

MACAULAY SAYS \$15,000,000 SLASH IN TAX POSSIBLE

Conservative Critic of
Government Spending in
Clashes With Hepburn

'I COULD DO IT'

In a vigorous condemnation of Provincial financing methods which brought him into frequent clashes with the Premier, Leopold Macaulay declared in the Legislature yesterday that \$15,000,000 could be lopped off ordinary taxation and expenditures without crippling Ontario or any assential service.

Speaking as financial critic, Mr. Macaulay hit out at huge expenditures and cited Premier Hepburn's own words at Eastview in July, 1933, when the 100-million-dollar yearly expenditure of the then Henry Government was denounced.

"I say that the treasurer could take \$15,000,000 off his ordinary taxation and expenditure without harm," said Mr. Macaulay. "That would be only a starter. The following year he could take off another slice and ultimately get the war-time budget of this Province down to manageable proportions."

"Will you suggest where?" asked the Premier.

"I would send the estimates back to the budgeting committee and tell them to take \$15,000,000 off, and if they told me they couldn't do it I would get another budgeting committee," retorted Mr. Macaulay.

"Tell us where you would start cutting," repeated the Premier.

"Well, in 1934 you said you would do away with the Fish and Game Department," said Mr. Macaulay. "You said it cost too much."

"That is now on a revenue producing basis," declared Mr. Hepburn. "It is bringing money into the treasury."

"It doesn't justify the expenditure in any case," said Mr. Macaulay. "Does the Prime Minister suggest it would wreck Provincial services to take \$15,000,000 off?"

"Be specific," urged Mr. Hepburn. "Tell us where you would save \$15,000,000."

"If you really gave me the authority I could do it," declared the member for South York.

"You only think so," commented the Premier.

Despite the promises and predictions, the present Government had accelerated rather than slowed down the speed of the Ontario spending machine, continued Mr. Macaulay. The ship of State was sailing through stormy seas with an economic hurricane blowing, but the skipper refused to shorten sail.

"What this Province needs is a Government courageous enough to economize, to cut out \$100,000,000 Budgets, to quit keeping up with the Joneses and to cut our coat to suit our cloth," the South York Conservative declared. "We need to say to each new project: 'Can we afford it?' rather than: 'Is it desirable?' This would be especially appropriate for the \$12,000,000 marble palace for the feeble-minded at St. Thomas."

Premier Hepburn was on his feet immediately with a sharp denial that the cost of the buildings at St. Thomas was \$12,000,000.

"You have just doubled the cost," remarked Mr. Hepburn.

"The estimated cost of the buildings was \$12,000,000," retorted Mr. Macaulay.

"I have tabled answers to questions today which tell the cost," declared the Premier. A few minutes later the Premier rose and read from the return. Cost of the institution to date was \$5,985,000 and all buildings were completed with the exception of a few odds and ends in one of the buildings.

"What about the original estimate for the whole job?" asked Mr. Macaulay.

"Would you like to bet a hat on it?" asked the Premier.

"If the hat you won from me wasn't any better than the one I won from you, you wouldn't be getting very much," remarked Mr. Macaulay amid laughter.

But a minute or two later Mr. Macaulay produced a copy of the evidence given at the Public Accounts Committee last year when the cost of the Ontario Hospital at St. Thomas was asked by Hon. Colin Campbell, Minister of Public Works.

"Here is the question and here is Mr. Campbell's answer," said Mr. Macaulay. "He was asked the cost of the buildings, and he said, \$11,000,000."

"My colleague was quite in error," declared the Premier.

"Why don't you be frank about it and admit that the original plans were curtailed because of the war?" asserted Mr. Macaulay.

Turning to the question of the Provincial debt, Mr. Macaulay declared that when dealing with the real debt of the Province one must look at the net debt and not merely the gross debt. The gross debt included only direct debt, which had increased \$81,500,000 from Oct. 31, 1934, to March 31, 1940. The net debt included such direct debt and also indirect debt, which had increased in this period by \$62,500,000.

"In the last five years a good deal of the Provincial debt has been shunted into the indirect, or guaranteed debt column," said Mr. Macaulay. "For example, the Hydro has paid off Ontario bonds with the proceeds of bonds issued by Hydro and guaranteed by the Province."

The Premier took issue with the statement, declaring that Hydro bonds were paid off as they matured.

"In one year \$20,000,000 was shifted from direct debt to indirect debt in this way in order to show a big reduction in gross debt," continued the speaker. "A student of public finance would know that there was not a reduction of a single cent in the real debt of the Province by that manoeuvre. I do not object to the Hydro issuing its own bonds guaranteed by the Province, but I do object to the Treasurer of the Province forgetting about those liabilities when announcing debt figures. He never had such a lapse of memory when computing debt incurred by former Provincial Treasurers."

"To show how misleading gross debt figures alone may be, let me give this illustration," continued Mr. Macaulay. "Suppose the Hydro paid off in one year the present amount due on advances by the Province of approximately \$118 millions, and the Hydro issued its own bonds, guaranteed by the Province in lieu thereof. That would show a reduction of \$118 million in gross debt for that year. But there would not be a reduction of a single dollar in the real or net debt of the Province."

"The vast spending machine of this Government cannot maintain its present pace," he declared. "It is eating up too much of the earnings and capital of the people, which should go into economic production. New brake linings on the hand brakes and emergency brakes are needed."

The fiscal year of twelve months would cut across two auto license years, Mr. Macaulay declared, and he ventured the prediction that the Government, in its "frantic" search for new revenue, would increase the auto and truck license fees in another year. He condemned "juggling" of the revenues of the Province, asserting that the treasurer intended to get a surplus next year and to achieve this objective would take the revenues of two fiscal years. Such a procedure was unsound, he claimed.

"It is interesting to note," he added, "that in 1938, 26 cents of every dollar of revenue was spent on debt charges. In 1941, the debt charges represent 32 cents on the dollar of revenue. With a proper 85 million-dollar budget, the debt charges would be nearly 40 cents on the dollar of revenue."