

these systems. Many municipalities have altogether liquidated these first costs and hereafter will operate under conditions requiring no write-offs on account of sinking funds. The Hydro-Electric Power Commission, I am informed, looks forward to further reductions in the price of electric energy in many of these municipalities, including some which already have the lowest recorded rates for light, power and heat loads on the American Continent. These are all outside of the Niagara system.

Niagara Forming.

"The finances of the Niagara system remain a source of anxiety to the Commission and to the Government. I can, perhaps, indicate the effect of the huge over-purchase of power from Quebec contractors upon the Niagara system's financial set-up by the statement that in 1929 the total cost of power, which included power purchased, operation, maintenance, administration, interest and provision for renewals, sinking fund and contingencies, was \$20,428,600, of which power purchased cost \$1,638,516. In the year ended Oct. 31, 1934, the total cost of power, including these elements, had increased to \$25,576,551, of which more than a quarter was paid out for purchased power, the total amount required to meet the bills of the contractors being \$6,872,793. While the cost of purchased power during the period 1929-1934 had increased over \$5,000,000, the total revenues of the Commission from power sold to municipalities, rural consumers and private customers had increased only from \$21,664,808 in 1929 to \$22,543,780 in 1934 or less than \$1,000,000.

"It will thus be seen that the revenue has increased less than \$1,000,000 while the item of purchased power alone, included in the total cost of operation, has increased over \$5,000,000, with additional payments for increased purchased power to be added up to 1937, when the balance now contracted for has been delivered.

"These figures standing alone must constitute a very serious menace to the provision of cheap power for domestic and industrial purposes throughout the Niagara district. Unhappily, they do not stand alone. Unless the power contracts are set aside and more equitable arrangements made with the contractors on behalf of the people of the Niagara district, there must still be added during the next two years a volume of 206,000 h.p. to the contract obligations of the Niagara district, involving a further annual payment of \$3,090,000. This staggering power bill, recklessly incurred, must be reduced, and I am expressing the unalterable determination of the Government when I say that it shall be reduced so that the industries and the homes of the Niagara district, the most populous portion of the Province, shall not be subjected for a generation to this intolerable burden.

"The present bill entitled the Hydro-Electric Power Commission Act, 1935, now before the House, was designed to remedy the very unfortunate situation that now exists, and with its final approval by Parliament the great Hydro-Electric System, having been relieved of the crushing and impossible burden, will go forward to greater achievements. I am pleased to reaffirm the 'Back-to-Beck's Publicly Owned Hydro Policy' as the objective of the present Administration.

Agricultural Board.

"The Agricultural Development Board, as of Oct. 31, 1934, had assets amounting to \$56,278,286.62, represented by:

Mortgage loans	\$47,380,592.60
Farm properties taken over by foreclosures	2,204,824.36
Interest accrued but not due	1,995,539.50
Mortgage interest in arrears	4,181,867.14
Cash on hand and in bank	301,887.51
Other assets	213,575.51

Total

"Among the liabilities of the Agricultural Development Board should be mentioned:

Debentures held by Province	\$49,600,000.00
Accrued interest on debentures	5,697,358.08

"The Government has completed 400 loans which were undertaken by the previous Government, and we are now in receipt of 400 applications for new loans.

"We propose to continue to make loans and to order inspections immediately. We also plan to give close supervision through our Agricultural Representative staff and the inspectors employed by the board to all accounts which are in arrears.

Corporations Tax.

"The amount collected under the corporations tax for the fiscal year ended Oct. 31, 1934, was \$6,371,276.26. It is estimated that in the fiscal year ending on March 31, 1936, the revenue

from this tax will total \$7,600,000.

"The legislation which will be brought down to amend the Corporations Tax Act will bring into effect several important changes:

"1—Tax on Net Revenue: The amendment will institute an exhaustive definition of net revenue for the first time.

"There will be no increase in the rate of taxation on net revenue, which stands at present at 1 per centum thereof.

"2—Tax on Paid-up Capital: The present act defines paid-up capital in such a manner that bonds and debentures are not included therein, and it has been found that the tax imposed on paid-up capital, as so defined, results in inequalities. This condition will be rectified in the amendment to be brought down by including such bond and debenture indebtedness in the paid-up capital.

