# THE TAX ON PROFITS

The debate in the House of Commons on March 17th was of unusual importance to mining men. We reprint elsewhere in this issue several extracts from the official record of the debate and we suggest that anyone who feared, as from our editorial of March 1 it can be seen we did, that the mining companies were to be burdened with far more than a just share of the war tax, should read Sir Thomas White's explanation.

It appears to us now that the Minister of Finance is making provision for fair treatment of the mining companies and that the industry will not have to bear more than a reasonable share of the war tax. If a profit of seven per cent. of the actual value of each company's assets is exempted from taxation and allowance is made for mineral exhaustion, the balance of profits taxable under the Act will be comparatively small. A tax of 25 per cent. of that balance of profits will not seriously affect the industry.

As we interpret Sir Thomas White's statement, shareholders of mining companies operating in Canada have good reason to believe that the war tax has not very seriously affected the value of their investments. The depreciation on the exchanges which followed the first report of the Budget speech was a natural one which would be warranted if the Minister's satisfactory explanation had not been forthcoming. Much lower values would doubtless have been registered if early assurances had not been given that the tax was not to be as heavy as the Budget speech indicated.

In our last issue we urged that while assurances given were satisfactory to us, announcement of a definite limit should be made by the Government. With the speech of March 17th now before our readers, we feel now that such an announcement is unnecessary.

While the war tax to be levied will yield from the mining companies a total that will be no mean contribution from the industry, we can agree with Sir Thomas in concluding that it will not be so large as to cripple the industry or drive away capital seeking investment in Canadian mining properties. Investors were warranted in hesitating until a satisfactory explanation was forthcoming, and mining company directors had apparently good cause for uneasiness as to the effect of the Minister's proposals; but the manner in which Sir Thomas has met the criticisms of mining men should restore confidence.

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It is noteworthy that of the 24 dividend paying mining companies mentioned by Sir Thomas White, 20 are gold or silver producers and consequently can by no means be classed as companies making profits on account of increase in prices of products owing to the war.

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Teck-Hughes Gold Mines Limited is creating a $500,000 five-year seven per cent. first mortgage bond issue, of which $100,000 par value is now offered to the shareholders at $2, and accrued interest.

# THAT REPORT ON OIL AND GAS

Mr. Clapp's reply to our criticism of Volume II. of the Petroleum and Natural Gas Resources of Canada, does not appear to us to be satisfactory or convincing. Probably it would be better to consider the different points urged by him in order.

In the second paragraph of his letter, the ample margin is defended on the grounds of improved appearance. We criticized it as one of the evidences of a desire to unduly expand the size of the volume. We might have mentioned others, such as some of the photographs of doubtful value given on page 274 and following ones, including two dry holes and a pile of pipe at a railway siding. As a number of these are $2\frac{1}{2}$ x 4 inches and the page is $9\frac{3}{4}$ x $6\frac{1}{4}$, two pictures could easily be printed on one page, and there is no reason why both sides should not be utilized. If this were a volume of spring poems printed as an edition de luxe, the ample margin and the prodigal use of paper would be pleasing. We objected to these devices as unnecessarily increasing the volume of the work. If, as stated in the following paragraph, the appropriation for the Department is too small, there is all the more need to avoid this useless expense.

We think that it can be shown that the deficiencies complained of were not inevitable and that no great effort was necessary to secure a far greater degree of accuracy.

In our criticism we dealt with the oval shape of both gas and oil pools found in the map of Ontario. It is no answer to say that this is generally the shape elsewhere, even if that were true. It is nonsense to say that it was necessary to generalize the boundaries to the extent to which this has been done. These are in many cases old fields which are nearly exhausted and there are plenty of data to outline the gas or oil areas with much greater accuracy than has been done in the volume under discussion, as will appear later on.

Mr. Clapp seems to assume in the next paragraph that the author of a volume such as this has a right to expect that he will find most or all of the material available in existing reports. There are other sources of information, however, such as the plans of the fields kept by nearly all the important producing companies. There is also the simple plan of taking some kind of a vehicle and an intelligent driver who has a local knowledge of the territory, and noting the position of the wells drilled. Moreover, even when there is a map in existence it has not been correctly copied in the volume under discussion. Thus, in the map of the Kent Gas Field published in Vol. XIX. (1910) referred to in Mr. Clapp's letter, the boundaries of the gas field are shown extending out into the lake, and it was pointed out in the text of that report (p. 150) that the gas area probably extended under the lake some distance. No wells existed in the lake at that time in this place, contrary to Mr. Clapp's statement. These were not drilled before 1912 (p. 43, Vol. XXII. Ont. Bur. of Mines, Rep.).

On the following page of the same Report it will be noticed that 62 per cent. of the entire production of gas from Ontario in that year was derived from the Kent field, and it will later on be shown that over 80 per cent. of the total gas for Canada was produced in Ontario in that year. Consequently, half of the total production from Canada was derived from this small area. It is worth while, therefore, to make some effort