

Wed. Feb. 20th

\$300,000 Lost in Exchange?

He startled the House with the announcement that "somebody" got \$300,000 of exchange on a Government financial transaction in the United States market through failure to secure to the Government its rightful exchange. Amid Progressive "hear, hears," Mr. Price declared the Government's intention of finding out where it went.

Explaining the necessity for reorganization in certain departments, he told of chaotic conditions in the Amusement Tax Branch and the Motion Picture Department, and announced a change in the system of administration in the King's Printer's Branch, in which, through the policy of storing Government paper with the contractors, the ownership of \$30,000 worth of supplies was in dispute.

Changes Bookkeeping Method.

In his opening remarks, which referred to the "high-water mark of expenditures" which the Province had reached, Hon. Mr. Price said that the Government had made those corrections in the system of Provincial bookkeeping which it had advocated while in Opposition. Certain items, such as the Hydro-Radial Commission cost, he said, had been placed in ordinary account, where they belonged, and "extraordinary account" no longer appeared in Government ledgers.

"What were the causes of the \$15,000,000 deficit?" he asked. "No doubt the causes were the disposition of the old Government always to angle for a surplus, to angle for

(Continued from Page 1, Column 5.)

something that they did not have. It will be shown that they never even approached a surplus at any stage in their four years of office. If you will juggle in order to appear to make something that does not exist, then you eventually have to pay the penalty."

Hon. Mr. Raney Laughs.

He went on to tabulate the financial record of the Government under the new Government's system of accounting, which he deemed the sounder method. It was a series of deficits: \$2,988,428 in 1920; \$3,654,114 in 1921; \$2,666,000 in 1922, and \$15,195,226 in 1923, making a total deficit of \$24,499,830, or an average of over \$6,000,000 yearly during the Drury regime.

"My honorable friend laughs," Mr. Price said, turning to former Attorney-General Raney. "It has been the most expensive experiment that this Province has ever had in finance or anything else."

Mr. Price reminded the House of Conservative critics' warnings of undue increase in interest charges, which had reached \$14,000,000, and constituted itself a continuous burden on the backs of the taxpayers.

"If you will have tremendous capital charges piling up," he said, "you will have to pay for it every year throughout the life of your loan in interest. We must go very, very carefully in our expenditure of public money, and no matter what our personal point of view may be we will have to face the issue fairly. But this Province, Mr. Speaker, with its great resources, can meet a \$15,000,000 deficit, and in order to do it this Government asks the co-operation of all parties and all citizens."

Political Comparisons.

"Why, the deficit of \$15,000,000 this year is as much as the Hearst Administration spent on ordinary expenditure at the beginning of the war," went on the Provincial Treasurer. "It is three times the amount the Whitney Government spent on ordinary expenditure at the time they came in."

What the financial situation in Ontario demanded today, said the Treasurer, was the education of all Governments and all people in economy. Today, he instanced, the young boy of 10 or 12 years demanded a wardrobe, whereas the boys of 30 years ago were content with one suit and one pair of boots.

Assets and liabilities account, he proceeded, showed that the total liabilities of the Province to date were \$303,391,000, the increase in direct liabilities of the Province over the last fiscal year being \$54,330,000. As the increase of the assets was \$42,605,000, there was a widening out between the two of around \$12-

000,000. Deducting the revenue-producing liabilities, such as the T. & N.O. and Hydro, the non-revenue-producing liabilities had risen from \$15,000,000 to a net debt today of \$109,000,000, or an increase of \$94,000,000 in the public debt.

The Treasurer recounted the new Government's two loan ventures, which he thought very creditable. By simply waiting out the market on one of them it had decreased the cost of the funds to the Province from 5.35 to 5.30, which was better than the Dominion Government or City of Toronto financing. He quoted letters from Sir John Aird and Sir Thomas White complimenting the Government.

Big Loss on Exchange.

Dealing with Treasury bill loans of \$10,000,000 placed in New York in April and May last, Hon. Mr. Price said: "This loan was placed in New York, and is a liability of the Province in American money. As these bills were discounted the Province paid approximately \$300,000 for the eight months. According to the deal made, the Province accepted Canadian funds for American funds. The rate of exchange from April 24 until May 2 averaged around 2 per cent. It is fair, therefore, to say that the exchange on these bills would have netted the Province \$200,000. As the Province received only \$100,000 funds the question now is, Who got the \$200,000?"

Similarly, he said, the Province had lost \$100,000 through accepting Canadian money in lieu of American on another Treasury bill of \$5,000,000 of May 1, 1923, payable in American funds in New York. The exchange was around 2 per cent.; "therefore the Province lost \$100,000."

Mr. Raney—Have the deputies in the department no explanation?

