17,872	25,377	45,184	39,745	35,700
Tax on gold.....				3,573	1,413
Total revenues from taxes.....	275,054	254,319	271,852	304,443	317,288
Non-Tax Revenues					
Canada Grain Act.....	1,485	1,445	1,236	1,205	1,219
Canada Gazette.....	74	74	56	47	49
Canals.....	977	831	878	838	883
Casual.....	3,758	3,192	3,613	4,337	4,372
Chinese revenue.....	10	9	6	6	6
Dominion lands.....	485	459	419	516	455
Electricity.....	402	298	440	485	530
Fines and forfeitures.....	234	212	178	90	199
Fisheries.....	40	5	39	43	41
Gas inspection.....	81	84	76	96	91
Insurance inspection.....	150	160	149	139	147
Interest on investments.....	9,330	11,221	11,148	10,963	10,600
Marine.....	192	178	208	218	223
Mariners' fund.....	184	180	188	181	189
Military college.....	20	20	20	20	20
Military pensions revenue.....	163	166	165	174	172
Ordnance lands.....	14	17	18	16	15
Patent and copyright fees.....	525	539	429	426	450
Penitentiaries.....	166	121	98	74	60
Post Office.....	32,235	30,928	30,893	31,248	32,507
Premium, discount and exchange.....		146		752	50
Public Works.....	281	213	250	254	241
Radio licences.....	529	1,414	1,291	1,487	1,562
R.C.M.P. officers' pensions.....	15	12	12	9	9
Weights and measures.....	407	394	400	407	402
	51,757	52,318	52,210	54,031	54,492
Total ordinary revenues.....	326,811	306,637	324,062	358,474	371,780
Special Receipts					
Sundry receipts and credits.....	7,028	4,493	418	3,397	320
Total revenues.....	333,839	311,130	324,480	361,871	372,100

Statement of Expenditures by Departments for the last Five Fiscal Years
(000 omitted)

Ordinary Expenditures	1931-32	1932-33	1933-34	1934-35	Estimated 1935-36
Agriculture.....	\$ 10,212	\$ 8,066	\$ 6,996	\$ 7,107	\$ 9,703
Auditor General's office.....	436	380	376	377	428
Civil Service Commission.....	306	244	221	221	260
External Affairs, including office of the Prime Minister.....	994	863	974	1,427	1,324
Finance—					
Interest on public debt.....	121,151	134,999	139,725	138,533	134,550
Cost of loan flotations.....	1,350	1,639	2,550	2,890	3,575
Premium, discount and exchange (net).....	728		167		
Subsidies to provinces.....	13,695	13,677	13,728	13,769	13,769
Special grants to provinces.....	1,600	1,600	1,600	1,600	3,975
Other grants and contributions.....	536	499	398	467	761
Civil pensions and superannuations.....	1,172	1,098	1,032	943	868
Government contribution to superannuation fund.....	2,229	2,270	1,986	1,947	1,875
Old age pensions.....	10,032	11,513	12,314	14,942	16,760
General expenditure.....	1,845	2,046	3,148	3,925	3,724

Statement of Expenditures by Departments for the last Five Years—*Continued*
(000 omitted)

Ordinary Expenditures	1931-32	1932-33	1933-34	1934-35	Estimated 1935-36
Fisheries.....	\$ 2,046	\$ 1,787	\$ 1,596	\$ 1,641	\$ 1,727
Governor General's secretary's office.....	148	136	136	133	137
Immigration and Colonization.....	2,200	1,689	1,369	1,269	1,334
Indian Affairs.....	5,081	4,499	4,380	4,362	4,886
Insurance.....	180	161	152	156	171
Interior.....	4,047	3,454	2,833	2,744	2,952
Justice.....	2,793	2,691	2,712	2,713	2,753
Penitentiaries.....	2,737	2,870	2,677	2,667	2,477
Labour.....	633	605	560	581	662
Technical education.....	283	202	120	91	100
Government annuities—Payment to maintain reserve.....	262	289	184	146	272
Legislation—					
House of Commons.....	1,982	2,210	986	1,796	1,505
Library of parliament.....	81	65	69	71	77
Senate.....	650	747	286	491	491
General.....	79	81	62	95	60
Dominion Franchise office.....				1,545	503
Chief Electoral office including elections.....	145	56	32	146	1,093
Marine.....	7,262	5,801	5,439	5,742	5,959
Canadian Radio Broadcasting Commission.....		149	1,025	1,249	1,510
Mines and Geological Survey.....	1,264	1,048	909	965	1,102
Movement of Coal and Domestic Fuel Act....	721	1,220	2,772	2,124	2,055
National Defence—					
Militia service.....	9,700	8,719	8,774	8,853	10,197
Naval service.....	3,043	2,167	2,171	2,222	2,379
Air Service.....	4,040	1,731	1,685	2,258	3,865
Sundry services.....	1,347	1,078	791	790	825
National Revenue, including Income Tax.....	13,920	10,846	10,354	10,165	10,983
Pensions and National Health—					
Treatment and after-care of returned soldiers..	11,633	10,510	9,571	10,127	11,328
Pensions, war and military.....	47,770	44,185	42,923	43,232	42,870
Health Division.....	1,246	924	802	809	879
Post Office.....	30,052	31,607	30,554	30,252	31,607
Privy Council.....	53	47	49	46	47
Public Archives.....	212	174	157	209	162
Public Printing and Stationery.....	289	231	172	368	168
Public Works.....	17,648	13,108	10,827	9,905	12,951
Railways and Canals.....	3,997	3,667	3,315	4,581	4,305
Maritime Freight Rates Act.....	2,555	1,921	1,989	2,529	2,352
Railway grade crossing fund.....	959	318	310	275	128
Royal Canadian Mounted Police.....	3,488	5,820	5,528	5,970	6,192
Secretary of State.....	483	418	387	389	704
Soldier Settlement.....	1,036	818	810	746	761
Trade and Commerce—					
Department.....	6,417	3,277	3,007	3,058	3,528
Canada Grain Act.....	2,306	2,026	1,759	1,679	1,852
Mail subsidies and steamship subventions.....	2,999	2,081	2,221	2,274	2,431
Adjustment of war claims.....	91	55	56	48	71
Reparations—Claims for compensation.....	1,331	188		6	
Sundry charges to consolidated fund.....	50	74	37	20	4
Total ordinary expenditure.....	372,145	354,644	351,772	350,700	373,987
Capital Expenditures					
Canals.....	3,299	3,027	1,975	331	460
Railways.....	6,242	1,503	737	507	305
Public Works.....	7,439	4,018	3,778	6,189	5,811
Total capital expenditures.....	16,980	8,548	6,490	7,027	6,576
Special Expenditures					
Unemployment Relief Act 1930.....	13,190	548	4	3	24
Unemployment Relief Act 1931.....	25,106	17,048	564	52	24
Unemployment Relief Act 1932.....		19,125	6,948	399	105
Unemployment Relief Act 1933.....			28,382	2,420	491
Unemployment Relief Act 1934.....				49,114	1,121
Unemployment Relief Act 1935.....					47,704
Total unemployment relief.....	38,296	36,721	35,898	51,988	49,460

Statement of Expenditures by Departments for the last Five Years—*Concluded*

	1931-32	1932-33	1933-34	1934-35	Estimated 1935-36
	\$	\$	\$	\$	\$
Special Expenditures—<i>Conc.</i>					
Public Works Construction Act.....				8,673	30,232
Canadian Pacific Railway (Relief acts—advances non-active).....		1,447	1,000		
Reduction of loans to soldier settlers.....			1,766	469	439
Wheat bonus.....	10,908	1,811			6,600
1930 Wheat Crop Equalization Payments Act.....					
Loss on 1930 wheat pool and stabilization operations—Payment to Canadian Wheat Board of net liability assumed as at December 2, 1935.....					15,856
Loss on 1930 oats pool under guarantee of bank advances to Canadian Cooperative Wheat Pro- ducers Limited.....					174
Total special expenditures.....	49,204	39,979	38,664	61,130	102,770
Government Owned Enterprises					
Losses charged to consolidated fund—					
Canadian National Railways system ex eastern lines.....	(1)	53,423	52,264	42,590	41,796
Eastern lines.....	6,632	8,717	6,691	5,818	5,625
Canadian National Steamships.....					270
Harbour commissions.....					1,139
Total charged to consolidated fund.....	6,632	62,140	58,955	48,408	48,830
Loans and advances non-active—					
Canadian National Steamships.....	1,199	1,383*	14*	487	333*
Harbour commissions.....	1,913	4,898	2,110	1,242	2,461
Accounts carried as active assets, transferred to non-active assets.....		(2)62,938		11	
Total non-active advances.....	3,112	66,453	2,096	1,740	2,128
Total government owned enterprises.....	9,744	128,593	61,051	50,148	50,958
Grand total expenditure.....	448,073	531,764	457,977	478,005	534,291

* Cr.

(1) \$52,256,000 for fiscal years 1931-32 was financed by loans and/or guarantee of securities.

(2) Canadian National Railways—Loans for 1931-32—\$41,121,000. Sundry harbour commissions—Advances prior to 1932-33—\$21,817,000.

Summary of Revenues and Expenditures

(000 omitted)

	1931-32	1932-33	1933-34	1934-35	Estimated 1935-36
	\$	\$	\$	\$	\$
Ordinary expenditures.....	372,145	354,644	351,772	359,700	373,987
Ordinary revenues.....	326,811	306,637	324,062	358,474	371,780
Deficit on ordinary account.....	-45,334	-48,007	-27,710	-1,226	-2,207
Special expenditures.....	49,204	39,979	38,664	61,130	102,770
Less special receipts.....	7,028	4,493	418	3,397	320
Balance.....	42,176	35,486	38,246	57,733	102,450
Add capital expenditures.....	16,980	8,548	6,490	7,027	6,576
Add government owned enterprises.....	9,744	128,593	61,051	50,148	50,958
Total.....	68,900	172,627	105,787	114,908	159,984
Add deficit on ordinary account.....	45,334	48,007	27,710	1,226	2,207
Total deficit or increase of net debt.....	114,234	220,634	133,497	116,134	162,191

It is also proposed to depart from what I have sometimes called the "bridge score" method of accounting—so much above the line and so much below the line—and to present clearly the over-all deficit in the government's accounts. In the past we have too frequently misled ourselves by the form in which our government accounts were presented. We have pointed with pride to a small surplus on ordinary account and we have tended somewhat to minimize the importance of large deficits resulting from capital and special expenditures. It is time to look the facts squarely in the face. If the people of Canada are fully aware of all the facts, I am confident they will support us in taking the steps necessary to achieve that balance of government revenues and expenditures which in my opinion cannot safely be postponed much longer.

REVENUES 1935-36

Our total revenue from taxation and other sources during the past year aggregated \$372,100,000. This total is \$10,229,000 in excess of the total revenue for the preceding fiscal year.

The revenue from taxes alone amounted to \$317,288,000, an increase of \$12,845,000 over the preceding year.

The increase in tax revenue is more than fully accounted for by the income tax which yielded \$82,700,000 as compared with \$66,808,000 in 1934-35. This is the highest yield ever recorded from the income tax, the largest figure for any previous year being that of \$78,684,000 in 1921-22. The increase during the past year arises in part from the improvement in individual and corporate incomes, but in part also from the surtax on investment income which was imposed for the first time last year.

The sales tax which was the second largest contributor to government revenue last year was responsible for a total collection of \$77,000,000, an increase of \$4,553,000 over the previous year.

Excise duties, imposed chiefly on liquors and tobacco, yielded \$44,410,000, exceeding the collections of 1934-35 by \$1,220,000, notwithstanding the substantial reduction made last year in the duty on liquors.

The yields from our other major types of taxation were lower last year than in the preceding fiscal year. The total revenue from customs import duties amounted to \$74,000,000 as compared with \$76,562,000 collected in 1934-35. A substantial increase in customs revenue had been budgeted for by my predecessor, because of an expected increase in the volume of imports. While the anticipated rise in imports, materialized, the increase was almost wholly in the non-dutiable items. The volume of

dutiable imports increased only three per cent and the duties collected actually decreased, largely because of a decline in raw sugar imports and a shift of such imports from foreign countries to countries enjoying the British preferential tariff rates, and because of the reductions made in the duties on liquor last year.

Special excise taxes produced a total revenue of \$35,700,000. This represents a decrease of \$4,045,000, which is accounted for chiefly by the changes made last year under which the excise tax on beer was reimposed in the form of an excise duty on malt and by the elimination last year of the remaining half of the special three per cent tax on imports entitled to entry under the British preferential tariff or under trade agreements between Canada and other British countries.

Non-tax revenues, that is, the revenues derived from various departmental services of government, aggregated \$54,492,000, an increase of \$461,000 over the previous year. The main items under this heading are interest on investments which amounted to \$10,600,000, and Post Office revenues which totalled \$32,507,000, or nearly \$1,260,000 in excess of the previous year. The so-called surplus on Post Office operations approximated \$900,000. It must be remembered, of course, that the Post Office accounts do not include the rental value and other costs of premises occupied and equipment used, nor, on the other hand, do they include any credit to the Post Office for services rendered to other departments through the free use of the mails.

Special receipts during the last fiscal year amounted to only \$320,000. This compares with \$3,397,000 received in 1934-35 when the custodian of enemy property made a special transfer of \$3,000,000 to the consolidated revenue fund.

EXPENDITURES 1935-36

While, as already indicated, I wish to draw special attention to the aggregate expenditure for which the government is responsible both on its own and on railway account, it will facilitate comparison with previous years if comment is first made on the various classes of expenditures which have traditionally been shown in the public accounts.

ORDINARY EXPENDITURES

The ordinary expenditures for the year have aggregated \$373,987,000. This is \$14,287,000 in excess of the expenditures for 1934-35. Nevertheless it is \$16,000,000 lower than the total of the amounts authorized by vote and statute. This substantial reduction below

the appropriations is accounted for, in part at least, by the measures taken by the present government when it came into office last October. One of its first acts was to initiate a careful examination of the trend of revenues and expenditures and an analysis of the financial commitments which had been made. The results of such examination were such as to lead to an immediate direction to all departments to effect every possible economy in ordinary and special expenditures and to defer any undertakings which could not be clearly justified on grounds of necessity or of substantial assistance in providing employment. Had such action not been taken, expenditures for the year would have been much higher than they actually were.

Some of the increase in ordinary expenditures last year was due to special causes, for instance the expenses involved in holding a national election. I suppose some of us think that expense was justified. Others may quarrel with it. The cost of old age pensions increased \$1,818,000 and there were additional special grants to provinces amounting to \$2,375,000.

Of special interest was the decrease of \$3,983,000 in interest on the public debt, reflecting the economies resulting from conversion of outstanding securities into obligations bearing a lower interest rate, and the lower cost of treasury bills. Our interest burden last year was \$134,550,000, which was lower than in any years since 1931-32. Nevertheless, it used up 36.2 per cent of our total revenue.

CAPITAL EXPENDITURES

Total expenditures charged to capital account amounted to \$6,576,000, a decrease of \$451,000 from the previous year. The

chief item was \$5,361,000 for dredging the river St. Lawrence ship channel.

SPECIAL EXPENDITURES

We come now to that important group of items which are classified as special expenditures. Some of the items so classified in previous budgets cannot be regarded as special in any real sense of the term and they are now included in ordinary expenditures. These items include \$3,575,000 cost of loan flotations, representing flotation costs of new loans and annual charges for amortisation of bond discount; \$1,875,000 government contribution to superannuation fund; \$272,000 payment to maintain reserve in government annuities fund; and \$128,000 representing expenditure made under the Railway Grade Crossing Act. In the tables showing expenditures for the past five years the necessary adjustments have been made in order to place the group totals for the various years on a comparable basis.

The importance of this category of special expenditures is indicated by the total expenditure of \$102,777,000 which is \$41,640,000 in excess of the preceding year and much higher than in any previous year.

Of this total \$49,469,000 represents payments for unemployment relief purposes. This includes not only the cost of direct relief and provincial grants in aid, but also the maintenance of the relief camps, the care of single homeless unemployed persons, land settlement relief, special assistance to the Saskatchewan drought area and public works and undertakings carried out under authority of relief legislation. The following table compares the expenditures made for these various purposes during 1935-36 with the similar expenditures in the preceding fiscal year:

Unemployment Relief Expenditures

	1934-35	Estimated 1935-36
Direct relief.....	\$19,211,557	\$ 262,388
Grants in aid (from August 1, 1934).....	14,024,000	26,274,875
Public works and other projects.....	4,493,432	9,831,375
Land settlement relief.....	277,973	176,000
Relief camps—Department of National Defence.....	7,643,371	8,212,000
Care of single homeless unemployed persons.....	629,611	219,000
Department of the Interior, relief including works in national parks.....	515,911	180,000
Saskatchewan drought area relief.....	5,000,000	4,000,000
Miscellaneous, including administration.....	186,452	313,362
	<u>\$51,987,267</u>	<u>\$49,469,000</u>

It will be noted that as in the previous year, special assistance was given to the province of Saskatchewan for relief in the drought area of the province. This form

of relief was by way of accountable advances totalling \$4,000,000. During the fiscal year 1934-35, the sum of \$5,000,000 was advanced for the same purpose and the total of \$9,000,000

was intended to cover the dominion's obligation for the provincial relief year extending from September 1, 1934, to August 31, 1935. It is estimated that when all the accounts are received from the province the total of \$9,000,000 will not be sufficient to take care of the dominion's obligation. Any excess will be applied in reduction of a loan made to Saskatchewan for that specific purpose. This excess, not yet determined, has not been included in the statement of expenditures.

When the present government took office on October 23 last, we found that through agreements with provincial governments certain commitments had been made for the year ending March 31, 1936. These commitments have of course been met and, in addition, as an emergency measure, the monthly grants in aid to provinces for direct relief were increased by seventy-five per cent for the four winter months of December, January, February and March for the purpose of enabling the provinces to grant greater assistance to their municipalities.

Another item under special expenditures which might well have been included in the cost of unemployment relief relates to expenditures made pursuant to the Public Works Construction Act, 1934, and the Supplementary Public Works Construction Act, 1935. Expenditures under these two acts during the last fiscal year aggregated \$30,232,000 as compared with \$8,673,000 in 1934-35. As at March 31, 1936, there remained unexpended \$18,726,000 of the amounts authorized by these acts. Uncompleted projects and other projects authorized by these enactments which the government believes it advisable to proceed with have been provided for in the new fiscal year by the special supplementary estimates recently brought down in this house.

