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Financial Statement

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The HON. A. J. MATHESON,
TREASURER OF THE PROVINCE OF ONTARIO

Delivered on the 19th March, 1908,

IN THE

LEGISLATIVE ASSEMBLY OF ONTARIO

on moving the House into Committee of Supply

PRINTED BY ORDER OF
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TORONTO:

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*Ont. Dept. of Treasury and Economic
Taxation and Fiscal Policy Branch*

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Budget Speech

DELIVERED BY

HON. A. J. MATHESON,

PROVINCIAL TREASURER.

Thursday, 19th March, 1908.

MR. SPEAKER : In moving that you leave the Chair in order that the House may go into Committee of Supply, I wish to make some brief statements on the position of the finances of the Province during the past, and the coming year. I have, Sir, first to congratulate the Province, and the Legislature on the continued prosperity the Province has experienced, notwithstanding the fact that the commercial world has passed through a year of depression greater than we have had for many years. The receipts for the past year, honorable gentlemen will see by the statements placed on their desks, have amounted to \$8,320,419, and the disbursements, apart from the advances made on account of the construction of the Temiskaming and Northern Ontario Railway, amounted to \$7,714,245. We have a surplus of receipts over expenditures for the year of \$606,000. (Cheers.) Added to that the surplus receipts during the two previous years of \$1,050,000, making a total surplus in three years of \$1,656,000. This surplus might have been much larger, Mr. Speaker, had the Government undertaken to press the lumbermen for the full payment of the dues owing for the past year. As honorable gentlemen are aware, it was almost impossible to secure money for lumber. Men who formerly paid for shipments of lumber in cash gave notes. They were perfectly solvent people, but the banks were preparing for the crisis that was expected and refused to discount the notes. The question which the lumbermen put to the Government was,

“ Will you increase this financial depression by compelling men to sacrifice their property to pay their debts when they are perfectly solvent, or will you wait until they have sufficient money, and under our terms we will pay six per cent. for this money. Can you allow part of this debt to stand over for at least three months? ” Accordingly on \$500,000 of debts the Government allowed this credit, on which amount six per cent. interest was or will be paid. (Cheers.) That money will all be paid during this spring. That added to the \$600,000 cash surplus would have given a surplus of \$1,100,000 if the Government had insisted on its full dues. In addition to that we find among the disbursements the payment of the interest on the Canadian loan of \$3,000,000. The receipts from the earnings of the Temiskaming and Northern Ontario Railway, the Government railway, were more than enough to pay the interest on the English loan amounting to \$235,000 (cheers), and practically pay the interest and sinking fund on the cost of that part of the road which is being operated. The usual practice in all railroad construction is to charge interest on the capital invested, during construction, to Capital Account, and that \$105,000 interest on the Canadian loan, used for the construction of the part of the road that is not being operated, might, reasonably, have been charged up to the cost of the road, and added to the other amounts it makes \$1,200,000: more than was received from the sale of the minerals under Cobalt and Kerr Lakes. But that \$105,000 was charged to the Consolidated Fund. It had to appear as a disbursement. We could not credit the amount that we would require to take from the T. and N. O. as earnings. We would have had to take it from the amount advanced for Capital Account. It was a mere matter of book-keeping, so we simply charged the interest on the Canadian Loan as an ordinary disbursement, but strictly speaking that payment was on Capital Account for the construction of the railway.

One of the honorable gentlemen opposite asked, if there was a surplus of \$1,656,000 during the past three years, “ Where is the Money? ” We can easily get at that in the following way. On the 31st December, 1904, the cash on hand amounted to \$2,855,000, and the three years’ surplus added to that,

\$1,656,000, would make \$4,511,000 cash on hand if we paid for the construction of the railway entirely out of borrowed money. That \$4,511,000 is represented to-day by the cash on hand, \$1,674,000, and advances to the T. and N. O. Commission, \$2,837,000. This advance of \$2,800,000 is not a payment on account of construction, it is simply a loan to tide over the financial crisis, because it would have been impossible during the past year to have obtained a loan in Europe or Canada on favourable terms. We, therefore, used this money as a loan towards the construction account, and it is proposed to float a loan in London during this year to replace it, in order that other services may not be starved by investing all our spare cash in the railway. There should be built a central prison; there should be an addition to this building; the northern country, although we have spent large amounts on roads and bridges and buildings, needs further development, and there are many other reasonable demands, and it is not fair to the rest of the country that every dollar of cash in hand should be devoted to the building of the railway. We should borrow, at least to a great extent, for the purposes of construction of that railway, and use this cash for other purposes.

