

TAX REVENUE FOR ONTARIO AT NEW HIGH

Receipts Next Year
Expected to Top
Record of 1940-41

REPORT SURPLUS

In a budget skeleton-bare of new taxation, Premier Hepburn in the Legislature yesterday estimated a \$12,600,364 surplus on the current year's operation, and forecast a \$9,743,063 surplus on an estimated \$90,135,553 expenditure for 1941-42.

The report, which dimmed the lustre of the next highest surplus, that of \$9,313,938—the "Sunshine Budget" of the 1937 election year—brought from Liberal members the greatest ovation the Premier has ever received in a Budget presentation.

Long before the House opened, the magical word "surplus" had begun to circulate among the Government members. It was freely predicted in the corridors that it was to be a big one. Consequently, Mr. Hepburn received a deafening roll of desk thumping when he entered the Chamber and, when he concluded his address, his supporters stood up in serried rows and cheered him.

Into the frenzy of good humor was injected a brief warning from the Opposition side when Leopold Macaulay, in rising to move the adjournment of the debate, said: "I haven't the heart to puncture this bubble today." He added, as both sides applauded: "But with your permission and, if the members here are present on Tuesday, I would like to give them real facts."

The Premier and Treasurer in his seventh budget address sprang a major surprise by declaring that the Government, in conjunction with the Hydro-Electric Power Commission, will assume an indebtedness of \$2,246,622 incurred by fifteen municipalities in the abortive Toronto-Niagara Falls radial scheme of 1914 and burn collateral debentures amounting to \$16,469,733 which were deposited by the municipalities.

Toronto alone is relieved of the payment of \$1,235,716, and debentures to the amount of \$4,240,196, deposited by the city, will be cremated. In each case the bonds burned will be certified to the full payment of all obligations imposed by virtue of the Hydro-Electric Railway Act, 1914.

Behind the surplus on the current year's operations lies the major item of \$23,000,000 from Corporations' Taxes, drawn from last year's rate increase from two to five per cent, and the reaction of war-stimulated industry. For the year ending March 31, 1940, returns from the same tax were \$10,311,753.

Income Tax returns will be \$6,800,000 as compared with \$6,510,213 last year, although they are \$1,800,000 higher than Mr. Hepburn forecast last February.

Highways are to bring in \$35,159,000 as compared with \$33,906,909 for 1939-40. His forecast in this item was low by \$2,559,000.

Lands and Forests will bring in \$5,000,000 as compared with \$3,614,229 for 1939-40. Mr. Hepburn in this branch had budgetted for an amount slightly under the actual returns of last year, but found new revenue in a stimulated bush industry which is expected to increase pulp output 50 per cent over last winter and which is employing 30,000 men.

Expect Higher Revenue.

In forecasting for 1941-42, moreover, the Treasurer is anticipating a further increase of \$1,500,000 from the Liquor Control Board, of \$1,000,000 in Succession Duty; of \$1,800,000 in Income Tax and of \$1,000,000 from the Department of Highways.

Never in the Province's history before has gross revenue soared above the one hundred dollar million mark, although it came close in 1937-38, when it was \$99,838,595—a figure still far short of the \$114,056,264 estimated for the current fiscal year and the \$115,179,775 gross revenue forecast for next year.

This year's gross expenditure of \$101,455,990 was exceeded last year when the spending went up to \$102,158,947. Next year's forecast calls for a gross expenditure of \$105,436,711.

"Our Credit Second to None."

"For the present fiscal year," said the Premier, "we have a surplus of \$12,600,000, a reduction in the funded debt of \$2,160,257, a reduction in the Treasury Bill debt of \$3,000,000 and a reduction in the contingent or indirect debt of the Province in the amount of \$2,436,771."

"I sincerely trust that this announcement which I am able to make in wartime will not occasion too much grief among the critics of Government. Everyone should rejoice and find considerable satisfaction in the sound financial position in which this banner Province finds itself today. Our credit at home and abroad is second to no public authority in the Empire. This should be a source of great satisfaction to us all when we realize that we are the keystone Province and one of the major pillars of the national economic structure."

Revenue to Increase.

The Premier, in budgeting for revenue of \$104,863,617 for 1941-42, as compared with the \$89,051,209 he forecast for 1940-41, based revenues largely on the war industry swollen returns of his interim report on the current fiscal year ending March 31. He added to the new forecast a "pay-as-you-go" pledge—a policy, which he said, "follows in principle the pledge given to the Federal Government that this Administration will not seek any new money by way of borrowing to meet the requirements of expenditures not provided by revenues in wartime."

"We are, therefore, leaving the borrowing field entirely free and clear so that, in so far as the Province of Ontario is concerned, no obstacle or hindrance shall stand in the way of whatever measures the department at Ottawa may adopt for financing Canada's participation in this vital conflict. The only borrowing by the Province will be for necessary refunding of maturing issues."

Relief expenditure for 1941-42, of which the Province is to bear 75 per cent, is estimated at \$4,985,000. The Province is pledged to pay 900 municipalities the one-mill subsidy, amounting to \$3,000,000.

Warns of Axis Ambitions.

The Premier read into his address "a statement that I have made in public, and that is that, in my opin-

ion, so far at least, it is most unfortunate that the Canadian people have not taken this war seriously and fail to realize that Japan, Italy and Germany have as their objective, not European and Asiatic, but world domination."

There was only one reference to an earlier demand for currency expansion; "I have said frequently that in the Canadian war effort finance seems to occupy the driver's seat." Here the reference ended and he continued: "Therefore, as a part of our war effort, and as a measure of real co-operation with the Dominion Government, I pledged that this Government would keep within its budget."

Reviews Record.

His address reviewed in detail the work of the departments with particular stress laid on their connection with the war effort. He cited the cheese and bacon subsidies and the campaigns to step up milk production. In the field of health, programs have increased the health of the civilian population and have assisted materially in the welfare of the armed forces at home.

He said the reduced highway program and any building for the future must be designed to provide speedy movement of mechanized armies as well as roads for purely civilian purposes. Roads built in years gone by are rapidly disintegrating under the pounding of heavy transports in the speeded production of war industries.

The training program of the Department of Labor has graduated 1,548 from the Aircraft Training School at Galt for enlistment in the R.C.A.F. as aircraft mechanics or wireless operators. Hundreds of others have been trained for farm and war industry. The time loss due to strikes in the calendar year 1940 was 30 per cent, less than 1939, and he placed tribute with the conciliation service of the department. During the first ten months of the fiscal year, 160,957 placements were made by the employment offices.

Mines production in 1940 reached a value of more than one-quarter billion dollars, an all-time record "which in the light of present indications will be surpassed during the present year," said the Premier. The production of iron ore, under the benefits of the Iron Ore Bounty Act, "now enables Canada to save many hundreds of thousands of dollars in foreign exchange as the bulk of iron ore charged to Ontario furnaces is imported from the United States."

He noted that of the thirty-five municipalities that defaulted, representing a total debt of \$105,000,000, twenty-nine under the supervision of the Department of Municipal Affairs have fully emerged from the defaulting class, twenty-six with permanent plans and three with temporary arrangements for refunding, representing in all \$102,739,000.

Gross earnings of the T. & N.O. railway reached almost \$6,000,000 in the year ending March 31, 1940, thus establishing a new high record. "Gross returns for the year ending March 31, 1941, will probably be slightly higher than in the preceding year," he said.