

## THE BUDGET

ANNUAL FINANCIAL STATEMENT OF HON. J. A. ROBB, MINISTER OF FINANCE

Hon. J. A. ROBB (Minister of Finance) moved:

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

He said: In presenting to parliament my fourth annual budget to-day, may I recall that when in April, 1924, I had the honour of first delivering a budget, the post war depression so evident in 1920 and in 1921, was then moderating. Each succeeding year the annual budget has indicated gradual improvements in our trade and in our national finances.

The Dominion enters its diamond jubilee year with a happy outlook. Our farmers have, in general, enjoyed bountiful harvests; our industries are active and working well up to capacity, many indeed are working overtime; employment is at a high level and our transportation companies report a large volume of business; retail trade is brisk, money is plentiful and a buoyant spirit prevails. As individuals, Canadians have much to be thankful for, and as government financing is easier when times are good, the report I present to-day will, I am sure, be a source of gratification and satisfaction to the country at large.

The large increases of debt registered in each of the fiscal years from 1913-14 to 1922-23 inclusive, are in striking contrast with the gradual and substantial reductions, aggregating some \$64,000,000, made during the fiscal years 1923-24 to 1925-26. We are again in the happy position of being able to report a continued story of progress for the current fiscal year which closes on the 31st of the coming month.

We estimate that at the close of this year there will be a further reduction of some \$31,000,000, in our net debt. Thus, in four years whilst we have been reducing taxation we will also have reduced our net debt by some \$95,000,000.

## Public Accounts 1925-26

The public accounts for the financial year 1925-26 were tabled on the 10th December last. In presenting the budget speech on the 15th of April, last, the outcome for the fiscal year 1925-26 was necessarily based on estimates of our revenues and expenditures for the year. It was estimated that the reduction in our net debt would be \$22,353,000. The final results for the year show that this estimate was more than justified in that the actual reduction in our net debt was \$27,706,586.

## Fiscal Year 1926-27

## Revenue

Coming now to the fiscal year 1926-27, we estimate that our ordinary revenue for the current fiscal year will be \$393,100,000 which, with special receipts from reparations payments of \$1,700,000, will give a total revenue for the year of about \$394,800,000. This is an increase of some \$11,900,000 over the revenues for the year 1925-26.

Certain revenue services will show increases as follows: Customs duties \$14,100,000; excise duties \$4,500,000; excise taxes—that is, sales, stamps, etc.—\$5,900,000; interest on investments \$600,000, and from miscellaneous sources \$500,000, making a total increase from these sources of some \$25,600,000.

Other sources of revenue will show decreases as follows: Income tax \$8,600,000; delayed business profits tax \$500,000; post office receipts \$3,300,000; and from miscellaneous sources \$1,300,000; making total decreases from these sources of over \$13,700,000. The net increase in revenues will therefore be some \$11,900,000.

## Expenditures

The estimated expenditures for the year are: Ordinary expenditures \$324,500,000; special expenditures \$5,300,000; capital expenditures \$20,100,000; loans to Canadian National Railways \$10,000,000 and loans to the Quebec Harbour Commission \$700,000; a total of \$360,600,000; being an increase of \$5,400,000 over expenditures for the previous year.

Our estimated total expenditures of \$360,600,000 deducted from our estimated revenues of \$394,800,000 will leave a surplus of \$34,200,000 of revenues over expenditures. To arrive, however, at the probable reduction of over \$31,000,000 in our net debt it will be necessary to deduct from this surplus \$2,900,000 representing a reduction in the value of soldier settlement loans which at the close of our previous year appeared in the balance sheet as a live asset.

Chapter 53 of the statutes of 1925 amended the Soldier Settlement Act of 1919 and provided for the revaluation of live stock purchased for settlers by the Soldier Settlement Board. The act provided that a reduction of 40 per cent on the purchase price be allowed to soldier settlers for whom live stock was purchased prior to October 1, 1920 and a reduction of 20 per cent to soldier settlers for whom purchases were made between October 1, 1920 and October 1, 1921. Calculations have now been made which will reduce our assets, subject to minor amendments, by some \$2,900,000.