The revenue for the past year was estimated at \$7,612,000. We have to add to that the increased subsidy for the half year, \$395,000, and the earnings of the railway, and practically the total estimate was \$8,232,000. The actual revenue realised was \$8,320,000. (Cheers.)

During the past year we received, as honorable gentlemen are aware, the first half-yearly instalment of the increased subsidy which was the result of the conference held by the Premiers, and other Ministers of the various Provinces, at Ottawa, a year ago last December. The change in the subsidy is that instead of \$80,000 as a fixed sum we get \$240,000, and instead of 80 cents per head on the population of 1861 we get 80 cents per head of the population on the census last taken, and the result is an increase of subsidy to this Province of \$790,000 a year, of which the first half was paid last year. Compared with 1904, when \$24,000 was kept back by the Dominion Government for the Yule Bridge, the subsidies have

increased \$420,000. The receipts from interest were \$18,000 more than it was estimated they would be, and the amount from lands, forests and mines, etc., \$3,068,000, being \$370,000 less than we estimated; but as I have stated that estimate included \$500,000, which still has to be paid. Even then, however, we collected \$300,000 more than in 1904, although in 1904 the Province received \$1,600,000 from the bonuses on the timber sales. Although the special payments received in 1907 for Cobalt Lake and Kerr Lake and timber bonus only amounted to \$1,300,000 against \$1,600,000 bonuses received for timber in 1904, or \$300,000 less in bonuses, there was collected over \$600,000 more in ordinary revenue than in 1904. (Cheers.) Leaving out the receipts from bonuses in 1904, and the receipts from Cobalt Lake and Kerr Lake and \$150,000 bonuses for timber last year, we still collected \$600,000 in 1907 more than in 1904. (Cheers.) That, Mr. Speaker, is one of the things in which this Government takes pride, one of the results in which the Conservative party takes pride, inasmuch as we have without favour collected the revenues due to the Crown. The Supplementary Revenue Act brought in \$672,000, \$30,000 more than was estimated, and \$250,000 more than the revenue from that source in 1904, the change being the result of doubling the taxation on the long railway lines. Licenses brought in \$587,000, \$37,000 more than was estimated, and \$227,000 more than in 1904; law stamps \$94,000, or \$26,000 more than in 1904; the Education Department \$47,000, or \$33,000 less than in 1904, owing to the loss of the School of Science fees, the expense of which is now included in the University grant. From the Provincial Secretary's Department we received \$257,000, or \$82,000 more than the estimate, and \$155,000 more than in 1904—another case of good collections—Public Institutions brought in \$193,000, which was \$87,000 more than in 1904, apart from the contributions from municipalities, of which \$20,000 came from sales and \$57,000 came from better collection from the patients. (Cheers.) Why, Sir, we found cases where patients who were not poor were living in these asylums at the expense of the people of the province. Thorough investigation has

been made as to the estates of these patients. Those who are not able to pay are not asked to pay. The law is reasonably administered, and it is seen that justice is done. In one case, which I might cite, it was found that a patient had an estate of \$7,000. He was living in an asylum at the expense of the Province, his friends and relatives were keeping his money while waiting for his death in order that they might share it. They were putting the man who owned this money on the charity of the Province, while they were holding the money back. In a case like that the property is taken in charge by the Government, a reasonable charge is made, and at the patient's death the remainder is given to his relatives. Then again, the Central Prison Industries brought in \$73,000. There was an expenditure of \$65,000. In former days, in 1904, Central Prison Industries were credited with \$6,000, but nothing was charged to expenditure. Now we show both the receipts and the expenditure instead of making a book-keeping entry showing merely the net receipts. The receipts are credited and the expenditure shown as disbursements with the result that the account is swelled on both sides.

In the Department of Agriculture the receipts amounted to \$78,000 as against \$56,000 in 1904 ; the Succession Duties have brought in \$820,000, or \$120,000 more than the estimates. That sum of \$120,000 was, I may say, received from the estates of people who died subsequent to the last financial statement. It is impossible to tell exactly what the receipts from the Succession Duties Act will be.

Mr. PENSE : What were the receipts in 1904 ?

Hon. Mr. MATHESON : \$458,000.

Proceeding, the Provincial Treasurer said :

This \$820,000 was collected from 271 estates in 1907 as against \$458,000 collected from 168 estates in 1904. The increase in the number of applications for probate and for letters of administration in 1907 over 1904 was only 25 per cent., but the increase in the number of estates which paid duty was 60 per cent., showing that under the present administration every estate on which Succession Duty is due to the Province, pays it. (Cheers.) We try not to be harsh, we try to be

reasonable; but the Government insists that when duty is owing it shall be paid, and, further, that the true values shall be given. Very large increases in the amount of duty payable have been made in some cases, which in former days might have been allowed to slip by unnoticed. The main point, however, is that the large number of estates paying duty last year, although the individual estates were not larger, shows that the system is being worked carefully, and that when an estate ought to pay duty it is paying it. I might say in connection with the Succession Duties that the grading of the Duty on bequests to lineals makes the Act work much more smoothly. There is not so much temptation for desperate fighting as to values now that the duties are established on a graded scale.

