Annual Budget Speech in the Commons

OTTAWA, March 17.—(Special Correspondence).—Mr. Fielding delivered his thirteenth annual budget speech this afternoon to a crowded House and galleries. The finance minister was modest to a degree, even in the claiming of a surplus, and the note of confidence and self-congratulation which has so often turned the annual deliverance into a glorification of the works, past, present and to come, of the government was entirely absent. Today's effort was not a campaign speech. At times a note of warning was struck with no uncertain sound, and Mr. Fielding was not slow to intimate that under existing conditions there would likely be a considerable falling off in the revenue and an increase in expenditure during the next few months. The speech developed no surprises. There is to be no tinkering with the tariff, although some readjustment of the tax on tobacco is promised. The most interesting and perhaps the most important part was the explanation of the assistance given to the banks, to move the western crop. The banks are permitted to increase their circulation by 15 per cent. of their paid-up capital, for which they will pay 5 per cent. tax to the government upon the circulation thus issued. The Quebec bridge is to be taken over by the government, and an explanation was given of the financial transactions with the bridge company. Mr. Fielding's details of the liabilities of the company was not reassuring. During the past eight months over thirty-one millions have been borrowed in London and Paris, Mr. Fielding spoke for an hour and a half. Mr. Foster made an effective reply, starting at 5 o'clock and continuing after the dinner adjournment until 10 o'clock. He probed the open sore of headlong expenditure, and sternly criticized the mad expenditure of 130 millions annually. During the next ten years the government would have to provide two hundred millions to meet their already contracted obligations. The surplus claimed so boldly by Mr. Fielding was shown by Mr. Foster to be of such a gossamer character that it was easily blown away when the lid was lifted. Mr. Foster had the floor when the House adjourned, and will continue the debate on Thursday.

Mr. Fielding, who was loudly cheered on rising, said the last volume of public accounts was for a period of nine months, the broken period being made necessary by a change in the fiscal year. It was, therefore, difficult to make comparisons. The estimated revenue had been sixty-five millions, while the actual revenue had been $67,968,328, or greater than the estimate by $2,969,328. The estimated expenditure was fifty-two millions, whereas the actual expenditure had been $51,542,161, or an expenditure less than the estimate on consolidated fund of $457,838. The estimated surplus had been thirteen millions, but the minister said he was glad to be able to announce that the surplus for the nine months was $16,427,167, or an amount of surplus greater than the estimate of $3,427,167. The surplus, Mr. Fielding declared, amid Liberal cheers, was for the nine months greater than for any year since Confederation. The main sources of income were as follows:

Customs	$39,760,172
Excise	11,805,413
Post office	5,061,728
Dominion lands	1,443,632
Railways	6,509,099
Miscellaneous	3,389,282
Total	$67,969,328

It was, of course, Mr. Fielding declared, impossible to make an accurate comparison with the previous year, but in proportion the period of 1906-07 had given a very material increase in all services over the year 1905-06. Mr. Fielding declared the customs revenue was buoyant, and there was an increase in the excise returns, while the post office continued on its way rejoicing. Up to 1902, he declared, the post office department rolled up deficits, but there had been a change since that year, and he was glad to say that department for 1907 showed a surplus of $1,082,171. This Mr. Fielding considered was excellent. The Intercolonial also made a good showing with a revenue of $6,248,251, with working expenses of $6,030,171, an excess of revenue over expenditure of $218,079. The Prince Edward Island railway, however, showed a deficit of $67,713.

Coming to the expenditures of all kinds for the nine months ending March 30, 1907, these were:

Expenditure chargeable to consolidated fund	$51,542,161
Capital expenditure, National Transcontinental railway	5,537,867
Railways	1,603,701
Canals	887,838
Public works	1,797,871
Dominion lands	526,582
Militia	975,282
Making a total on capital expenditure of	$11,329,143
Special expenditures were:	
Railway subsidies	$1,324,889
Bounties	1,581,944
Total	$2,906,833

Combined, these made a total expenditure of $65,778,138. With the total revenue of $67,972,109, this left an excess of total revenue over expenditure of $2,193,971. Adding to this the sinking funds of $1,177,146, the decrease in the net debt of Canada was $3,371,117.

The Debt.