With the permission of the House I shall place on Hansard a comparative summary setting out the actual revenues and expenditures by services for 1925-26 and the corresponding estimated revenues and expenditures for the present fiscal year.

There are other statements which, with the approval of the House, I shall also place on Hansard:—

First.—Statement of our estimated ordinary revenues, by services, amounting to \$393,150,000, together with the percentages of such services to the total of the ordinary revenues as estimated.

Second.—Statement of the estimated expenditures by services for the present fiscal year showing the various amounts and their percentages to the total expenditures.

## REVENUES AND EXPENDITURES

Ordinary Revenue	Actual, 1925-26		Estimated, 1926-27		Increase		Decrease	
	\$	cts.	\$	cts.	\$	cts.	\$	cts.
Taxation revenue—								
Customs duties.....	127,355,143	50	141,500,000	00	14,144,856	50		
Excise duties.....	42,923,549	03	47,500,000	00	4,576,450	97		
War tax revenue—								
Excise taxes (sales, stamps, etc.)....	98,097,105	81	104,000,000	00	5,902,894	19		
Income tax.....	55,571,961	57	46,900,000	00			8,671,961	57
Business profits tax.....	1,173,448	55	650,000	00			523,448	55
Miscellaneous taxes.....	2,453,803	60	2,450,000	00			3,803	60
Total taxes.....	327,575,012	06	343,000,000	00	24,624,201	66	9,199,213	72
Interest on investments.....	8,535,085	77	9,200,000	00	664,914	23		
Post office.....	30,334,575	02	27,000,000	00			3,334,575	02
Dominion lands.....	2,803,513	22	3,300,000	00	496,486	78		
Canada Grain Act.....	2,685,592	39	2,700,000	00	14,407	61		
Miscellaneous.....	8,811,727	12	7,950,000	00			861,727	12
Total ordinary revenue.....	380,745,505	58	393,150,000	00	25,800,010	28	13,395,515	86
Special receipts and credits on consolidated fund.....	2,147,503	48	1,720,000	00			427,503	48
Total.....	382,893,009	06	394,870,000	00	25,800,020	28	13,823,019	34
					13,823,019	34		
					11,976,990	94		

Ordinary Expenditure	Actual, 1925-26		Estimated, 1926-27		Increase		Decrease	
	\$	cts.	\$	cts.	\$	cts.	\$	cts.
Interest on public debt.....	130,691,493	21	129,500,000	00			1,191,493	21
Pensions.....	37,203,699	65	37,790,000	00	586,300	35		
Subsidies to provinces.....	12,375,128	50	12,516,740	00	141,611	50		
Soldier land settlement.....	1,237,420	87	1,300,000	00	62,579	13		
Soldiers' civil re-establishment.....	7,705,584	26	7,200,000	00			505,584	26
Customs and excise.....	9,717,919	54	10,450,000	00	732,080	46		
Post office.....	30,499,685	74	30,820,000	00	320,314	26		
National defence.....	12,649,203	29	12,700,000	00	50,796	71		
Agriculture.....	5,771,475	71	5,900,000	00	128,524	29		
Public works, chargeable to income.....	13,416,044	76	13,400,000	00			16,044	76
Dominion lands and parks.....	3,638,536	86	4,328,000	00	689,463	14		
Trade and commerce.....	4,569,706	97	4,800,000	00	230,293	03		
Civil government.....	10,779,338	25	11,000,000	00	220,661	75		
All other expenditure.....	40,405,241	53	42,773,000	00	2,367,758	47		
<b>Total ordinary expenditure.....</b>	<b>320,660,479</b>	<b>14</b>	<b>324,477,740</b>	<b>00</b>	<b>5,530,383</b>	<b>09</b>	<b>1,713,122</b>	<b>23</b>
Special expenditure—								
Adjustment of war claims.....	191,392	79	155,000	00			36,392	79
Discount and expenses of loan flotations.....	3,523,925	13	3,290,000	00			233,925	13
Miscellaneous charges to consolidated fund.....	2,806,166	96	1,840,000	00			966,166	96
Capital expenditure—								
Public works.....	4,805,949	43	3,298,000	00			1,507,949	43
Railways and canals.....	11,992,599	49	16,840,000	00	4,847,400	51		
Loans and advances non-active—								
Loans to Canadian National Railways.....	10,000,000	00	10,000,000	00				
Loans to Canadian Government Merchant Marine.....	668,000	00					668,000	00
Loans to Quebec Harbour Commission.....	511,000	00	700,000	00	189,000	00		
Miscellaneous non-active accounts.....	26,909	95					26,909	95
<b>Grand total expenditure.....</b>	<b>355,186,422</b>	<b>89</b>	<b>360,600,740</b>	<b>00</b>	<b>10,566,783</b>	<b>60</b>	<b>5,152,466</b>	<b>49</b>
					5,414,317	11		
Surplus of revenues over expenditures..	27,706,586	17	34,269,260	00				
Less reductions in assets due to revaluation of soldier land settlement loans for purchase of live stock authorized as by Chap. 53, Acts of 1925. Amount written off to consolidated fund.....			2,903,000	00				
<b>Net decrease of debt.....</b>	<b>27,706,586</b>	<b>17</b>	<b>31,366,260</b>	<b>00</b>				

