

The text of the address, exclusive of the preamble, which Premier and Provincial Treasurer Hepburn delivered in the Legislature yesterday in the presentation of his fourth Budget, follows:

## Debentures Price High

With the heavy program of capital expenditures, both for highway construction and for hospital extension, which this Government has undertaken, it was found expedient to issue and sell debentures to the public.

On Aug. 1, 1937, debentures to the par value of \$20,000,000 were issued; \$10,000,000 being repayable in three years with a coupon rate of 2 per cent, and \$10,000,000 repayable in seven years at a coupon rate of 2½ per cent. The three-year debentures were sold at a price to produce an interest cost of 2.2 per cent. The seven-year debentures were sold at a price which resulted in an interest cost of 2.85 per cent.

On Nov. 15, 1937, debentures of the par value of \$25,000,000 were sold; \$8,000,000 having maturity of three years and two months at a coupon rate of 2 per cent and an effective interest cost rate of 2.4 per cent; \$5,000,000 debentures payable in seven and one-half years with a coupon rate of 2½ per cent were sold on a basis of 3 per cent, and \$12,000,000, due in fourteen years and callable at the option of the Province in twelve years, bearing 3¼ per cent coupon rate, were sold at a cost of 3.495 per cent.

### Highest Price Offered.

The average cost of the money borrowed compares most favorably with that secured by any other Province and also the rates paid by the Dominion Government on its guaranteed Canadian National Railway loans. The credit standing of any public authority is reflected by the rate at which it is able to borrow large sums of money; and I am able to inform this House that the price offered for our debentures today is the highest in history and approaches very nearly the price ruling for Dominion of Canada obligations.

## Cheap Money Looked For

The Treasury bills outstanding, bearing rates of interest varying from 1¼% to 1½%, amount in total to \$49,000,000. As is customary, a detailed statement of the outstanding Treasury bills, all held by chartered banks in the Dominion of Canada and payable only in the lawful money of Canada, will be supplied in the printed copy of this address. In this connection let me say that this Government has found great advantage in financing by Treasury bills with a maturity of from six to twelve months rather than by the issue of debentures. There is every indication, from every reliable source of information which we are able to contact, that this country is in for a period of cheap money and, in my opinion, there is no doubt that the cost of money will find much lower levels before business gets on a sound footing.

The continued trend toward lower interest rates has vindicated in no small measure the policy of this Government in financing its obligation by short-term maturities at rates of less than one-half those which obtained with respect to the borrowings of the former Administration.

The political and financial difficulties that presently exist on the Continent of Europe are felt here in no small measure because of the folly of former Administrations in issuing bonds redeemable both as to principal and interest and at the option of the holder, in New York, sterling or Canadian funds, to the advantage of the bondholder and to the disadvantage of the Ontario taxpayer.

### Predicament Faced.

Any one who has been watching the fluctuations of foreign exchange within the past hectic week will realize to some extent the anxiety that besets a Provincial Treasurer in trying to arrange to meet accruing interest and debentures at exchange rates most favorable to the Province. The fluctuations in foreign exchange have, during the past few years, constituted a tremendous and almost unsolvable problem for the large financial institutions in the United States, but the Province of Ontario has furnished a partial solution to their problem, for, of the \$234,000,000 of Province of Ontario bonds payable at the option of the holder in Canadian, New York funds, or in sterling, the bulk of these are now held in the United States; and used as hedge money by the large financial interests; and the day is not far distant when the Province of Ontario will be the only public authority in the whole of the English-speaking world that is in the unenviable position of having to meet principal and interest in one of three currencies, whichever is the highest—always to the disadvantage of the cashbox of the Province.

## Interest Cost Cut Again

Partly because of the budgetary position of this Government and partly, as I have already indicated, because of the low rates of interest obtained, this Government continues to improve its position as far as interest costs are concerned. Last year I drew your attention to the fact that for the year ended Oct. 31, 1934, out of every dollar of net revenue collected by this Province it required approximately 43 cents to meet the cost of interest on the public debt, leaving only 57 cents of the taxpayer's dollar to meet other ordinary expenses. You will recall that I was able to announce in my Budget Speech of last year that this cost had been reduced from 43 cents to 26 cents out of every dollar of revenue collected; and this year I am able to announce that it will cost less than 24 cents out of every dollar of revenue collected to service the debt charge of the Province.

Thus it will be seen that, whereas in 1934 only 57 cents out of the taxpayer's dollar remained available to meet the necessary costs of discharging the functions of government, this year, instead of 57 cents, we will have 76 cents out of every dollar of revenue available for education, hospitals, maintenance of

roads and other necessary public services. In increasing the value of the taxpayer's dollar by 19 cents in the dollar in a period of four years I hold that this Government has contributed something to the benefit of every one of its citizens.

## Roads Built For Future

This year, highway extensions undertaken, whether in the northern or southern part of the Province, were carried on with a view to maintaining the highest standard of modern highway construction. Any one who has had a chance to study our highway system must agree with the contention that the roads we are building today will not only serve the present generation, but are built for the future.

In the northern part of the Province we constructed seventy miles of new pavement; a greater length than had been completed in all the years from 1920 up to date. We also prepared 175 miles of grading, ready for surfacing this coming season. We erected forty-six bridges of a heavy type, a number of these structures permitting of the opening of many miles of new highways.

In the southern part of Ontario we laid 264 miles of new pavement and seventy-five miles of grade was finished, the major portion of which permits of dual highway development this summer. We also completed in the southern part of the Province thirty bridges, a number of which are the heaviest type of concrete, exceeding, in dimensions, anything that has ever been undertaken on Canadian highways up to date.

In accordance with our promise to municipalities that we would lighten the tax burden, we assumed 681 miles of what had formerly been heavily travelled county roads. Prior to last year, because of our assuming 100 per cent of the Provincial expenditure, the counties of this Province were saved \$2,705,474.35. This year alone this amounted to \$5,000,000, certainly a most substantial saving.

### Look to Super-Highway.

Apart from the financial aspect of our highway problems, one must recognize the fact that because of our climatic conditions the hazard of highway traffic has increased as compared with other sections of this continent. In the winter time we have snow, sleet, and ice conditions, and in the summer, by reason of our geographic position—wedged as we are in that densely settled section of the United States—we have to provide highway accommodation for a population greatly in excess of our own. Confronted as we are by this problem, and for the sake largely of preserving human lives, having in mind the terrific increase in highway fatalities, this Government can justify very properly the huge investment of money in highway construction. We are looking forward to the day when the main arteries of our highway system will be in the nature of the super-highway, eliminating the incident of accident, according to statistics available, by 66 2-3 per cent; so that our highway program, progressive as it is, can be justified not only by the return of investment, but by saving the lives of our own citizens and the tourists from other lands, to whom we extend a most cordial invitation to visit this great domain, in order to glean first-hand information with regard to the natural resources with which we are blessed.

The death toll on our highway systems has convinced this Administration that we have gone beyond the saturation point of traffic,