Mr. Fielding explained that the question of the public debt was an interesting one. It would not be reasonable to expect frequent reductions in the debt. Only in six years since Confederation had there been such a reduction, and four of them had been during the present administration. It was especially gratifying that, notwithstanding that every department had been administered with the utmost liberality, and in spite of special expenditures, the addition to the public debt in ten and three-quarters years had only been $5,174,427. Mr. Fielding also added that if it had not been for the large expenditures on account of the National Transcontinental there would have been no increase in the public debt. Canada, in fact, was most modest in incurring public debt. It was gratifying also to know that the net debt of Canada per head was decreasing. Taking the calculations of the census office of the population from 1891, the amount of the net debt per capita showed a falling off. In 1891 it was $49.09. On March 31, 1907, it was $42.84.

Mr. Fielding estimated the expenditure on capital and special account for the current year would be thirty-three millions, making a total expenditure of $110,500,000. The estimated revenue was ninety-six and a half millions; sinking fund, two and a half millions, making a balance at the end of the year to be added to the public debt of twelve millions.

Mr. Foster—"Cheer now."

Mr. Fielding—"It must be remembered that in the present year we shall spend nearly eighteen millions on the National Transcontinental. If it had not been for that expenditure the year would have closed, not with an addition to, but with a reduction of the public debt. He was under the impression that the large increase in population would more than balance the debt per head. At the beginning of the work on the Transcontinental the demands were not large on the treasury. From 1904 to 1907 there had been an expenditure of $8,163,878, and to the end of the current year it was estimated that $12,748,000, would have been spent for this work this year, so that at the end of March about twenty-six millions will have been spent on the Transcontinental.

Mr. Taylor—And the whole road was to have been built for thirteen millions.

Mr. Fielding—That is one of my friend's dreams.

The Coming Year.

Turning now to the fiscal year 1908-09, Mr. Fielding said: "I think I am correct when I say the general feeling of our business men is one of hopeful confidence, united with much caution. We are just emerging from a period of world-wide financial stringency. Financial systems and institutions of all countries have been severely tried. It should be a gratification to us all that none have stood the test better than those of Canada. In the single case in which one of our banks became embarassed, sister institutions temporarily took over its affairs and its business went on without the slightest hitch, so far as the public interests were concerned. One of the conditions which accentuated the difficulties in the neighboring republic was fortunately unknown here."

Turning to what is called the hardening of money, he said: "In the United States, men lost faith in financial institutions, and withdrew their money and locked it up. Happily nothing of the kind occurred in Canada. There was a justifiable confidence in banking institutions. While money was withdrawn it was not to be hoarded, but to be utilized in investments or other useful purposes. The curtailment of credit naturally produced some embarrassments; but even out of this condition, good may come. There was danger that the rapid expansion might lead to over trading and imprudent ventures. It is as well, perhaps, that all concerned should be warned against such things. Business has received a check, but I do not look for a continued period of depression. Conditions should improve in the early summer, and if we are blessed with a season of good crops confidence will be fully restored.

"On the part of the government it is a time for caution and yet a time for courage. Large new enterprises which would call for great outlay may well be laid aside for a little while. But the works which we already have in hand, and perhaps other works not calling for heavy outlay must not be neglected. Particularly must we not fail to push forward the great enterprise of the Transcontinental railway. We have reached a stage in the enterprise which calls for heavy expenditure, yet we feel it our duty to urge upon the commissioners the prosecution of the work, so that the new road may be completed at the earliest possible date.

"The main estimates for the year already in the possession of the House propose to appropriate on account of consolidated fund, $76,871,471; and for capital account, $42,365,620. Supplementary estimates will come in due course and add considerably to these appropriations. It must be remembered, however, that the estimates do not usually by any means present the actual expenditure. A considerable portion of the appropriations of every year remains unexpended, and the works concerned are provided for in the following year. As to the probable revenue for the coming year, I would wish to speak with caution. The monetary stringency is producing a curtailment of imports. Some of my hearers will regard that as a misfortune. I anticipate a falling off in our revenue in the early part of the new year. I am hopeful that later on the loss will to a considerable extent be made up and that in the end we shall find the revenue fairly satisfactory. I am estimating a revenue of $96,500,000 for the year soon to close. I do not feel justified in expecting so large a revenue for the coming year. Probably it will be more likely to fall below $90,000,000 than rise above it. Such a revenue would enable us to retain our strong financial position. We should have to be content with a reduction of the surplus. But I would expect the revenue to enable us to provide for all our consolidated fund expenditure and something as well by way of surplus. For our capital expenditure, or a considerable part of it, we shall undoubtedly have to add to our public debt. But, as I have often pointed out, it is unreasonable to expect that in a country like Canada we can carry on work of development without occasional additions to the debt. If we have to add in the coming year to our debt account, it will not be for ordinary expenditure, but for our work on capital account, and particularly for our great work of the Transcontinental railway. For that work alone we are asking an appropriation of $30,000,000 for the coming year."