ESTIMATED ORDINARY REVENUE  
FOR FISCAL YEAR 1926-27

	Estimated Revenue	Percentage of total Ordinary Revenue
Special war tax revenue—	\$	cts.
Excise taxes (sales, stamps, etc.).....	104,000,000	26-45
Income tax.....	46,900,000	11-93
Delayed business profits tax.....	650,000	-17
Miscellaneous war taxes.....	2,450,000	-62
<b>Total special war tax revenues.....</b>	<b>154,000,000</b>	<b>39-17</b>
Customs import duties.....	141,500,000	35-99
Excise duties.....	47,500,000	12-08
<b>Total revenue from taxation.....</b>	<b>343,000,000</b>	<b>87-24</b>
Interest on investments.....	9,200,000	2-34
Post office revenue.....	27,000,000	6-87
Miscellaneous receipts.....	13,950,000	3-55
<b>Total ordinary revenue.....</b>	<b>393,150,000</b>	<b>100</b>

## ESTIMATED EXPENDITURE FOR 1926-27

	Amount	Percentage of total Expenditure
	\$ cts.	
<b>PRINCIPAL EXPENDITURE ATTRIBUTABLE TO THE WAR</b>		
Interest on public debt (increase over 1914).....	116,607,000 00	32-34
War pensions.....	36,650,000 00	10-18
Soldiers' civil re-establishment.....	7,200,000 00	2-00
Soldier land settlement (administration).....	1,300,000 00	36
Imperial War Graves Commission.....	810,000 00	22
Battlefields memorials.....	200,000 00	06
Adjustment of war claims.....	155,000 00	04
	162,922,000 00	45-18
<b>OTHER FIXED AND PUBLIC DEBT CHARGES</b>		
Interest on public debt (as of 1914).....	12,893,000 00	3-58
Other pensions.....	1,140,000 00	32
Superannuation.....	1,500,000 00	41
Subsidies to provinces.....	12,516,740 00	3-47
Discount and expenses of loans.....	3,290,000 00	91
Premium, discount and exchange.....	25,000 00	01
	31,364,740 00	8-70
<b>GENERAL EXPENDITURE</b>		
Charges of management.....	1,000,000 00	28
Civil government.....	11,000,000 00	3-05
Administration of justice.....	2,187,000 00	60
Legislation.....	2,466,000 00	68
Elections.....	1,950,000 00	54
Penitentiaries.....	1,765,000 00	49
Agriculture.....	5,900,000 00	1-64
Immigration and colonization.....	2,523,000 00	70
Health.....	680,000 00	19
National Defence.....	12,700,000 00	3-52
Royal Canadian Mounted Police.....	2,200,000 00	61
Public Works—chargeable to income.....	13,400,000 00	3-72
Railways and canals—chargeable to income.....	1,540,000 00	43
Canada highways.....	1,100,000 00	30
Mail subsidies.....	1,120,000 00	31
Ocean and river.....	2,600,000 00	72
Lighthouse and coast.....	2,550,000 00	71
Steamboat inspection.....	133,000 00	04
Fisheries.....	1,470,000 00	41
Mines and geological surveys.....	630,000 00	17
Scientific institutions.....	960,000 00	27
Indians.....	3,843,000 00	1-06
Government of the Northwest Territories.....	374,000 00	10
Remission of excise taxes on automobiles.....	1,690,000 00	47
Miscellaneous.....	2,300,000 00	64
Government of the Yukon Territory.....	187,000 00	05
Customs and excise (outside service).....	10,450,000 00	2-90
Post office (outside service).....	30,820,000 00	8-55
Public works—collection of revenue.....	1,000,000 00	28
Railways and canals—collection of revenue.....	2,400,000 00	66
Dominion lands and parks.....	4,328,000 00	1-20
Trade and commerce.....	4,800,000 00	1-33
Labour.....	1,400,000 00	39
Public printing and stationery.....	170,000 00	05
Miscellaneous consolidated fund charges.....	1,361,100 00	38
Capital expenditure—		
Public works—including marine department.....	3,298,000 00	91
Railways and canals.....	2,840,000 00	79
Welland ship canal.....	14,000,000 00	3-88
	155,135,100 00	43-02
Total estimated expenditure on government services.....	349,421,840 00	96-90
<b>OTHER EXPENDITURES</b>		
Loans to Canadian National Railway.....	10,000,000 00	2-77
Loans to Quebec Harbour Commissioners.....	700,000 00	20
Home Bank Creditors' Relief Act.....	478,900 00	13
Grand Total.....	360,600,740 00	100-00