Casual Revenue amounted to \$164,000, as against \$107,000 in 1904, an increase of \$57,000. The receipts from the Game and Fisheries Department have increased by \$24,000 over 1904.

The total receipts of the Province, I may point out, Mr. Speaker, were last year \$8,320,000, as against \$6,128,000 in 1904, an increase of \$2,192,000—(cheers)—made up as follows:

Subsidy.....	\$420,000
Interest.....	14,000
Lands and Mines.....	300,000
Supplementary Revenue.....	252,000
Licenses.....	224,000
Law Stamps.....	26,000
Provincial Secretary's Department.....	155,000
Public Institutions.....	88,000
Central Prison Industries.....	67,000
Agriculture.....	22,000
Succession Duties.....	362,000
Casual Revenue.....	57,000
Game and Fisheries Department.....	24,000
Temiskaming and Northern Ontario Railway	235,000

There is a decrease in the receipts from Education of \$33,000, and other decreases, leaving the net increase of revenue \$2,192,000.

The authorized expenditure under the Supply Bill was \$7,044,000 and the actual expenditure \$6,414,000 (cheers), leaving votes unexpended of \$630,000. The expenditure under special statutes, railway and annuity certificates, the University, interest on loans, distribution to municipalities, etc., amounted to \$1,300,000, of which \$235,000 was repaid from the earnings of the railway and \$75,000 was for subsidy on sugar beets, which will not appear again. Among the special expenditures last year were:

New Normal Schools.....	\$130,000
Good Roads.....	63,000
Sugar Beets.....	75,000
Ontario Central Railway Cash Subsidy....	24,000
(It was found that under the old Act under which this subsidy was given, that the Province cannot issue railway certificates for that road, and the cash was paid.)	
Volunteer Commutation.....	47,000
Montreal River Pulp Refund.....	20,000
Extra Colonization Roads, over 1904.....	140,000

Or about \$560,000 for special expenditure, which may be considered on capital account.

With the estimated revenue and in addition the earnings from the railway, I hope to receive an income in 1908 equal to that of 1907. (Cheers.)

I would urge, Mr. Speaker, on the House and the Province that there is not less necessity for economy. The expenditures which we have made hitherto were all provided for and they are quite justified, but what we have to take care of in this Province is not to increase the permanent expenditure which cannot be cut off if necessary. When we have the money there is no reasonable objection to capital expenditure. If we give \$500,000 for colonization roads, having the money to spend, it is a proper expenditure; but we can, in case of necessity, cut down such expenditures \$100,000 or more a year, but when we have the money, as we have it now, such expenditures are perfectly legitimate. With the

loan which we propose to float as soon as times are somewhat better, and they are getting better, we will have plenty of money to carry out all the necessary capital expenditure that can be reasonably required by this Province, not only for the erection of public buildings, but the making of colonization roads and other public works. As an evidence of the position of the credit of the Province, I may say that the London loan, for which the underwriters paid us in cash $96\frac{5}{8}$, of which $\frac{5}{8}$ was paid to the Imperial Government for stamps, during last Fall dropped to 92 to 93. In December we paid for a purchase of this stock for the Sinking Fund, $92\frac{3}{8}$. A fortnight ago, at the beginning of this month, the Canadian loan was selling at $95\frac{1}{2}$, showing an advance in our credit of three per cent. in three months, and I have no doubt, Sir, that our credit will advance as times get easier, and that in the Fall of this year it may be quite possible to float a loan in England, so as to attract money to Canada at a reasonable rate of interest. If we could only get our securities placed on the Trustee List in England there would be no difficulty in selling them at from 99 to 100. To illustrate this, I may say that of two $3\frac{1}{2}$ per cent. loans on the London market, one that is on the Trustee List sells at 99 to 100, and another, which is not on the Trustee List but made by the same colony, sells at from 93 to 94. That shows the difference of being on the Trustee List.

