to be added to. There will be some offsetting factors to these new obligations. There were some commitments in our earlier estimates which may not be required due to possible alterations in military formations which depend on the nature of the duties for which they may be needed. There will be certain modifications because in some cases the estimates were based on a rate of replacements assumed to be required by active warfare in France. There will be other items which will be superseded by the emergent measures of the last few weeks.

There are many factors which make even approximate calculation very difficult, but to give the house the roughest sort of idea, I would think that we are already committed for probably another $150 to $200 million for the fiscal year, and that such reductions as may take place in our original estimates due to changes in plans will probably be more than offset by further undertakings.

Turning now to make a forecast of our revenue, our estimate is that, assuming a continuance of present trends and no serious interruption of our export trade, our total revenues for the present fiscal year on the basis of our existing tax structure will amount to approximately $650 million. This estimate is made up as follows:

Tax revenue		
Customs duties	$132,000,000	
Excise duties	83,000,000	
Sales tax	170,000,000	
Other excise taxes	30,000,000	
Income taxes	166,000,000	
Excess profits tax (to be superseded)	nil	
Bank note circulation and insurance companies taxes	2,000,000	
Total tax revenue		$583,000,000
Non-tax revenue		
Post office receipts	$ 37,500,000	
Interest on investments	13,500,000	
Miscellaneous	16,000,000	
Total non-tax revenue		$ 67,000,000
Total ordinary revenue		$650,000,000

Our ordinary expenditures and the amount already authorized by parliament for war purposes total, as I have said, $1,148 million. We are faced, therefore, with a probable deficit, on the basis of our present tax structure, of at least $498 million plus an indeterminate amount which may easily bring that deficit up to $700 million. Consequently, it is necessary to answer boldly and realistically two questions:

First, what part of this probable deficit is to be met by taxation, and what part by borrowing?

The same question can be put in different terms. How can we take out of the rising national money income of this country funds for the purposes of war as rapidly as, but not more rapidly than, resources, equipment and labour can be diverted for those purposes? Or, at what rate should this diversion of funds be accomplished so that the output of our industry and of our man-power shall be expanded to the limit?

The second question which has to be answered is: How can the budgetary policy of the government help to conserve foreign exchange?

Neither the house nor the people of this country will expect financial miracles. They have a right, however, to expect that the financial measures recommended shall be appropriate to the critical situation in which the country finds itself and shall ensure a mobilization on the economic front which will achieve the very maximum effort of which this country is capable.

To answer the second question first:

I now outline the fiscal measures for promoting the conservation of foreign exchange. There will be two measures submitted with that definite purpose in view.

First, it is proposed that a war exchange tax of 10 per cent shall be imposed on the value for duty purposes of all imports, free and dutiable, from non-empire countries. The tax will be subject to drawback for export as in the case of customs duties.

The government is aware that there may possibly arise the odd case of real hardship where materials or parts used by Canadian producers will be subject to this tax while the finished products, entering tax free under the British preferential tariff, will actually compete with the Canadian-made finished product to such an extent that the 10 per cent exchange tax may make it impracticable commercially for the manufacturer of the finished product