"3. Change in Procedure of Collection of the Tax: The amendment to the Corporations Tax Act institutes an important change in the procedure of collecting the tax. The new procedure requires that in future the returns of incorporated companies must be accompanied by payment of the estimated tax. In consideration of the fact that the tax must be paid when the return is filed, and also in consideration of the heavy penalties which are provided under this act, the Government intends that any amount found overpaid is to be refunded, together with interest at the rate of 4 per centum per annum.

"4. Penalties: The amendment to the act institutes a new penalty for false returns or false information not to exceed \$10,000.

Stock Transfer Tax.

"The revenue collected under the stock transfer tax during the fiscal year ended Oct. 31, 1934, amounted to \$704,904.37. The estimated revenue from this tax during the fiscal year ending March 31, 1936, is \$1,000,000. There will be a small but important change in the act covering stock transfer tax; that is, that syndicate units will be mentioned in the taxing subsection, and that the tax on syndicate units, mineral deeds and oil royalties when transfers occur will be 3 cents for every \$100 or fraction thereof of the value of such securities. The penalty imposed for failure to pay the tax will be changed to be not less than the amount of the tax due, and not exceeding the total of the amount of the tax due and \$500.

"The amount of revenue received in the fiscal year ended Oct. 31, 1934, under the Supplementary Revenue Act, which imposes a tax of 10 cents per gallon on native wines purchased in Ontario, amounted to \$131,543.33. It is estimated that this tax will produce a revenue of \$130,000 in the fiscal year ending March 31, 1936. In this connection it is interesting to observe that one of the earliest taxes levied in Upper Canada was a tax of six pence a gallon, imposed in 1796, and the purpose of this tax was to provide for the construction and

maintenance of roads and bridges.

"Amongst the proposals for increasing the revenues of the Province may be mentioned certain amendments to the Succession Duty Act, which provide as follows:

"1. An additional tax on estates will be levied where the aggregate value exceeds the sum of \$1,000,000. Heretofore the limit of the base tax on an estate of \$1,000,000 and upward was 10 per cent. The proposed amendment will increase the tax progressively by 1 per cent. on each \$1,000,000 to a maximum of 14 per cent.

"2. The surtax applicable to all taxes collected under the Succession Duty Act, 1934, is increased from 10 to 15 per cent.

"3. Property transfers to trustees or otherwise by way of marriage settlement, which at present are not subject to duty, will be deemed to be property passing on the death of the deceased person, and, as such, subject to the Succession Duty.

"In addition to these changes affecting the tax, there are administrative changes which will have the effect of increasing the efficiency of the administration and widening the powers of the Treasurer in respect to carrying on investigations. It is anticipated that an increased revenue will be obtained from succession duty, and I estimate that the sum to be collected during the next fiscal year will amount to \$9,500,000.

Direct Taxation.

"I am greatly concerned at the continued inroads into the field of Provincial taxation made by the Dominion Government. I refer particularly to the income tax, the tax on gold (now discontinued), the tax on the export of power, and the tax on water used for power development. All of these are direct taxation, specifically provided by the British North America Act as belonging to the Provinces. I am quite in accord with the principle of levying taxes on large incomes, and recognize the fact that ability to pay is the measuring stick

in these times when, unfortunately, the last dollar in taxation must be exacted. On the other hand, every time the Dominion of Canada reaches out its hand and takes income tax from residents of the Province of Ontario, it is taking that which properly belongs to the Province and to the municipalities, and multiplies the difficulties of both. It would appear that the failure of the Province to enter this field has encouraged these fresh exactions, and the time has now come when the ill-balanced incidence of taxation in municipalities has so contributed to unemployment, that the Province can no longer disregard the plea of municipalities for consideration.

To Balance Budget.

"In closing, permit me to repeat and emphasize, that before the end of the fiscal year this Government, by added revenue obtained from new taxes, is determined to balance its Budget, and confidently looks forward to collecting the amounts of revenue shown in the detailed statement of estimated ordinary revenue. It is also the intention of the Government to keep within the expenditures as shown in the statement of estimated net expenditures.

"Moreover, it is my firm belief that it is the duty of a Government not only to balance its Budget, but to so conduct the business of the State as to ensure that it lives within its income and avoids falling into the error that my good friends opposite have been guilty of, namely, of building up the debt year after year. Assuredly, in having constantly before us the example and warning of the record of the previous Administration which, in the short space of four years added to the gross debt the sum of \$182,389,000, being an annual increase of \$45,597,000, and added to the net debt in four years the sum of \$145,699,000, being an average annual increase of \$36,425,000, we shall do our utmost to avoid falling into their extravagant ways, which brought such