The Tax on Tobacco.

Mr. Fielding said it was intended to make some important changes in the excise laws, which, however, would not affect the revenue. It had been decided to readjust the tax on tobacco, the reasons for such a change being the desire to have a uniform license instead of a varying license, a uniform stamp and a tax on the raw leaf instead of on the manufactured article. These changes were for the convenience of the department. Mr. Fielding said that Mr. Templeman, minister of inland revenue, would move the following resolution:

"That it is expedient that the Inland Revenue act be amended as follows:

"That section 275 of the said act be repealed and the following substituted therefor:

"275—The person in whose favor a license for manufacturing tobacco or cigars is granted, shall, upon receiving such license pay to the collector the sum of fifty dollars.

"That section 279 of the said act be repealed and the following substituted therefor:

"There shall be imposed, levied and collected on tobacco and cigars manufactured in Canada, the following duties of excise, which shall be paid to the collector as by this act provided that is to say:

"(a)—On all chewing and smoking tobacco, fine-cut, Cavendish, plug or twist, cut or granulated, of every description,—on tobacco twisted by hand or reduced into a condition to be consumed or, in any manner other than the ordinary mode of drying and curing, prepared for sale or consumption, even if prepared without the use of any machine or instrument, and without being pressed or sweetened—and on all fine-cut, shorts and refuse scraps, cuttings and sweepings of tobacco made from raw leaf tobacco or the product in any form, other than in this act otherwise provided, of raw leaf tobacco five cents per pound actual weight:

"(b)—On common Canada twist, when made solely from tobacco grown in Canada, and on the farm or premises where grown, by the cultivator duly licensed therefor or in a licensed tobacco manufactory, five cents per pound actual weight.

"(c)—All snuff made from raw leaf tobacco or the product in any form of raw leaf tobacco, or any substitute for tobacco, ground, dry, scented or otherwise, of all descriptions, when prepared for use five cents per pound actual weight.

"(d)—Snuff flour, when sold or removed for use or consumption, shall pay the same duty as snuff and shall be put up in packages and stamped in the same manner as herein prescribed for snuff completely manufactured—except that snuff flour not prepared for use, but which needs to be subjected to further processes, by sifting, picking, scenting or otherwise, before it is in a condition fit for use or consumption may be sold by one tobacco manufacturer directly to another tobacco manufacturer without the payment of the duty, under such regulations as are provided in that behalf by the department.

"(e)—On cigars of all descriptions, made from raw leaf tobacco or any substitute therefor, two dollars per thousand.

"(f)—On all cigars when put up in packages containing less than ten cigars each, three dollars per thousand.

"(g)—On cigarettes made from raw leaf tobacco or any substitute therefor, weighing not more than three pounds per thousand two dollars and forty cents per thousand.

"(h)—On cigarettes made from raw leaf tobacco or any substitute therefor, weighing more than three pounds, per thousand, seven dollars per thousand.

"(i)—All foreign leaf tobacco, unstemmed, taken out of warehouses for manufacture in any cigar or tobacco manufactory, twenty-eight cents per pound, computed according to the standard of leaf tobacco as hereinbefore established.

"(j)—On all foreign raw leaf tobacco, stemmed, taken out of warehouses for manufacture in any cigar or tobacco manufactory, forty-two cents per pound, computed according to the standard of leaf tobacco, as hereinbefore established.

"3—In all tobacco manufactories where less than 50 per cent. of Canadian raw leaf tobacco is used, and where 10 per cent. or more of other materials is used, such materials shall be subject to a duty of sixteen cents per pound, actual weight.

