

OFFICIAL ORGAN OF THE INSURANCE FEDERATION OF BRITISH COLUMBIA

ROYAL INSURANCE CO. MANAGER ON INSPECTION TRIP.

Mr. William Mackay, manager for Canada of the Royal Insurance Company, with headquarters at Montreal, was in Vancouver during the week on his annual business trip to his branch offices and inspections of risks. While in the city he made his headquarters at the branch office at 924 Hastings Street West, under the management of Mr. Fred W. Walker.

Mr. Mackay was hopeful of business. While nothing is known in the fire business, the loss ratio for the year to date is less than for the same period last year, and the premium income is remaining the same. With the termination of the munition business a large amount of insurance has been cancelled, and, due to smaller stocks being carried, risks are being written down. "The most we can hope," he stated, "is for the premium income to be as large as last year, with a favourable loss ratio. If this result is attained we will consider the year to have been a satisfactory one." Speaking on business conditions generally, Mr. Mackay stated that, while labor conditions were worse in Winnipeg and Vancouver than elsewhere in Canada, they were bad all over. He thought there was a good deal of social hysteria, due to the war, and that time would work this out of our systems. Business was active and sound. If we could attain a reasonable degree of industrial stability business could make greater plans for the future.

THE BUDGET SPEECH AND THE STATE OF THE NATION.

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burdens of the general public at a time of dislocation, unrest and high prices, and endeavor to wisely bridge over this troubled period by giving such measure of relief as may be practicable, having regard to the heavy financial obligations developing upon us and our national credit in the eyes of the outside world.

"The cost of living in Canada has, in common with all other countries, gradually increased during the war, and is causing hardship to a large portion of our population, especially those of limited means and slender incomes. I am of opinion that for this transitional period we are justified in adopting the policy of meeting only our ordinary expenditure and borrowing for our capital and demobilization expenditure. In considering the question of reductions and increases in indirect taxation, most careful attention must be given to their effect upon established industry and the employment of operatives dependent upon its success for the maintenance of themselves and their families, and upon the domestic trade and commerce which it supports. Having fully considered all aspects of the subject, the government submits the following proposals:

"Under the Customs Tariff Revenue Act, 1915, a British preferential tariff rate of 5 per cent. and an intermediate and general tariff rate of $7\frac{1}{2}$ per cent. were imposed upon, with certain exceptions, all imported goods.

"We propose to wholly repeal this British tariff rate of five per cent. Further, we propose to partially repeal the intermediate and general tariff rate of seven and one-half per cent. by making it no longer applicable to the following classes of articles: Foodstuffs, linen and cotton clothing, woollen clothing, boots and shoes, fur caps and fur clothing, hats, caps, hoods and bonnets, gloves and mitts, collars and cuffs, hides, skins, leather, harness and saddlery, agricultural implements, petroleum oils, mining machinery and bituminous coal. We shall provide for the free importation into Canada of wheat, wheat flour and potatoes from countries which do not impose a customs duty on such articles grown or produced in Canada. We shall provide, further, for specific instead of ad valorem rates of duty upon pig lead, zinc, spelter and copper ingots. On certain products

made from these materials there will be an increase in duties."

The total estimated loss in revenue Sir Thomas placed at \$17,000,000, and, owing to estimated reduction in the total volume of imports, due to diminished purchasing power during the current year, and probable decline in prices as well, he said the expectation was there would be a total loss in customs revenue for the present fiscal year of at least \$25,000,000. To partially offset this loss and close the gap of the deficit of \$15,000,000 between revenue and current expenditure, a heavy increase in income taxation was proposed.

In regard to reduction of duty on agricultural implements, Sir Thomas was able to arrange with the railways for reduction of rates to compensate eastern agricultural implement manufacturers for reduced duty by removing the $7\frac{1}{2}$ per cent. tax on importation of bituminous coal.

"We propose that all corporations shall pay 10 per cent. on their net income in excess of \$2,000. Shareholders shall be given credit for the normal tax to which they are liable upon dividends received from companies subject to this taxation.

"In the case of individuals we propose that the normal rate of 4 per cent. shall be levied upon all income exceeding \$1,000, but not exceeding \$6,000 in the case of unmarried persons and widows or widowers without dependent children, and upon all income exceeding \$2,000 but not exceeding \$6,000 in the case of all other persons. We propose a normal tax of 8 per cent. upon all income exceeding \$6,000. We propose that the surtax shall commence from \$5,000 instead of from \$6,000 as at present, and shall increase by graduation, applying firstly to incomes between \$5,000 and \$6,000, and to every \$2,000 between \$6,000 and \$100,000. Upon incomes in excess of \$100,000 materially increased rates are levied.

"As this is a war year, so far as public expenditures are concerned, and it is most desirable that we should maintain, so far as possible, our revenues, the Business Profits War Tax Act will be renewed for the current calendar year so as to make it apply to accounting periods ending on or before December 31st, 1919. The rates of the Business Profits War Tax Act which we are thus extending are as follows:

"Businesses having a capital of \$25,000 and over, but less than \$50,000, profits in excess of 10 per cent. to be taxable—rate, 25 per cent. thereof.

"Business having a capital of \$50,000 and over (exemption for incorporated companies, 7 per cent.; other than incorporated companies, 10 per cent.); profits in excess of exemptions, but not exceeding 15 per cent., rate of taxation, 25 per cent.; profits from 15 per cent. to 20 per cent., inclusive, rate of taxation, 50 per cent.; profits in excess of 20 per cent., rate of taxation, 75 per cent."

After stating that he hoped to initiate an inquiry as to general conditions with a view to revision of the tariff when business shall have been reasonably stabilized, Sir Thomas concluded with:

"Before closing my remarks I feel that I should make some general observations as to economic conditions prevailing in Canada today. An outstanding feature of the business situation is the fact that a great part of our business activity is due to the continued heavy expenditure of public money. The policy of the government for the so-called reconstruction period of transition from a war to peace basis, as illustrated in its programme with respect to shipbuilding, better housing, railway betterments and extensions, public works, and other national undertakings, together with its contribution of war gratuities to soldiers and the creation of credits for the promotion of our external trade with Britain and other European countries, is a vital factor in maintaining our commerce, domestic and foreign, keeping the wheels of Canadian industry turning and affording employment to hundreds of thousands of our people. The funds from which these activities and credits are