

Resolved that it is expedient to provide that the following goods shall be exempt from the provisions of section 3 of chapter 3 of the Acts of 1915;

(r) materials imported to be used in the manufacture of goods enumerated in tariff items 446, 446b, 446c, 447, 448, 449, 450 and 591;

(s) olive oil and peanut oil for canning fish;

(t) materials imported prior to the first day of September, 1920, to be used in the manufacture of oleomargarine as described in The Dairy Industry Act, 1914, and amendments thereto;

(u) linen or cotton clothing, n.o.p.;

Mr. McKENZIE: Has this resolution reference to the 7 per cent war tax?

Sir THOMAS WHITE: The war tax is $7\frac{1}{2}$ per cent.

Mr. McKENZIE: This is a point that was not sufficiently explained by the minister. So far as I remember he has not dealt with the $7\frac{1}{2}$ per cent war tax as he did with the 5 per cent tax on British goods. When both these taxes were taken off I do not see why the reduction was not made all round. I would like to have some explanation from the minister why he takes the $7\frac{1}{2}$ per cent off in some instances and leaves it on in others?

Sir THOMAS WHITE: My hon. friend has forgotten that I dealt with the matter in the Budget, though probably not in express terms that would fix themselves in his mind. My hon. friend will recollect that we derived last year a revenue of \$45,000,000 from the imposition of the customs duty war tax of $7\frac{1}{2}$ per cent general, and 5 per cent British preferential. On account of the difficulty that we have this year in raising sufficient revenue to meet our current expenditure it was not desirable that we should go further than we have in the reduction of the duty of $7\frac{1}{2}$ per cent. We took off the British preferential and by reason of that sustained a loss in revenue of \$3,700,000. Then we dealt only with articles of necessity, so to speak, classifying them as foodstuffs, boots and shoes, and clothing, and we took the duty off agricultural implements for the reasons which I have given. The answer to my hon. friend briefly is this: The main reason for not taking the $7\frac{1}{2}$ per cent off entirely is that we shall require the money. I desire to say to my hon. friend and the House, that I do not believe this year, with the reductions which we have already made, and also the increases which we have made in income tax, we shall quite bridge the gap between the ordinary expenditure and revenue; in other words, I should not be sur-

[Sir Thomas White.]

prised if there is a deficit this year on ordinary account. That is the principal reason why we did not take off the entire $7\frac{1}{2}$ per cent, and I would submit that it is a good reason.

Mr. J. H. SINCLAIR: I have not the tariff schedule before me, and therefore I would ask the minister if, in the various items that are mentioned in this resolution, provision is made for taking the $7\frac{1}{2}$ per cent duty off cordage and twine used in the fishing industry, which were formerly free?

Sir THOMAS WHITE: My recollection is, and it is confirmed by the Chief Commissioner of Taxation, that the $7\frac{1}{2}$ per cent duty was not imposed upon those articles in item 15 and they are therefore put in the free list.

Mr. J. H. SINCLAIR: Would the minister tell us how many articles formerly admitted free will be taxable under the seven and-a-half per cent after we pass this new law?

Sir THOMAS WHITE: I cannot tell my hon. friend the number. I can only say to him that \$15,500,000 is the estimate of the loss which we shall sustain in duties by reason of taking off seven and-a-half per cent from the articles upon which it had been imposed.

Mr. KAY: Would the hon. minister explain what materials are to be brought in under item (t) for the manufacture of oleomargarine, and also why they are not to be imported after 1920? Is it the intention of the Government to prohibit the importation and manufacture of oleomargarine after that date?

Sir THOMAS WHITE: Oleomargarine is now being admitted free of duty. It is also being manufactured in Canada, and the purpose of this remission of duty upon materials used in the manufacture is obvious; it is to put the Canadian manufacturer of oleomargarine in as good a position as his foreign competitor who has his materials free of duty. The hon. gentleman will observe that the Dairy Industry Act of 1914, and amendments thereto, is referred to. There will be introduced at this session legislation under which—I am speaking from memory—the importation of oleomargarine will be admitted until the first of September, 1920. The matter will then be subject to such further consideration as may be thought proper.

Mr. ROBB: I notice that item 66, biscuits, sweet, is not changed at all; the seven and-a-half per cent surtax still applies.