

INTERIM STATEMENT OF GROSS ORDINARY EXPENDITURE
 Fiscal Year April 1, 1936—March 31, 1937—10 Months Actual—2 Months
 Forecast—12 Months

DEPARTMENT	Detail	Gross Ordinary Expenditure
1—Agriculture		\$ 1,936,924 99
2—Attorney-General		2,333,056.04
3—Education		10,253,936 24
4—Game and Fisheries		470,054.20
5—Health:		
Main Office and Branches	\$ 739,107 99	
Hospitals Branch	6,699,038 58	
		7,488,146 57
6—Highways		4,731,477.56
7—Insurance		65,827.83
8—Labor		397,112.07
9—Lands and Forests:		
Lands Branch	222,221 11	
Forests Branch	2,288,823 10	
		2,511,044.21
10—Legislation		269,604 26
11—Lieutenant-Governor		10,668 03
12—Mining		328,500 31
13—Municipal Affairs		82,408 42
14—Northern Development		1,422,236.71
15—Prime Minister		143,574 28
16—Provincial Auditor		113,077.00
17—Provincial Secretary:		
Main Office and Registrar-General's Branch..	116,623 99	
Reformatories and Prisons Branch	1,466,436 31	
		1,583,060 30
18—Provincial Treasurer:		
Main Office	406,865.78	
Controller of Revenue Branch	279,890.25	
Amusements Revenue Branch	85,718 19	
Board of Censors	11,667.02	
Postoffice	134,555.15	
Savings Office	261,790.44	
		1,180,486 83
19—Public Welfare:		
Main Office and Branches	600,717.70	
Old-Age Pensions Commission	2,002,300 00	
Mothers' Allowances Commission	2,678,216 00	
		5,281,233.70
20—Public Works		620,767.13
Miscellaneous		157,323.43
Stationery Account		6,677.08
		\$41,387,197.19
Public Debt—Interest, Exchange, etc.		30,986,882 59
		12,500,000.00
Add: Unemployment Direct Relief and ad- ministration thereof		\$72,374,079.78
		\$84,874,079.78

Surplus

"Having budgeted last year for a surplus of \$597,985.64, having collected revenues in excess of the amount estimated after paying the cost of unemployment relief and the administration thereof in the sum of \$12,500,000, and having properly provided for all sinking funds by the expenditure of over \$900,000, I am able to report today, Mr. Speaker, a surplus, an honest surplus twelve times as great as that contemplated, a surplus of \$7,347,729.73.

"The results for this present fiscal year must be a source of satisfaction to every member of this House and to every good citizen of the Province. I know that in the political field there is a constant warring of the various factions who seek at all times to gain an advantage over their opponents; but I am most sadly mistaken if the fact of my today being able to report an honest surplus of over \$7,000,000 to this House does not give the utmost satisfaction to every member, regardless of whether he sits to the right or to the left of the Speaker

Capital Receipts

"The next item to which I shall give attention will be that of capital receipts. I must say at the outset that I do not find myself in agreement with some of the arguments of my friends opposite who deem it an economic crime to add to the debt by allowing capital expenditures to exceed capital receipts and, at the same time, fail to give credit to a Government that so manages the affairs of the State as to ensure that the capital payments are less than the capital receipts. Did any of you ever hear of a banker or a sensible business man chiding a customer, whose accounts receivable and whose inventory in raw and manufactured material were too high, for reducing his inventory and collecting his outstanding accounts to pay off his bank indebtedness or his other liabilities?

"This Government has put forth every effort in an endeavor to collect amounts that were owing and, with the improved times in business and economic conditions, this has been possible. A year ago I estimated the capital receipts for the year at \$36,893,318.51. This estimate has been surpassed by the amount of capital receipts which, by March 31 next, will amount to the sum of \$44,431,714.93.

"With the permission of the House, I place on the records an

interim statement of capital receipts for the fiscal year April 1, 1936, to March 31, 1937, being ten months' actual receipts and two months forecast.

Reviews Hydro Affairs.

"One of the chief items that go to make up capital receipts is the repayment to the Province by the Hydro-Electric Power Commission of Ontario of the amounts which represent the portion of the Hydro-Electric Power Commission's share of maturing debentures. While we take the receipts from the Hydro-Electric Power Commission into our account and show them as capital receipts, we might quite as easily and properly have required the Hydro-Electric Power Commission to pay the sums representing their portion of the maturing obligations directly to the banks.

"A few words of explanation will perhaps place this matter in such a light that it will be better understood by the House and by the citizens of this Province.

"The Province of Ontario made its first loan for advances to the Hydro in the fiscal period ending in 1909. Yearly advances were made from that time on. Interest was payable on such advances in the manner as prescribed in 17 George V, Chap. 17, Sec. 36. Such interest was to be the exact cost to the Government of money raised for the purposes of the Commission.

"In 1926 the Hydro undertook to place with the Province sinking funds that it was accumulating for its debt retirement. Interest was allowed to the Hydro on the basis of average yearly cost. A review of the Hydro financing plan as at Oct. 31, 1934, indicated the following unfavorable factors:

"The Hydro advances were increasing year by year, necessitating an ever-increasing drain on the credit of the Province. As no attempt has been made in the past to charge directly to any Provincial loan any part of the Hydro advances, it was necessary to maintain an elaborate and complicated system to ascertain the average yearly cost of money. It was also impossible under the former plan to allocate any part of the Hydro Sinking Fund deposits against their previous borrowings. The Province was faced, therefore, with the prob-

lem of two accumulating accounts—one representing Hydro advances, the other representing Hydro Sinking Funds—each with an elaborately complicated interest set-

up and no feasible manner in which to offset one against the other.

Pro-Rata Basis.

"The Commission and the Province decided that as at Oct. 31, 1934, the total Provincial advances to the Hydro be distributed in an equitable manner over the Provincial loans outstanding as of that date and also that in distributing such advances, due consideration be given Hydro repayments. It was necessary in order to properly allocate the Hydro advances to Provincial borrowings to examine into and summarize all the borrowings by the Province from the year 1904 to 1934. In this way it was possible to ascertain the net proceeds of each loan, the maturing issue or issues that had been refunded and the proceeds available for financing Provincial and Hydro undertakings. The Hydro advances were then distributed in each fiscal year over the available proceeds on a pro-rata basis:

"The Hydro repayments represent a portion of the Sinking Fund accumulated by the Hydro for the eventual retirement of its advances. The above-mentioned Hydro repayments were therefore used in retirement of the Hydro's share in the next ensuing loan maturity.

"With the permission of the House I placed on the records a summarized statement, by fiscal years, of the advances to and the repayments from the Hydro-Electric Power Commission, which is Schedule A, and the distribution over the Provincial Funded Debt, as at March 31, 1937, of the net advances to the Hydro-Electric Power Commission, which is Schedule A-1.

March 10