The estimated receipts for 1908 are \$7,921,000. To this has to be added \$300,000 estimated earnings of the T. & N. O. Railway, making a total of \$8,221,000. (Cheers.) I am sure, Mr. Speaker, that the estimate is well within the mark. It is a conservative estimate. (Cheers.) It will be noticed that among the receipts is included \$100,000 from the Provincial mine. The Kerr Lake Branch of the T. & N. O. Railway has now been completed as far as the mine and one car load of ore has been shipped, but as we have not yet received any returns it is impossible to say how the ore is turning out, and to base an estimate on that as to further shipments which will be made during the summer. The subsidies which we shall receive from the Dominion Government are, of course, on a

new basis. From the Department of Lands, Forests and Mines I think we should receive \$3,050,000, which is a very conservative estimate, and includes \$500,000 arrears from 1907 which will be paid this year. Public Institutions are estimated to contribute \$140,000 to the revenue; Central Prison Industries, \$45,000; Provincial Secretary's Department, \$150,000—that is \$100,000 less than last year; Agriculture, \$75,000; Casual Revenue, \$140,000; Succession Duties, \$600,000—they may produce one or two hundred thousand more, but I think they ought at least to produce \$600,000; Supplementary Revenue Tax, \$670,000; Tavern and Brewers' Licenses, \$550,000; Law Stamps, \$90,000; Game and Fisheries, \$100,000, making a total of \$7,921,772.08 in addition to which, I think, we should get at least \$300,000 from the Government railway earnings, which last year amounted to \$259,000, of which \$235,000 was paid on account for interest and sinking fund on the English loan. It is impossible to get the exact amount of the earnings because a small amount has to be kept in hand for coal, oil and all sorts of small supplies, I, therefore, asked the Commissioners to pay over the amount of the interest on the London loan.

The expenditures are put down at \$7,501,000. Among these expenditures about \$800,000 are for special works, including the addition to Osgoode Hall in Toronto, \$40,000; Hospital for Insane, Toronto, \$100,000; new Normal Schools, \$200,000; Sudbury Court House, \$38,000; Jails at Kenora and Fort Frances, \$22,000; Public Works, \$100,000; extra Colonization Roads, \$300,000; making a total of \$800,000 to be paid out of accumulated cash, and it is quite possible that with less expenditure than the full amount of the Estimates and with the increased receipts we may expect to see another surplus. I will not, Mr. Speaker, go over the list of increases in the expenditure, but I may mention a few to give some idea of the way in which they are made up. The increase in Civil Government is \$190,000, of which \$30,000 is for the Railway and Municipal Board, and part is caused by the transfer to Civil Government of votes formerly taken in the general estimates. The Lands and Mines Department, including a new

branch doing a large amount of work for the public, has increased by \$47,000 over 1904. The Provincial Secretary's Department has increased \$52,000 and the Department of Agriculture \$27,000. For Agriculture proper the estimates for 1904 were \$375,000 and for 1907 \$507,000, an increase of 35 per cent.; and for the whole Agricultural Department, apart from the sugar beet bounty, but including Civil Government and Buildings, the estimates for 1904 were \$452,000 and for 1907 \$643,000, an increase of 40 per cent., and for 1908 there are still further increases, proving the great attention paid to improvement of Agriculture by this Legislature during the past three years. In regard to Education, apart from the University and the School of Science, the Estimates for 1908 provide for an expenditure the greater part of which is distributed among the people for the purpose of enabling them to employ better teachers in their schools and generally for the benefit of education in the Province, showing an increase of nearly \$600,000 over that of 1904. (Cheers.)

Mr. Speaker, I think that no money which this Legislature votes is better expended than this for the education of the people. It has been a great strain on us voting this money, because there are others who are also asking us for aid. We have the North country to develop. We have the material advance of the Province to look after, roads, bridges, public buildings and asylums, and yesterday we had the Hospitals urging us to give them more assistance which we should be glad to grant if we had the money.

The liabilities of the Province are very much the same as they were three years ago, with the exception of the two loans for the construction of the railway and the advance to the University, \$550,000, part of which has been paid off. We have, during the past three years, reduced the liabilities of the Province in regard to railway and annuity certificates by \$255,000, reducing them from \$4,134,000 to \$3,869,000. We have paid \$34,000 in cash subsidies instead of issuing railway certificates to the Central Ontario Railway and Lake of Bays Railway, and we have paid on our own loan in London, on the sinking fund of the English loan \$63,000, so we have made a

reduction in our debt in the past three years of \$352,000. (Cheers.)

During our three years of office, Mr. Speaker, we have reduced the guarantee on what is known as the Sault Loan by \$1,000,000. That guarantee, owing to the stress which is not yet over, and the financial crisis, we have agreed to renew for six months from the 1st of April next. We are promised that they have great hope of entirely relieving us of that liability at the end of that period. The Lake Superior Corporation during the last six months of 1907 had net earnings of over \$700,000. For the whole year the interest on the bonds amounted \$650,000, so that in six months they more than earned sufficient to pay the interest on the whole of their bonded debt, and there is good reason to believe that the Corporation will be sufficiently established at the end of six months that with the improved value of their securities held as security the Canadian Improvement Company will be able to relieve this Government entirely of this guarantee.