"4—All stemmed and unstemmed raw leaf tobacco and all materials and articles, the product in whole or in part of raw leaf tobacco, which are in process of manufacture in any tobacco or cigar manufactory licensed to use foreign raw leaf tobacco, shall, in addition to the duty already paid upon the raw leaf, be subject to the difference between the rate so paid and that hereby imposed, and all other materials in stock in any factory at the time this act comes into force, shall, under the conditions of subsection 2 of this section, be subject to the rate of duty therein mentioned, and the quantity upon which such additional duty shall be paid, as well as the quantity upon which the percentage of such other materials shall be based shall be determined in such manner as the department directs. All manufactured tobacco and cigars in bond at the time of the coming into force of this act shall be subject to the rates of duty thereon now existing, and such rates of duty shall remain in effect so long as any goods to which they apply remain in the bonded warehouse of the manufacturer or any other person.

"5—That sections 280 and 281 of the said act be repealed.

"6—That an amendment be made requiring manufacturers of wood alcohol to take out a license and to pay therefor an annual fee of one dollar.

"7—That the rates of duty hereby imposed shall come into force and affect upon such day or days as the governor-general by proclamation directs.

Mr. Fielding read the following table, showing present and proposed rates:

	Present.	Proposed.
Chewing and smoking tobacco from imported leaf	25c	5c
Manufactured tobacco from native leaf	5c	5c
Snuff, containing not more than 40 per cent. of moisture	25c	5c
Moist snuff, containing over 40 per cent. moisture; in packages of less than 5 lbs.	25c	5c
The same, in packages of 5 lbs. and over	18c	5c
Cigars from imported leaf	$6.00	$2.00
Cigars from native tobacco	3.00	2.00
Cigars in packages of less than 10 each	7.00	3.00
Cigarettes from domestic leaf weighing not more than 3 lbs., per M.	1.50	2.40
Cigarettes from foreign leaf weighing not more than 3 lbs., per M.	3.00	2.40
Cigarettes from either foreign or native leaf weighing more than 3 lbs., per M.	8.00	9.00
	Per lb.	Per lb.
Foreign leaf tobacco unstemmed	10c	28c
Foreign leaf tobacco stemmed	14c	42c

The Quebec Bridge.

Dealing with the government's relations with the Quebec Bridge company, Mr. Fielding recalled that last session authority was taken from parliament to advance money to that company. Authority had been previously taken to guarantee an issue of the Bridge company's bonds; but the money market conditions for the sale of the latter were not satisfactory, and they were used instead only as a basis for raising advances from the banks. It became apparent to the government that the Dominion would probably have to take over the bridge and that if these bonds were sold at a sacrifice they might have to buy them back in a few years at par. Accordingly, authority was obtained to advance money to the Quebec Bridge company in the same way as money is advanced to the Montreal Harbor Commission, taking over the company's bonds as security. The government was about to act in this way when the bridge fell, and further action was suspended. Since the government recognized the fact that the bridge must be completed and that they would probably have to take the enterprise over they had determined to carry out the legislation of last session. Two million dollars had been recently advanced to the Bridge company to enable it to meet part of its indebtedness to the banks, and as soon as it could be arranged they would be given the balance, a little over $3,000,000. The bonds would then be entirely released. The banks would not any longer have a claim upon them, and the debt would become a debt like that of the Montreal Harbor Commission.

Mr. Borden asked how much the country would have put into the bridge when that transaction was completed. Mr. Fielding replied that the money actually paid in would be the $5,016,000, with interest, plus that portion of the subsidy which was originally paid, viz., $374,353.

Mr. Ames asked if the $30,000,000 which the minister estimated for the Transcontinental next year included the amount required for the bridge.

Mr. Fielding—No; the Quebec Bridge company is treated separately.

Mr. Borden—Has the government any estimate of the additional expenditure required to complete the Quebec bridge?

Mr. Fielding—No.

Mr. Borden—Has the government any estimate of the additional expenditure to complete the bridge?

Mr. Fielding—No; that comes under the Department of Railways and Canals.

Mr. Fielding then dilated upon the progress made during the past thirty years.

