

The Budget Speech

Hon. Sir John Crosbie, Minister of Finance,
Reviews the Country's Standing.

Surplus for Current Year Assured; Customs Simplified; Economic Policy Results in Saving of \$1,703,530.11; Huge Amount of Arrears Collected.

Mr. Chairman.—In my Maiden Speech on Ways and Means last year, I expressed great diffidence in approaching the subject. I explained that the short time at my disposal rendered it necessary for me to adopt the Estimates prepared for the Session by my predecessor, and made it very hard for me to speak with any degree of confidence and with a personal knowledge of conditions.

I therefore asked the indulgence of Honourable Members for any shortcomings they may have found in that Speech. May I say, however, that although I may not have attained my first birthday as the Colony's Treasurer, I yet feel more competent to address you on this occasion.

Last year I estimated a Revenue of \$5,457,000.00 for the fiscal year 1924-25 as against \$5,150,000.00 anticipated by my predecessor, Hon. Mr. Cave. The actual amount collected was \$5,401,669.00.

As against this Revenue, there was an Expenditure on current account of \$10,022,137.45 for the same period. My estimate of last year placed the Expenditure at \$10,041,000.00 or \$19,462.55 more than was actually expended. I really underestimated this expenditure by the sum of \$78,302.55 as the following extract from the report of the Auditor General will show. He says on Page Thirteen:—

"Had the rule that all expenditure should be contained in the year in which the liability had been incurred, been observed, and I have to report that it was not, the deficit for 1923-1924 would have been much larger. I find that the following amounts properly chargeable to the 1923-1924 accounts, were charged against the votes for 1924-1925 thus necessitating a larger Supplementary Supply for the latter year than would otherwise have been required:

Public Charities \$ 5,554.55
Pensions Board 836.85
Agriculture and Mines 677.25
Customs 323.35
Public Works 9,574.45
Posts and Telegraphs 26,798.95
Audit Act for Relief 40,000.00

\$97,765.40

In other words we must add the sum of \$97,765.40 to the actual expenditure given on Page one, namely, \$10,022,137.45, equalling \$10,119,902.85, or as I said above, \$78,302.55 more than was estimated.

After considering the several departmental officials concerned, the Auditor General concludes by saying that the deficit on 1923-1924 account in-

stead of being \$1,620,468.36 would have been \$1,718,233.76 had these sums been charged to the proper year. The bald effect of this, financially, is that the actual deficit on current account for 1923-1924 is not really the correct one.

Moreover, besides clerically reducing the deficit of the late administration, it actually increased the expenses of the present Government by the amount thus wrongly charged. To put it into plain language, bills to the amount of \$97,765.40 for expenditures incurred by late Governments have been charged to the Monroe administration according to the official report of the Auditor General as tabulated in this House; that is to say, \$57,765.40 on ordinary current services and \$40,000.00 under Special Warrant of the Audit Act.

Turning here to Mr. Cave's Budget, I find that his estimated surplus of \$143,846.00 for 1923-1924 becomes in reality a deficit of \$1,620,468.36 plus the unpaid bills just referred to. All that my colleagues can say is that the blame is not ours; nevertheless we had to shoulder it and provide means for its payment in last year's Loan Act, which provision by the way is some twenty thousand dollars short of actual requirements.

I do not deem it advisable to detain the House with any further comment on the Revenue and Expenditure for the year 1923-1924. This Government had nothing whatsoever to do with these finances, and any extravagances or errors that may have been committed by late governments in connection with that year, can be left to History. Sufficient for me to say that all the detailed criticism I had to make in this respect is contained in my Budget Speech of last year.

1924-1925.

Let us now turn to a prospect which I am convinced my Honourable friends will consider as holding a far brighter outlook than could be hoped for when I presented the Budget last year. I refer to our financial condition as disclosed by the accounts of the Colony for the current year so far as it has gone. The outlook as I see it for the remainder of the current year seems to be even more satisfactory than the eight months last past. As proof of this, the Customs Revenue figures for March 1924-1925 show an increase of, approximately, \$180,000.00 over the same month in 1923-1924.