## Redemption of Debt

On the 1st of October and the 15th November, 1926, the two-year 4 per cent notes amounting to \$35,000,000 and \$8,000,000 respectively, or a total of \$43,000,000, matured and were redeemed. The withdrawal of this \$43,000,000 of interest bearing bonds in the hands of the public will result in the saving to Canada of an annual interest charge of \$1,720,000.

Hon. members who were in the last parliament will recall that on the 7th of June last when the bill giving borrowing powers to meet loans maturing in 1926-27 was before the House, in reply to a question asked in this connection, I stated that we hoped out of current cash resources to take care of the loans maturing during 1926, amounting to \$43,000,000. I made this statement knowing that at the close of the fiscal year 1925-26 we had on hand assets in cash of \$27,068,121.38, which with accruing surpluses would enable us to retire these maturities.

## Maturities 1927

On the 15th November, 1927, the three-year 4 per cent notes amounting to \$8,000,000 will mature. We hope to be able to redeem this loan in cash, thereby making a further saving in annual interest of \$320,000.

On the 1st November, 1927, the 5½ per cent renewal loan of 1922, amounting to \$29,068,400, will also mature. If our finances permit we will redeem at least a portion of this loan in cash, the balance, if any, will be redeemed by the flotation of a new loan at a reduced rate of interest.

On the 1st December, 1927, a portion of the 1917 Victory loan, 5½ per cent tax-free, amounting to \$63,437,250, will mature. This loan will be redeemed by the flotation of a new loan at a reduced rate of interest. Such refinancing will result in a further annual saving in our interest charges of approximately \$1,000,000.

## Expenditures by means of Governor General's Warrants

May I now say a few words on the method employed to carry on financial obligations by way of expenditures during the present year. There seems to be a general belief that owing to the method of obtaining supply by governor general's warrants, considerable saving in our usual expenditures was effected. Examination of the expenditures during this period does not show such a result.

On the 28th June last the then Prime Minister resigned. The following day the leader

of the opposition took office. On the 2nd July the members on arriving for the purpose of attending the sitting of the House found that dissolution had taken place. The Right Hon. Mr. Meighen was faced with the problem of insufficient supply until a duly elected House could assemble. Before dissolution one-quarter of the main estimates, or supply sufficient for the months of April, May and June, had been authorized by interim supply. The new government had recourse to the issue of governor general's warrants. Warrants were obtained during the months of July, August and September, amounting to \$48,708,473.11. Examination of the records shows that for the most part these warrants were issued for services contained in the main estimates, one-quarter of which had been voted by parliament by way of interim supply.

