supplies of foreign exchange, and I think I can appeal with confidence to those engaged in producing gold to put forward every effort to increase their production as rapidly as possible.

In this connection I am glad to acknowledge assurances already from a number of important companies that it will be their policy to step up production as far and as fast as conditions permit. I realize that the rate of increase which is practicable will vary with the differing conditions at different mines, but I feel sure that the directors of each enterprise in the industry will review their situation and adjust their production policy in the light of the present need.

Even larger than our gold as a source of foreign exchange is the tourist industry that Canada has built up over many years. This year, the government provided for an increased appropriation to promote the expansion of this activity, but its effects may be at least partly offset by misinformation and misunderstandings regarding recent regulations and by unfounded rumours that have been circulated. Nearly every Canadian can help to increase our receipts of foreign exchange by stamping out these mischievous rumours and by encouraging our friends in the United States to visit us in Canada. This country is ready and anxious "to be a good host to a good neighbour".

We all should take particular pleasure in seeing that friendly visitors to this country are treated with the courtesy and cordial interest due to good and sympathetic neighbours, and that they are made to feel that we appreciate their coming. At no time have our friends from south of the border been more welcome, and we shall do everything we can to see that their coming to us and their stay with us is made as convenient and comfortable and enjoyable as it possibly can be. We want them to go back with the happiest recollections of their neighbourly visit to Canada.

The result of the two fiscal measures which I have outlined, namely, the war exchange tax and the automobile tax, will not be to reduce our total imports of merchandise from non-empire countries, of which the chief is, of course, the United States. As a matter of fact, these imports will, due to our war requirements, be greater than ever, but the important result of these measures will be that out of the total supply of foreign exchange which we can obtain by the export of our products, by the export of gold, by the sale of our tourist services, the maximum possible amount shall be made available for those purchases abroad of industrial materials, machinery and instruments of war which the imperious needs of war dictate.

As I have explained, these proposals for conserving exchange are dictated by the conditions of the present emergency. Needless to say, we regret that the exigencies of war make any such restrictive action necessary, and our fervent hope and firm resolve are that at the earliest possible moment we may be able to return to the long-run policy of this government, which is that of the progressive lowering of trade barriers and the encouragement of trade not only with the United States but with all peaceful nations. The government remains in fullest accord with the trade agreements programme in which Canada has cooperated with the United States, Great Britain and other countries, and has no intention or desire to alter by these emergency measures the permanent channels of trade.

The war exchange tax is peculiarly an emergency measure. It is of the type provided for by the war clause of the Canada-United States Trade Agreement, and action is taken under that clause. The operation of this proposed measure will, accordingly, end with the war.

I now come to the measures designed primarily for revenue. The first one is a new Excess Profits Tax Act. At the brief session of last September, parliament enacted a statute of this type. Under that legislation, a business to which the tax applied had the option to be taxed on either of two bases. Under option A, the tax was graduated according to the rate of return on capital. Under option B, the tax was fifty per cent of the excess of profits in the taxable year over those of a four-year pre-war base period. The tax was payable only in respect of profits of the year 1940 and fiscal years ending after March 31, 1940. Up to the present, no taxes have been collected under this act because the tax is not payable until four months after the end of a firm's fiscal year.

As I have already stated, this act was quickly drafted and placed on the statute book last fall in order to indicate one of the forms of war taxation which the government was adopting. In the brief time available it was impossible to give this form of taxation, new to Canada, the intensive and detailed study required to envisage its application under the varying conditions existing here. On further examination one main feature which appeared to be undesirable was the right of the taxpayer to choose between the two options. In the light of actual conditions it was found that many established firms would pay little or no tax, while others which had not been in business prior to the