The Temiskaming and Northern Ontario Railway is now operated from North Bay to Englehart, a distance of 138 miles, and the steel is laid a further distance of 70 miles to the Wataybeag River and is graded for ten miles further to the Driftwood River where the Government Demonstration Farm will be situated, the entire line being under construction to the point of Junction with the Grand Trunk Pacific, 253 miles north of North Bay. It is expected that the steel will be laid to the junction point within six months from this date, or about the 15th of September next. The whole cause of the delay in reaching the Driftwood has been owing to the fact that the bridge company which undertook to furnish the bridges for the Wataybeag crossing, a bridge 436 feet in length, by July last, the Wabis bridge, 282 feet in length, in August, and the Driftwood, 490 feet in length, in September, failed to do so. At the Wataybeag there are four short spans on the south side, which are erected, a central span and three short spans on the north side, and it is expected that the bridge will be completed within one month. There are the two other bridges for the Wabis and the Driftwood, both of which are long bridges. The road

is already graded up to the Driftwood, and for a considerable distance beyond, so that the rails can be laid up to Driftwood as soon as these bridges are built. The result of this delay has been a great addition to the cost of the road. We have been unable, as we should have been last fall, to take over the whole of the second section of 100 miles north of Liskeard, and the contractors for the third contract have been put to greater expense by the failure of the bridge company to fulfil their contract, causing them to bring in their supplies and materials over a wagon route which should have been sent over the rail.

MR. STUDHOLME : Is there no penalty clause in the bridge contract ?

HON. MR. MATHESON : No. We could not get the companies to consent to any penalty that would be effective.

Of the Kerr Lake Branch, four miles in length, three miles have been completed, and it is expected that the balance, that is one mile, will be completed this month.

Of the Charlton Branch, eight miles in length, the steel has been laid five miles, and it is expected that the remaining three miles will be laid within one month.

The mileage of the first division of the Temiskaming and Northern Ontario Railway from North Bay to Englehart is 138.5, from Englehart to Cochrane, the junction with the Grand Trunk Pacific, 114.5 miles, Kerr Lake Branch, 4 miles, Charlton Branch, 8 miles, sidings on the first and second division, 40 miles, making a total track mileage of 305. The length of curve from North Bay to Englehart, 50.14 miles, in a distance of 138 miles, and the length of curve from Englehart to Cochrane is 28 miles. The railway crosses the height of land at mileage 177.5 where the elevation is 1,044 feet above sea level. The track falls to the south on a grade of 0.4, and to the north on a grade of 0.5 to 0.2. The country is very level and I believe that portion of it to the north of the height of land is much better than that to the south.

The receipts last year were \$853,520.01, that is the traffic receipts. The passenger earnings amounted to \$388,343.03 ; Mails and Express, \$29,217.66 ; Telegraph and Telephone,

\$26,404.17 ; Freight Earnings, \$390,894.29 ; Miscellaneous Receipts, \$18,660.96. Expenditures were : Maintenance of Way and Structures, \$112,395.22 ; Maintenance of Equipment, \$88,016.79 ; Conducting of Transportation, \$412,160.52 ; General Expenses, \$32,839.76 ; making a total of \$645,412.29, leaving net earnings of \$208,107.72. Added to that we have ore royalties amounting to \$50,901.32, making a total net revenue of \$259,009.04. The number of passengers carried, not one of whom was killed or maimed (cheers), showing the care with which the road is run, was 518,679. The passengers carried one mile numbered 16,633,635. The tons of freight carried, 393,589 ; the tons of freight carried one mile, 26,312,225 ; silver ore, 14,851 tons ; iron pyrites, 5,953 tons ; pulp wood, 5,155 cords ; logs, b.m., 28,000,000. The wages paid on that portion of the railway in operation during the past year amounted to \$500,000. (Cheers.)

