

to continue production. Such cases if they are established can be dealt with under existing machinery relating to the remission of taxes. They will, it is safe to predict, be very few because the apparent trade advantage given to imports from Great Britain by this tax is small in comparison with the handicaps which the higher costs of war-time production in Britain and of ocean transportation will impose on such imports.

Though the purpose of this tax is primarily to conserve exchange, it is estimated that it will be productive of considerable revenue. The estimate is that in the first full year of operation it will yield \$65 million, of which \$50 million will be collected in the present fiscal year.

As this is intended as an exchange tax and not a protective duty, power will be taken to prevent unjustified increases in prices as a result of this tax. The policing of price increases will be under the war-time prices and trade board and any attempt to take advantage of the tax to increase prices other than to the extent justified by an increase, resulting from the tax, in the cost of raw materials or parts entering into the product, can be dealt with by appropriate measures applicable to the industry or the individual as the case may be. It would merely add to the post-war problems of adjustment if industry made plans for permanent production in Canada on the assumption that this special exchange tax would be permanent.

The other exchange measure relates to automobiles, both imported and domestic. It is proposed that, in place of the present small excise tax on automobiles of 5 per cent on the value in excess of \$650, there be substituted a heavier tax on new passenger automobiles, steeply graded so as to be, it is expected, virtually prohibitive of the purchase of higher priced cars. It is this class of automobile which accounts for the major part of our imports of finished cars, and in so far as they are produced in Canada, they require the importation of parts and materials in higher proportion than the lower priced cars. This tax will effectively help to prevent the drain on our foreign exchange which these imports cause. The proposed rates of excise tax to be imposed on the manufacturers' price of Canadian-made automobiles and on the duty-paid price of imported automobiles are as follows:

On the value up to \$700	10 per cent
On the excess over \$700 and up to \$900	20 per cent
On the excess over \$900 and up to \$1,200	40 per cent
On the excess over \$1,200	80 per cent

This tax, which is on sales by manufacturers and importers, will extend to cover also sales by dealers of new and unused cars now in dealers' hands.

It can hardly be argued that there is any undue sacrifice imposed on the Canadian citizen in asking him to postpone the purchase of higher priced cars for the duration of the war.

But the tax is not limited to higher priced cars; it falls, in a decreasing scale, on lower priced cars most of which are made in Canada but have a certain percentage of imported content. Productive capacity in Canada, and I believe also in the United States, will be more and more taken up with work on war equipment. Our production of automobiles will necessarily therefore be restricted if war work is to have priority. While not at the moment cutting off all production of passenger cars, this tax will, it is believed, restrain the demand and tend to keep it in balance with lowered production without causing the increase in price which might result from curtailed productive capacity and unrestrained demand. It is expected that any surplus of labour either in manufacturing establishments or in garages occasioned by this tax will be absorbed by war needs for the production and servicing of mechanical transport and other equipment.

Here again, then, the primary purposes of the tax are to save exchange and to release productive capacity for war purposes without dislocation of industry. Revenue is only incidental and will be comparatively small. It is anticipated that in the first full year of taxation it will yield \$3,500,000 in revenue, of which \$1,500,000 will be collected in the present fiscal year.

In addition to these two substantive measures of a fiscal character for conserving exchange the government through the policies of the Department of Munitions and Supply and through the operation of administrators appointed under the Wartime Prices and Trade Board, is also endeavouring to save foreign exchange in its own operations, and it may, from time to time, in respect of certain classes of civilian imports, take other measures of a non-fiscal character for the purpose of meeting this vital need as circumstances seem to require.

I should add here that there is one important way in which our supplies of foreign exchange may be increased. Canada is fortunate in the strength and extent of her gold mining industry which in the last eight years has shown such a rapid expansion. Further expansion of output is the most immediate and important means at hand for directly augmenting our