In addition these warrants covered a number of services set out in the supplementary estimates which were tabled but no portion of which had been voted. As stated, the total amount of governor general's warrants issued under the brief administration of the Right Hon. Mr. Meighen was \$48,708,473.11.

Expenditures for the corresponding period of the previous year were \$49,000,000, practically the same amount as covered by the warrants issued by the Meighen administration. It will thus be seen that practically no savings in expenditures under governor general's warrants were made in that period.

The present Prime Minister resumed office on September 25, 1926. The duly elected members of the new House were summoned for the 9th of December. In the meantime, pending the meeting of the House, it was necessary for the present administration to supplement the previous governor general's warrants by amounts necessary to meet requirements for the months of October and November for the salaries of public officials and for the financing of contracts, works, and so forth, which it found the country obligated to carry on. To meet such expenditures warrants were issued in October for \$15,612,796.74, and in November for \$16,350,712.97, or a total of \$31,963,509.71. Expenditures for the corresponding months of the previous year were \$30,497,921.52. Thus, the total amount of governor general's warrants issued during the year amounted to \$80,671,982.82, while the total expenditures for similar services—as covered by the governor general's warrants—for the corresponding period of the year before was \$79,500,000, or a million less than the total warrants.

### Probable Revenues and Expenditures for the coming Fiscal Year

The revenues which we will receive during the financial year 1927-28 may be lessened as compared with the estimated revenues for the present fiscal year by the amount of \$27,000,000, representing the remission to the public of taxes which we intend in this budget to submit for the approval of parliament. But there is every prospect of increasing business activities. I, therefore, anticipate that our revenues, notwithstanding our further reductions in taxation, will be equal to the revenue we will receive during the present year, and I hope that we may have a slight increase.

On the expenditure side we have obligations slightly in excess of those for the present fiscal year. Having due regard to the maintenance of efficiency in the public services we will endeavour to keep our actual expenditures to the lowest possible amount. I believe that we should bend all our energies towards reducing burdensome taxation as rapidly as our revenues will permit; but we should also continue the practice of the present and preceding year of retiring in part, or in whole, at maturing dates, outstanding bonded indebtedness in the hands of the public. In other words, the refinancing of any maturing loans should be for a reduced amount.

### Trade

I am sure the House and the country will be interested in a statement of our trade. The fiscal year does not end until the 31st March, so the trade statement is limited to the nine months period ending December 31. In that period our imports increased over those of the same nine months in 1925 by \$81,000,000, while our exports decreased \$44,000,000. Our international trade for the nine months totalled \$1,762,000,000, of which our imports represented \$766,763,000, and our exports \$995,286,000, leaving a favourable balance of trade for the nine months of \$228,523,000. Preliminary calculations for the month of January increase this favourable balance and it is anticipated that at the close of the fiscal year the favourable trade balance may approximate \$250,000,000.

But when we are comparing trade statistics, quotations in dollars are not always conclusive tests. Exports of farm products form an important portion of our exports, the production and marketing of these products are affected in various ways: sometimes crops fail, the prices of commodities fluctuate, conditions in other lands entirely beyond our control expand or restrict the purchasing capacity of our customers. For example, in the period under review we exported oats to the value of \$8,000,000, which, owing to a small crop in Canada, ocean transportation difficulties and the British strike troubles, was \$14,000,000 less than in the same period of the previous year. Canadian climatic conditions in the month of December interfered with the export of wheat, there being a decrease in that month alone of \$26,000,000 of wheat exports. A third item showing a pronounced decrease in the export columns is gold bullion and quartz. In the nine months period of 1925 we exported \$23,600,000 of this precious metal; in 1926 we exported but \$5,000,000 worth. This was not in consequence of any curtailment in the production, but simply because the gold was refined and held in Canada.

The products of Canadian factories continue to go farther afield and in increasing quantities. The export of rubber goods, chiefly tires for vehicles, increased from \$13,800,000 to \$19,000,000. We exported 7,596,000 barrels of flour as compared with 7,224,000 barrels in the period of the year before. Another increase is in newsprint, our exports for nine months increasing to \$85,700,000, thus exceeding the nine months of 1925 by over \$12,000,000.