As to the question of outstanding loans, Mr. Fielding said, though money had been borrowed from time to time, little had been added to the public debt. However, Canada, in view of Transcontinental expenditures, must go more frequently to the money markets of the world. An interesting feature, Mr. Fielding declared, was that those who invested in Canadian securities abroad seemed to be fond of their investments, and stayed with them. Mr. Fielding reviewed the history of the financial transactions in London and Paris, details of which he has given before this session, the one new point being that during the past eight months they had borrowed in London and Paris $31,200,000. On November 1 of this year a loan for four and a half million pounds sterling fell due in London. He hoped, however, that during the summer there would be some improvement in the money market, and a satisfactory arrangement could be made. To provide funds for the Transcontinental it had been necessary last August to borrow £500,000 for one year at 4½ per cent.

Mr. Fielding went on to refer to the advance of money to the banks in consequence of the failure of the crops. It had been said that this was an effort on the part of the banks to obtain aid; but in justice to the banks he desired to say that they were not the movers in the matter. When it was first mooted some of the bankers thought there was no need for aid. However, representations continued to come to the government in such a way as to demand consideration, and eventually the bankers modified their views and advised the government that some such action as had been proposed should be taken. Consequently, the government decided to assist such of the banks as were engaged in the grain trade and who desired to avail themselves of assistance in the aggregate to the extent of $10,000,000. The government required interest at the rate of 6 and 7 per cent., terms which were undoubtedly high, but still no higher than the Bank of England rate. The banks seemed disinclined to take advantage of this, and the movement which the government had in view could only be made successful through the co-operation of the banks. Finding this hesitation, they endeavored to meet it, and accordingly modified the arrangement and let the banks have money at a reduced interest, namely, at 4 per cent. It had been said that the government did not give any money to the banks, that the banks did not give any money to the people. Under the arrangement, however, and with the reduced rate of interest, the government loaned to the banks $5,313,000. Nearly all this money had been returned. About $965,000 remained unpaid, but there could be no doubt, it would be promptly repaid. With the Bank of England rate so high it was not easy to borrow money, for if they tried to obtain it hurriedly in England they might not be able to get it. They, therefore, came to the conclusion that they might impair to a slight extent the reserves which were held as security for Dominion notes. The reserve was in part gold and in part imperial guarantee debentures. They decided to accept from the borrowing banks the securities which they were able to give the government, plus the guarantee of the Bank of Montreal, which not only acted as the government's agent, but which was required to guarantee the whole transaction. They decided to accept the securities as an equivalent of the guarantee debentures which they held in their reserve funds and issue their notes as against this. It was a departure from the Currency act and would require ratification, but Mr. Fielding thought the step they had taken was justifiable. The transaction only reduced the reserve by 5 per cent. and in exchange they had the securities put up and the guarantee of the Bank of Montreal. Mr. Fielding thought that the experiences in regard to last year's crop would lead to an amendment of the Bank act, by which they would allow the banks to issue for a limited time in the crop moving season an emergency currency to the extent of 15 per cent. of their combined paid up capital and rest or reserve. It might be thought that they might get the increased currency by the increase of the bank capital, but this latter system might lead to embarrassment of the shareholder, and in one way, or another he did not think it would be workable. For this emergency currency the banks would have to pay a tax to the government not to exceed 5 per cent.

In closing, Mr. Fielding said that it was not proposed to make any changes in the custom tariff. A revision was made last year, and though he did not claim that it was perfect, he believed it had worked well. Mr. Fielding closed his speech with no peroration and moved that the House go into committee of ways and means.

Mr. Foster then rose to reply.

Mr. Foster commenced by strongly criticizing Mr. Fielding's indefinite explanations of the excise exchanges. Mr. Fielding had not had much to bring about. In 1890-1895 there was depression, world wide, but Canada did not suffer as much as the other lands. For this the Conservative government of that day could take credit, as it reduced the taxation, amounting to $21,873,000. The Conservative government had been economical in expenditure. In 1889 it reached $43,500,000. When the present government came in, Mr. Foster said, the country was on the upgrade of a wave of prosperity. The Northwest had passed the experiment stage. Immigration began to flow in. The battle of industrial progress had been fought out during the previous eighteen years. Owing to the principles of protection laid down by the Conservatives, the present government came in and went forward on the lines then laid down. The Liberals set themselves the task of reducing expenditure and taxation, to abolish protection, to abolish bounties, to