

The issue, he said, found a very ready market, and had been rapidly absorbed.

Again, in April of the fiscal year, a \$25,000,000 short-term issue for one and two years in the form of treasury bills, had been disposed of at the remarkably low rate of 4.53. Throughout the year major portions of money required were obtained, according to the Treasurer, at the low rate of four and three-quarters per cent.

"This form of financing," said he, "was adhered to until such time as the market was favorable for a long-term issue for refunding purposes. The Province made substantial savings owing to this method of financing. During the calendar year, 1926, there was not one long-term issue put on the market. The refunding was postponed until such a time as a favorable market presented itself. This (as previously stated) occurred in January last."

Credit of Province.

Referring to the keen bidding on this particular issue, the Treasurer said: "It is apparent to the honorable gentlemen of this House that the growing appreciation of the credit of this Province is observable. A renewal of confidence has come in the finances of the Province of Ontario. I might inform the House that this was the cheapest money that this Province has secured since pre-war days, a rate of 4.77, slightly over 4 3-4 per cent." I might also draw the attention of the House to the fact that no issue in the last four months in any part of the Dominion has brought such a favorable return as this, the cheapest money that has been secured in any Province or city in recent months. I draw this to your attention simply to prove to this House that the finances of the Province of Ontario today are sound and wholesome, and have reached a stage where the outside world appreciates stable government."

Declaring that during the Drury regime money cost in the neighborhood of six and one-half per cent., Dr. Monteith stressed the great saving to the Province occasioned by even a small margin in interest rate. This was reflected, he said, to all the various commissions operated under the Province, and to which money was supplied by the Province, such as the Hydro, the T. & N. O. Railway and the Agricultural Development Board. A rate of interest amounting to one-half of one per cent. would mean a saving to the T. & N. O., for instance, of \$150,000. And a similar rate on the borrowings of farmers from the Development Board, which were \$12,000,000 on October 31 last, means a saving to the farmer of \$60,000, and is thereby reflected, he contended, throughout all the services.

Continuing, he noted that the revenue for the last fiscal year, ordinary and capital, excluding loan repayments by municipalities and special fund receipts, amounted to \$54,000,000, and that the expenditure on ordinary and capital account, exclusive of loans to municipalities and special fund repayments, amounted to \$65,000,000.

Succession-Duty-Free Bonds.

He referred briefly to the bonds and stocks free from succession duties as at Oct. 31, 1926. The original amount was \$13,998,600 in currency and £2,457,841 in sterling. A great portion of these issues has been redeemed or cancelled, and much has been brought into the sinking fund. There remain in the public hands \$2,433,500 in currency and £273,130 in sterling.

There was a brief reference also to the canteen fund. He reviewed how the fund of \$940,000 had come into the hands of the Province; how the Province had taken it in trust. A Treasury bill for the amount for one year, bearing interest at 5 per cent., was sold at par to the Canteen Fund Commission. "This means," so it was stated, "that the soldiers of the Province have a fund that is safely invested, and they secure on their investment a rate of interest one-quarter per cent. at least better than they could obtain elsewhere for a similar security."

Referring to interest in connection with the capital debt of this Province, Dr. Monteith said that last fiscal year \$17,100,800 was paid in interest, as compared with \$17,238,175 in 1925, an interest saving over last year of \$137,375.

This, said he, was a unique condition in the financing of the Province, for in no other year had the interest charges been less than in the preceding year.

Saving on Interest.

"Had this Government," he declared, "continued the course of extravagant capital expenditures in the same ratio as that of the preceding Government, the interest charges today would have been millions of dollars higher than they are."

"This Government," he continued, proudly, "has introduced a new era of taxation reduction. As one knows, taxation is the foundation of a Government, and no Government functions properly if its chief ambition is not the lightening of the burden of taxation. Also, another objective that has been well observed by this Government is that it has endeavored, so far as possible, not to invade the field of taxation which belongs to the municipalities. This Government has saved in taxation to the people of this Province, both directly and indirectly, large sums of money."

"Directly, they have abandoned taxation on poolrooms, amounting to \$100,000 per annum, believing that this was a municipal tax; luxury tax on carbonated drinks up to \$102,000; amusements tax, any entertainment up to 25 cents exempt, some \$600,000; automobiles, \$5 on each car—a saving to the people of \$1,750,000 to \$2,000,000. While the direct taxation relief is large and substantial, yet the indirect tax reductions represent more money and more relief than the direct. We have saved, indirectly, large sums of money in the refunding operations."