The road was very poorly laid out, and the engineering was bad, and during the past three years there has been a large amount expended on the first division in order to put it into a proper state for operating. In places the rock cuts were as narrow as three to four feet from the rails. They should be at least five or six feet from the rails in order that the sway of the train may not result in its striking a rock. A large expenditure has been made in cleaning these rock cuts and making them safe. Further than that, the road was not properly laid out. It goes west on a grade of $1\frac{1}{2}$ per cent. and east on a grade of $1\frac{1}{4}$ per cent., and the result of this is that it is impossible to take more than nineteen or twenty cars on one train. For the present at least, and for some years, we shall have to take it as it is, but if we are going to hold the traffic coming from the Grand Trunk Pacific we shall have to get the road properly graded. We have had surveys made with a view of getting a better grade, and we have been successful in finding a route which will reduce the grade both ways to .75 compensated and enable engines to haul forty cars, instead of twenty as at present. The most favorable of the surveys is that starting at mileage $9\frac{1}{2}$ and finishing at mileage 32, and while the length of the route will be $26\frac{1}{2}$ miles as against $22\frac{1}{2}$, the grading

will be reduced one-half to .75 compensated, and the curvatures will not be heavier than the present main line and will enable the engines to double the number of cars.

Two years ago my hon. friend from Monck (Hon. R. Harcourt), and I am sorry he is not here at present, speaking in reply to the budget speech on the 24th March, 1906, declared that the floating of the six million dollar loan had been mismanaged and that

“If the Provincial Treasurer had been a prudent man he would have waited until the market was more favorable. What is one or two years' waiting in consideration with the unexpired term of 37 years? I understood my hon. friend to say he would have been able to bring about a renewal at $3\frac{1}{2}$. Why then did he not at once renew and keep on renewing until old time prices came round again.”

It is much to be questioned if in the whole history of British Parliaments a Finance Minister of nearly ten years' experience has made such a conspicuously bad forecast as that to which I have called attention. If we had taken the course indicated by him we should have made a most disastrous blunder and have inflicted a permanent injury upon the Provincial credit, and if we had had \$6,000,000 of Canadian bank money on short notice during the latter half of 1907, either we should have been made to sweat blood or we should have been the unhappy means of crippling our banks just at the very time when in reality, by means of our heavy deposits, we were able to lend them most effective assistance. It is true that the course of the money market during the last few years has not been easy to foresee. I do not claim to have foreseen the extent of the decline of credit which has taken place. What I do claim is that on taking office we found this heavy obligation practically on call; that we saw difficult times ahead and we adopted exactly the opposite course from that which the former Government had been pursuing and which the former Finance Minister would have preferred even at the time when we had been successful in floating our loan.

Certain it is that in the last ten years there has been a waste of thousands of millions in war and armaments, and possibly still more enormous sums have been sunk, at least temporarily, in unproductive undertakings. During these same years we have seen some very strange things. We have seen the Bank of England rate at 7 per cent. for nearly three months together, a spectacle never seen before by this generation. We have seen British $2\frac{1}{2}$ per cents. drop from $113\frac{7}{8}$ in 1897 to $80\frac{3}{4}$ in November last. Now they are 87 and apparently on the way back to par. Ten years ago any British municipality could borrow at 3, some of them borrowed at $2\frac{1}{2}$. To-day the wealthiest of all of them, the London County Council, failed to float a $3\frac{1}{2}$ per cent. loan at par. So embarrassing is the situation that the Corporation of the wealthy City of Bristol is seeking from Parliament power to suspend its sinking fund. Another instance showing the extremity of the pinch is furnished by what happened to the Dominion Government. In December last Hon. Mr. Fielding found himself obliged to offer a loan of £1,500,000 in London with which to retire maturing indebtedness. Apparently he had been following some such advice as that of the hon. member for Monck, and had put off his re-arrangement till the last minute. Anyhow, because of the inopportuneness of the time, and not because of any real drop in Canadian credit, the Dominion Finance Minister had to issue four per cents. for five years, and he did not realize par, the issue price figuring out 99, from which would be deducted the underwriters' charges and stamps, so that the Dominion only got 99 for four per cents., while Ontario got $98\frac{1}{2}$ for $3\frac{1}{2}$ per cents, whereas in 1897 and 1898 Dominion $2\frac{1}{2}$'s were sold at 93 and over. But it was in the United States that the depression took on its most acute and curious form. We have seen during the last three months of 1907 a practical suspension of specie payments by all the banks in the large American cities—a systematic and concerted refusal to allow the withdrawal of deposits; the forcing of clearing house certificates on customers in place of cash; and actually we have heard of bankers paying as high as 5 per cent. premium for the daily receipts in cash of such institutions as street railways, department stores

and theatres. The United States National Banks lost \$190,000,000 of specie between August and December against the usual loss of \$25,000,000 or \$30,000,000 at that period. It is estimated that at the present time there is hoarded away mostly in the safety deposit vaults in the United States something like two hundred millions of cash. Safe to say that such a spectacle was never before presented to the world. The best American railroad bonds dropped 25 per cent., some of them more. Pennsylvania road bonds could be bought to pay 5.7 per cent. New York Central bonds dropped from $134\frac{3}{4}$ to $91\frac{1}{2}$ during the year. And the average price of Industrial stocks dropped from 94.35 in January, 1907, to 53 in November. New York used to be able to borrow at less than 3 per cent. But in June, 1907, the City offered \$29,000,000 of $3\frac{1}{2}$ per cents and only \$2,000,000 were sold. On August 15 another \$15,000,000 were offered at 4 per cent., but only \$2,713,000 were sold. On September 10, \$40,000,000 at $4\frac{1}{2}$ per cent. were offered and sold at 102.063. From this it will be seen that New York City has now to pay 50 per cent. more interest than it paid ten years ago.