WHEAT MARKETING LOSSES

Included in the special expenditure for last year are three items representing losses incurred as a result of the wheat policy in effect during the past five years. The payment of \$6,600,000 to primary producers of wheat who delivered wheat during the crop year 1930 has been amply debated in this house. The item of \$15,856,645 represents the debit balance in the bank account of Canadian Cooperative Wheat Producers Limited as of December 2, 1935, which was assumed by the Canadian Wheat Board as a result of the transfer to it as of that date of the wheat and wheat contracts held by Canadian Cooperative Wheat Producers Limited in connection with the 1930 wheat pool account and stabilization account. As advances by the chartered banks to Canadian Cooperative Wheat Producers

Limited were guaranteed by the dominion government, further supplementary estimates for 1935-36 will authorize payment to the Canadian Wheat Board of the amount of this liability assumed by it.

The operations of the Canadian Cooperative Wheat Producers Limited, in connection with oats of the 1930 crop resulted in a loss of \$170,130 as at December 2, 1935, and under the terms of the government guarantee this amount with accrued interest to the date of payment will be paid to liquidate the bank liability.

Unfortunately, these three items totalling \$22,630,000 may not represent the total cost of governmental wheat marketing operations. To them will have to be added any further losses that may result before the wheat and wheat contracts resulting from the 1930 pool and stabilization operations have been finally disposed of, and also any losses which the Canadian Wheat Board may incur in marketing wheat of the 1935 crop for which a minimum price to primary producers of eighty-seven and one-half cents per bushel, basis No. 1 northern, Fort William, was fixed last September. Whether such losses will accrue and what their magnitude will be will depend on the prospective harvests in wheat producing countries of the world, on the demand of importing countries, and on the trend of wheat prices. These factors it is of course impossible to forecast. It may be emphasized, however, that the government does not believe itself warranted in assuming responsibility for holding such colossal quantities of wheat as have been held during the last few years. Without resort to dumping, its policy will be to market surplus wheat in an orderly manner as rapidly as world conditions will permit, with due regard to the progress of the next Canadian crop, and at the same time endeavouring to restore and expand in every possible way the demand for Canadian wheat and wheat products in world markets.

The remaining items under the caption of Special Expenditures are of minor importance.

GOVERNMENT-OWNED ENTERPRISES

Another important class of expenditures for which the government is responsible may be considered under the caption, "Government-owned Enterprises." This new category appears to be a convenient one in which to group together any losses of, or non-active advances to, government-owned enterprises which are operated as separate corporations. It will include the net income deficit of the Canadian National Railways, and any operating deficits of the Canadian National Steamships or of any harbours previously operated by harbour

commissions but in future to be administered by the National Harbours Board, as well as any non-active advances to such enterprises. Non-active advances do not earn interest and are treated in the government accounts as expenditures.

CANADIAN NATIONAL RAILWAY COMPANY

Further improvement in operating revenues of the Canadian National Railway Company took place in 1935. The gain amounted to \$8,200,000, or 5 per cent. Operating expenses were higher than in 1934, one of the important factors being the increase in wages brought about by the removal of a part of the payroll deduction. After providing for operating expenses and other charges such as taxes, rentals, etc., the company's accounts showed a net amount of \$6,800,000 available for interest on debt. This result was not as satisfactory as in the previous year, when the amount available for this purpose was \$7,400,000. After applying the sum of \$6,800,000 available from earnings against interest charges of \$54,200,000, there resulted a cash deficit of \$47,400,000. This amount has been paid by the dominion and charged in our accounts as an expenditure for the year and compares with \$48,400,000 in 1934, the improvement of nearly one million dollars being entirely accounted for by savings made in interest charges through refunding of securities.

It should be borne in mind that there are certain charges in the accounts of the railways not involving cash which should be taken into account in reconciling the above-mentioned figure of cash deficit with the net loss for the year as shown by the annual report of the railway company.

In addition to the provision for deficits, the government advanced \$7,574,000 to the Canadian National Railways in the fiscal year period for capital expenditures and retirement of debt. This amount is shown in the public accounts under Loans and Investments. The figure is made up as follows: capital expenditures under the 1935 budget, \$687,000; purchase of and repairs to equipment under the Supplementary Public Works Construction Act, \$5,068,000; retirement of debt (net), \$1,819,000.

Important refunding operations in connection with the long-term funded debt of the railway company took place during the year. Four issues of bonds aggregating \$108,519,000 were called for redemption prior to their maturity dates and were replaced by securities bearing lower rates of interest. These issues were:

\$35,000,000 4½% bonds due December 1, 1968;
\$26,000,000 4½% bonds due September 15, 1954;

\$23,740,000 7% bonds due October 1, 1940;
\$23,779,000 7% bonds due December 1, 1940.

In addition, temporary loans obtained in connection with the maturity of \$17,000,000 4½ per cent bonds on February 15, 1935, were funded. This made a total of securities included in the refunding operations of \$125,519,000. Provision for this amount, together with premiums payable upon call of the bonds and discounts on the new issues, was made by the sale of railway company securities guaranteed by the dominion to the principal amount of \$128,400,000 and a temporary loan of \$2,043,000 from the dominion treasury. The details of the new issues and the interest cost to the company, are shown in the following statement:

Canadian National Railway Company

Guaranteed Bonds issued for Refunding, 1935-36

Issue date	Maturity date	Interest rate	Cost to company	Amount
May 1, 1935	May 1, 1938	2%	2.35%	\$13,400,000
	May 1, 1944	3%	3.29%	35,000,000
February 15, 1936	February 15, 1943	2%	2.31%	55,000,000
	February 15, 1953	3%	3.25%	25,000,000

The annual saving to the company, after providing for the amortization of the premiums paid upon the called bonds, will be approximately \$3,000,000 a year as a result of this refunding. All of the redeemed bonds were payable, either optionally or solely outside of Canada, and the new issues are payable in Canada only. In connection with the redemp-

tion of the three issues in September, October and December last, the necessary funds were first obtained by the sale in New York of direct obligations of the dominion and later the company recouped the dominion from the proceeds of the sale of its securities in Canada.

On March 31, 1936, the amount of the debt of the Canadian National railway system outstanding in the hands of the public was \$1,217,000,000, having been reduced by \$21,000,000 in the past year. Of the amount outstanding, \$964,000,000 are obligations guaranteed by the dominion.

CANADIAN NATIONAL STEAMSHIPS

Proceeding further to deal with the provision which it has been necessary to make for government-owned enterprises, it is satisfactory to report that the operations of the Canadian National Steamships showed a considerable improvement over the previous year. The cash loss on the West Indies service was \$270,000, as compared with \$567,000 in 1934. The Canadian Government Merchant Marine had operating earnings of \$312,000, as compared with a deficit of \$127,000 in 1934. An amount of \$179,000 was advanced for capital expenditures on the West Indies fleet, but this expenditure was more than offset by the return to the government of a further \$200,000 advanced in previous years to the merchant marine for working capital. Taking into consideration all these transactions, there was a credit of \$63,000 on account of steamship services.

HARBOUR COMMISSIONS

Assistance to harbour commissions appearing in our expenditure accounts amounted to \$3,600,000. This amount is made up of \$1,139,000 paid to liquidate bank loans obtained for operating deficits in Quebec, Chicoutimi and Halifax, and represents losses incurred not only in 1935 but also in previous years. The balance is comprised of advances (non-active) of \$482,000 for deficit on the Jacques Cartier bridge, Montreal, and \$1,979,000 for expenditures in the harbours of Saint John, Halifax, Three Rivers and Quebec.

To sum up, the total amount treated as expenditures in our accounts in connection with the operation of the railways and other government owned enterprises, was \$50,958,000,

as compared with \$50,148,000 in the previous year. This is exclusive of the amounts carried as investments to which reference will be made later.

SUMMARY OF EXPENDITURES

Adding together ordinary, capital and special expenditures, as well as losses of and non-active advances to government owned enterprises we find that the grand total of expenditures for which the government was responsible was \$534,291,000. This is an increase of \$56,286,000 during the last fiscal year as compared with 1934-35 and of \$2,527,000 as compared with 1932-33, the worst year of the depression. The increase over the previous year, it will be remembered, is more than fully accounted for by the rise of \$14,287,000 in ordinary expenditures, the \$21,559,000 increase in expenditure under the Public Works Construction Acts and the \$22,630,000 payments made and losses taken in respect of wheat and oats.

I direct attention to the fact that in the last fiscal year nearly 62 per cent of the dominion's revenues were required to meet fixed and uncontrollable expenditures, such as interest; war and old age pensions and superannuation; care of returned soldiers; subsidies to provinces and certain other outlay of this nature. In the year 1913-14, the last fiscal year prior to the war, only 19 per cent of the revenues were allotted to items generally regarded as uncontrollable, and even in 1929-30, when the effect of the war cost had been shown in our expenditures, the proportion was but 44 per cent, as compared with 62 per cent last year. Although it is not possible at this date, except by certain arbitrary assumptions, to make exact calculations, nevertheless it is obvious from an examination of the expenditure statements that the burden of the war cost, both direct and indirect, is even to-day a major factor in our budgetary situation.

A statement showing the proportion of the revenues required for fixed and uncontrollable expenditures in the years 1913-14, 1929-30 and 1935-36, follows:

Proportion of Dominion Revenues Required for Certain Uncontrollable Expenditures

	1913-14	1929-30	1935-36
	%	%	%
Interest on debt.. . . .	8.61	27.54	36.19
European war pensions.. . . .	....	8.86	11.19
Old age pensions.. . . .	....	.35	4.51
Other pensions and superannuation.. . . .	.51	1.01	1.22
Care of returned soldiers.. . . .	....	1.93	2.90
Subsidies to provinces.. . . .	7.53	2.83	3.70
Other items.. . . .	2.07	1.22	2.25
	18.72	43.74	61.96

DEFICIT 1935-36

Taking the total revenues for the year at \$372,100,000 and the total expenditures at \$534,291,000, there is an over-all deficit for the last fiscal year of no less than \$162,191,000.

This, of course, takes into account the railway deficit as well as all direct governmental expenditures and makes allowance for special receipts. It compares with a total deficit in the previous year of \$116,134,000. It represents the gap between total income and total outgo which must be bridged. I shall have some comments to make on this deficit at a later stage.

LOANS AND INVESTMENTS

In addition to provision for the expenditures of the year as already outlined, loans

and investments to the amount of \$60,400,000 were made.

LOANS TO PROVINCES

The most important of these were loans to the four western provinces aggregating \$42,300,000, under authority of the relief acts. The net amount loaned was very much greater than in any previous year due chiefly to large loans to the provinces of Alberta and British Columbia to meet maturing obligations. For this purpose \$5,400,000 was advanced to Alberta and \$5,900,000 to British Columbia. Loans were also granted for the financing of relief expenditures including public works and agricultural relief and for seed grain and seeding operations. The amount of loans to each province, classified as to purpose, are shown on the following statement:

Loans to Provinces under Relief Acts, Fiscal Year 1935-36

Purpose	Manitoba	Saskatchewan	Alberta	British Columbia	Total
	\$	\$	\$	\$	\$
For provincial purposes including public works, direct relief and agricultural relief.	4,183,655 ¹	8,146,044	7,232,000 ²	6,195,000	25,756,699
To meet maturing obligations.....	537,000	145,000	5,435,000	5,971,000	11,408,000
For re-loan to municipalities.....		6,000,000	450,000	400,000	1,532,000
For seed grain and seeding operations.....					6,000,000
	4,720,655	14,291,044	13,117,000	12,566,000	44,694,699
Less cash re-payments and credits applied..	2,324,429	45,565	13,000	7,555	2,390,549
Net loans during 1935-36.....	2,396,226	14,245,479	13,104,000	12,558,445	42,304,150

¹Includes \$408,155 for drought area relief including seed grain.

²Includes \$1,050,000 for agricultural relief including seed grain.

The amount due by the provinces at the beginning of the fiscal year was \$74,200,000. With the addition of the loans made during the year, the total of dominion assistance by way of loan to the four western provinces under the relief acts, now stands at \$116,500,000. The dominion holds one-year treasury bills of the provinces bearing interest at the rate of 4½ per cent to July 1, 1935, and 4 per cent thereafter, in respect of these loans. The provinces of Manitoba,

Alberta and British Columbia have paid the interest in cash as it became due, but the province of Saskatchewan, being unable to meet all of such payments, has covered the interest accruals on the major portion of its outstanding loans by tendering treasury bills to the dominion. A statement of the loans to date by provinces, showing generally the purpose for which they were granted, follows:

Loans to Provinces under Relief Acts
Net Amount outstanding at March 31, 1936

	Loans specifically to meet maturing obligations and interest	Loans specifically for agricultural relief including purchase of seed grain	Loans for provincial purposes generally including public works and direct relief	Total
	\$	\$	\$	\$
Manitoba.....	1,139,455	244,400	14,121,000	15,504,855
Saskatchewan.....	3,934,341	13,892,633	30,541,655	48,368,629
Alberta.....	8,577,000	3,322,000	13,182,000	25,081,000
British Columbia.....	11,262,109	.....	16,310,571	27,572,680
	24,912,905	17,459,033	74,155,226	116,527,164

OTHER LOANS AND INVESTMENTS

Loans to the Canadian National Railway Company for capital expenditures and retirement of debt, as already referred to, amounted to \$7,574,000. Purchases of equipment for the Canadian Pacific Railway Company and loans to that company for equipment repairs—all as provided under the Supplementary Public Works Construction Act—amounted to \$4,629,000. Agreements between the government and the company provide for the payment of interest and repayment of the principal by instalments over a period of years.

The government's investment in the Canadian Farm Loan Board was increased in the year by \$7,933,000. Of this amount, \$175,000 was for the purchase of capital stock of the board, \$7,550,000 for purchase of bonds, and \$208,000 for the purchase from various provinces of capital stock subscribed by them during the period in which the provinces par-

ticipated in the farm loan scheme. The total investment of the government in the board now amounts to \$16,790,000. While the board operated at a loss during the fiscal year, provision therefor will be made from the reserves set aside in previous years. Bonds of the board are now being purchased on a 3½ per cent basis.

Under investments there are also included \$1,439,000 advanced during the year to the harbour commissions at Montreal and Vancouver. These loans are carried as active assets as both these commissions have paid a substantial proportion of the interest charged on their indebtedness.

During the year, repayments totalling three and a half millions were received in reduction of soldier settlement loans and loans to provinces for housing.

The following statement shows the amount of loans and investments (active assets) during the last fiscal year, with comparisons for the four previous years:

Loans and Investments Active

(000 omitted)

	1931-32	1932-33	1933-34	1934-35	Estimated 1935-36
	\$	\$	\$	\$	\$
Provinces—under relief legislation.....	22,634	15,565	13,115	22,909	42,304
Canadian Farm Loan Board.....	1,608	871	416	353	7,933
Canadian National Railway.....	41,121	14,677	2,628	16,579	7,574
Canadian Pacific Railway.....	.....	.....	.....	.....	4,629
Harbour Commissioners.....	12,138	650	1,677	393	1,439
Soldier land settlement.....	483 Cr.	92 Cr.	2,492 Cr.	571 Cr.	555 Cr.
Provinces—housing.....	150 Cr.	139 Cr.	213 Cr.	397 Cr.	3,003 Cr.
Other.....	115 Cr.	469	.....	.....	82
	76,753	32,001	15,131	39,266	60,403

LOAN FLOTATIONS

New issues of dominion obligations during the year totalled \$500,000,000, exclusive of temporary financing in connection with which repayment was made before the close of the fiscal period. These issues, to the extent of \$297,000,000, were for the purpose of refunding maturing obligations. The balance of \$203,000,000, representing the net increase in funded debt and treasury bills during the year, was issued for deficit and other current purposes. This large amount of financing was successfully carried out at lower rates of interest both for short and long term issues than ever before. At the close of the fiscal year the average rate of interest on the outstanding funded debt and treasury bills, was 3.9 per cent as compared with a corresponding figure of 4.15 per cent a year ago.

Three issues amounting in the aggregate to \$164,000,000 were made in the United States for refunding purposes, including redemption of Canadian National Railway bonds already referred to. These were the first public flotations by the dominion government in that market for several years and necessitated registration under the United States Securities Act. The interest cost to the government was 2.09 per cent for three-year notes, 2.96

per cent for ten-year and 3.63 per cent for twenty-five year bonds.

The issues in Canada, exclusive of treasury bills, totalled \$303,000,000. The sale of \$135,000,000 of one-year and three-year notes was made to Canadian chartered banks in September last, mainly to meet maturing short term obligations held in large part by those institutions. Two public offerings were made, one dated June 1 for \$60,000,000 and one dated November 15 for \$75,000,000. The interest cost to the government ranged from 1.90 per cent for one-year notes to 3.10 per cent on twenty-year bonds.

The \$33,293,000 of 5 per cent school lands debenture stock held by the prairie provinces were again renewed for one year at the same rate of interest.

The policy of selling three-months treasury bills in the Canadian market was continued during the year, and the amount of issues outstanding was increased by \$33,300,000. The rate of discount on these bills dropped from 1.698 per cent on April 15, 1935, to .999 on March 16, 1936. Since that date, further issues have been made, the record low cost of .879 per cent being obtained on April 15.