"Short-term financing during the entire calendar year of 1926 has saved this Province many thousands of dollars. Still more important was the consistent holding down of capital expenditure, by which method the Government has been able to save this Province in the three years of its office a sum of money amounting to \$3,253,014. And this year, in the case of the last loan, we made an exchange profit on the transfer of \$11,000,000 of \$15,000, which added so much more to the proceeds of the loan. Another matter, by way of interest saved and lightening taxation, is the reduction of the deficit. Here, again, we have an indirect saving."

He went on to refer to the Government's debt retirement scheme introduced two years ago, whereby the entire debt existing then could be retired in 40 years.

Debt Retirement Scheme.

"The scheme," said he, "was as follows: The debt was divided into two parts—the main Provincial debt, \$192,765,308, and the Hydro debt, \$127,198,046. The Hydro assumed its own financing of the retirement of their portion of the debt and are to pay off a certain instalment provided by sinking fund annually, thus liquidating their entire present debt in 40 years. I might inform the House that the Hydro has already entered upon this scheme, and will pay to the Province this fiscal year their first instalment toward the liquidating of their debt. The fact is that in 1926 they surrendered to the Province over \$4,800,000 of accumulated sinking fund, which they had invested in Provincial bonds. This was set against their debt, and to that extent the gross Provincial debt was reduced. This is a proof of what is being done and shows the determination to carry out the scheme of debt retirement."

Already in the cancelling of their \$4,800,000 of bonds the Hydro has shown to the public its good faith in carrying out its undertaking, and, besides, as I have intimated, this year they will pay to the Province the first annual instalment, according to the debt retirement scheme, the sum of approximately \$1,350,000.

It will further be understood that, so far as the Hydro is concerned, their part of the obligation will be promptly looked after year by year and a good substantial start has been made in caring for the liquidation of that part of the capital debt.

Out of Ordinary Revenue.

As for the Provincial portion of the debt, said he, the scheme as mapped out has provided that the Province provide annually a sum approaching \$1,500,000 each year. To be exact, this year the Province will pay off the public debt the sum of \$1,668,000, and allow me to state that this will be paid out of ordinary revenue, and has been provided for in the 1927 estimate of revenue and expenditure. Between the Hydro and the Province, the total amount which will be paid off the public debt this year will be \$3,007,000.

Honorable members will be gratified to know that already the Province has paid in this fiscal year, in December, \$700,000 of this sum. A remarkable feature associated with this payment is that it is the first payment that ever has been made toward the reduction of the public debt of the Province. The balance of the 1927 quota will be applied in the payment, out of revenue, of that amount of other maturing loans which will not be refunded. Year by year, these instalments will receive due consideration by this Government to see that the payments are regularly and consistently met. The financial undertaking has been assumed and the basis of procedure will be such that they will be met. Thus, year by year, our interest charges will be lessened and the saving applied to debt retirement. The paying off of the debt will therefore proceed at a constantly accelerating rate.

"As an illustration of the rate of acceleration, the amount of debt to be paid off is shown below at five yearly intervals over the forty-year period: First year, 1927, \$3,007,000; fifth year, 1931, \$3,545,000; tenth year, 1936, \$4,311,000; fifteenth year, 1941, \$5,335,000; twentieth year, 1946, \$6,651,000; twenty-fifth year 1951, \$8,361,000; thirtieth year, 1956, \$10,549,000; thirty-fifth year, 1961, \$13,320,000; fortieth year, 1966, \$16,835,000.

To Pay Off Entire Debt.

"As has already been explained, the rapidly increasing rate of retirement is effected by applying the saving of interest on debt paid off to principal retirement. In other words, by maintaining an annual charge against revenue of the 1926 interest, plus an additional amount of approximately \$1,500,000 per annum, for 40 years, the entire debt as at the end of 1925 will be paid off, leaving outstanding only new debt contracted from 1926 onward, in various stages of repayment through the medium of Annuity Bonds.

"The Serial Bond Issue of December, 1925, and the one in January of this year have both proved a decided success. In both cases, these were issues refunding the old debt. The issue in January calls for an annual payment of \$800,000, so next fiscal year there will be retired the second \$700,000 maturity of the \$21,000,000 1925 issue, and the first \$800,000 maturity of the \$24,000,000 1926 issue, which means that, in the future, each issue will be taken care of as the annual maturities fall due, so that, in 40 years' time, if this scheme is persisted in you will have a Province free of debt so far as the "old" debt is concerned. With careful attention to the control of expenditure and doing without things that cannot be paid for, there is no good reason why this should not be accomplished."

He continued to deal with Hydro affairs declaring, "financially Hydro is sound." He went on to review again briefly Hydro's part in debt retirement.

Then he dealt with financial activities in connection with the T. & N. O. Railway. Up to date the total amount of monetary support from the Province has been \$30,207,934. During the past two years money advances from the Province had been nil.

In interest alone the railway has