A detailed classification of the imports is published in the monthly reports of the Department of Trade and Commerce, but, broadly speaking, it may be said that commodities imported for further manufacture show the most pronounced increases. The following table gives the quantities imported of certain goods, classified for statistical purposes as goods imported for further manufacture:

IMPORTS FOR CANADIAN INDUSTRIES

(9 MONTHS ENDED DECEMBER 31)

	1921	1925	1926
Crude petroleum..... Gal.	328,636,451	434,101,839	531,069,795
Raw cotton..... Lb.	63,083,139	83,070,113	89,199,961
Raw hides..... "	22,100,681	37,097,685	42,092,035
Auto engines..... No.	7,710	53,315	59,037
Raw tobacco..... Lb.	15,364,513	11,592,721	12,749,190
Lumber..... M. ft.	95,262	103,472	134,434
Raw wool..... Lb.	7,784,980	9,121,504	11,049,723
Nails and tops..... "	4,779,893	4,304,670	5,728,795
Raw sugar..... "	583,799,882	941,480,573	902,030,400
Manila and sisal grass..... "	12,148,500	27,187,800	30,941,700
Copper bars and rods..... "	7,856,900	20,924,300	13,201,900
Raw silk..... "	255,072	368,427	459,974
Hemp..... "	5,780,200	19,494,500	10,004,860
Alumina..... Gal.	13,774,300	90,439,700	103,270,700
Oil for soap industry..... Gal.	821,094	1,711,331	2,501,074
Sulphur..... Lb.	136,181,466	266,821,707	346,389,800
Cotton seed oil, crude..... "	28,922,150	18,184,195	13,795,422
Iron ore..... Tons	643,043	1,031,752	1,443,874
Raw cocoa..... Lb.	11,691,000	11,050,000	9,765,900
Rubber, hard, recovered, etc..... "	1,972,522	10,354,382	11,838,886
Raw rubber..... "	13,205,683	33,216,396	31,596,542
Peanut oil, crude..... "		13,340,319	37,446,039
Rolling mill products..... Cwt.	4,289,497	10,532,622	13,780,928
Manganese, oxide of..... Lb.	543,886	114,253,720	41,444,800
Grease for soap and leather..... "	12,808,347	9,390,184	14,510,268
Tin in blocks, ingots, etc..... "	1,904,000	3,218,400	3,885,400
Pigs and ingots of iron..... "	47,641,400	82,160,000	81,012,900
Auto parts, n.o.p..... \$	6,610,442	15,922,965	20,277,498
Raw furs..... \$	3,038,935	4,787,180	5,942,424
Axles for vehicles..... \$	1,133,157	2,579,949	1,866,048
Silk cloth to be dyed..... \$		1,451,588	2,450,719
Celluloid in lumps, sheets, etc..... \$	389,233	1,052,520	1,244,888
Gums and resins..... \$	1,459,757	2,094,155	2,476,503
Silver in bars, etc..... \$	499,169	784,289	714,458
Leather unmanufactured..... \$	3,269,973	2,876,705	3,909,334

The nine months' imports thus classified had a value of \$128,000,000 in 1921 and \$224,000,000 in 1926. A prosperous and busy Canada permits its citizens to be more generous in their purchases, thus taking more of the products of our factories, and Canadian factories working full time require larger supplies of raw and semi-manufactured materials, part of which is necessarily imported from other lands.

The policy of the government has been to promote friendly trade relations with other countries, and particularly to strengthen our trade ties within the empire. Canada introduced the policy of preferential tariffs within the British Empire and the extent of our empire trade fully justifies the expectations of those who originated the British preference. Bearing in mind the industrial difficulties of the mother country during the past year, our trade with the empire during the period under review was satisfactory.

The following summary divides the trade into three classes: trade with the United Kingdom, trade with other parts of the empire, and trade with foreign countries:

Trade with the United Kingdom  
(Nine months ending December 31.)

Year	Imports	Exports
1924.. . . .	\$111,952,954	\$332,422,536
1925.. . . .	122,987,713	428,468,249
1926.. . . .	123,965,458	379,658,793

Trade with other parts of the Empire  
(Nine months ending December 31.)