I now place on Hansard a statement giving the essential details of the new issues made during the year:

Loan flotations 1935-1936

Issue date	Maturity date	Interest rate	Where payable	Price	Cost to Govt.	Amount Issued
		per cent			per cent	
1935—						
June 1.....	June 1/43.....	2½	Canada.....	99.50	2.57	20,000,000}
June 1.....	June 1/55.....	3	Canada.....	98.50	3.10	40,000,000}
July 1.....	July 1/36.....	5	Canada (School Lands)	100.00	5.00	33,293,471}
Aug. 15.....	Aug. 15/45.....	2½	New York.....	96.00	2.96	76,000,000
Sept. 15.....	Sept. 15/36.....	1½	Canada.....	99.61	1.90	45,000,000}
Oct. 15.....	Oct. 15/38.....	2	Canada.....	99.2175	2.275	90,000,000}
Nov. 15.....	Nov. 15/39.....	2	Canada.....	99.43	2.15	20,000,000
Nov. 15.....	June 1/55.....	3	Canada.....	98.75	3.08	55,000,000
1936—						
Jan. 1.....	Jan. 1/39.....	2	New York.....	99.75	2.09	40,000,000
Jan. 15.....	Jan. 15/61.....	3½	New York.....	93.86	3.63	48,000,000
						467,293,471
Increase in short term treasury bills outstanding March 31, 1936, over March 31, 1935.....						33,300,000
						\$500,593,471

The following is a statement of the unmatured funded debt and treasury bills of the dominion outstanding at March 31, 1936, showing also the annual interest charges thereon:

Unmatured Funded Debt and Treasury Bills, as at March 31, 1936, and Annual Interest Charges

Date of Maturity	Rate per cent	Where Payable	Amount of Loan		Annual Interest Charges	
			\$	cts.	\$	cts.
1936 July 1.....	5	Canada.....	33,293,470	85	1,664,673	54
Sept. 15.....	1½	Canada.....	45,000,000	00	675,000	00
Oct. 15.....	2	Canada.....	63,336,000	00	1,266,720	00
Nov. 15.....	5	Canada.....	79,535,200	00	3,976,760	00
1937 Mar. 1 (a).....	5	Canada and New York....	89,787,000	00	4,489,350	00
Dec. 1 (a).....	5½	Canada.....	236,299,800	00	12,990,489	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
Oct. 15.....	2	Canada.....	90,000,000	00	1,800,000	00
1939 Jan. 1.....	2	New York....	40,000,000	00	800,000	00
Oct. 15.....	4	Canada.....	47,269,500	00	1,890,780	00
Oct. 15.....	2½	Canada.....	7,933,000	00	198,325	00
Nov. 15.....	2	Canada.....	20,000,000	00	400,000	00
1940 Mar. 1.....	3	Canada.....	115,013,636	82	3,450,409	10
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
1942 Oct. 15.....	3	Canada.....	40,409,000	00	1,212,270	00
1943 June 1.....	2½	Canada.....	20,000,000	00	500,000	00
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
1945 Aug. 15.....	2½	New York....	76,000,000	00	1,900,000	00
Oct. 15.....	4	Canada.....	88,337,500	00	3,533,500	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
1949 Oct. 15.....	3½	Canada.....	138,322,000	00	4,841,270	00
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
Oct. 15.....	4	Canada.....	56,191,000	00	2,247,640	00
1955 May 1.....	3½	London.....	48,666,666	67	1,581,666	67
June 1.....	3	Canada.....	40,000,000	00	1,200,000	00
June 1.....	3	Canada.....	55,000,000	00	1,650,000	00
1956 Nov. 1.....	4½	Canada.....	43,125,700	00	1,940,656	50
1957 Nov. 1.....	4½	Canada.....	37,523,200	00	1,688,544	00
1958 Sept. 1.....	4	London.....	73,000,000	00	2,920,000	00
Nov. 1.....	4½	Canada.....	276,687,600	00	12,450,942	00
1959 Nov. 1.....	4½	Canada.....	289,693,300	00	13,036,198	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
1961 Jan. 15.....	3½	New York....	48,000,000	00	1,560,000	00
Treasury bills due April 1, 1936, 1-19 per cent, Canada.....			25,000,000	00	297,500	00
Treasury bills due April 15, 1936, 1-15 per cent, Canada.....			25,000,000	00	287,500	00
Treasury bills due May 1, 1936, 1-09 per cent, Canada.....			30,000,000	00	327,000	00
Treasury bills due May 15, 1936, 1-05 per cent, Canada.....			20,000,000	00	210,000	00
Treasury bills due June 15, 1936, 0-999 per cent, Canada.....			20,000,000	00	199,800	00
			3,265,287,604	46	128,597,577	18
Payable in Canada.....		\$2,401,633,007	67	73-55%		
Payable in Canada and New York.....		89,787,000	00	2-75%		
Payable in New York.....		364,000,000	00	11-15%		
Payable in London.....		409,867,506	79	12-55%		
			\$3,265,287,604	46	100-00%	
LESS bonds and stocks of the above loans held as sinking funds.....		58,168,944	35			
			\$3,207,118,660	11		

(a) Tax free in Canada.

Now with regard to our old friend the national debt.

THE NATIONAL DEBT

At March 31, 1936, the unmatured funded debt and treasury bills of the dominion outstanding, less sinking funds, amounted to \$3,207,000,000. To this amount are to be added other liabilities, mainly composed of insurance and superannuation funds, post office savings deposits and certain trust and contingent accounts, amounting to \$225,000,000, to arrive at the gross liabilities of \$3,432,000,000. Active

assets, including cash on hand and investments, amounted to \$424,000,000. After deducting the latter figure from the gross liabilities, the net debt at the close of the fiscal year amounted to \$3,008,000,000. When we left office in August, 1930, the net debt of the dominion stood at \$2,141,000,000, the increase in the interval being \$867,000,000. The total funded debt increased almost one billion dollars in the period.

I now place on Hansard a statement showing the assets and liabilities as at March 31, 1936:

Liabilities, March 31, 1936 (estimated)

Bank Circulation Redemption Fund.....	\$	6,858,000	
Insurance and superannuation funds—			
Government annuities.....	\$	66,835,000	
Insurance fund, civil service.....		9,990,000	
Insurance fund, returned soldiers.....		14,777,000	
Retirement fund.....		8,361,000	
Superannuation funds.....		51,140,000	
			151,103,000
Trusts funds—			
Indian funds.....		13,929,000	
Common school funds.....		2,676,000	
Contractors' securities deposits.....		1,551,000	
Other trust funds.....		2,870,000	
			21,026,000
Contingent and special funds.....			5,877,000
Post Office money orders, postal notes, etc. outstanding.....			2,736,000
Province accounts.....			9,624,000
Post Office savings bank deposits.....			22,050,000
Funded debt—			
Unmatured.....		3,207,119,000	
Matured but not presented for payment.....		4,228,000	
			3,211,347,000
Interest coupons matured but not presented for payment.....			2,050,000
			<u>\$3,432,671,000</u>

Assets, March 31, 1936 (estimated)

Active assets—			
Cash, working capital advances and other current assets.....	\$	24,043,000	
Gold bullion account.....		2,287,000	
Loans to provinces—			
Housing.....	\$	6,768,000	
Relief Acts.....		116,996,000	
			123,764,000
Loans to foreign governments—			
Greece.....		6,525,000	
Roumania.....		23,969,000	
			30,494,000
Loans to harbour commissioners—			
Montreal.....		59,134,000	
Vancouver.....		23,744,000	
New Westminster.....		275,000	
			83,153,000
Loans under Dominion Housing Act.....			82,000
Bond holding account.....			659,000
Canadian National Railways.....			41,458,000
Canadian Pacific Railway.....			4,629,000
Canadian Farm Loan Board.....			16,790,000
Soldier and general land settlement.....			43,630,000
Seed grain and relief advances.....			2,358,000
Canadian government railways open and stores accounts.....			15,749,000
Deferred debts—			
Unamortized discount and commission on loans.....			35,284,000
			<u>\$ 424,380,000</u>
Net debt March 31, 1936 (estimated).....			3,008,291,000
Represented by—			
Non-active assets, March 31, 1936 (estimated)			

Assets, March 31, 1936 (estimated) Concluded

Capital expenditures—		
Public Works—		
Canals.. . . .	\$ 242,871,000	
Railways.. . . .	443,190,000	
Public buildings, harbour and river improvements.. . . .	264,929,000	
Military property and stores.. . . .	12,035,000	
Territorial accounts.. . . .	9,896,000	
		972,921,000
Loans non-active—		
Canadian National Railways.. . . .		655,527,000
Railway accounts (old).. . . .		88,399,000
Canadian National Steamships.. . . .		15,508,000
Harbour commissioners—		
Quebec.. . . .	26,293,000	
Chicoutimi.. . . .	3,539,000	
Halifax.. . . .	9,515,000	
Saint John.. . . .	14,046,000	
Three Rivers.. . . .	3,144,000	
Montreal (Jacques Cartier bridge).. . . .	2,504,000	
		59,041,000
Seed grain and relief advances.. . . .		536,000
Soldier and general land settlement.. . . .		16,514,000
Miscellaneous advances.. . . .		3,525,000
Consolidated fund—		
Balance, consolidated fund, brought forward from March 31, 1935..	1,042,806,000	
Excess of expenditure over revenue, fiscal year ended March 31, 1936 (estimated).. . . .	153,514,000	
		1,196,320,000
		<u>\$3,008,291,000</u>

INDIRECT LIABILITIES

Bonds and debenture stocks bearing the guarantee of the dominion outstanding in the hands of the public at the close of the fiscal year amounted to \$994,600,000. The increase during the year was \$7,300,000, accounted for by changes in Canadian National Railway issues, including the funding of a temporary loan from the government outstanding a year ago.

Other contingent liabilities are those arising out of guarantees given pursuant to the relief and other acts. During the year the government gave guarantees under authority of the Canadian Wheat Board Act. The amount of these guarantees at March 31, 1936, was about \$58,000,000.

The guarantee of bank loans to the Canadian Pacific Railway Company, the original amount of which was \$60,000,000, was further reduced during the fiscal year by \$12,000,000, the indebtedness at March 31 being \$36,000,000. The government is advised that the company has made arrangements to liquidate the balance of the loans on May 1 and the dominion will be relieved of its liability without loss.

The guarantee arising out of the assumption by the chartered banks of the liability of the Province of Manitoba Savings Office was further reduced during the year by \$1,500,000.

The amounts of the bonds and debenture stocks and other indebtedness guaranteed by the dominion are shown in the following statement:

Bonds and Debenture Stocks Guaranteed by Dominion Government

As at March 31, 1936

Date of maturity	Issue	Interest rate	Amount outstanding	
		per cent	\$	cts.
Sept. 1, 1936.....	Grand Trunk.....	6	24,220,000	00
May 1, 1938.....	Canadian National.....	2	13,400,000	00
Feb. 15, 1943.....	Canadian National.....	2	55,000,000	00
May 1, 1944.....	Canadian National.....	3	35,000,000	00
July 1, 1946.....	Canadian Northern.....	6½	24,238,000	00
April 1, 1948.....	New Westminster Harbour Commission.....	4½	700,000	00
Dec. 15, 1950.....	Canadian National.....	3	20,500,000	00
Sept. 1, 1951.....	Canadian National.....	4½	50,000,000	00
Aug. 1, 1952.....	Saint John Harbour Commission.....	5	667,953	04
Feb. 15, 1953.....	Canadian National.....	3	25,000,000	00
July 10, 1953.....	Canadian Northern.....	3	9,359,996	72
Feb. 1, 1954.....	Canadian National.....	5	50,000,000	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	7,896,548	57
May 4, 1960.....	Canadian Northern Alberta.....	3½	3,149,998	66
May 19, 1961.....	Canadian Northern 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
July 1, 1969.....	Canadian National.....	5	60,000,000	00
Oct. 1, 1969.....	Canadian National.....	5	60,000,000	00
Nov. 1, 1969.....	Harbour Commissioners of Montreal.....	5	19,000,000	00
Feb. 1, 1970.....	Canadian National.....	5	18,000,000	00
By tenders or drawings.....	Canadian National.....	2	25,189,243	73
Various dates, 1936-54.....	City of Saint John debentures, assumed by Saint John Harbour Commission.....	Various	1,208,527	74
Serial, Feb. 1 and Aug. 1, 1936-1938.....	Canadian National eqpt. "G".....	5	3,750,000	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
".....	Northern Railway of Canada debenture stock.....	4	1,499,979	67
			\$994,550,255 00	

Other Indebtedness Guaranteed

Estimated principal amount outstanding March 31, 1936

Bank advances, re Province of Manitoba Savings Office.....	\$ 7,305,541
Bank advances, re government of Newfoundland.....	625,000
Bank advances, re Canadian Pacific Railway Company.....	36,000,000
Bank advances, re Dominion Steel and Coal Corporation (order for rails).....	217,134
Province of British Columbia treasury bills.....	626,533
Province of Manitoba treasury bills.....	5,894,127
Bank advances, re Canadian Cooperative Wheat Producers Ltd.....	370,000
Bank advances and other liabilities, Canadian Wheat Board.....	53,260,000
Reserve of chartered banks on deposit in Bank of Canada.....	188,202,917

BUDGET FORECAST 1936-37

I have already announced that the overall deficit for the last fiscal year is estimated at \$162,191,000. The size of that deficit cannot fail to have impressed the house. Its seriousness is enhanced by the fact that it is but the latest in a series of deficits which have averaged over \$138,000,000 per year dur-

ing the past six depression years. The magnitude of these deficits, and particularly of the latest one, is such that in my opinion few honourable members will be disposed to question the declared purpose of the government to end in the shortest practicable time the era of recurring deficits. That purpose the government intends to pursue steadily as an

essential condition of the restoration of business confidence and the free functioning of private enterprise. This, it is believed, will contribute more effectively to the solution of the problems of unemployment and depression than any other single thing which governments can do.

I am not an alarmist. On the contrary, I am confident that common sense and sound economic policies can solve our immediate problems. Moreover I am convinced that this country can bear all the burdens which the war and the depression and past mistakes have saddled upon it, great as they have been. Nevertheless I believe that no country can go on indefinitely with heavily unbalanced budgets and continue to maintain either the confidence of investors or the basis upon which her economy can function healthily and vigorously. We have now reached the stage where delay should no longer be tolerated. We must make an immediate approach to a balanced budget and we must be able to show that complete equilibrium can be reached within a reasonable time.

I am well aware that this will be called a doctrine of deflation. Indeed, I have heard it said recently that Canada has been following a policy of "heroic deflation" and that she should take a leaf out of the book of the mother country. It is not easy for me to understand how departure from the gold standard, recurring deficits, financing by borrowing, of the magnitude of those which I have outlined, and a monetary policy which has allowed the Canadian dollar to fluctuate approximately at par with the managed sterling standard and with the devalued United States dollar and which has made possible an expansion of the country's cash base just as rapidly as that of Great Britain, can be described as deflation. More careful analysis would rather appear to indicate that in these financial matters about the only point in the British program which we have not already adopted is her policy of keeping the budget balanced. That, as everyone knows, was regarded by Great Britain as the very cornerstone of the recovery program. So much so that the latest British budget imposes substantial increases in a tax structure of already harassing proportions in order to provide funds for increased expenditures considered necessary for purposes of national defence.

In my opinion it is not feasible for us to achieve a complete balancing of our budget immediately. That I am bound to admit would involve deflation and to a degree that would probably prove intolerable. What we can and must do is to make an immediate, appreciable approach to a balanced budget

as the first step in a definite, positive program which will assure the attaining of our final objective within a limited period. I shall now outline the measures which we propose to take and indicate the considerations which have influenced us in each case.

POLICY ON EXPENDITURES

On the expenditure side our first step has been to put an end to the era of "blank cheques" and to reestablish the control of parliament over both the character and the amount of government expenditures. Before the house rises a complete presentation will have been made of the amounts which the executive branch of government believes it will be necessary to spend during the year and these amounts will have been duly authorized by parliament. The main estimates for 1936-37 which were brought down some time ago were designed to cover the ordinary operations of government. Unquestionably they should be, and they will be, more than amply provided for by ordinary revenues. The special supplementary estimates, recently tabled, were intended to make provision for those special or emergency needs, chiefly the costs of unemployment relief and the deficits of government owned enterprises, which arise out of the abnormal conditions now prevailing. Later, the usual provision may be necessary by way of further supplementary estimates for a moderate amount of additional expenditures not taken care of in the main estimates. With this procedure the public will be assured that the aggregate of those authorizations will represent at least the maximum to be expended during the present fiscal year. I am convinced that this traditional procedure will make far sounder and more economical administration.

Such savings as can be made in ordinary expenditures by more effective control on the part of spending departments and by a painstaking search for economies, elimination of waste and duplication of effort, will be effected to the maximum possible extent. It is apparent, however, that the opportunity for reductions, except by elimination of essential services is limited.

The two major obstacles to a balanced budget are the cost of unemployment relief including relief undertakings and the Canadian National Railways deficit. Canada's success in reducing these two classes of expenditure will be the measure of her progress both in achieving a balanced budget and also in furthering the march of recovery.

In so far as the Canadian National is concerned, the house is now familiar with the progress already made. As shown by the special supplementary estimates, the railway

is asking us this year for \$39,900,000 on account of its net income deficit for the present calendar year. This compares with \$47,400,000 in 1935 and with the depression peak of \$62,100,000 in 1932. In view of the railway measures now before the house, this is not the appropriate time at which to discuss the government's railway policy. I may say, however, that we are confident that this cash deficit can be further substantially reduced as a result of the measures which will be taken to place the management of the road on a more responsible basis.

In regard to the other major cause of our deficits, the outlines of a well-knit and comprehensive program designed to meet the unemployment problem have already been presented to the house. For the first time since the depression began, a serious effort has been made to compile the statistics necessary to give us the essential factual basis for analyzing the range and specific character of the problem with which we are faced. If diagnosis should precede remedy, that step should commend itself. In the second place, we have provided for the appointment of a representative national commission which will

be charged with the functions of investigating relief methods and policies now in effect of enlisting the cooperation of the provinces, the municipalities, employers and employees' organizations and other public and private agencies throughout the dominion, and of making recommendations as to the best methods of handling relief and providing remunerative employment. In other words, we are seeking to mobilize all our resources in a nation wide cooperative attack on this, the most urgent of our immediate national problems. Finally, we are providing in the special supplementary estimates for the money necessary to meet direct relief costs and to carry on a program to provide employment through constructive undertakings on a scale commensurate with our financial resources.

ESTIMATED REVENUES 1936-37

Knowing what our total expenditures are likely to be, we are now in a position to consider what taxation and other revenues we should budget for. On the basis of the tax and tariff rates now in effect, it is estimated that the revenues for the present fiscal year will aggregate \$387,850,000 derived from the usual sources as follows:

Taxation revenue:	
Customs duties.....	\$ 75,000,000
Excise duties.....	46,000,000
Income tax.....	87,000,000
Sales tax.....	80,000,000
Manufacturers', stamp, importation and other special taxes.....	42,000,000
Total taxation revenue.....	\$330,000,000
Non-tax revenue:	
Post Office.....	\$ 33,500,000
Interest on investments.....	11,350,000
Other sources.....	13,000,000
Total non-tax revenue.....	\$ 57,850,000
Grand total revenue.....	\$387,850,000

As the main estimates and the special supplementary estimates call for expenditures of over \$509,000,000 to which will have to be added any further supplementary estimates, it is apparent that the deficit for the year would probably total over \$125,000,000 without taking into account possible losses on wheat, unless provision is made for additional revenue by way of new or increased taxes. For the reasons already given, vitally affecting, as I believe, our national welfare, I feel it necessary to budget for a deficit this fiscal year of less than \$100,000,000, not taking into account any further losses resulting from wheat marketing operations which of course are unpredictable. If this can be accomplished, it will represent a definite improvement compared with the deficit of \$162,000,000 for the last fiscal year.

It therefore becomes necessary to provide for additional taxation revenue in the amount of approximately twenty-eight to thirty million dollars. In imposing new tax levies, one must bear in mind the desirability of avoiding any undue retarding effect on business recovery. The information which I have given in the early part of this address indicates that the national income is surely and steadily rising. I am confident, therefore, that the amount of new taxation which we feel it necessary to impose will not have a deterrent effect on the business trend which is now definitely upward. Rather do I believe that business men and the public generally will gain new confidence from our endeavour to grapple vigorously with our problems of national finance and will be willing to cooper-

ate whole heartedly in sharing the new burdens which are believed necessary.

