

on the subject of sinking funds. In the earlier history of the Dominion it was the practice to attach sinking funds to all the loans, and, with the exception of one small loan there was a sinking fund attached to all loans in these earlier years. But after the year 1885 that policy was changed; sinking funds were abolished, and from that time on for many years no sinking funds were attached to the loans. As these old loans matured the sinking fund attached to each was found a most convenient and advantageous thing, and as a result of our consideration of the question of re-establishing the sinking fund system, sinking funds are attached to our recent loans. In the olden times the sinking fund was one-half of one per cent, except in the case of the imperial guarantee loan, when it was 1 per cent. In July, 1909, we issued a loan of £6,500,000, 3½ per cent stock, and to that we attached a sinking fund of one-half of one per cent. We also extended that sinking fund to two previous issues of the same class; one of £3,000,000 issued February, 1908, and another of £5,000,000 issued October, 1908; both of these being of the same class as the loan of 1909, 3½ per cent stock redeemable 1930-50. We have thus fourteen and a half million pounds sterling of recent loans which have been brought under the operation of sinking funds, and the additional amount we have put into the sinking fund by reason of this change now stands at \$695,024. There was no particular demand for this from the money market. I have no doubt we could still have obtained our loans without sinking funds, but I am of opinion that even from the money market point of view it was well we should restore the policy of earlier years and attach sinking funds to our loans. We propose, therefore, that as respects loans which may hereafter arise, unless something shall occur to change the policy, that we shall attach sinking funds to them as was done in the earlier history of the Dominion.

In a previous budget speech, I think the last one, I discussed the question of what I thought was a proper subject for borrowing: the things which we might reasonably borrow for, and the things for which we should not borrow. Speaking generally one may say that the things which are chargeable to capital account are usually considered the things for which a government may properly borrow. I think, however, that we might accept that principle only with a modification. I laid it down, not as a rule, but as an object at which we should aim, that we should only borrow for great and important public works such as the National Transcontinental railway. I do not mean to say that under no circum-

stances would we be justified in borrowing for other purposes, but my idea was that we should endeavour to pay out of revenue not only our ordinary expenditure, but other expenditures which had formerly been charged to capital or special accounts, such as our Public Works, Railways and Canals capital account, bounties, &c. I thought we should endeavour to confine our borrowing to a great national work like the Transcontinental railway and pay all the rest out of our revenue. I am glad to be able to say that has been done, and that we have accomplished more than I set out to accomplish in that way. As I have pointed out, in 1909-10 we spent on the National Transcontinental railway \$19,968,064.31, but we only added to the public debt in that time \$12,338,267, and in the year just closing we spent \$24,000,000 on the National Transcontinental railway, but we shall only add to the public debt \$3,900,000. I have already mentioned that we have made a change with regard to certain items being charged to capital account. The expenditure for Dominion lands for a great many years was chargeable to capital account though the revenue from Dominion lands appeared in the ordinary income. We announced last session that we would charge Dominion lands hereafter to income account, also, that portion of the militia expenditure which for some years had been charged to capital account, and also, that we would take the new Naval Service under our care as chargeable to income, and not to capital.

I propose now, in view of the fact that the bounties are pretty well running out, that that which will remain will not be a very heavy charge on the public treasury. I think that from this time forward we may adopt the rule that all these charges for bounties shall hereafter be charged to income and not charged to capital or special account.

With regard to these bounties, as they have been the subject of very much discussion of late in one form or another, I may give the House some information concerning them. I think that the bounty system dates back as far as 1883. In the session of 1883 the first bounty legislation with regard to iron and steel was passed. At one time we granted bounties for the encouragement of the beet sugar industry, but they ceased a good many years ago, and were not renewed. In 1884 we began paying bounties for the production of manufacturing industries, and we have thus for 23 years been assisting in one form or other the iron and steel industry by way of bounties. The following table gives the amount paid for bounties during the year 1910, and the year 1910-11 to 31st March, which however is incomplete:

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