Year	Imports	Exports
1924.. . . .	\$ 33,346,904	\$ 60,205,310
1925.. . . .	31,359,564	65,394,284
1926.. . . .	36,603,035	70,838,840

Trade with Foreign Countries  
(Nine months ending December 31.)

Year	Imports	Exports
1924.. . . .	447,189,194	\$445,681,959
1925.. . . .	531,402,586	546,184,424
1926.. . . .	606,194,549	544,788,509

Of special interest to every citizen is the amount of taxation that he is called upon to pay. The flourishing condition of our finances again enables us to substantially reduce taxation. This we promised the electors we would do, and to-day we implement that promise.

It is proposed to make a reduction of 10 per cent in all rates of the income tax.

It is proposed that a general cut of 20 per cent be made in the sales tax.

The excise tax on matches will be cut 25 per cent.

It is proposed that a flat rate of two cents, irrespective of the value involved, be set on all cheques, bills of exchange, promissory notes and similar documents exceeding ten dollars in value, thus substantially reducing the tax and at the same time removing the complications of a graduated scale. The stamp tax on overdrafts and advances will be abolished. The exemption from stamp tax on cheques, bills, etc., is increased from five dollars to ten dollars. These reductions amount to practically seventy per cent of the stamp taxation and so practically abolish what the man in the street terms the "nuisance taxes."

Representations have been made seeking total or partial exemption from taxation of money gifts to hospitals and higher educational institutions, but difficulties of administration thus involved might prove insurmountable. It is felt that the same worthy end is attained by the general reduction now being made in the amount of income tax payable.

The proposed reductions in the income tax will be applicable to assessments falling due shortly.

The reductions in the sales tax become effective to-morrow.

The proposed reductions in the tax on matches and in the stamp taxes will become effective on the diamond jubilee of confederation.

In April last an advisory board on tariff and taxation was created. Since then the board has been instructed to investigate and report on 52 applications for tariff changes. Of these applications, one was sent by my immediate predecessor in office, the balance by myself. The board has proven to be a popular tribunal, but has only been operating a few months. The holding of numerous public hearings and the making of intensive investigations have taken much time, and, as certain of the applications are inter-locking, inquiries are not yet completed. Everything considered, it has appeared to my colleagues and myself the part of wisdom to propose no changes in the customs tariff at the present session of parliament.

To-day, as already mentioned, it has been my privilege to present my fourth annual statement of the Dominion of Canada. Each year the expenditures have been less than our revenues, enabling us to make reductions in

[Mr. Robb.]

most of the taxation rates. Readjustments and reduction of customs duty resulted, as predicted, in greater and more profitable production to manufacturers, and users of implements so essential to all engaged in the basic industries of our country. From a long and varied list of articles the sales tax has been materially reduced. Each year we have been able to lighten the burden and relieve Canadians from some of the war or "nuisance" taxes. From year to year income tax exemptions were made; last year increased exemptions and substantial reductions in rates were announced. Penny postage was restored and the receipt tax abolished. The estimated combined decreases in revenues totalled many millions of dollars, yet the financial condition of the treasury was never better than it is to-day—proof conclusive of the solid prosperity of Canada and of the Canadian people, and may I be permitted to add, of economical and prudent administration of their affairs.

The reductions in our sources of revenue this year are equally substantial and will lighten taxation. It is estimated, to the extent of \$27,000,000. In arriving at the nature of these reductions, this year, as in those which lie behind, the aim has been to lighten the burden of every taxpayer, rather than to afford relief to special groups, provinces or sections of the country. Thus, moneys which otherwise would come into the public coffers are released for the use of the individual; the development of the country is encouraged; the cost of production in our industries is reduced and avenues for an increase of business are created. As an example, may the transportation facilities of the Dominion be cited. In a country so vast as Canada the charges for the carrying of goods are of primary importance both in the development of our natural resources and in the cost of living; consequently, appeals are frequently made for reductions in the freight rates. Yet we must not forget that the credit of Canada, as well as the successful operation of the railways, whether private or public-owned, depends upon the companies being able to show a margin of profit over expenditures. A reduction of taxation means a saving in the operating expenses to them; a relief of taxation encourages the producer to increase his yield of supplies to be carried, and enables the consumer to increase his purchasing power; thus, side by side, we have a saving in operating charges and at the same time a larger volume of business, bringing closer the natural solution of our transportation problem.