It is now my task to outline the changes in our taxation and tariff structure which are proposed.

INCOME TAX

The most important change to be made under the Income Tax Act and the first proposal for raising additional revenue is an increase in the ordinary rate of tax on corporations from $13\frac{1}{2}$ per cent to 15 per cent. At the same time, where returns are consolidated, the rate will be raised from 15 per cent to 17 per cent. In view of the extent to which provincial governments are now levying personal income taxes, and in view also of the surtax on investment income imposed by the dominion last year, it is not proposed to alter the existing schedule of rates on individual incomes.

My next proposal relates to the metal mining industry. The contribution which this industry has made to the economic well-being and indeed to the financial integrity of the dominion during the depression years is well known. Great as its development has already been, a much greater future appears to lie in store. In the opinion of many, we have little more than begun to tap the varied mineral wealth of this country. Moreover, the most important branch of the industry, namely, gold mining, is in the fortunate position of producing a commodity for which the demand appears to be unlimited. In other industries production cannot be speeded up without creating oversupply and breaking the market. In the case of gold, however, overproduction seems under present conditions to be impossible and the price remains fixed at least for long periods of time. On the other hand, the industry is one in which the risks are great, especially in the initial stages. Exploration and development require expenditure of large amounts of capital over a considerable period of time. Private enterprise, therefore, can only be induced to enter the field if the prizes to be gained for the relatively few successes are attractive.

Because of these special characteristics, the industry appears to offer a unique opportunity for a constructive governmental policy designed to stimulate an expansion of mining activity with its resultant effects on employment and purchases of supplies and materials. The government therefore proposes to grant exemption from corporate income tax to any metalliferous mine coming into production between May 1, 1936, and January 1, 1940, such exemption to apply to its income for

the first three years following the commencement of production. This definite step to encourage the development of the mining industry combined with the additional provision for geological surveys and investigations and for transportation facilities into new mining areas made in the main and special supplementary estimates should do much to accelerate new exploration and development work during the present year and the following two or three years. I desire to add that as uncertainty of taxation is a definite deterrent to the making of new commitments in a hazardous industry, the mining industry may rely upon it that this government will not impose discriminatory taxation with respect to mines. While the present government is in power, mining enterprises can depend upon treatment at least as favourable as that accorded to other industries under the corporation income tax.

In view of the decline in interest rates, it is intended to reduce the rate of interest on unpaid instalments of income tax from 6 per cent to 5 per cent, and to lower the penalty rate of interest with respect to overdue tax from 4 per cent to 3 per cent.

The gift tax is to be altered by requiring that payment of the tax shall be made annually rather than at the time each gift is made. Furthermore, gifts up to \$1,000 annually to any one person will be exempt from the provisions of the gift tax in future.

Finally, important changes are being made in the treatment of companies which have technically come to be known as "4 (k) companies"—in other words, incorporated companies "whose business is not only carried on but whose assets, also, are situate entirely outside of Canada." This category will be reserved exclusively for the type of industrial or commercial operating company for which it was originally created. A new category will be provided for investment holding companies wholly owned by non-residents, which will be required to pay a tax on their income at a rate equal to half the ordinary rate on corporate incomes. Credit on this tax will be given in respect of the 5 per cent tax paid on last year's income distributed to non-resident shareholders, but such companies will be required to pay the 5 per cent non-resident tax on income accumulated but not distributed during the period after the 5 per cent tax first went into effect and up to the coming into effect of this new tax. In future these companies will, of course, not have to pay the 5 per cent tax on dividends paid to their non-

resident shareholders but will be taxed at the higher rate on their income.

These changes in income tax, it is anticipated, will provide for an increase in revenue of approximately \$6,000,000.

SALES TAX

As a means of raising a substantial amount of the additional revenue which must be obtained in the ensuing year it is proposed to increase the rate of sales tax from 6 per cent to 8 per cent. It was our view that a moderate increase in the existing sales tax which covers the broad field of merchandise transactions and for which efficient and economical machinery for collection is already in operation would be clearly preferable to singling out a few particular items to bear an unjustly heavy burden. I do not intend to impose "nuisance" taxes in an effort to raise more revenue but rather to utilize our existing taxation structure.

A few changes are to be made in the schedule of exemptions from the sales tax. With a view to simplifying administration and eliminating double taxation certain materials consumed in the process of manufacture commonly known as "consumable materials" but not including lubricating or fuel oils or plant equipment will be placed on the exempt list. Paper and ink used in magazines and periodicals will also be given exemption. The only other items to be granted relief from sales tax are crushed stone and crushed gravel used in the building or maintenance of provincial, county and township roads; liver extract for use in the treatment of anaemia; educational films; and handmade drawings or designs for use in a number of manufacturing industries.

It is estimated that as a result of the above changes in the sales tax the revenue therefrom will be increased by approximately \$23,000,000.

EXCISE TAXES

The most important changes in excise taxes arise through the recent report of the Tariff Board regarding the automobile industry. At present there is a 5 per cent and 10 per cent tax on automobiles imported or produced in Canada with exemptions given in terms of price and extent of cost of production, incurred in Canada or in British countries. Following the recommendations of the Tariff Board in connection with this item, it is proposed to replace the existing rates with a flat rate tax of 5 per cent on all automobiles, regardless of Canadian or empire content, on the value in excess of \$650. At the same time, it is provided that in no case shall the tax per automobile exceed \$250.

A further recommendation which is being accepted is that tires and tubes shall not be subject to excise tax when purchased by

manufacturers producing less than 10,000 automobiles or chassis each year if at least 50 per cent of factory cost is incurred in the British empire. However, a manufacturer producing more than 10,000 automobiles must have incurred at least 60 per cent of factory cost in the British empire in order to qualify for this exemption.

Other changes in excise taxes levied under the Special War Revenue Act are of minor importance. It is proposed to reduce the tax on cigarette paper tubes from three cents to two cents per hundred in order to equalize the rates on flat papers and tubes. With regard to the 3 per cent special excise tax on imports, the changes contemplated are confined to a few additions to the schedule of exemptions, including materials used in the manufacture of binder twine and fishing rope, paintings under tariff item 695a; educational films; and handmade drawings or designs for use in a number of manufacturing industries.

EXCISE DUTIES

Proposed changes in the Excise Act are limited to a few relatively unimportant adjustments. The first of these equalizes the excise duty on Canadian brandy with the customs duty on brandy imported from South Africa and Australia by lowering the excise duty rate from four dollars per gallon to three dollars. The second proposed adjustment is a reduction of one dollar per gallon in the rate of excise duty on spirits used in medicines, extracts and pharmaceutical preparations in order to bring it into line with the rate applying to spirits used in the manufacture of perfumes. Finally the excise duties on imports of leaf tobacco are to be removed from the Excise Act and transferred at the same rates to the customs tariff.

CUSTOMS TARIFF

To-day's customs tariff proposals relate to both the Tariff Act and the various schedules thereto. Having in mind that they follow closely upon the tariff revision effected by the Canada-United States trade agreement and immediately precede negotiations with the United Kingdom, it will, I think, be generally admitted that they are extensive and important. For purposes of record, the proposed amendments may be classified as follows:

Reductions under all tariffs	37
Reductions under British preferential tariff only	30
Reductions under British preferential and intermediate only	20
Reductions under intermediate only	11
Reductions under intermediate and general only	6

Increases under intermediate and general only.. . . .	7
Increase under intermediate only..	3
Increases under general tariff only..	2

12

Changes in the act itself include provisions for a clearer definition of the heretofore indefinite phrase "of a class or kind made in Canada" and for a more just and equitable administration of the so-called "dumping clauses."

Amendments proposed in the tariff schedules, while not unusually great in number, affect many commodities of extreme importance in our national economy. Obviously it is impossible for me to touch upon all of these in the course of my remarks: I trust that honourable members will read the resolutions of which I shall give notice at the conclusion of this address, and which will form part of it in Hansard in the morning, for details with respect to many items. I shall, however, make brief reference to some items, or groups of items, in respect of which changes in duties are contemplated.

By direction of my immediate predecessor in office, the Tariff Board has been reviewing duties applying to motor vehicles, cotton products, gasoline, and yarns and fabrics of artificial silk; and, at my request, has conducted an investigation into the present state of the furniture industry. I am to-day able to lay on the table—in fact I have presumed upon the goodness of the house to have them placed on the table in advance of my address, because of their bulk—reports from the board relating to these subjects. After careful consideration, the government has decided to accept in each instance the rates of duty recommended by the board.

Broadly speaking, the policy proposed in respect of automobiles is, I believe, one that will maintain the industry in Canada and, at the same time, guarantee fair prices to consumers. The relation—a vitally interdependent one—of the so-called "parts" industry to that of the huge manufacturing and assembling plants has been closely studied, and a feature of the new schedule is the manner in which the attainment of a high degree of Canadian content in the completed vehicle is encouraged. It will be remembered that under the Canada-United States agreement recently approved by parliament, the duties on automobiles were reduced from 20, 30 and 40 per cent, respectively, on the three price ranges, to 17½, 22½, and 30 per cent, respectively. It has been decided to make the existing intermediate tariff of 17½ per cent

apply to all automobiles and trucks—all of which, (including parts for original equipment, replacement or repair) will be free of duty under the British preferential tariff.

The reference to the Tariff Board on yarns and fabrics of cotton arose from a request by His Majesty's Government in the United Kingdom, under the provisions of the agreements of 1932, for a review of the duties on these goods under the British preferential tariff. The board was obliged, therefore, in its appraisal of the situation—domestic and British—to use the yardstick stipulated by those agreements, namely: the equation of the relative costs of production in the two countries. The board has kept within the terms of its reference and within the letter and spirit of the agreement; and the government, in tabling its report and accepting its recommendations, desires to do the same. It is proposed, therefore, to remove entirely the specific duties on yarns and fabrics of cotton, under the British preferential tariff. It is proposed, further, as properly following the reduction on yarns and fabrics, to revise the specific duties applying to cotton clothing, wearing apparel and manufactured articles of cotton, by removing these duties entirely on imports under the British preferential tariff and by reducing them by one-half on imports under the intermediate tariff.

The vital feature of the changes in the petroleum schedule is the reduction of the intermediate rate on gasoline to one cent per gallon as compared with a rate, until recently effective, of 2½ cents. This reduction should be of great importance to users of gasoline throughout Canada and it is confidently believed that it can be effected without injury to the Canadian refining industry.

In accordance with the results of the board's inquiry into the tariff situation surrounding artificial silk, it is proposed, under the British preferential tariff, to remove entirely the specific duties on both yarns and fabrics, to reduce also the ad valorem rate on acetate yarns, and to adjust the ad valorem rate on the fabrics. As a corollary to this reduction, the government proposes to reduce both the British preferential and intermediate duties on clothing, wearing apparel and manufactured articles of artificial silk, this reduction on the completely-finished articles being designed to pass on to the consumer the advantage in reduction of raw material duties given to those who cut up the materials and manufacture the garments.

The report on furniture is an interim one and recommends no change in the existing intermediate tariff rate of 30 per cent.

In the case of many commodities covered by to-day's resolutions, downward revision of duty has been confined to the British preferential tariff. These—additional to cotton and artificial silk products already dealt with—include many of outstanding importance to United Kingdom producers and Canadian consumers. I may illustrate by stating that scheduled reductions which are confined to the British preferential tariff—and entailing in several instances the removal of all duty—include such goods as chemical earthenware, steel machinery of a class or kind not made in Canada, tea waste, malt extracts and powders, dental forgings, fire engines, iron and steel machinery not separately enumerated, desiccated cocoanut, and all non-enumerated articles of iron or steel. Closely related to these are those items on which reductions, while operative under both British preferential and intermediate tariffs, will, in most instances, give the United Kingdom producer a better trading position in this market; in this connection I might refer to glass articles for mounting, heat-resisting glassware, nickelled and other plated ware and polished steel tubing.

BRITISH PREFERENTIAL TARIFF

May I at this point say a few words regarding changes at this time in the British preferential tariff. In negotiating recently with the United States, this government took scrupulous care to respect in letter and spirit every syllable of the agreements effected in 1932 with various countries of the British empire. Although the Liberal opposition of that day had registered disapproval of the conference agreements on the ground that in too many instances they established preferences by raising duties against other countries, nevertheless that opposition, now become the government of the day, has seen to it that every commitment was respected. No guaranteed British margin was impaired. Indeed, many preferences that might with warrant have been deemed not to be in that class were deliberately set aside as not open to negotiation, sometimes at considerable cost to Canada in the matter of bargaining.

And yet it is obvious that, although the agreements have been respected, the trading advantage here of British countries—notably, of course, the United Kingdom—is not so great as it was prior to the Canada-United States agreement. The very fact of admitting the United States to the benefits of our intermediate tariff produced that result. In the near future Canada must again sit at a table with the United Kingdom to consider a new agreement. It is obvious that, in such negotiations, Great Britain will seek such conces-

sions as will, in her opinion, enable her to increase her trade with Canada. In such negotiations, needless to say, the Canadian government will take equally scrupulous care to observe the letter and the spirit of the Canada-United States trade agreement.

Canada cannot give everything to-day and bargain to-morrow, but Canada can, and this government does, give to-day to empire countries such concessions as will, I am sure, be accepted in the spirit in which the British preference was conceived. In this spirit this government, since coming into office, has seen to it that unnecessary impediments to inter-empire trade have been removed, that vexatious restrictions have been lessened and that arbitrary regulations have been altered or abolished. It has interested itself in the increase of inter-empire trade both by imports from the empire as well as exports to the empire; and under to-day's resolutions it proposes easier access to this country for certain empire commodities. The proposed reductions in the British preferential tariff are in no sense elements in a bargain. Concessions they are, both to Canadian consumers and to British producers, but concessions made in the firm belief that only from mutually advantageous exchange of commodities can come that common benefit in which should lie both the origin and the objective of intra-empire trade arrangements. Canada knows full well that Great Britain, when the day of conference comes, will not be unmindful or forgetful of Canada's past record in the matter of preferential treatment in this market for British products—a record crystallized to-day in the fact that close upon seven hundred items in Canada's tariff schedules, practically half the items in the entire list, have against them the word "free" in the British preferential column.

OTHER TARIFF CHANGES

Reductions under all tariffs are proposed on a wide range of varied commodities, including biologicals for the diagnosis or treatment of diseases, materials used in the production of periodical publications, numerous petroleum products other than gasoline, ditchers and tractors of all kinds, safety equipment of all kinds, printing and press-room equipment, precision tools, draughtsmen's and surveyors' instruments, various articles for use in hospitals, certain soya bean products, all articles used by the blind, rolling mill and paper mill rolls and feeds for fur-bearing animals.

The effective tariff on agricultural implements, now the intermediate, is reduced to 7½ per cent, being further to the reduction from 25 per cent to 12½ per cent effected under the Canada-United States agreement.

As a gesture of good will and an earnest of intention to widen Canadian trade with the Irish Free State, reductions in duty, to be applicable under the British preferential tariff only, are proposed on certain products peculiarly identified with the Irish Free State and requested by that country, namely: stout, prune wine and Irish poplin.

Preferential treatment for empire-grown tobaccos is provided, in the belief that Southern Rhodesia may be able thereby to cater effectively to Canada's requirements in tobaccos of the oriental type, hitherto imported entirely from non-empire countries.

The preference in favour of Australia on raisins and dried currants, which lapsed on March 31, last, is renewed, at four cents per pound.

An interesting and much anticipated item is that giving statutory recognition to the undertaking in connection with the United States under the recent agreement, relative to the privilege to be accorded to Canadians returning from abroad of bringing into Canada, free of duty, personal purchases to a value of \$100.

Solely on the grounds of public health, the importation of textile waste derived from used mattresses is prohibited, unless such mattress waste be certificated as to proper fumigation, cleaning, etcetera.

COUNTERVAILING DUTIES

In introducing the budget of May 1, 1930, I made the following statement regarding countervailing duties:

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

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

I have quoted my remarks of that date for the reason that they still serve perfectly to express my opinions regarding countervailing provisions which to-day's resolutions apply to three natural products: cut flowers, potatoes and eggs. These three commodities were included in the list of May 1, 1930, and that they are again singled out for such treat-

ment is due to the fact that the late administration in wiping out in September, 1930, the countervailing provisions of the May budget, did not provide, under the intermediate tariff, a duty more in line with the general tariff on eggs and, what is more important, failed to provide any duty whatsoever on potatoes or cut flowers. The weakness of Canada's bargaining position in respect of these commodities became speedily apparent in the Washington negotiations, so much so that this government declined to bind these items at the existing intermediate rate, thus giving clear indication that it might, at the first opportunity, see fit to recommend to parliament a revision of these ratings. In so recommending to-day, may I make clear that our attitude continues to be that of 1930; we do not desire or intend to raise tariffs; we do by the countervailing duties invite other countries to bring their tariffs down to the level of ours.

In 1935 there was inserted in the tariff item relating to steel plate a proviso to the effect that, regardless of any other law to the contrary, the anti-dumping provisions should not apply to plate more than 66 inches in width. Thus to select a solitary commodity for such treatment was, to say the least, to make an invidious distinction and it is proposed to allow the anti-dumping provision to apply to all products to which the law says it should, under given conditions, apply. In the interests of justice and equity, therefore, and without any regard whatsoever to the effect upon the quantum of tariff protection afforded, it is proposed to delete from this item the proviso in question.

TARIFF BOARD REPORTS

There will be tabled to-day, in addition to those to which I have made specific reference, reports by the tariff board resulting from inquiries regarding the following commodities: Thrown yarns of artificial silk, buttons and button moulds, forged steel rolls, rice for processing, rhinestones and metal beads, containers of paperboard or fibreboard and photographic apparatus. Not all of these suggest or recommend tariff changes but, in accordance with the provisions of the Tariff Board Act, they will be made available to this house.

SUMMARY

Regarding to-day's tariff proposals, may I say that these are formulated on the principle that the most enduring kind of progress is orderly progress—and that applies equally whether one's intended direction in the im-

position of taxes be downward or upward. Extremes defeat their own purpose; violent fluctuations one way or the other are mere leaps in the dark. Intelligent and unprejudiced appraisal of to-day's tariff situation in Canada will reveal sound reasons, apart altogether from the general principles I have just enunciated, why the best results are to be secured by deliberate, considered and related stages. There is, for example, our position with respect to British countries, to which I have referred. And, in the purely domestic sphere, there is the fact so readily overlooked: that this government, in extending to the United States the benefits of the intermediate tariff, effected at one stroke the most thorough-going downward revision of the customs tariff of Canada since the inception of that tariff—as a consequence of which act, together with the changes now proposed, commodities imported from the United States under at least 200 of the most important items in the tariff will pay lower rates of duty than they would have paid had they been so imported after the adoption of the May 1st budget of 1930.