If we had taken the advice of the Opposition and had gone on from hand to mouth until the banks in their own defence had to force us to make some more permanent arrangement, in what sort of a predicament should we have been? As it was, we floated our loan of \$6,000,000, $3\frac{1}{2}$'s at $98\frac{1}{2}$, which we consider a highly satisfactory rate. Time has fully justified our action. At no time since the floating of the loan could we have done anything like as well. If we had put off the operation till the time at which the Dominion entered the market we should have had to pay for forty years at least 15 per cent. more interest than we are now paying. That is to say, instead of floating $3\frac{1}{2}$'s at $98\frac{1}{2}$, we should probably have had to offer 4's to get the same price. The difference in the interest charge during the forty years would have been \$30,000 per annum. And this \$30,000 would amount in the forty years to \$1,200,000. So much for criticism.

As regards the Indian Treaty. The Dominion Government brought an action against the Province during the time of the

former Government to compel us to pay all the arrears of money which they had paid to Indians under Indian Treaty, No. 3. That was in regard to Indians in the Rainy River District. Judgment has been given against the Province for arrears that amount to something like \$300,000, subject to adjustment, in addition to which, if the judgment is not reversed, we have to pay the annuities from this time on. In that case we have given notice of appeal.

Judgment has also been given in the case of the interest on the Trust Funds. It has been held that the Dominion Government can pay off all trust money except the Common School Fund, and they will have to pay five per cent. unless they tender the money. They have since tendered the money.

With regard to Niagara Park, the receipts during the past year have been sufficient to pay interest and all expenditures in connection with the Park, but there has not yet been a final adjustment of the rate to be charged power companies for the water used by them.

Now, Mr. Speaker, these details are necessary, but they are somewhat dry. We claim that we have fulfilled every pledge given while we were in Opposition as to what the action of this Government would be if returned to power. We have kept the expenditure within our receipts, so that in the three years we have been in office there is a surplus of \$1,660,000. The Government has devoted all its best attention and energy to improving the School System. We are to-day voting money with no illiberal hand to bring home to all the people of this great Province the best possible education that they can get. (Cheers.) We have reduced for them the prices of the school books in many cases by 50%. We propose to improve the quality of those books, and all through the list of them to give as satisfactory and as useful a set of school books at prices from one-half to one-third of what they cost under the old Government. (Cheers.) We have distributed among the people of this Province to the relief of taxation, not only large grants for school purposes, but also large appropriations of the railway taxes collected, and also a larger appropriation than before of the money collected from the hotel men. We have administered

justice in this Province, Mr. Speaker, the King's Writ runs to every part of the land (cheers), justice is administered so that every man can get his rights. Pool rooms have been closed, election frauds punished and generally the administration of justice made as perfect as possible. We have turned our attention to the farmers and tried our best to improve their conditions; to improve the opportunities for them to obtain agricultural education, and to bring home to them at their own homes the value of improved stock. In every way we have endeavored to improve their condition and to give them the advantage of the latest information which can be had in connection with Agriculture. Our Asylums are carefully looked after. The buildings, which we found falling down, buildings which we found unfit for habitation by any human being, have been repaired and put in order. The latest methods of treating the insane have been inquired into with the hope that within a few years many a man who at the present time, or in the past, has been sent to an Asylum with hardly any chance of recovery, will be treated so that he will in many cases not have to remain in the institution more than a few weeks or months. Our grants to hospitals and charities have been increased. Public Works have been built all over the Province, colonization roads have been constructed, the minerals have been developed, and the mining population of this country is well satisfied that justice is being done to them. We have looked after the resources of this Province, seeing that there shall be no grafters, seeing that the dues to the Crown and people of this Province shall be paid to them, and the result of all this is that whatever our failings may have been, we have tried to do our duty and believe we have been successful, and that the Province has, during the past three years, made great and important progress and that its resources have been developed to a far greater extent than in previous years. (Loud and continued cheers.)

CASH AND DEBENTURE ASSETS OF THE PROVINCE.