Mr. Price—I don't know whether the Deputy has or you have, but the Government is going to take care that somebody explains.

Mr. Price dealt at considerable length with the Drury Government's dealings with the succession-duty-free bonds, and charged that it had instructed its brokers to purchase in England inscribed stocks and bonds "without ascertaining first what loss there had been to the Province on these issues, or what benefit would accrue by retiring low-rate interest bonds."

Altogether, he said, the London transaction and the various transactions here, and the difference in interest paid in the old bonds and the newly acquired money at higher rates, cost the Province \$6,985,615.

The Treasurer said he had ascertained that the old Government made no survey of loss incurred through succession-duty-free bonds, which he stated to be a loss of only \$810,201 since 1906. He could not understand, therefore, how former Treasurer Smith could have stood up last session and stated that there had been a loss of a million dollars in three years. Except in exceptional circumstances, the new Government had discontinued the policy of buying up these outstanding bonds.

Audits for Every Branch.

"It will surprise the House to know that we have never had an audit of receipts in the Province," he declared, in reviewing what he deemed to be a particularly bad feature of the former administration and one which the new Government had remedied by instituting audits of every branch of the service.

"The situation in the Amusement Tax Branch," he said, "was beyond description. I tried to give opportunity to its members to do business in a businesslike way, but apparently they thought I did not mean business. One morning about 9.30 I went down and I found the Director, the Assistant Director and the Chief Inspector were all absent. Some employees were sitting around knitting and the others reading books. I don't know where the revenue was going or what was happening, but it certainly was poor administration. These three have been removed."

What Mr. Price described as an "outlandish situation," discovered by the auditor in this department, was the practice of holding cheques and currency in the files pending completion of formalities. "Some of the cash," he said, "was sticking in the file when we came in."

In the Theatre Inspection Branch there were found to be no cash sheets. They had been burned in the furnace in June—"another case of burning of papers."

Unlicensed Billiard Rooms.

There were also found to be no fewer than 377 billiard rooms in the Province operating without licenses—"34,560 standing out on billiard and pool tables alone," said the Treasurer. In Sarnia items collected in July had not reached the cash book until September, which prompted W. Haney, West Lambton, to say that a cheque sent the department had been returned for some reason.

In the Moving Picture Bureau the audit showed that the Filmcraft Industries, who had a contract from the Province to manufacture films, owe the Province \$42,922; and the Pathoscope owes \$565. He had given instructions for collection of the former item, although he did not know what the result would be, because a few days after the Government commenced measurement of films at the place "they had a fire."

Like an Arabian Nights story, he said, was the evidence of maladministration connected with the Russell Theatre at Ottawa. The department did not know the theatre had reopened operations for some time, and when it asked for amusement tax it was told that the license had been granted to the Allen Theatres, Limited. Upon asking the Allen people they ascertained that the license really had been issued to "Allen-Russell Theatre, Limited." It all resulted in failure to collect some \$9,000 of tax.

\$31,000 Shortage in Paper.

Audit of the King's Printer has shown a shortage of \$31,000 of Government paper, which previously had been stored with the contractors. "Fancy," he said, "anybody leaving his paper with the contractor—even the Methodist Book Room." Paper henceforth would be stored in the Parliament Buildings, where provision would be made.

Further shortages were found in the Land Transfer Tax, in Motor Vehicle Licenses, amounting, altogether, probably to \$50,000, not including the larger ones mentioned. As a result of it the new Government had decided to audit everything hereafter.

The Government had bent every effort to see that the Provincial Savings Bank Department was conducted in a most conservative manner. Deposits had increased during September, October and November over 50 per cent., and the cost of Provincial deposit moneys to the Government had decreased from 7.54 in 1922 and 5.12 in 1923 to 5.08 in the last three months.

To Reduce Interest on Deposits?

Increases in deposits had been keeping up steadily, but only time would tell whether the situation was abnormal, and also whether, with money costs declining, the Government could afford to continue to pay 4 per cent. interest.

Hydro accounts, he said, were now right up to date with the Government—paid up in everything.

Concluding, he accused the old Government of running practically a 13-month year in 1923 in order to help their surplus. They had simply blue-pencilled estimates to the extent of 25 per cent., he declared, without considering that it requires more than a pencil to curtail expenditures.

"We have nearly \$50,000,000 of money spent this year. What is facing the people and this Government next year? I do not believe we will be able to cut that down more than \$5,000,000, the demands are so great. Revenues, which were \$34,000,000 last year, I believe we will be able to increase—I hope to probably \$38,000,000.

"There will be no new taxation. We desire to give the people an opportunity to clean things up."

Harold Fisher, K.C., Liberal financial critic, moved the adjournment of the Budget debate.