In concluding this address, it is natural that my thoughts should go back to the last occasion on which I had the honour of presenting the budget six years ago to-day. The great change both in world conditions and conditions in Canada during that interval constitutes a challenge without precedent to the ability, the judgment and the broad patriotism of those charged with public responsibilities.

The government of Canada is making earnest and sustained efforts to meet this challenge and to grapple with the manifold problems of the country. I would ask the house and the country to accept the proposals I have made to-day as part of a conscientious effort to promote the best interests of the people of Canada.

Resolutions

Mr. Speaker, I beg to give notice that when we are in committee of ways and means I shall move the following resolutions:

INCOME WAR TAX ACT

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

1. That the corporation rate of tax shall be increased from thirteen and one-half per centum to fifteen per centum;
2. That where a consolidation is permitted the corporation rate of tax shall be increased from fifteen per centum to seventeen per centum;
3. That payment of the gift tax be made annually;

4. That gifts to any one person which in the aggregate do not exceed one thousand dollars in the calendar year be exempt from the provisions of the gift tax;

5. That the rate of interest on unpaid instalments of tax be reduced from six per centum to five per centum;

6. That the penalty rate of interest in addition to the interest provided for in the foregoing resolution in respect of unpaid overdue tax be reduced from four per centum to three per centum;

7. That a tax of five per centum be imposed at the source on payments by Canadian debtors to non-residents in respect of films whether copyrighted or not;

8. That any metalliferous mine that comes into production after the first day of May nineteen hundred and thirty-six and prior to the first day of January nineteen hundred and forty shall be exempt from income tax for the first three fiscal periods following the commencement of production;

The minister, under appropriate regulations, shall determine the date of commencement of production and the properties, new or old, that shall be determined as having come into production, having regard to the production of ore in reasonable commercial quantities, and shall issue a certificate accordingly.

9. That (a) an Investment Holding Company all of whose shares (qualifying shares excepted) are held by non-resident persons shall not be afforded the exemption provided by paragraph (k) of section four of the act, but shall be subject to a tax equal to one-half of the prevailing corporate rate of tax imposed upon Canadian companies;

(b) the five per cent tax on dividends paid to such non-resident shareholders by such Investment Holding Company shall not apply, except as hereinafter provided;

(c) in determining the taxable income of such Investment Holding Company a deduction shall not be allowed in respect of any interest payments or of taxes paid abroad;

(d) any five per cent tax paid by such companies in nineteen hundred and thirty-five shall be allowed as a deduction from the tax otherwise payable in respect of the said year;

(e) to the extent that five per cent tax has not been incurred in respect of the earnings of nineteen hundred and thirty-three, nineteen hundred and thirty-four and nineteen hundred and thirty-five, the five per cent tax shall continue to be imposed until the undistributed accumulated earnings of the said years have been made subject to the said tax;

(f) paragraph (k) of section four of the act shall be amended to apply to industrial and commercial operating companies only;

10. That any enactment founded on the provisions of these resolutions shall be deemed to have come into force at the commencement of the calendar year nineteen hundred and thirty-five and to be applicable thereto and to fiscal periods ending therein and to all subsequent periods, except as otherwise provided.

SPECIAL WAR REVENUE ACT

Resolved, That it is expedient to introduce a measure to amend the Special War Revenue Act, chapter one hundred and seventy-nine of the Revised Statutes of Canada, 1927, and amendments thereto and to provide:

1. That part VII of the said act be amended to provide for the taxation of every change

of ownership of any participating interest in the operations or profits of any association, company, corporation, fund or trust not divided into shares at the rate of one-tenth of one per cent of the value of every such participating interest so transferred or assigned;

2. That subsection two of section seventy-seven A of the said act, as enacted by section twelve of chapter fifty of the statutes of 1932-33 and amended by section two of chapter forty-two of the statutes of 1934, be further amended by providing that the excise tax on packages of cigarette paper tubes be reduced from three cents to two cents for each one hundred cigarette paper tubes or fraction thereof;

3. That the rate of consumption or sales tax imposed by subsection one of section eighty-six of the said act, as enacted by section eleven of chapter fifty-four of the statutes of 1932, be increased from six per cent to eight per cent;

4. That Schedule I to the said act, as amended by section twenty-six of chapter fifty of the statutes of 1932-33, and by section six of chapter thirty-three of the statutes of 1935, be further amended by repealing section one thereof and substituting the following:

1. Automobiles adapted or adaptable for passenger use:

- (a) valued at not more than six hundred and fifty dollars. free
- (b) valued at more than six hundred and fifty dollars, on the amount in excess of six hundred and fifty dollars. 5 per cent

Provided that the tax collected under paragraph (b) above shall in no case exceed two hundred and fifty dollars per automobile.

Provided further that the tax shall not apply to automobiles imported:

(a) under Customs Tariff items 702, 706, 707 and 708;

(b) by a bona fide settler on a first arrival;

(c) by a beneficiary resident in Canada, under the terms of a will of a person dying in a foreign country.

5. That schedule II to the said act, as enacted by section seventeen of chapter forty-two of the statutes of 1934, be amended by adding to paragraph (iii) thereof the following:

Provided, also, that the tax imposed under paragraph (iii) shall not apply to the goods mentioned therein, when sold to or imported by manufacturers of automobiles or chassis under the following conditions:

(a) If less than ten thousand automobiles or chassis are manufactured or produced per annum and at least fifty per centum of the factory cost of manufacturing or producing them, exclusive of duties and other taxes, is incurred in the British empire;

(b) If ten thousand automobiles or chassis or more are manufactured or produced per annum and at least sixty per centum of the factory cost of manufacturing or producing them, exclusive of duties and other taxes, is incurred in the British empire;

Provided, however, that effective April 1, 1938, the words "sixty-five" shall be substituted for the word "sixty" in this paragraph.

6. That schedule III to the said act, being the list of articles exempted from the consumption or sales tax, as enacted by section eighteen of chapter forty-two of the statutes of 1934, and amended by section seven of chapter thirty-three of the statutes of 1935, be further amended by adding to the said schedule the following:

Materials, not to include lubricating or fuel oils or plant equipment, consumed in the process

of the manufacture or production of taxable goods;

Crushed stone or crushed gravel to be used exclusively in the building or maintenance of provincial, county or township roads;

Printing paper and printing ink for use exclusively in producing quarterly, bi-monthly, monthly and semi-monthly magazines and weekly literary papers unbound;

Liver extract for use exclusively in the treatment of anaemia;

Goods enumerated in Customs Tariff items 695b and 696a.

7. That schedule V to the said act, as enacted by section nineteen of chapter forty-two of the statutes of 1934 and amended by section nine of chapter thirty-three of the statutes of 1935, be further amended as follows:

i. By inserting therein after the words "not to include" in the second line thereof the words "automobiles adapted or adaptable to passenger use";

ii. By adding thereto the following:

Goods enumerated in customs tariff items 695a, 695b and 696a;

Materials for use in the manufacture of binder twine and fishing rope.

8. That any enactment founded on paragraphs one to seven inclusive of this resolution shall be deemed to have come into force on the second day of May, one thousand nine hundred and thirty-six, 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.

EXCISE ACT

Resolved, That it is expedient to introduce a measure to amend the schedule to The Excise Act, 1934, as amended by chapter twenty-nine of the statutes of 1935 and to provide:

1. That the duty of excise on Canadian brandy be reduced from four dollars to three dollars per proof gallon;

2. That the duty of excise imposed upon spirits used in the manufacture of patent and proprietary medicines, extracts, essences and pharmaceutical preparations be reduced from two dollars and fifty cents to one dollar and fifty cents per proof gallon;

3. That the duty of excise imposed upon spirits, sold to licensed druggists and used exclusively in the preparation of prescriptions for medicines and pharmaceutical preparations be reduced from two dollars and fifty cents to one dollar and fifty cents per proof gallon;

4. That paragraphs (d) and (e) of section six of the said schedule, being the duties imposed upon imported leaf tobacco unstemmed and imported leaf tobacco stemmed be repealed;

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

CUSTOMS TARIFF

1. Resolved, That the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, as amended by 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), chapter thirty of the acts of 1931, chapter six and thirty-seven of the acts of 1932-33, chapters thirty-two and forty-nine of the acts of 1934

and chapter twenty-eight of the acts of 1935, be further amended by striking thereout subsection one of section six thereof and substituting therefor the following:

(1) In the case of articles exported to Canada of a class or kind made or produced in Canada, if the export or actual selling price to an importer in Canada is less than the fair market value of the same article when sold for home consumption in the usual and ordinary course in the country whence exported to Canada at the time of its exportation to Canada, or is less than the fair market value or value for duty thereof as determined under the provisions of section thirty-six of the Customs Act, or is less than the value for duty thereof as determined by the minister under the provisions of paragraphs (a) and (e) of section forty-one of the Customs Act, or is less than the fair market value thereof as fixed under the provisions of section forty-three of the Customs Act, there shall, in addition to the duties otherwise established, be levied, collected and paid on such article, on its importation into Canada, a special or dumping duty, equal to the difference between the said selling price of the article for export and the said fair market value thereof or value for duty thereof; and such special or dumping duty shall be levied, collected and paid on such article although it is not otherwise dutiable.

Provided that when it is established that any articles though of a class or kind made or produced in Canada are not offered for sale to the ordinary agencies of wholesale or retail distribution or are not offered to all purchasers on equal terms under like conditions, having regard to the custom and usage of trade, such articles may be exempted from special or dumping duty.

Provided that the said special duty shall not exceed fifty per centum ad valorem in any case, and the following goods shall be exempt from such special duty, viz.:—

Goods of a class subject to duty under the Excise Act.

Provided, notwithstanding, that on importations from Australia under the Australian Trade Agreement Act, 1925, the said special duty shall not exceed fifteen per centum ad valorem in any case.

2. Resolved, That the aforesaid section six of the Customs Tariff be further amended by striking thereout subsection eight thereof and substituting in lieu thereof the following:

(8) The minister may make such regulations as are deemed necessary for carrying out the provisions of this section and for its enforcement, and such regulations may also provide for the exemption from special or dumping

duty of any imported article when the minister is satisfied that the article or class of articles is not available at fair competitive prices in any consuming market in Canada owing to the remoteness of such market from the Canadian source of supply.

3. Resolved, That the aforesaid section six of the Customs Tariff be further amended by adding thereto the following subsection:

(10) For the purposes of this act articles shall not be deemed to be of a class or kind made or produced in Canada unless so made or produced in substantial quantities; and the governor-in-council may by order-in-council provide that such quantities, to be substantial, shall be sufficient to supply a certain percentage of the normal Canadian consumption and may in such order fix such percentage.

4. Resolved, That the French version of tariff item 691 of schedule A to the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, as enacted by section five of chapter twenty-eight of the statutes of 1935, be amended by striking out the word "croix" in the second line of the said item and substituting therefor the word "crosses."

5. 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), chapter thirty of the acts of 1931, chapter forty-one of the acts of 1932, chapters six and thirty-seven of the acts of 1932-33, chapters thirty-two and forty-nine of the acts of 1934, and chapter twenty-eight of the acts of 1935, be further amended by striking thereout tariff items 16, 28, 28a, 35, 79b, 83(a), 99c, 113, 142, 147, 168, 173, 178, 180a, 183, 199b, 200a, 206, 206a, 208b, 208i, 219d, 219e, 224, 259, 267, 267a, 267b, 268, 269, 270, 271, 272, 273, 274, 275, 284, 286, 288, 312a, 323, 326a, 362, proviso to 380(b), 404b, 409b to 409k inclusive, 409l, 409m, 409n, 409q, 410d, 411b, 412, 412a, 422a, 424, 427, 427a, 428a, 428b, 429(a), 429(g), 430, 430a, 431b, 431c, 435, 438a, 438b, 438c, 438d, 438e, 438f, 438h, 438i, 445a, 445f, 445g, 445k, 445m, 446a, 455, 462, 463, 473, 476a, 494b, 505, 513, 522, 522c, 523, 523a, 523b, 529, 529a, 532, 558b, 558d, 561, 564b, 567a, 569c, 569e, 584a, 584b, 587a, 603, 607 (Part 2), 657a, 663c, 672a, 695, 695b, 698, 698a, 703, 718, 783, 802, 811, 813, 818, 821, the several enumerations of goods respectively and the several rates of duties of customs, if any, set opposite each of the said items, and by inserting the following items, enumerations and rates of duty in said schedule A:

Tariff Item		British Preferential Tariff	Intermediate Tariff	General Tariff	Present Rates		
					B.P. Tariff	Intermediate Tariff	General Tariff
9c	Horse meat, tripe and other animal offal, unfit for human consumption, and cereal meal, when for use exclusively in the feeding of fur-bearing animals...	Free	Free	Free	15 p.c. 2 cts. 15 p.c.	25 p.c. 2½ cts. 17½ p.c.	25 p.c. 5 cts. 20 p.c.
9d	Baby chicks, n.o.p.....each	Free	4 cts.	5 cts.	12½ p.c.	17½ p.c.	20 p.c.
16	Eggs in the shell..... per dozen Provided that, if any foreign country imposes on such goods the produce of the Dominion of Canada duties or charges more onerous than are prescribed by this item, duties equivalent thereto shall be imposed on the like goods imported into Canada from such country.	2 cts.	5 cts.	10 cts.	2 cts. (No countervailing provision)	5 cts.	10 cts.
28	Coffee, green, imported direct from the country of growth and production, or purchased in bond in the United Kingdom..... per pound Provided, that coffee, green, shall be entitled to entry under the British Preferential Tariff upon evidence satisfactory to the Minister that such coffee has been produced wholly in the British dominions, colonies or possessions, and not otherwise.	Free	3 cts.	5 cts.	Free	3 cts.	3 cts.
28a	Tea, imported direct from the country of growth and production, or purchased in bond in the United Kingdom or in any British possession.... per pound When in packages weighing five pounds, each, or less, the weight of such packages to be included in the weight for duty. Provided, that tea shall be entitled to entry under the British Preferential Tariff upon evidence satisfactory to the Minister that such tea has been produced wholly in the British dominions, colonies or possessions, and not otherwise.	4 cts.	8 cts.	8 cts.	4 cts.	8 cts.	8 cts.
28b	Tea dust, sweepings or waste, when imported by manufacturers of caffeine, crude or refined, for use exclusively in the manufacture of caffeine, crude or refined, in their own factories.....	Free	.....	.....	4 cts.	8 cts.	8 cts. (per pound)

	<p>Provided, that tea dust, sweepings or waste shall be entitled to entry under this item upon evidence satisfactory to the Minister that such tea dust, sweepings or waste has been produced wholly in the British dominions, colonies or possessions, and not otherwise.</p>					
35	Hops..... per pound	6 cts.	10 cts.	16 cts.	8 cts.	16 cts.
79b	Flowers and foliage, natural, cut, whether in designs or bouquets or not, n.o.p.....	Free	Free	40 p.c.	Free (No countervailing provision)	40 p.c.
	<p>Provided that, if any foreign country imposes on such goods the produce of the Dominion of Canada duties or charges more onerous than are prescribed by this item, duties equivalent thereto shall be imposed on the like goods imported into Canada from such country.</p>					
83	Potatoes, as hereunder defined:—					
	(a) In their natural state, per one hundred pounds	Free	Free	75 cts.	Free (No countervailing provision)	75 cts.
	<p>Provided that, if any foreign country imposes on such goods the produce of the Dominion of Canada duties or charges more onerous than are prescribed by this item, duties equivalent thereto shall be imposed on the like goods imported into Canada from such country.</p>					
99c	Raisins and dried currants..... per pound	Free	4 cts.	4 cts.	Free	3 cts.
	<p>When in packages weighing two pounds each, or less, the weight of such packages to be included in the weight for duty.</p>					
113	Cocoanut, desiccated, sweetened or not.... per pound	3 cts.	6 cts.	6 cts.	5 cts.	6 cts.
142	Tobacco, unmanufactured, for excise purposes under conditions of the Excise Act, subject to such regulations as may be prescribed by the Minister:—					
	(a) Of the type commonly known as Turkish:—					
	(i) Unstemmed..... per pound	20 cts.	40 cts.	40 cts.	40 cts.	40 cts.
	(ii) Stemmed..... per pound	30 cts.	60 cts.	60 cts.	60 cts.	60 cts.
	(b) N.O.P.:—					
	(i) Unstemmed..... per pound	40 cts.	40 cts.	40 cts.	40 cts.	40 cts.
	(ii) Stemmed..... per pound	60 cts.	60 cts.	60 cts.	60 cts.	60 cts.
	<p>Provided that the duty under this item shall be levied on the basis of "Standard leaf tobacco" consisting of ten per centum of water and ninety per centum of solid matter.</p>					
147	(a) Ale and beer, when imported in bottles, per gallon	30 cts.	50 cts.	50 cts.	30 cts.	50 cts.
	(b) Porter and stout, when imported in bottles per gallon	15 cts.	50 cts.	50 cts.	30 cts.	50 cts.
	<p>Provided, that six quart bottles or twelve pint bottles shall be held to contain one gallon.</p>					