Four years ago when I presented my first budget, Canada was still suffering from the effects of the post-war depression. To-day all traces of that depression have disappeared; a spirit of optimism is general and our domestic and international trade is flourishing. Let us continue to build solidly; let us shun extravagance and waste; let us have faith in our future. We can have no higher resolve in this the diamond jubilee year of our confederation than as Canadians to remain forever united, and work for the lasting prosperity and progress of this our glorious land—Canada.

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

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

1. (i) That the stamp tax on cheques, bills and notes, receipts for money paid by a bank, bills of exchange drawn upon persons outside of Canada according to the tenor of the bills, money orders and travellers' cheques, and post office money orders, shall on and after the first day of July, 1927, be

two cents in respect of each such instrument for an amount in excess of ten dollars.

(ii) That on and after the first day of July, 1927, the stamp tax on matches shall be as follows:—

On each package of matches manufactured or sold: three-fourths of one cent for each one hundred matches or fraction of one hundred matches;

On each package containing not more than sixty and not less than thirty matches: three-eighths of one per cent package;

On each package containing less than thirty matches: three sixteenths of one cent per package.

(iii) That from and after the sixth day of July, 1927, the following stamp taxes be abolished, namely,

On advances made by a bank as imposed by paragraphs (c), (d) and (e) of subsection three of section twelve of the said Act;

On overdrafts, as imposed by paragraphs (f) and (g) of said subsection three;

On advances by any person not being a bank, as imposed by subsection 19 of said section twelve.

2. That the rate of consumption or sales tax be reduced to four per cent and that any enactment which may be founded on this resolution number two shall be deemed to have come into force on the eighteenth day of February, 1927, and to have applied to goods imported or taken out of warehouse on and after that date, and to have applied to goods previously imported for which no entry for consumption was made before that date.

3. That said section nineteen BBB be further amended by providing that, for the purposes of the said section, printers, publishers, lithographers and engravers shall be regarded as producers or manufacturers, and that any enact-

ment which may be founded on this resolution number three shall be deemed to have come into force on the eighteenth day of February, 1927.

Resolved, That it is expedient to amend The Income War Tax Act, 1917, to provide that the rates of tax be reduced by ten per centum.

Hon. R. B. BENNETT (West Calgary): I confess, Sir, that I approach the task of replying to the hon. the Minister of Finance (Mr. Robb) with some diffidence. I have not in a busy life been able to give that measure of attention to the business of the country during the last few weeks that its importance demands. But my first words must be words of compliment to the minister upon the excellent presentation of the statement that he has made. It is a statement made with great clearness, with great fairness, and if now and then he lapsed into purely party laudation, one must expect that from the very nature of the circumstances in which he finds himself. I am sure that I voice the opinion of all those on this side of the House when I hope that if the budget statement is to be presented in the future as it has been during the last few years by the Liberal party, that the hon. the present Minister of Finance may be the gentleman to present it.

The hon. gentleman at once proceeded to point out the amazing prosperity of this country. I am sure that no one rejoices more in the continued prosperity of Canada than those who sit to the Speaker's left. But when we analyse the causes that have brought about prosperity, I think perhaps we might differ. The real truth is that the prosperity of this country depends upon the fortunate circumstance that we have had amazing crops during the last few years. The crop last year was the third largest in the history of Canada, and it amounted to such a volume as made possible the exportation of many millions of bushels of wheat and grain, thereby increasing the purchasing power of the people, and that is reflected in the prosperity to which the minister has referred.

It might be important to observe that we have during the last few years been exporting very largely from this country our natural resources, and the money that has come back from the sale of these resources has increased the purchasing power of the country. For instance, we produce enormous quantities of grain and grain products, and their export from this country constitutes a very substantial item in our trade balance. The same may be said with respect to mineral production. During the last year, for instance, we had the highest figure that we have ever had in mineral production in Canada, the total reaching in