

## PROVINCIAL BUDGETS AND FINANCES

### How Manitoba's Sinking Fund Works—British Columbia Figures—Quebec to Issue Short-term Loan

Manitoba's total consolidated revenue receipts for 1914 were \$5,512,163, and the total expenditure on consolidated account was \$5,638,658, but of this the sum of \$145,271 was not an amount that could properly be termed "ordinary expenditure," this being the cost of flour contributed by Manitoba to Great Britain; so that this contribution is treated as an expenditure other than ordinary, and if this amount is dealt with in this way, there is a surplus of ordinary revenue over ordinary expenditure of \$18,776; but Hon. Hugh Armstrong stated in his budget speech, this is not the real surplus. Adding to this amount the money paid during 1914 as sinking fund on provincial stock issues, and this amount was \$56,331, brings the excess of revenue and sinking fund over ordinary expenditure up to the sum of \$75,108, or, considering the total receipts on consolidated revenue account and the total payments out of that account, there is a shortage, notwithstanding the extraordinary or other than ordinary payments of \$145,271, of only \$126,495.

Since Manitoba began to adopt the method of selling provincial stock rather than bearer bonds, in London, the province, in confirmation with the best approved customs of the London stock exchange, provided a sinking fund of a half of one per cent. annually, payable half-yearly, upon the amount of stock issued, and the money thus provided is, at the option, and upon the request of, the treasurer of the province, invested in the registered stock of the province whenever that can profitably be done.

#### Converting Stock into Debentures.

There have been four issues of stock—not including the issue of October last, now being converted into debentures, and sold in New York—and these are: £1,000,000 on the first day of May, 1910; £375,000 on the first day of May, 1911; £548,000 on the first day of May, 1912; £400,000 on the first day of April, 1913, and there has been provided in the way of sinking fund up to the 30th day of November, 1914, the sum of £41,183 1s. 5d., or the sum of \$200,424 on a total stock issue in our currency of \$11,266,333, and which has, up to the 31st of October last, given the province an interest return and profit upon stock purchased at favorable opportunities of \$10,705, and making a total amount now at credit of this amount of \$211,129.

This sinking fund is provided and paid each year out of current or ordinary revenue; and it is interesting to work out a concrete example of the effect of this sinking fund upon the debt or liabilities of the province; and for this purpose I will take the total stock issue of the province (exclusive of the October, 1914, issue) as it stands to-day, namely, \$11,266,333. This stock is issued redeemable in forty years. If a similar amount of money had been borrowed by means of selling bearer bonds without sinking fund provisions, the amount the province would have to redeem at the end of the forty-year period would be the exact amount of the issue, namely; \$11,266,333, but the effect of the sinking fund is to reduce, as of the due date, the amount necessary to retire the stock at the end of the forty-year period from its issue value, or amount borrowed to \$5,933,389; and this calculation is based on the operation of a one-half per cent. sinking fund at four per cent. for forty years. This sinking fund, besides being a wise provision and exercising a salutary effect upon the credit of the province, has also a further bearing upon the value of the public-owned utilities of the province; the telephones and the elevators.

#### Purposes of Bond Issue.

Of the amount of stock issued by the province, and I am sorry that all the obligations of the province are not in the form of stock, \$5,975,666 was sold for telephone purposes. This means, that the province is providing out of ordinary revenue a sinking fund for the purpose of assisting in the redemption of this stock at maturity; and that, at the end of the forty-year period, instead of having to redeem \$5,975,666 on account of stock issued for telephone purposes, the province will have to pay, in order to redeem this stock, basing the calculation as above, the sum of \$2,839,203 only.

This is being done out of ordinary revenue; besides this Manitoba is setting aside large sums of money as a telephone reserve fund out of the telephone earnings.

The sale of the \$5,475,000 in New York was for the purpose of retirement of treasury bills, \$1,995,333; new parliament and other buildings, \$2,000,000; completion of new court-house, \$600,000; court-house at The Pas, \$50,000; grain elevators, \$195,384; drainage districts, \$634,282.

#### British Columbia Treasurer and Economy.

Commenting on British Columbia's financial position, Hon. Mr. Ellison said in his budget speech:—"If we were not at war we could borrow heavily, but it is incumbent upon the government at the present time and for some time to come to carefully husband our available resources so that at no time during the war or after it the credit of British Columbia may be at all impaired. For this reason the government has largely curtailed its usual expenditures, and, following the example of other governments affected, decided not to embark during the present year upon any new schemes of development or put into effect any new policy.

"The estimated revenue for the fiscal year ending March 1, 1914, was \$10,326,085, and the actual revenue was \$10,398,266. The estimated expenditure was \$17,838,266, and the actual expenditure was \$15,762,912. So that you see our estimates were closely lived up to. To some extent the reduction in actual expenditure was due to unexpended appropriations, but to a considerable degree also to the exercise of various economies.

"As to the estimates for the fiscal year 1915-16: These have been framed, having in view the conditions which exist, and which necessitate economies in various directions. We anticipate, as a result of war conditions, a reduction in revenue, which amounts, in round numbers, to \$3,000,000. Such a situation means that we must cut our coat according to our cloth. Fixed revenues and fixed expenditures remain practically the same as heretofore.

"The net debt of the province is \$20,748,146. The sinking fund amounts to \$2,563,428. When we consider the assets of the province, and the large sums in arrears on account of land sales, which, with accrued interest and taxes amount to approximately \$15,000,000, this liability is small.

## SOME QUESTIONS ABOUT DOMINION TRUST

Here are questions of Mr. J. T. Place (Nanaimo) regarding the Dominion Trust collapse, asked in the British Columbia legislature, with the answers of Premier McBride.

1. Did the Dominion Trust Company forward to the minister a report as required by section 4, Trust Companies Regulation Act, on the 30th day of September and the 31st day of December, 1913?—Yes.

2. Did the directors or committee of the Dominion Trust Company deposit with the inspector a duplicate of the report in 1914 as required by section 55 Trust Companies Act?—No. This is not due under the Trust Companies Act until April, 1915.

3. If questions 1 and 2 are answered in the affirmative, where are these reports now?—Reports referred to in question 1. In the office of the inspector of trust companies.

4. Did the inspector of trust companies make or cause any inspection to be made on behalf of the government of the Dominion Trust Company's affairs in 1912, 1913 or 1914?—Yes. In 1914.

5. If so, what are the approximate dates of such inspections?—Inspection began July 28, and was being continued up to the time the company closed its doors.

Two other questions referred to the money which the provincial government intends to ask the house to vote in anticipation of the payment of the two guarantee bonds, which the guarantee companies say they will fight. These were:—

1. What amount of money does the government intend to advance in connection with the bonds of the Dominion Trust Company?—\$250,000.

2. What disposal is to be made of money advanced by government?—(a) \$50,000 thereof is to be administered by the minister of finance and agriculture, and applied for the relief of those persons to whom the security of the bond for \$50,000, deposited under the provisions of section 9 of chapter 89 of the statutes of 1913, is found to be applicable;

(b) \$200,000 thereof is to be administered by the minister of finance and agriculture, and applied for the relief of those persons to whom the security of the bond for \$200,000, deposited under the provisions of section 39 of the Trust Companies Act, is found to be applicable.