Tariff Item		British Preferential Tariff	Intermediate Tariff	General Tariff	Present Rates		
					B.P. Tariff	Intermediate Tariff	General Tariff
163a	Prune wine, not sparkling, when containing not more than thirty-eight per centum of proof spirit per gallon Provided, that six quart bottles or twelve pint bottles be held to contain a gallon for duty purposes under this item.	25 cts.	.....	.....	55 cts. and.....	55 cts.	55 cts. 30 p.c.
168	Malt flour containing less than fifty per centum in weight of malt; malt syrup or malt syrup powder; extracts of malt, fluid or not; grain molasses—all articles in this item upon valuation without British or foreign excise duties, under regulations prescribed by the Minister.....per pound and	..... 25 p.c.	5 cts. 30 p.c.	10 cts. 35 p.c.	3 cts. 20 p.c.	5 cts. 30 p.c.	10 cts. 35 p.c.
173	Books for the instruction of the deaf or dumb.....	Free	Free	Free	Free	Free	Free
178	Advertising and printed matter, viz.:—Advertising pamphlets, advertising show cards, illustrated advertising periodicals; price books, catalogues and price lists; advertising almanacs and calendars; patent medicine or other advertising circulars, fly sheets or pamphlets; advertising chromos, chromotypes, oleographs or like work produced by any process other than hand painting or drawing, and having any advertisement or advertising matter printed, lithographed or stamped thereon, or attached thereto, including advertising bills, folders and posters, or other similar artistic work, lithographed, printed or stamped on paper or cardboard for business or advertisement purposes, n.o.p..... per pound Provided, that on importations under the Intermediate or the General Tariff, the rate of duty shall be not less than.....	5 cts.	12½ cts. 27½ p.c.	15 cts. 35 p.c.	5 cts. but not less than.....	12½ cts.	15 cts. 35 p.c. under the General Tariff.
180a	Photographs for use only as news illustrations, under regulations by the Minister.....	Free	Free	Free	Free 15 p.c.	Free 22½ p.c.	Free 22½ p.c.
180d	Photographs, paintings, pastels, drawings and other art work and illustrations of all kinds, whether						

	originals, copies or proofs, for reproduction in periodical publications enjoying second-class mailing privileges, (other than daily newspapers).....	Free	10 p.c.	25 p.c.	Free 15 p.c. 15 p.c.	Free 22½ p.c. 22½ p.c.	Free 22½ p.c. 25 p.c.
183	Newspapers, or supplemental editions or parts thereof, partly printed and intended to be completed and published in Canada; comic and pictorial sections, non-advertising, to be inserted in or folded with periodical publications entered for mailing purposes as second-class matter.....	Free	Free	Free	Free 15 p.c.	22½ p.c. 22½ p.c.	25 p.c. 22½ p.c.
197d	Tissue paper made from mulberry pulp, not coated nor impregnated, when imported by manufacturers of stencils for duplicating machines for use exclusively in the manufacture of such stencils in their own factories.....	Free	10 p.c.	25 p.c.	15 pc.	22½ p.c.	25 p.c.
199b	Containers wholly or partially manufactured from fibreboard or paperboard..... per pound Provided, that in no case shall the rate of duty under the Intermediate or the General Tariff be less than.....	1 ct.	1½ cts. 30 p.c.	1½ cts. 35 p.c.	1 ct.	1½ cts.	1½ cts. but not less than 35 p.c.
200a	Regenerated cellulose, and cellulose acetate, transparent, in sheets, not printed, and manufactures of regenerated cellulose or of cellulose acetate, n.o.p....	20 p.c.	30 p.c.	35 p.c.	20 p.c.	30 p.c.	35 p.c.
206	Dragon's blood; fuller's earth, in bulk only, not prepared for toilet or other purposes; litmus and all lichens, prepared or not prepared; musk, in pods or in grain; quassia juice; saffron, saffron cake, safflower, and extracts of; quinine, salts of; cochineal; ferment cultures to be used in butter-making.....	Free	Free	Free	Free	Free	Free
206a	Biological products, animal or vegetable, n.o.p., for parental administration in the diagnosis or treatment of diseases of man, when manufactured under license of the Department of Pensions and National Health under regulations prescribed by the Food and Drugs Act.....	Free	Free	Free	Free 15 p.c. 20 p.c. 25 p.c.	Free 25 p.c. 25 p.c. 40 p.c.	Free 25 p.c. 25 p.c. 40 p.c.
208h	Ethylene glycol, when imported by manufacturers of anti-freezing compounds, to be used exclusively in the manufacture of anti-freezing compounds in their own factories..... until September 1, 1936 Thereafter	Free Free	Free 15 p.c.	Free 15 p.c.	Free	15 p.c.	15 p.c.
208i	Animal glands and animal glandular organs, and extracts thereof, wet or dry, (whether alcoholic or not), when imported by manufacturers of pharma-						

Tariff Item		British Preferential Tariff	Intermediate Tariff	General Tariff	Present Rates		
					B.P. Tariff	Intermediate Tariff	General Tariff
	ceutical or medicinal preparations for use exclusively in the manufacture of such preparations in their own factories.....	Free	Free	Free	Free 60 p.c.	Free 60 p.c.	Free 60 p.c.
219d	Sulphuric ether; chloroform, n.o.p.; preparations of vinyl ether for anaesthetic purposes.....	Free	25 p.c.	25 p.c.	Free 60 p.c.	25 p.c. 60 p.c.	25 p.c. 60 p.c.
219e	Chloropicrin, cyanides, or mixtures containing either chloropicrin or cyanide, for use in combating destructive insects and pests.....	Free	Free	Free	Free Free 15 p.c.	Free 15 p.c.	Free 15 p.c.
224	Sealing wax.....	15 p.c.	22½ p.c.	25 p.c.	15 p.c.	22½ p.c.	25 p.c.
259	Lard oil and neat's foot oil.....	15 p.c.	22½ p.c.	25 p.c.	15 p.c.	22½ p.c.	25 p.c.
259a	Sesame seed oil.....	Free	22½ p.c.	25 p.c.	15 p.c.	22½ p.c.	25 p.c.
259b	Rapeseed oil, crude or refined.....	Free	Free	Free	15 p.c.	25 p.c.	25 p.c.
267	Crude petroleum not subjected to any other process than natural weathering and removal of foreign matter and water, when imported by oil refiners to be refined in their own factories:— (i) .8155 specific gravity (42.0 A.P.I.) or heavier at 60 degrees Fahrenheit..... (ii) Lighter than .8155 specific gravity (42.0 A.P.I.) at 60 degrees Fahrenheit.....per gallon	Free ½ ct.	Free ½ ct.	Free 1 ct.	Free Free (.7900 specific gravity or heavier) (Tariff Item 267a) 1 ct. (.7900 to .775 specific gravity) (Tariff Item 270) 15 p.c. (less than .775 specific gravity) (Tariff Item 711)	Free Free (.7900 to .775 specific gravity) (Tariff Item 270) 1½ cts. (.775 specific gravity) (Tariff Item 711) 25 p.c. (.775 specific gravity) (Tariff Item 711)	Free Free (.7900 to .775 specific gravity) (Tariff Item 270) 1½ cts. (.775 specific gravity) (Tariff Item 711) 25 p.c. (.775 specific gravity) (Tariff Item 711)

267a	Crude petroleum, n.o.p.....per gallon	$\frac{1}{2}$ ct.	$\frac{1}{2}$ ct.	1 ct.	$\frac{1}{2}$ ct. (.8235 specific gravity or heavier) (Tariff Item 267)	$\frac{1}{2}$ ct. (Tariff Item 267)	$\frac{1}{2}$ ct. (Tariff Item 267)
					1 ct. (Lighter than .8235 but not lighter than .775 specific gravity) (Tariff Item 270)	1 $\frac{1}{2}$ cts. (Lighter than .8235 but not lighter than .775 specific gravity) (Tariff Item 270)	1 $\frac{1}{2}$ cts. (Lighter than .8235 but not lighter than .775 specific gravity) (Tariff Item 270)
					15 p. c. (Lighter than .775 specific gravity) (Tariff Item 711)	25 p.c. (Lighter than .775 specific gravity) (Tariff Item 711)	25 p.c. (Lighter than .775 specific gravity) (Tariff Item 711)
267b	Petroleum tops; blends of petroleum tops or petroleum products with crude petroleum; all the foregoing .7249 specific gravity (63.7 A.P.I.) or heavier, at 60 degrees Fahrenheit, when imported by oil refiners to be refined in their own factories. per gallon	Free	1 ct.	2 cts.	Free	1 $\frac{1}{2}$ cts.	1 $\frac{1}{2}$ cts.
268	Natural casinghead, compression or absorption gasoline, lighter than .6690 specific gravity (80.0 A.P.I.) at 60 degrees Fahrenheit, when imported by refiners of crude petroleum for blending with gasoline wholly produced in Canada.....	Free	Free	Free	Free	Free (Tariff Item 272)	Free
269	Products of petroleum, n.o.p.— (i) Lighter than .8236 specific gravity (40.3 A.P.I.) at 60 degrees Fahrenheit.....per gallon	$\frac{1}{2}$ ct.	1 ct.	2 cts.	2 cts.	2 $\frac{1}{2}$ cts. (Tariff Item 271)	2 $\frac{1}{2}$ cts.
	(ii) .8236 specific gravity (40.3 A.P.I.) or heavier at 60 degrees Fahrenheit.....per gallon	$\frac{1}{2}$ ct.	$\frac{1}{2}$ ct.	1 ct.	$\frac{1}{2}$ ct.	$\frac{1}{2}$ ct. (Tariff Item 267)	$\frac{1}{2}$ ct.
269a	Petroleum oil known as engine distillate .8017 specific gravity (45.0 A.P.I.) or heavier at 60 degrees Fahrenheit.....per gallon	$\frac{1}{2}$ ct.	$\frac{1}{2}$ ct.	1 ct.	2 cts. (.8017 to .8235 specific gravity) (Tariff Item 271)	2 $\frac{1}{2}$ cts. (.8017 to .8235 specific gravity) (Tariff Item 271)	2 $\frac{1}{2}$ cts. (.8017 to .8235 specific gravity) (Tariff Item 271)
					$\frac{1}{2}$ ct. (.8235 specific gravity or heavier) (Tariff Item 267)	$\frac{1}{2}$ ct. (.8235 specific gravity or heavier) (Tariff Item 267)	$\frac{1}{2}$ ct. (.8235 specific gravity or heavier) (Tariff Item 267)
270	Oil when imported by miners or mining companies or concerns to be used in the concentration of ores of metal in their own concentrating establishments, under regulations prescribed by the Minister.....	Free	Free	Free	Free	Free (Tariff Item 275)	Free

Tariff Item		British Preferential Tariff	Intermediate Tariff	General Tariff	Present Rates		
					B.P. Tariff	Intermediate Tariff	General Tariff
271	Lubricating oils composed wholly or in part of petroleum:— (a) valued at less than 25 cents per gallon.....per gallon (b) n.o.p.....	1½ cts. 12½ p.c.	2½ cts. 17½ p.c.	2½ cts. 20 p.c.	1½ cts. 12½ p.c.	2½ cts. 17½ p.c.	2½ cts. 20 p.c.
272	Refined petroleum jellies and oils, for toilet, medicinal, edible, or similar purposes.....	15 p.c.	22½ p.c.	25 p.c.	15 p.c.	22½ p.c. (Tariff Item 274)	25 p.c.
272a	Petroleum greases and lubricating greases, n.o.p....	12½ p.c.	17½ p.c.	20 p.c.	12½ p.c.	17½ p.c. (Tariff Item 273)	20 p.c.
272b	Paraffin wax.....	15 p.c.	22½ p.c.	25 p.c.	15 p.c.	22½ p.c. (Tariff Item 224)	25 p.c.
273	Asphalt or asphaltum, solid or not.....	Free	10 p.c.	10 p.c.	Free	17½ p.c. (Asphalt, not solid) Tariff Item 584a	17½ p.c.
					Free	10 p.c. (Asphalt, solid) Tariff Item 584b	10 p.c.
273a	Asphaltum oil for use only for paving purposes.....	Free	Free	Free	Free	Free (Tariff Item 718)	Free
274	Petroleum coke.....	Free	Free	Free	Free	Free (Tariff Item 587a)	Free
275	Liquefied petroleum gases for heating, cooking or illuminating purposes, when imported in containers.....	10 p.c.	15 p.c.	25 p.c.	15 p.c.	25 p.c.	25 p.c.
284	Drain pipes, sewer pipes and earthenware fittings therefor, chimney linings or vents, chimney tops and inverted blocks glazed or unglazed, n.o.p.; earthenware tiles, n.o.p.....	25 p.c.	32½ p.c.	35 p.c.	25 p.c.	32½ p.c.	35 p.c.
286	Earthenware and stoneware, viz.:—demijohns, churns or crocks, n.o.p.....	25 p.c.	30 p.c.	35 p.c.	25 p.c.	30 p.c.	35 p.c.

288	Earthenware and stoneware, brown or coloured and Rockingham ware, n.o.p.; "C.C." or cream-coloured ware, decorated, printed or sponged, n.o.p.; and all earthenware, n.o.p.....	25 p.c.	35 p.c.	35 p.c.	25 p.c.	35 p.c.	35 p.c.
288a	Chemical stoneware composed of a non-absorbent vitrified body specially compounded to resist acids or other corrosive reagents.....	Free	35 p.c.	35 p.c.	25 p.c.	35 p.c.	35 p.c.
288b	Hand forms of porcelain, when imported by manufacturers for use exclusively in the manufacture of rubber gloves in their own factories.....	Free	35 p.c.	35 p.c.	25 p.c.	35 p.c.	35 p.c.
311a	Blackboards, solid, of slate or of paper composition ..	Free	10 p.c.	25 p.c.	Free 22½ p.c.	22½ p.c. 32½ p.c.	25 p.c. 35 p.c.
312a	Asbestos in any form other than crude, and all manufactures thereof, when made from crude asbestos of Empire origin, n.o.p.....	Free	22½ p.c.	25 p.c.	Free	22½ p.c.	25 p.c.
323	Silvered glass, bevelled or not and framed or not, n.o.p.	22½ p.c.	30 p.c.	35 p.c.	22½ p.c.	30 p.c.	35 p.c.
326a	Manufactures of glass, n.o.p.....	15 p.c.	20 p.c.	22½ p.c.	15 p.c.	20 p.c.	22½ p.c.
326e	Articles of glass, not plate or sheet, designed to be cut or mounted; articles of glassware, when imported by manufacturers of silverware to be used in receptacles made of or electro-plated with precious metals, in their own factories	Free	10 p.c.	22½ p.c.	15 p.c.	20 p.c.	22½ p.c.
326f	Hollow shapes of glass, moulded, when imported by manufacturers of electric light fixtures to be used in such fixtures manufactured in their own factories	Free	15 p.c.	32½ p.c.	15 p.c.	30 p.c.	32½ p.c.
326g	High thermal shock resisting glassware.....	Free	25 p.c.	32½ p.c.	15 p.c. 15 p.c.	20 p.c. 30 p.c.	22½ p.c. 32½ p.c.
326h	Fresnel or dioptric lenses, sections and globes.....	Free	Free	30 p.c.	15 p.c. 20 p.c.	30 p.c. 30 p.c.	32½ p.c. 30 p.c.
346a	Zinc slugs or discs, when imported by manufacturers of electric storage batteries, for use exclusively in the manufacture of seamless cups or shells for such batteries, in their own factories.....	Free	10 p.c.	25 p.c.	15 p.c.	22½ p.c.	25 p.c.
362	Articles consisting wholly or in part of sterling or other silverware, n.o.p.; manufactures of gold or silver, n.o.p.....	30 p.c.	37½ p.c.	45 p.c.	30 p.c.	37½ p.c.	45 p.c.
362c	Nickel-plated ware, gilt or electro-plated ware, n.o.p.	17½ p.c.	33½ p.c.	45 p.c.	30 p.c.	37½ p.c.	45 p.c.

Tariff Item		British Preferential Tariff	Intermediate Tariff	General Tariff	Present Rates		
					B.P. Tariff	Intermediate Tariff	General Tariff
292b	Forgings of steel, rough machined and fitted or not, and handles of steel or of metal alloy in the rough, when imported by manufacturers of surgical and dental instruments for use in the manufacture of such instruments in their own factories.....	Free	27½ p.c.	30 p.c.	20 p.c.	27½ p.c.	30 p.c.
398a	Pipes and tubes of iron or steel, seamless, cold drawn, plain ends, polished, valued at not less than five cents per pound.....	Free	20 p.c.	30 p.c.	15 p.c.	27½ p.c.	30 p.c.
404	(b) For the running gear of other vehicles, n.o.p....	22½ p.c.	30 p.c.	3 p.c.	22½ p.c.	30 p.c.	35 p.c.
409b	Cultivators, harrows, seed-drills, horse-rakes, horse-hoes, scufflers, manure spreaders, garden seeders, weeders, and complete parts of all the foregoing...	Free	7½ p.c.	25 p.c.	Free	15 p.c.	25 p.c.
409c	Ploughs; farm, field, lawn or garden rollers; soil packers; complete parts of all the foregoing.....	Free	7½ p.c.	25 p.c.	Free	15 p.c.	25 p.c.
409d	Mowing machines, harvesters, either self-binding or without binders, binding attachments, reapers, harvesters in combination with threshing machine separators including the motive power incorporated therein, and complete parts of all the foregoing....	Free	7½ p.c.	25 p.c.	Free	15 p.c.	25 p.c.
409e	(i) Spraying and dusting machines and attachments therefor, including hand sprayers; apparatus specially designed for sterilizing bulbs; pressure testing apparatus for determining maturity of fruit; pruning hooks; pruning shears; animal dehorning instruments; and complete parts of all the foregoing.....	Free	7½ p.c.	25 p.c.	Free	15 p.c.	25 p.c.
	(ii) Fruit and vegetable grading, washing and wiping machines and combination bagging and weighing machines, and complete parts thereof; machines for topping vegetables, and machines for bunching and/or tying cut flowers, vegetables and nursery stock, and complete parts thereof; egg-graders and complete parts thereof, not including aluminum parts.....	Free	5 p.c.	10 p.c.	Free 10 p.c. 15 p.c.	10 p.c. 30 p.c. 27½ p.c.	10 p.c. 35 p.c. 35 p.c.
	(iii) Complete parts of aluminum for egg-graders....	Free	15 p.c.	30 p.c.	15 p.c.	30 p.c.	30 p.c.