The following is a comparative statement of revenue collected up to the 28th of February in each year for the years 1923-1924 and 1924-1925:—

	1923-1924	1924-1925
Customs Duties	\$4,412,329.99	\$4,967,182.02
Light Dues	28,771.35	26,512.31
Harbor Dues	760.00	702.50
Customs Miscellaneous Revenue	23,920.74	80,395.40
Customs Export Duty	15,586.09	5,395.62
Ore Royalties	74,202.13	74,202.13
Postal Revenue	166,563.86	186,746.14
Telegraph Revenue	98,343.08	123,796.70
Crown Lands Revenue	49,045.96	108,639.23
Inland Revenue Stamps	28,602.80	28,206.74
Liquor Revenue	119,243.20	51,662.53
Fines and Forfeitures	3,394.15	3,308.11
Broom Department, Penitentiary	1,744.81	3,218.53
Fees Public Institutions	26,387.55	27,714.35
Income Tax & Profits Tax Arrears	200,453.61	183,618.60
Miscellaneous—General Revenue	27,295.41	12,021.29
	\$5,202,442.61	\$5,888,827.36
		5,202,442.61
Increased Revenue for eight months		\$ 681,384.75

I think I have every reason to congratulate the Colony upon its excellent recuperative powers as reflected by the above statement. It is nothing more or less than I predicted in my Budget of July 28th last. The result is particularly gratifying when we take into consideration the adverse influence that the reduction in the tariff must have had upon Customs receipts.

I feel it is only right to state that the revenue as shown by the above

statement contains the following amounts which were due in previous years but not collected until this Government assumed office:—
Dominion Iron and Steel, for arrears of Royalties on Ore (1921) \$74,202.13
Old arrears collected on accounts of goods released from Bonded Warehouses (Customs) 20,581.18
Current arrears on account of goods released from

Customs Bonded Warehouses	29,755.30
Arrears collected on account of goods released on Temporary Customs Permits	38,647.24
Amounts collected on account of Outstanding Customs' Bonds	23,963.32
Amounts collected on account of goods undervalued and short on appraisal	22,051.40
	\$209,200.37

Some balances also were collected by the Assessor of Taxes which were due from the previous year but as these arrears are paid in every year, the current year's revenue did not profit therefrom to a greater extent than usual.

With regard to the first item on the above list, this sum has been due the Colony since 1921 and, notwithstanding the repeated reports of the Auditor General on the subject, no effort had apparently been made by previous Governments to collect it. Shortly after taking office my attention was called to this indebtedness and after some correspondence between myself and the British Empire Steel Corporation a settlement was reached resulting in the full payment of the royalties due.

The second item on the list represents old outstanding duties on goods taken irregularly from the bonded warehouses some as far back as 1915. I discovered that in many instances goods had been withdrawn from the Government warehouses without the payment of duty collectable thereon and frequently without reference to the records. The result of the enquiries instituted by me into this Department, netted to the Revenue of the Colony the sum of \$20,581.18. Number three is an item improperly termed current areas and represents the release of goods from Bond by certain firms, who, it is alleged, made it a practice to settle weekly or monthly. This netted the sum of \$29,755.30. There is nothing to be found in the Customs Act to vindicate this procedure so I have ordered its discontinuance.

Another illustration of the neglect to properly and promptly collect the Colony's revenue, was the release of goods on Temporary Permits and the failure to subsequently redeem these permits by the securing of payment. We collected through the enforcement of the payment of duty on goods so released, the sum of \$38,647.24 to date. I am glad to be able to say that the redemption of these Permits is going on every month. Those that are still outstanding are small as compared with the amount collected, and they are in process of collection.

The whole question of Temporary Permits is now settled for such time at all events as I shall have the honour of sitting in the Custom House as Departmental Head. With the exception of such goods as are perishable, no Temporary Permits are being issued by the Department to anyone. It is hardly necessary for me to point out that the issue of these Temporary Permits (except in the case of perishable goods) was absolutely illegal. It is quite evident, also, that those in authority in the Custom House in the past did not know the Customs Act or were indifferent about its carrying out.

Of the balance of \$119,024.29 remaining due at the close of the last financial year on account of Customs Bonds, the sum of \$23,963.32 has been collected. This leaves an amount of \$95,061.96 still outstanding on this account. Every effort is being made by the Government to collect this balance, but I feel certain that the House will appreciate the position that the Government has taken in connection with these outstanding Bonds. Some of the firms can ill-afford to make full and immediate payment of the amounts due and it is not thought desirable to put undue pressure on individuals who are perfectly willing but yet unable to, under present conditions, make immediate payment.

