

# NEW RECORD FOR OUTLAY IN PROSPECT

**\$103,000,000 Spending  
in Next Fiscal Year  
Forecast by Hepburn;  
Has \$236,000 Surplus**

## GROSS DEBT RISES

(Budget Text on Pages 8, 9, 10.)

Committed for the fiscal year ahead to the first \$100,000,000 budget in Ontario's administrative history, Premier and Provincial Treasurer Hepburn yesterday disclosed few indications to the Legislature of the proposed retrenchment program with which he and his government have for some time been unofficially credited.

True, he reported a \$37,000,000 gross debt increase for the year closing today and definitely halted all new road construction. But in seeming defiance of the lean times which these appeared to suggest, he announced a \$236,000 operating surplus for the current twelve months, and forecast a \$150,000 surplus for the twelve months of house-keeping ahead.

Assured of at least \$6,500,000 in additional revenue from his gas tax increase, and from altered applica-

tion of the Corporations Tax Act, Mr. Hepburn proposes, in 1939-1940, to maintain all public services to their maximum of efficiency; to meet out of ordinary revenue the same near \$10,000,000 relief bill he has just met; and to hand over to the municipalities in direct subsidies and other "benefits" even more than the \$11,000,000 he claims to have passed back to them since April 1, 1938.

The \$236,000 surplus of the year ending represents the difference between \$96,057,788 in gross ordinary revenue and \$95,821,750 in gross ordinary expenditure. For the year in prospect the Treasury is pushing its gross ordinary revenue (estimated) to the \$103,506,910 mark, and its gross ordinary expenditure to the unprecedented total of \$103,356,038. The net ordinary revenue for this period is set at \$90,261,982, and the net ordinary expenditure at \$90,111,110.

The \$15,000,000 in succession duties which were collected last year will be swelled to \$17,000,000 during the year to come. This revenue-producing medium will again run second to the gasoline tax, which, with its two-cent boost, will produce \$25,000,000, as compared with the \$18,500,000 of the term ending. Liquor revenue which amounted last year to some \$10,500,000, is expected to bolster the Treasury this coming year in like proportions. There was no reference in Mr. Hepburn's address—his third balanced budget presentation since he took over the reins of government in this province—to possible increases on higher-grade liquors. But these still may come, it was rumored off-stage—especially if certain departmental revenues begin to slip more than reportedly anticipated of them and the tax jumps already prescribed fail to take care of the resultant difficult situation.

### Corporations Tax Shifted.

The Premier's emphatic defense of his gasoline-tax policy appears elsewhere in this issue. Of his corporations tax law changes, he said, in part:

"We are budgeting for ten million dollars, and, in this connection, it should be stated that, owing to the amendments presented this week to the House, the incidence of the tax is altered from capital employed to revenue earned. Formerly the tax on capital employed was one-tenth of 1 per cent, and it is the view of the Government that to impose too large a tax on capital that should be properly based on the revenue-earning power of a business is a mistake. It is collecting at seed time what should be collected at harvest time, and we have therefore cut in half the tax formerly imposed and based on the capital employed by corporations. The tax on the net revenues will be 2 per centum of the net corporation income; and it is believed that, by shifting a part of the tax from capital to income, the revenue will be increased, and, at the same time, the tax burden resting upon industries that are carrying on at a loss will be cut in two."

Two of the large expenditure items figuring in the gross debt increase for 1938-1939—an increase for which he said he had no apology to offer—were \$4,823,000 for construction of additional mental hospitals accommodation, and \$3,000,000 as the Government's contribution to the cost of extension of rural Hydro lines. But the largest item, he told

the House, was for highways construction.

### Recalls Attacks.

Two years ago, he said, opponents of the Government had persistently attacked it for its alleged "do-nothing" policy, claiming that the Government was robbing the motorists by failing to return to them in highway building and maintenance a dollar of expenditure for every dollar of revenue collected from the motorist. Last year, when the Government spent some \$34,000,000 on construction, a clamor was raised in certain quarters that, while the work was long overdue, it was simply "an election dodge."

"During the present year," he said, "we have invested in highway construction \$35,185,809.80, and today Ontario has more highways and better highways than the rest of the Dominion of Canada put together; and I await with no small degree of curiosity the verdict of our critics as to whether we spent too much or too little."

The Premier contended that no single expenditure of money added to the material wealth of the province, dollar for dollar, as did expenditure "on durable, modern, properly built highways." And then he promptly proceeded to take all the rosy complexion from his picture by announcing definitely and emphatically that new road construction for the time being, at least, was out.

"The sum of \$15,200,000 has been placed in the estimates for highway construction," he declared, "and this sum represents the amount necessary to complete projects already undertaken. Beyond completing projects already undertaken, let me say that it is not the intention of the government to embark upon any new highway construction during the coming year."

In final layman analysis, the financial outline given by the Prime Minister was far removed from the "sunshine Budget" of three sessions ago. But the crowded galleries and sidelines got a lot of enjoyment out of his deft and disarming presentation—particularly when he resorted in typical hustings style to treatment of Succession Duties and Agricultural Development Board operations, and to bitter criticism of alleged maladministration by former Conservative Governments in these particular spheres of administrative

activity. File case after file case he quoted to depict the utter wastefulness under Tory farm loan policy—and to emphasize the need for collecting—as he had pledged himself to collect—every cent in death duties out of which, he charged, the Province in the past had been defrauded.

Looking back over the creditable year completed, the Premier highlighted various departmental achievements. The treasury policy of adhering to short-term loans for retirement of maturing obligations had more than justified itself, he said. Ontario's credit in the English market was very high—even during the abortive war crisis of last fall. Gross revenue amounting to \$4,600,000 for the year closing had been reported by the Lands and Forests Department. This—the direct outgrowth of sound timber policy, he declared—constituted the largest collection in ten years and one of the three greatest in the one hundred and ten years' history of that department. Provincial Secretary Harry Nixon's Game and Fisheries Department had collected \$45,000 more revenue last year than ever before. The Timiskaming & Northern Ontario Railway, government-owned and operated utility, was never in a more flourishing condition, paying its way and expanding its influence and activity. Chiefly through the government bonus of a year ago, the old Helen Mine, in Michipicoten, would, he believed, be producing iron ore this summer at the rate of 300,000 tons annually. School grants had been increased by more than \$2,000,000, in recognition of the need for extended education. Northern Ontario roads were now being built to high specifications so that in time the entire highways system of the province would be of one quality and one standard regardless of their location.

Mr. Hepburn was given a great ovation by his followers both at the outset and the completion of his remarks. The Opposition, in the manner characteristic and expected of oppositions on budget days, sat stonily silent, reserving their criticism until next Tuesday, when Leslie M. Frost, Victoria, is expected to try to take the picture to pieces and give—to the Conservative way of thinking—the actual what's what.