409f	Hay loaders, hay tedders, potato planters, potato diggers, fodder or feed cutters, ensilage cutters, grain crushers and grain or hay grinders for farm purposes only, post hole diggers, snaths, stumping machines and all other agricultural implements or agricultural machinery, n.o.p., and complete parts of all the foregoing.....	Free	7½ p.c.	25 p.c.	Free	15 p.c.	25 p.c.
409g	Incubators for hatching eggs, brooders for rearing young fowl, and complete parts of all the foregoing.	Free	7½ p.c.	25 p.c.	Free	15 p.c.	25 p.c.
409h	Hay presses and complete parts thereof.....	Free	7½ p.c.	25 p.c.	Free	15 p.c.	25 p.c.
409i	Scythes, sickles or reaping hooks, hay or straw knives, edging knives, hoes, pronged forks, rakes, n.o.p....	Free	7½ p.c.	25 p.c.	Free	15 p.c.	25 p.c.
409j	Fanning mills; peaviners; corn husking machines; threshing machine separators, including wind stackers, baggers and self-feeders therefor; complete parts of all the foregoing.....	Free	7½ p.c.	25 p.c.	Free	15 p.c.	25 p.c.
409k	Windmills and complete parts thereof, not including shafting.....	Free	7½ p.c.	25 p.c.	Free	15 p.c.	25 p.c.
409l	Traction ditching machines (not being ploughs) and complete parts thereof.....	Free	Free	Free	Free 15 p.c.	Free 27½ p.c.	Free 35 p.c.
409m	Internal combustion traction engines; traction attachments designed to be combined with automobiles in Canada for use as traction engines; complete parts of all the foregoing.....	Free	Free	Free	Free Free 15 p.c.	Free 15 p.c. 27½ p.c.	Free 25 p.c. 35 p.c.
409n	Portable engines with boilers, in combination, for farm purposes; horse powers; complete parts of all the foregoing.....	Free	15 p.c.	25 p.c.	Free	15 p.c.	25 p.c.
410d	Well-drilling machinery and apparatus, and complete parts thereof, of a class or kind not made in Canada, and seamless iron or steel tubing over eight inches in diameter, for use exclusively in drilling for water, natural gas and oil, and in prospecting for minerals, but not to include motive power; well packers and complete parts thereof, for oil and gas wells.....	Free	Free	Free	Free	Free	Free
410i	(ii) Combustible gas indicators, for detecting explosive gases or vapors; methane detectors; carbon monoxide detectors and continuous indicators and recorders; carbon monoxide alarms; pyrotanic detectors for determining the presence and quantity of carbon monoxide in the						

Tariff Item		British Preferential Tariff	Intermediate Tariff	General Tariff	Present Rates		
					B.P. Tariff	Intermediate Tariff	General Tariff
	blood; inhalators for use in reviving victims of carbon monoxide poisoning; pocket gas respirators, dust respirators, paint and lacquer spray respirators, fume and smoke masks, and hose mask outfits complete with face piece, harness, air line and air pump or blower, designed for the protection of firemen and industrial workers; special safety goggles, designed for eye protection of miners, welders, foundrymen and other industrial workers employed in hazardous work; complete parts of all the foregoing.....	Free	Free	Free	15 p.c. 20 p.c. 15 p.c.	27½ p.c. 27½ p.c. 17½ p.c. (and other ratings)	35 p.c. 30 p.c. 20 p.c.
411b	Cylinder stave saws, wheel type stave jointers, crozing and champhering machinery, and complete parts thereof.....	10 p.c.	15 p.c.	20 p.c.	10 p.c.	15 p.c.	20 p.c.
412	Machinery, being presses for use in the printing of newspapers, of not less value by retail than fifteen hundred dollars each, of a class or kind not made in Canada, and complete parts thereof, not to include saws, knives and motive power; mechanical deliveries or conveyors for use with newspaper printing presses.....	Free	Free	Free	Free 15 p.c.	Free 27½ p.c.	Free 35 p.c.
412a	Machinery and apparatus, n.o.p., viz.:—Gun and mould apparatus for making press rollers; machines and apparatus for making electrotypes and stereotypes; engraving machines and apparatus, including photo-engraving apparatus, and other plate-making apparatus, used in the manufacture of printing plates of all kinds; machines and apparatus for graining metal plates; machines and apparatus for sensitizing, grinding or polishing metal plates; machines and apparatus including cameras and camera equipment, lens, prisms, camera and printing lamps, screens, and vacuum frames for transferring by photographic processes, or direct, to plates or rolls for use in lithography, rotogravure and printing; shading apparatus; machines and apparatus for addressing and/or wrapping newspapers, magazines, periodicals, pamphlets						

	and catalogues; machines and apparatus for embossing or stamping or producing embossed or engraved effects, book-binding, looping, stitching, sewing, gathering, inserting, bronzing, dusting, creasing, scoring, cutting, perforating, drilling, punching, slitting, re-winding, glueing, pasting, gumming, waxing, varnishing, carbon coating, patching, numbering, ruling, jogging, sheet piling, tying, bundling, tube-making, metal mounting, eye-letting, staying or stripping, reinforcing and box-covering; complete parts, not to include saws, knives and motive power; all the foregoing when for use exclusively by, and in their capacities as, printers, lithographers, book-binders, manufacturers of stereotypes, electrotypes and printing plates or rolls, paper converters, or by manufacturers of articles made from paper or cardboard.....	Free	Free	10 p.c.	Free 15 p.c.	5 pc. 27½ p.c.	10 p.c. 35 p.c.
422a	Concrete road-paving machines, self-propelling, end loading type, with a capacity of 21 cubic feet of wet concrete or more; concrete and asphalt road finishing machines; form graders; sub-graders; combination cable-controlled excavating and transporting scraper units; back-filling machines and equipment, mounted on self-propelling wheels or crawling traction, semi- or full-revolving boom and scraper type; steam or air driven pile hammers or extractors; well-points; truck turntables; all the foregoing of a class or kind not made in Canada, and complete parts thereof.....	Free	10 p.c.	12½ p.c.	Free 15 p.c.	10 p.c. 27½ p.c.	12½ p.c. 35 p.c.
424	Fire engines and other fire extinguishing machines and chassis for same; complete parts other than chassis parts.....	Free	30 p.c.	35 p.c.	10 p.c.	30 p.c.	35 p.c.
427	All machinery composed wholly or in part of iron or steel, n.o.p., and complete parts thereof.....	10 p.c.	27½ p.c.	35 p.c.	15 p.c.	27½ p.c.	35 p.c.
427a	All machinery composed wholly or in part of iron or steel, n.o.p., of a class or kind not made in Canada; complete parts of the foregoing.....	Free	27½ p.c.	35 p.c.	15 p.c.	27½ p.c.	35 p.c.
427e	Automatic machines for making and packaging cigarettes, not to include tobacco-preparing machines.....	Free	27½ p.c.	35 p.c.	15 p.c.	27½ p.c.	35 p.c.
427f	Machines for the manufacture of veneers and ply-woods, viz.:—veneer clippers, veneer clipper knife jointers, veneer glue spreaders, veneer jointers, veneer lathes and veneer taping machines.....	Free	10 p.c.	35 p.c.	15 p.c.	27½ p.c.	35 p.c.

Tariff Item		British Preferential Tariff	Intermediate Tariff	General Tariff	Present Rates		
					B.P. Tariff	Intermediate Tariff	General Tariff
427g	Power-driven centrifugal oil purifiers or extractors, bowl or tube type, not to include motive power, when for use in the extracting and refining of fish oils.....	Free	10 p.c.	35 p.c.	15 p.c.	27½ p.c.	35 p.c.
429	(a) Knife blades or blanks, and table forks, of iron or steel, in the rough, not handled, ground nor otherwise manufactured; and spoon blanks of iron or steel, in the flat, not further manufactured than stamped to shape.....	Free	7½ p.c.	10 p.c.	Free. 15 p.c.	7½ p.c. 27½ p.c.	10 p.c. 35 p.c.
	(g) Razor blades; razors and complete parts thereof.	Free	30 p.c.	30 p.c.	Free	30 p.c.	30 p.c.
430	Nuts and bolts with or without threads, washers, rivets, of iron or steel, coated or not, n.o.p.; nut and bolt blanks, of iron or steel..... .....per one hundred pounds and	50 cts. 10 p.c.	50 cts. 20 p.c.	75 cts. 25 p.c.	50 cts. 10 p.c.	50 cts. 20 p.c.	75 cts. 25 p.c.
430a	Hinges and butts, of iron or steel, coated or not, n.o.p.; hinge and butt blanks, of iron or steel..... .....per one hundred pounds and	75 cts. 10 p.c.	75 cts. 27½ p.c.	75 cts. 30 p.c.	75 cts. 10 p.c.	75 cts. 27½ p.c.	75 cts. 30 p.c.
431b	Adzes; anvils; augers; bevels, n.o.p.; bits; braces; cantdogs; chisels; cleavers; crowbars; hand drills; files; hammers; hatchets; mallets, mat-tocks and eyes or polls therefor; nail sets; picks and eyes or polls therefor; planes; pliers; plumb bobs, n.o.p.; punches, n.o.p.; rasps; measuring rules and tapes of all kinds; saws, saw blades and hand saw frames; screw drivers; sledges; spirit levels; spokeshaves; squares, n.o.p.; thread-cutting taps, dies and stocks; track tools; vises, n.o.p.; metal wedges; wrenches; socket wrench handles and adapters and sockets therefor.....	10 p.c.	35 p.c.	35 p.c.	10 p.c. 15 p.c. 30 p.c. 15 p.c.	35 p.c. 25 p.c. 37½ p.c. 27½ p.c.	35 p.c. 30 p.c. 45 p.c. 35 p.c.
431c	Machinists' or metal workers' precision tools and measuring instruments, viz.:—Calipers, micro-meters, metal protractors and squares, bevels, verniers, gauges, gauge blocks, parallels, buttons,						

	mercury plumb bobs, dividers, trammels, scribes, center punches, pocket speed indicators, straight edges, key seat clamps and other clamps and vises used by toolmakers for precision work, precision tools and measuring instruments, n.o.p.....	Free	10 p.c.	15 p.c.	10 p.c. 15 p.c. 30 p.c. 15 p.c.	35 p.c. 25 p.c. 37½ p.c. 27½ p.c.	35 p.c. 30 p.c. 45 p.c. 35 p.c.
431d	Engineers', surveyors' and draughtsmen's precision instruments and apparatus, viz.—alidades; altazimuth surveying instruments; aneroid barometers, engineering, military and surveying; angle prisms; boards, military sketching; box sextants; clinometers; compasses; cross staff heads; curves, adjustable, irregular, railroad and ship; curvimeters; drafting instruments of all kinds, including fitted cases containing the same; dipping needles; drafting machines; heliographs; integrators; levels, tripod and hand or pocket types; levelling rods; liners, section; meters, portable, for hydraulic engineering; pantographs; planimeters; protractors; parallel rulers; parallel ruling attachments; poles, ranging; pedometers and paceometers; plane tables, military and topographic; scales, flat and triangular; slide rules; splines; straight edges, steel and wooden; tacheometers; tallying machines, pocket; tee squares, steel and wooden; telemeters; theodolites; transits, tripod and hand or pocket types; triangles of all types; tripods for use with any of the foregoing instruments.....	Free	10 p.c.	15 p.c.	15 p.c. 15 p.c. 15 p.c. 17½ p.c.	25 p.c. 25 p.c. 27½ p.c. 20 p.c.	30 p.c. 27½ p.c. 35 p.c. 25 p.c.
435	Locomotives and motor cars for railways, of a class or kind not made in Canada, and complete parts thereof, for use exclusively in mining or metallurgical operations.....	Free	15 p.c.	20 p.c.	Free	15 p.c.	20 p.c.
438a	Automobiles and motor vehicles of all kinds, n.o.p.; chassis for the foregoing; chassis for electric trackless trolley buses	Free	17½ p.c.	27½ p.c.	Free Free Free Free	22½ p.c. 17½ p.c. 30 p.c. 30 p.c.	30 p.c. (438a) 20 p.c. (438b) 40 p.c. (438c) 40 p.c. (438f)
438b	Provided that machines or other articles mounted on the foregoing or attached thereto for purposes other than for loading or unloading the vehicle shall be valued separately and duty assessed under the tariff items regularly applicable thereto.						
	Bearings, clutch release; bearings, graphite; bearings, steel backed babbitt; bushings, graphited or oil impregnated; ceramic insulator spark plug cores, not further manufactured than burned and glazed,						

Tariff Item		British Preferential Tariff	Intermediate Tariff	General Tariff	Present Rates		
					B.P. Tariff	Intermediate Tariff	General Tariff
	not printed or decorated and without fittings; commutator copper segments; commutator insulating end rings; discs of hot rolled steel, spun or forged, with or without center hole, for disc wheels; distributor rotors, cam assemblies and vacuum control assemblies; door bumper shoes; electric wiring terminals, sockets, fittings and connectors; gaskets of metal and asbestos, composite; ignition contact points; keys for shafting; lenses for head, tail, dome, signal and cowl or parking lamps; lock washers; piston ring castings in the rough, with or without gates and fins removed; steel bolts capped with stainless steel; switches for lamps, and parts thereof; vulcanized fibre in sheets, rods, strips and tubing; all the foregoing being of a class or kind not made in Canada, when for use in the manufacture of the automobiles, motor vehicles or chassis enumerated in tariff items 438a and 424, or for use in the manufacture of parts thereof, or for the replacement or repair of automobiles, motor vehicles or chassis enumerated in tariff items 438a and 424....	Free	Free	30 p.c.	20 p.c. 20 p.c. 20 p.c. 15 p.c. 15 p.c. 5 p.c. 25 p.c. 25 p.c. Free 15 p.c. 15 p.c. 15 p.c. 15 p.c. 50 cts. and 10 p.c. 17½ p.c.	27½ p.c. 27½ p.c. 27½ p.c. 27½ p.c. 22½ p.c. 10 p.c. 33½ p.c. 33½ p.c. 10 p.c. 25 p.c. 25 p.c. 20 p.c. 25 p.c. 50 cts. 20 p.c. 22½ p.c.	30 p.c. (352) 30 p.c. (339) 30 p.c. (432d) 35 p.c. (446a) 25 p.c. (314) 15 p.c. (811) 37½ p.c. (445f) 37½ p.c. (445g) 10 p.c. (813) 27½ p.c. (428a) 30 p.c. (445k) 22½ p.c. (326a) 27½ p.c. (390a) 75 cts. 25 p.c. (430) 25 p.c. (509)
438c	Ammeters; arm rest and wheel housing lining of indurated fibre, pressed to shape; annual ball bearings and parts thereof; axle housings, one piece welded, machined or not; carburetors and parts thereof; chassis frames, without forgings, castings or stamped brackets attached; cigar and cigarette						

lighters, including base and parts thereof; control ventilator gear box; cylinder lock barrels, with or without sleeves and keys thereof; dash heat indicators; fuel pumps and parts thereof; gasoline gauges and parts thereof; hinges, finished or not, for bodies; horns, and parts thereof; instrument bezel assemblies and parts thereof; instrument board lamps; locks, electric ignition, steering gear, transmission, or combinations of such locks, and parts thereof; mouldings of metal, with nails set in position, lead filled or not; oil filters and parts thereof; oil gauges and parts thereof; pipe lines, bent to shape and equipped with fittings or not, and tubing therefor, for fuel, air or liquid, for actuating hydraulic brakes; purifiers for air and parts thereof; purifiers for oil and parts thereof; radiator grills, assembled or not, but not polished or plated, and not to include finish or decorative moulding; radiator ornaments, unplated; radiator shutter assemblies, automatic; radiator water gauges; radiator shells, not plated, nor metal finished in any degree; shackles, bearing spring and parts thereof; speedometers, and parts thereof; spring covers of metal and closing strips or shapes therefor; stampings; body, cowl, hood, fender and instrument board, of metal, in the rough, trimmed or not, but not metal finished in any degree, nor welded, riveted, or otherwise further manufactured; starter switch assembly and parts thereof; steering wheels, and rims therefor; sun visor blanks of gypsum weather-board; thermostats and parts thereof; throttle and spark buttons assemblies; vacuum tanks; wind-shield wipers and parts thereof; all the foregoing being of a class or kind not made in Canada, when imported by manufacturers of the automobiles, motor vehicles or chassis enumerated in tariff items 438a and 424, for use as original equipment in the manufacture of such automobiles, motor vehicles or chassis.

(1) Provided, that if the above articles are imported by a manufacturer of automobiles, motor vehicles or chassis enumerated in tariff items 438a and 424 whose total factory output during the year in which importation is sought does not exceed ten thousand complete automobiles, motor vehicles or chassis, and provided that not less than fifty per centum of the factory cost of production of such automobiles, motor vehicles or chassis, not to include duties and taxes, is incurred in the British Empire, the rates of duty under this item shall be

Free

20 p.c.

30 p.c.

Free

15 p.c.

30 p.c.

15 p.c.

75 cts.

and 10 p.c.

15 p.c.

25 p.c.

20 p.c.

15 p.c.

15 p.c.

Free

27½ p.c.

37½ p.c.

25 p.c.

75 cts.

27½ p.c.

22½ p.c.

35 p.c.

27½ p.c.

25 p.c.

27½ p.c.

Free (438h)

35 p.c. (446a)

45 p.c. (362)

30 p.c. (445k)

75 cts.

30 p.c. (430a)

25 p.c. (346)

40 p.c. (357)

30 p.c. (352)

30 p.c. (462)

35 p.c. (427)

Free

Free

25 p.c.