Time has been given to settle up; some are paying by instalment, and I have very little doubt that eventually most of them will be paid in full. A loss will certainly occur through the insolvency of some of the firms and, although the Government has preferential claims against them, the realization on their estates will not be sufficient to satisfy the indebtedness. In connection with the extension of bonds beyond due date, it seems to me that poor administrative judgment was shown. The procedure that should have been adopted to my

mind was to refuse the giver of a dishonoured bond any extension of time. What did happen, however, was that although the bonds of the persons concerned had been dishonoured, they were given renewals and extension of the dishonoured bonds—they were still permitted to issue new bonds. One firm whose indebtedness to the Customs ran as high as \$50,000.00 in these bonds, was still further accommodated in the sum of \$10,000.00, although his neighbours on either hand had to go hat in hand to the Banks for similar accommodation, and were often refused although holding better securities than the firm referred to. The whole Bond question to my mind was a case of discrimination of the most glaring kind. The amount outstanding on these Bonds at the present time is \$49,583.58, some of which will never be collected.

Another stream of escape from the payment of duties was that opened up by the submission of false invoices and carelessness in the examination and appraisal of goods. Enquiry into this fully proved to me that the presentation of false invoices was a frequent occurrence, especially in certain quarters.

I may cite for the information of the House one particular case in which the delinquent tendered a cheque for the sum of twenty thousand dollars in settlement of short paid duties.

There was another instance of goods being delivered on a Temporary Permit which came under my notice. The goods were delivered in the month of June and in the month of August this particular firm presented invoices covering the same shipment of dry goods to the amount of \$948.61. My demand to see the goods for appraisal purposes was met with the answer that they were sold. Upon presentation of the invoice for \$948.61, we taxed the goods on a value of \$3,000.00 on which sum duty was paid.

As a third illustration certain goods were invoiced in one of the outport stations at \$375.00, and upon appraisal duty was collected on \$1,450.00. The total savings on these three items alone amounted to \$21,656.29, in cash but the effect is I imagine reflected in the phenomenal increase in the Customs duties both in St. John's and the Outports during the year.

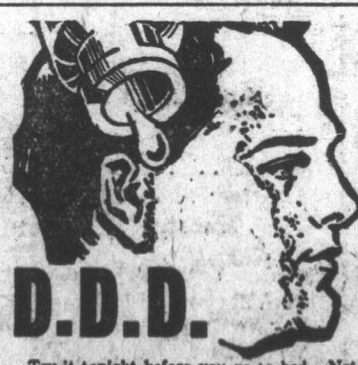
In connection with the direct possible loss on the above three items, had the duty not been collected, I may say that my action in connection with the latter two meant a saving of \$1,656.29. With regard to the first item, that is to say the collection of the \$20,000.00 cheque, it is impossible to say what the Colony's total loss really amounted to, as the payment was a compromise one as already pointed out.

While I cannot attest to the fact, at the same time I am reasonably certain that millions must have been lost to the revenue of the Colony during the past 20 years through the presentation of false invoices and the undervaluing of goods generally. There has been a regrettable absence of details as to the contents of packages which have undergone examination as a result of which the Loss Room officials have often had to take too much for granted when entries were passing through in respect of appraised goods.

Before leaving the subject of the present year's revenue and dealing with expenditure, I wish to ask the attention of the House to an item in the Auditor General's report, Page 8. Here appears a summary of arrears of revenue due the Colony on June 30th, 1924, amounting to the considerable sum of \$924,541.52, as follows:—
Assessor of Taxes \$321,587.32
Agriculture and Mines 350,907.66
Posts & Telegraphs 88,666.08
Finance Department 62,336.58
Public Works Department 15,229.70
Finance Department 578.33
Marine and Fisheries 175.00
Customs Department 95,061.97

\$924,541.52

Prominent among these arrears is the sum due the Tax Assessor of \$321,587.32. Every effort has been made to collect the amounts due on this account and at the present moment it is engaging my attention. A very large number of persons have no sent in their returns. It is impossible therefore for the Tax Assessor to say definitely the actual amount due the Colony on account of Business Profits and Income Tax arrears. This was felt to be an inequitable state of affairs because of the fact that many



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people who were taxable under the Act have escaped for years while the ordinary salaried employee had to pay promptly on due date. It was so unfair in this respect that the Government removed the Act from the Statute Book. I may say, however, that steps are being taken to enforce the payment of these arrears.