Tariff Item		British Preferential Tariff	Intermediate Tariff	General Tariff	Present Rates		
					B.P. Tariff	Intermediate Tariff	General Tariff
	<p>(2) Provided, that if the above articles are imported by a manufacturer of automobiles, motor vehicles or chassis enumerated in tariff items 438a and 424 whose total factory output during the year in which importation is sought exceeds ten thousand automobiles, motor vehicles, or chassis, and provided that not less than sixty per centum of the factory cost of production of such automobiles, motor vehicles or chassis, not to include duties and taxes, is incurred in the British Empire, the rates of duty under this item shall be.....</p> <p>Provided that from and after March 31st, 1933, the words "sixty-five" shall be substituted for the word "sixty" in the immediately preceding proviso;</p> <p>(3) Provided that the Governor in Council may make such regulations, if any, as are deemed necessary for carrying out the provisions of this item.</p>	Free	Free	25 p.c.	The present rates shown immediately above apply against all subsections of the proposed new item 438c.		
438d	Front and rear axles; brakes, clutches, internal combustion engines; steering gears; magnetos; rims for pneumatic tires larger than thirty inches by five inches; transmission assemblies; steel road wheels; and complete parts of the foregoing, all of a class or kind not made in Canada, when imported by manufacturers of automobiles, motor vehicles or chassis enumerated in tariff items 438a and 424 for use only in the manufacture of motor trucks or motor truck chassis.....	Free	17½ p.c.	27½ p.c.	Free	17½ p.c.	20 p.c. (733)
438e	Parts, n.o.p., for automobiles, motor vehicles or chassis enumerated in tariff items 438a and 424; not to include wireless receiving sets, electric storage batteries, parts of wood, tires and tubes or parts of which the component material of chief value is rubber:—						
	(1) Brake linings, and clutch facings whether or not including metallic wires or threads:—						
	(a) when made from crude asbestos of Empire origin.....	Free	25 p.c.	35 p.c.	Free	22½ p.c.	25 p.c. (312a)
	(b) when made from crude asbestos of non-Empire origin.....	15 p.c.	25 p.c.	35 p.c.	15 p.c.	22½ p.c.	25 p.c. (312)

Tariff Item		British Preferential Tariff	Intermediate Tariff	General Tariff	Present Rates		
					B.P. Tariff	Intermediate Tariff	General Tariff
446a	Manufactures, articles or wares of iron or steel or of which iron or steel or both are the component materials of chief value, n.o.p.....	10 p.c.	27½ p.c.	35 p.c.	15 p.c.	27½ p.c.	35 p.c.
447a	Sand cast rolls and chilled cast iron rolls imported by proprietors of rolling mills for use exclusively in rolling iron or steel, or by manufacturers of paper for use exclusively in manufacturing paper in their own factories.....	Free	Free	Free	Free 15 p.c.	Free 27½ p.c.	Free 35 p.c.
447b	Forged steel rolls, hardened and ground, imported by proprietors of rolling mills for use exclusively in rolling non-ferrous metals.....	Free	Free	Free	Free 15 p.c.	Free 27½ p.c.	Free 35 p.c.
462	Philosophical, photographic, mathematical and optical instruments, n.o.p.; speedometers, cyclometers and pedometers, n.o.p.; complete parts of all the foregoing.....	15 p.c.	25 p.c.	30 p.c.	15 p.c.	25 p.c.	30 p.c.
462a	Photographic cameras and equipment for use by professional photographers and commercial photographers in their own business, as follows:— Cameras for professional purposes, for making negatives 4½ inches by 6½ inches and larger, and the following accessories for use with such cameras: lenses, shutters, exposure meters, range finders, film and plate holders, lens hoods, lens boards, ground glass carriages, reducing backs, reversible adapter backs, lantern slide attachments, film sheaths, combination paper and plate holders, kits, carrying cases, camera stands, camera tripods, camera tripod tops, vignettors, diffusion disks, diffusion disk holders, colour filters, colour filter holders, polarizing screens, polarizing screen holders and backgrounds..... Printers, enlargers, heaters, dryers, mounting presses, print washers, automatic film processors, printing frames and tanks for developing, fixing and washing.....	Free	Free	Free	25 p.c. 15 p.c. 15 p.c. 15 p.c. 20 p.c.	35 p.c. 27½ p.c. 27½ p.c. 25 p.c. 40 p.c.	35 p.c. (288). 35 p.c. (427) 35 p.c. (440a) 30 p.c. (462.) 40 p.c. (622)

463	Magic lanterns and slides therefor, n.o.p.....	Free	20 p.c.	25 p.c.	Free	20 p.c.	25 p.c.
473	Plates for printing in two or more colours, including electrotypes, nickeltypes and all engravings on steel or other metal, for use exclusively in printing, n.o.p.	Free	15 p.c.	20 p.c.	Free	15 p.c.	20 p.c.
473a	Printing plates of all kinds for periodical publications enjoying second-class mailing privileges, and matrices, metal bases and copper shells therefor.....	Free	7½ p.c.	25 p.c.	10 p.c. Free	15 p.c. 15 p.c.	20 p.c. 20 p.c.
476a	Glassware and other scientific apparatus for laboratory work in public hospitals; chairs and tables for surgical operating purposes, and complete parts thereof; infant incubators and complete parts thereof; electro cardiographs and complete parts thereof, and sensitized film and paper for use therein; apparatus for sterilizing purposes, including bedpan washers and sterilizers but not including washing nor laundry machines; all for the use of any public hospital, under regulations prescribed by the Minister.....	Free	Free	Free	Free 15 p.c. 20 p.c. 20 p.c.	Free 25 p.c. 30 p.c. 30 p.c.	Free 30 p.c. 45 p.c. 30 p.c.
494b	Cork blocks, boards, planks, slabs, rods or tubes, produced from cork waste or from granulated or ground cork, when for use in Canadian manufactures	Free	Free	Free	Free Free	Free 17½ p.c.	Free 20 p.c.
505	Sawn boards, planks and deals planed or dressed on one or both sides, when the edges thereof are jointed or tongued and grooved, n.o.p.....	17½ p.c.	22½ p.c.	25 p.c.	17½ p.c.	22½ p.c.	25 p.c.
505a	Hardwood flooring, tongued and/or grooved, or jointed, viz.:—beech, birch, maple and oak.....	17½ p.c.	22½ p.c.	25 p.c.	17½ p.c.	22½ p.c.	25 p.c.
522	Rovings, yarns and warps wholly of cotton, not more advanced than singles, n.o.p..... and, per pound	12½ p.c.	15 p.c. 3½ cts.	22½ p.c. 4 cts.	12½ p.c. 2 cts.	15 p.c. 3½ cts.	22½ p.c. 4 cts.
522c	Rovings, yarns and warps wholly of cotton, including threads, cords and twines generally used for sewing, stitching, packaging and other purposes, n.o.p.; cotton yarns, wholly or partially covered with metallic strip, generally known as tinsel thread... and, per pound	15 p.c.	22½ p.c. 3½ cts.	25 p.c. 4 cts.	15 p.c. 2 cts.	22½ p.c. 3½ cts.	25 p.c. 4 cts.
523	Woven fabrics, wholly of cotton, not bleached, mercerized nor coloured, n.o.p., and seamless cotton bags..... and, per pound	15 p.c.	20 p.c. 3½ cts.	25 p.c. 4 cts.	17½ p.c. 2 cts.	20 p.c. 3½ cts.	25 p.c. 4 cts.

Tariff Item		British Preferential Tariff	Intermediate Tariff	General Tariff	Present Rates		
					B.P. Tariff	Intermediate Tariff	General Tariff
523a	Woven fabrics, wholly of cotton, bleached or mercerized, not coloured, n.o.p..... and, per pound	20 p.c.	22½ p.c. 3½ cts.	27½ p.c. 4 cts.	20 p.c. 2 cts.	22½ p.c. 3½ cts.	27½ p.c. 4 cts.
523b	Woven fabrics, wholly of cotton, printed, dyed or coloured, n.o.p..... and, per pound	22½ p.c.	27½ p.c. 3½ cts.	32½ p.c. 4 cts.	22½ p.c. 2 cts.	27½ p.c. 3½ cts.	32½ p.c. 4 cts.
529	Embroideries, lace, nets, nettings, bobinet, n.o.p., fringes and tassels, wholly of cotton..... and, per pound	20 p.c.	27½ p.c. 3½ cts.	30 p.c. 4 cts.	20 p.c. 2 cts.	27½ p.c. 3½ cts.	30 p.c. 4 cts.
529a	Lace and embroideries wholly of cotton, not coloured, imported by manufacturers for use exclusively in the manufacture of clothing in their own factories..	7½ p.c.	12½ p.c.	20 p.c.	12½ p.c.	17½ p.c.	20 p.c.
532	Clothing, wearing apparel and articles made from woven fabrics, and all textile manufactures, wholly or partially manufactured, composed wholly of cotton, n.o.p.; fabrics wholly of cotton, coated or impregnated, n.o.p..... and, per pound	25 p.c.	30 p.c. 1½ cts.	35 p.c. 4 cts.	25 p.c. 2 cts.	30 p.c. 3½ cts.	35 p.c. 4 cts.
558b	Rovings, yarns and warps wholly of artificial silk or similar synthetic fibres, produced by chemical processes, not more advanced than singles, not coloured, with not more than seven turns to the inch, under such regulations as the Minister may prescribe: (a) Produced from cellulose acetate..... Provided that, in no case, shall the duty under the Intermediate or the General Tariff be less than.....per pound. (b) N.o.p..... Provided that, in no case, shall the duty under the Intermediate or the General Tariff be less than.....per pound.	5 p.c. 20 p.c.	30 p.c. 30 p.c.	35 p.c. 35 p.c.	20 p.c. 20 p.c.	30 p.c. 30 p.c.	35 p.c. 35 p.c.
558d	Rovings, yarns and warps wholly or in part of artificial silk or similar synthetic fibres produced by chemical processes, n.o.p., including threads, cords or twist for sewing, embroidering or other purposes,		28 cts.	28 cts.	20 cts.	28 cts.	28 cts.

	not to contain silk; artificial silk yarns wholly or partially covered with metallic strip, one pound of which shall contain not less than 10,000 yards; under such regulations as the Minister may prescribe:—						
	(a) Produced wholly from cellulose acetate.....	7½ p.c.	30 p.c.	35 p.c.	25 p.c.	30 p.c.	35 p.c.
	Provided that, in no case, shall the duty under the Intermediate or the General Tariff be less than.....per pound.		28 cts.	28 cts.	28 cts.	28 cts.	28 cts.
	(b) N.o.p.....	25 p.c.	30 p.c.	35 p.c.	25 p.c.	30 p.c.	35 p.c.
	Provided that, in no case, shall the duty under the Intermediate or the General Tariff be less than.....per pound.		28 cts.	28 cts.	28 cts.	28 cts.	28 cts.
561	Woven fabrics wholly or in part of artificial silk or similar synthetic fibres produced by chemical processes, not to contain wool, not including fabrics in chief part by weight of silk, n.o.p.....	30 p.c.	40 p.c.	45 p.c.	27½ p.c.	40 p.c.	45 p.c.
	and, per pound		40 cts.	40 cts.	30 cts.	40 cts.	40 cts.
564a	Irish poplin, composed wholly of silk and wool, not exceeding twenty-five inches in width, imported in the web in lengths of not less than five yards each, under such regulations as the Minister may prescribe, by manufacturers of neckties, scarves or mufflers for use exclusively in the manufacture of such articles in their own factories.....	20 p.c.			27½ p.c.	35 p.c.	40 p.c.
					and 17 cts.	30 cts.	per pound 45 cts.
567a	Clothing, wearing apparel and articles, made from woven fabrics and all textile manufactures, wholly or partially manufactured, n.o.p., of which the component of chief value is artificial silk or similar synthetic fibres produced by chemical processes..	25 p.c.	35 p.c.	50 p.c.	30 p.c.	40 p.c.	50 p.c.
	and, per ounce.....		5 cts.	7 cts.		7 cts.	7 cts.
569c	Hat braids, of a class or kind not made in Canada, whether woven, knitted or plaited, not exceeding six inches in width, imported for use exclusively in the manufacture of hat bodies or shapes, but not for use in the ornamentation or trimming of such bodies or shapes, under regulations prescribed by the Minister.....	Free.	Free	Free	Free	Free	Free

Tariff Item		British Preferential Tariff	Intermediate Tariff	General Tariff	Present Rates		
					B.P. Tariff	Intermediate Tariff	General Tariff
569e	Miners' safety helmets for use exclusively in mining operations, firemen's helmets and sand-blast helmets, of a class or kind not made in Canada.....	Free	Free	Free	Free	Free	Free
					22½ p.c. and..... 75 cts. 15 p.c.	30 p.c. \$1.50 25 p.c.	35 p.c. per dozen, \$1.50 27½ p.c.
603	Fur skins wholly or partially dressed, n.o.p..... Provided, that the duty on hare or rabbit skins under the General Tariff shall not be less than.....per dozen	10 p.c.	15 p.c.	15 p.c.	10 p.c.	15 p.c.	15 p.c.
				72 cts.		72 cts.	72 cts.
607 Part 2	Leather, as hereunder described, but not to include suedes, Cabrettas, Spanish capes or African capes, when imported by manufacturers of gloves or leather clothing, for use exclusively in manufacturing gloves or leather clothing in their own factories, viz.— (i) Made from sheepskins..... (ii) N.o.p.....	5 p.c. 5 p.c.	7½ p.c. 15 p.c.	20 p.c. 20 p.c.	5 p.c. 5 p.c.	7½ p.c. 7½ p.c.	20 p.c. 20 p.c.
618a	Comb blanks of hard rubber, not further manufactured than pressed and vulcanized, when imported by manufacturers of hard rubber combs for use exclusively in the manufacture of such hard rubber combs in their own factories.....	Free	7½ p.c.	10 p.c.	Free	7½ p.c.	10 p.c.
657	Mouthpieces of hard rubber in the rough, aluminum pipe fittings, pipe bowls moulded from briarwood dust, and briarwood bowls not further processed than frazed, when imported by manufacturers of tobacco pipes for use exclusively in the manufacture of such pipes in their own factories.....	Free	15 p.c.	25 p.c.	15 p.c. 15 p.c. 15 p.c. 17½ p.c.	30 p.c. 25 p.c. 25 p.c. 20 p.c.	30 p.c. 27½ p.c. 25 p.c. 25 p.c.
657a	Cinematograph or moving picture films, positive, one and one-eighth of an inch in width and over, n.o.p.....per linear foot	1½ cts.	3 cts.	3 cts.	1½ cts.	3 cts.	3 cts.

663c	Soya beans, soya bean oil cake and soya bean oil meal, when imported by manufacturers of animal and poultry feeds or of fertilizers for use exclusively in the manufacture of animal or poultry feeds or fertilizers in their own factories.....	Free	Free	Free	Free 15 p.c.	Free 25 p.c.	Free 25 p.c.
663d	Soya bean oil meal and soya bean flour, inedible, when imported by manufacturers of glues or adhesives for use exclusively in the manufacture of such glues or adhesives, in their own factories...	Free	Free	Free	15 p.c.	25 p.c.	25 p.c.
663e	Sea-weeds or sea-plants, charred, whether powdered or not, for use exclusively in the feeding of animals..	Free	25 p.c.	25 p.c.	15 p.c.	25 p.c.	25 p.c.
695	Paintings in oil or water colours and pastels, valued at less than twenty dollars each, n.o.p.....	15 p.c.	22½ p.c.	25 p.c.	15 p.c.	22½ p.c.	25 p.c.
695b	Hand-made drawings, sketches or designs, but not including patterns, viz.:—drawings, sketches or designs of wearing apparel, including boots and shoes, wall or floor coverings and textile fabrics, when imported in single copies of each such drawing, sketch or design for use in the manufacture of wearing apparel, boots or shoes, textile fabrics, wall or floor coverings, or of patterns.....	Free	Free	Free	Free	Free	Free
696a	Educational moving picture films of all widths, silent or sound, positive or negative, and sound disks or records designed for use with such films, when certified by the Minister as entitled to exemption from Customs duty under the Convention for Facilitating the International Circulation of Films of an Educational Character; subject to such regulations as the Minister may prescribe.....	Free	Free	Free	20 p.c. Free 1½ cts.	30 p.c. 20 p.c. 3 cts.	35 p.c. 25 p.c. 3 cts.
698	All articles specially designed for the use of the blind, whether for educational, recreational, industrial, personal or other purposes, when for blind persons and imported by, or on the order or certificate of, the Canadian National Institute for the Blind, or other bona fide institution or association for the blind.....	Free	Free	Free	Free	Free (Dutiable at varying rates)	Free
703	(a) Travellers' baggage, under regulations prescribed by the Minister.....	Free	Free	Free	Free	Free	Free
	(b) Goods valued at not more than one hundred dollars included in the baggage accompanying residents of Canada returning from abroad after an absence from Canada of not less than forty-						

Tariff Item		British Preferential Tariff	Intermediate Tariff	General Tariff	Present Rates		
					B.P. Tariff	Intermediate Tariff	General Tariff
	eight hours and acquired by them for personal or household use or as souvenirs or gifts, but not bought on commission or as an accommodation for other persons or for sale, under regulations prescribed by the Minister..... Provided that a resident of Canada shall not be entitled to the exemption herein granted within a period of four months from the date of the last exemption allowed, nor shall the exemption be allowed on alcoholic beverages in excess of one quart, or on tobacco in excess of fifty cigars, two hundred cigarettes and two pounds of manufactured tobacco.	Free	Free	Free	(No previous classification; dutiable according to material, etc.)		
802	Materials and parts as hereunder specified, when imported by manufacturers of umbrellas, parasols, sunshades, walking sticks or canes, under such regulations as the Minister may prescribe, for use in the manufacture of such articles in their own factories:— (a) Mounts, sticks, rods, ribs, runners, rings, caps, notches, tips, ferrules and assembled frames..... (b) Umbrella-covering fabrics of a kind not made in Canada, whether or not specially treated but not further manufactured than with hemmed selvages, when imported in lengths of not less than ten yards each, with or without natural selvages.....	Free	10 p.c.	20 p.c.	Free Free Free	17½ p.c. 12½ p.c. 5 p.c.	20 p.c. 15 p.c. 7½ p.c.
		Free		20 p.c.	10 p.c. 27½ p.c. and..... 27½ p.c. and..... 30 cts.	20 p.c. 40 p.c. 10 cts. 40 p.c. 40 cts.	25 p.c. 45 p.c. per yard, 10 cts. 45 p.c. per pound, 40 cts.
805	Materials to be used as adhesives in cementing together glass sheets, when imported by manufacturers of safety or non-shatterable laminated glass, for use exclusively in the manufacture of such glass in their own factories.....	Free	Free	25 p.c.	15 p.c.	25 p.c.	25 p.c.

6. Resolved, that schedule B to the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, be amended by striking thereout tariff items 1030 and 1055, the enumerations of goods and the rates of draw-

back of customs duties set opposite to each of the said items, and by inserting the following items, enumerations and rates of drawback of customs duties in said schedule B:—

Item No.	Goods	When Subject to Drawback	Portion of Duty (not including Special Duty or Dumping Duty) Payable as Drawback
1011	Rhinestones, settings for rhinestones, metal spots and beads.	When imported by manufacturers of dress trimmings and used exclusively in their own factories in the manufacture of dresses and dress trimmings...	99 p.c.
1025	Hot rolled hexagon bars of Bessemer steel not being of greater value than 4 cents per pound.	When used in the manufacture of cold drawn bars.....	99 p.c.
1030	(a) Materials, n.o.p.....	When used exclusively in the manufacture of articles enumerated in Tariff Item 236.....	50 p.c.
	(b) Woven fabrics, wholly of cotton, not bleached, mercerized nor coloured, weighing not more than seven and one-half pounds per one hundred square yards.	When imported under the British Preferential Tariff and used exclusively in the manufacture of articles enumerated in Tariff item 236.....	99 p.c.
1052	Machinery, new or used, of a class or kind not made in Canada.	When imported by manufacturers of automobiles and motor vehicles or of automobile and motor vehicle parts to be used in the production of such automobiles and motor vehicles or automobile and motor vehicle parts.....	99 p.c.
1060	Paper of all kinds.....	When used by the publisher or printer in Canada in the production of periodical publications enjoying second-class mailing privileges.....	50 p.c.

7. Resolved, that schedule C to the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, be amended by adding thereto the following items:—

1218	Used or second-hand periodical publications: Provided, that this item does not affect in any manner periodical publications:— (a) Sent, gratis, to Canada for charitable purposes; (b) Sent to persons in Canada as casual donations by friends abroad; (c) Imported for personal or for institutional use, and not for resale; (d) Imported by or for paper mills for use as stock in the manufacture of paper.
1219	Used or second-hand mattresses or materials therefrom: Provided, that this item does not affect in any manner: (a) Mattresses imported under Tariff Items 704, 705, 706, 707, 708, or under tourists' or travellers' vehicle permits; (b) Materials from used or second-hand mattresses, when imported after having been cleaned and fumigated, under such regulations as the Minister may prescribe, accompanied by such certificates as he may designate.

8. Resolved, That any enactment founded upon the foregoing resolutions to amend the Customs Tariff or schedules thereto shall be deemed to have come into force on the 2nd day of May, one thousand nine hundred and thirty-six, 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 date.

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