The Agricultural and Mines shows a balance of arrears due of \$350,007.00. Of this sum, \$313,000.00 is on account of leases issued on the disputed territory on the Labrador. I am quite in accord with the recommendation of the Auditor General that these leases should automatically lapse when the rents are not paid and the lands for which money is owed revert to the Crown. The sum of \$37,500.00 is due for royalties or for "stumpage," as it is generally called. In the main this is owed by owners of small saw-mills and the Government has placed the amounts in the hands of lawyers for collection.

In the Posts and Telegraphs Department there is an amount of \$88,000.00 due on account of the following:—	
Money Orders	\$37,000.00
Postage Stamps	8,000.00
Telegraphs Outports	22,000.00
Telegraphs City	21,000.00
	\$88,000.00

Pressure was brought to bear with a view to the settlement of these accounts and I am glad to say that they have practically all been paid up. Some balances must necessarily be carried by outport offices to meet money order advances and calls for stamps. A considerable amount of these arrears are due the Telegraphs by city firms and these are collectable. But there are others outstanding in the City Ledger which will, I fear, have to be charged to the Profit and Loss Account of the Colony.

There are considerable amounts owing, also, in respect of the shortages discovered in Outport offices, an investigation of which was instituted by me after a tour of inspection last Fall. These matters are now in the hands of the Justice Department and will no doubt be adjudicated upon in due course. This matter of shortages has been found so serious and far-reaching that the Government felt it necessary to appoint auditing inspectors, whose duty it will be to visit and examine all offices without warning. Under the old system it was impossible to tell, through lack of proper inspection, the condition of any office financially, at any given time.

The Finance Department is owed the sum of \$36,282.22 (including interest) by the St. John's Gas Light Company on account of an advance made by the Squires' Government in 1921, for coal. This matter is now being dealt with by the Executive Government. The sum of \$2,761.64 is due by the Imperial Cable Service for balance due on Cable Taxes from the 5th November, 1920, to June 30th, 1924. The sum of \$13,312.00 is owed by the Harbor Grace Water Company, made up as follows:—Eleven years' interest on \$13,700.00 worth of the Company's stock held by the Government at \$548.00 per annum, plus eight years' interest on \$20,100.00 worth of four per cent stock held by the Newfoundland Savings Bank at \$804.00 per annum, plus loss of \$552.00 to pay interest on November, 1923.

The Public Works Department is owed \$15,996.00 on account of fees due by sanitary persons for Hospital treatment; also \$134.70 by the Penitentiary for sale of brooms, etc.

I think it would be advisable here, in connection with the arrears of revenue, to refer to the matter of unpaid dues due the General Hospital. The Auditor General in his report of last year refers to this matter on Page 39 as follows:—

"Then with regard to the General Hospital, it is only necessary for me to state that of the \$39,531.96 re-

(Continued on page 11.)

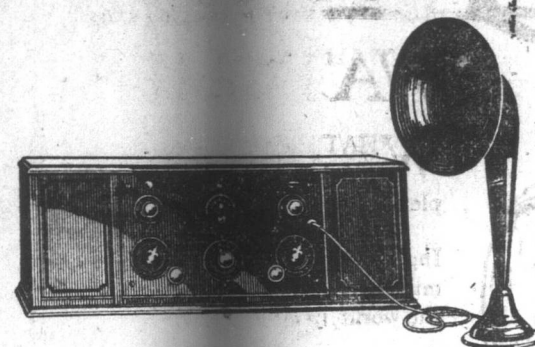
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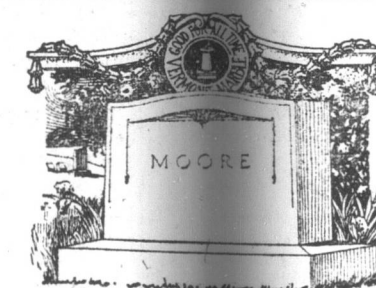
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