December 31st, 1907.

BANK BALANCES :—

Current account.....	\$112,202 44	
Special deposits bearing interest	1,561,881 61	
	<hr/>	\$1,674,084 05

SINKING FUND :—

Re Ontario Government inscribed stock,
£1,200,000, one half of one per cent.
per annum on the principal.

Amount of stock purchased for sinking
fund to the 31st December, 1907,
£13,032 13s. 3d., at par of exchange..

63,338 74

DEBENTURES :—

Drainage Debentures.....	86,852 81	
Tile Drainage Coupons.....	49,485 00	
Sault Ste. Marie Debentures	25,572 50	
	<hr/>	161,910 31
		<hr/>
		1,899,333 10

TRUST FUNDS OF THE PROVINCE HELD BY THE DOMINION.

Upper Canada Grammar School Fund,
2 Vic., cap. 10, and 250,000 acres of
land allotted to it.....

312,769 04

Upper Canada Building Fund (under
the 18th section, Act 1854).

Seigniorial Tenure set apart for local
purposes in Upper Canada.....

1,472,391 41

Land Improvement Fund, being one-
fourth of the collection on account of
Common School Lands sold between
the 14th day of March, 1853, and the
6th day of June, 1861, as per award..

124,685 18

Common School Fund (see Consolidated
Statutes, c. 26) 1,000,000 acres set
apart (proceeds realized to 31st Dec-
ember, 1906), after deducting Land
Improvement Fund, \$2,592,334.90,
portion belonging to Ontario as per
population of 1901.....

1,476,815 92

NOTE—See Awards, sessional papers,
1900 and 1901.

Common School Fund, Montmorency Bridge Debentures paid over to the Dominion <i>re</i> Quebec Turnpike Trust, \$6,000.00, portion belonging to Ontario as per population of 1901....	\$3,418 11	\$3,390,079 66
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LIABILITIES OF THE PROVINCE.

1.—Debts due to Dominion as settled by Arbitration, with the exception of claim as under Indian Treaty No. 3 in dispute.....		1,737,190 72
NOTE—17th Award, see Sessional Paper No. 58, 1901. Payments have since been made to Dominion on account of C. S. Fund, reducing amount men- tioned in award.		
2.—Ontario Government Inscribed Stock (London, Eng., loan) 5 Edward VII., cap. 2 and 3, issued to redeem Treas- ury Bills falling due May 15, 1906, £1,200,000 at par of exchange.....	5,840,004 00	
3.—Ontario Government Bonds and Stock, 5 Edward VII., cap. 2 and 6, Ed- ward VII., cap. 4 (Canadian Loan) issued for construction of Temiskam- ing and Northern Ontario Railway..	3,000,000.00	8,840,004 00
NOTE—Against these liabilities the Pro- vince has an asset, the Temiskaming and Northern Ontario Railway, now under construction, the amount ex- pended on which to 31st December, 1907, is \$2,837,779.95 in excess of the above loans.		
4.—Railway Certificates, present value, out- standing on 31st December, 1907....	2,306,035 05	
Annuity Certificates, present value, outstanding on 31st December, 1907.	1,563,250 35	3,869,285 40
5.—Common School Fund collections by Ontario from 1st January, 1907, pay- able to the Dominion, in trust for both Provinces.....		10,075 96
In trust for Ontario, \$5,740 13		
In trust for Quebec, \$4,335 83		

HON. A. J. MATHESON.

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ESTIMATED EXPENDITURE, 1908.

Civil Government	537,545 00
Legislation	233,450 00
Administration of Justice.....	629,704 84
Education	1,600,364 94
Public Institutions Maintenance.....	1,160,777 00
Agriculture.....	533,263 00
Colonization and Immigration	58,000 00
Hospitals and Charities.....	349,161 18
Repairs and Maintenance.....	104,855 00
Public Buildings.....	782,751 00
Public Works.....	198,561 00
Colonization Roads.....	488,053 00
Charges Crown Lands.....	512,600 00
Refunds	38,939 71
Miscellaneous.....	273,850 00
Total.....	<u>\$7,501,875 67</u>

Statement showing amounts payable annually for certificates issued by the Treasurer of the Province for "Aid to Railways" and Annuities.

Year.	Railway Aid Certificates.	Annuities.	Year.	Railway Aid Certificates.	Annuities.
	\$ c.	\$ c.		\$ c.	\$ c.
			<i>Fr'd</i>	2,417,213 60	1,951,400 00
1908	120,860 68	102,900 00			
1909	120,860 68	102,900 00	1928	120,860 68	50,700 00
1910	120,860 68	102,900 00	1929	120,860 68	50,700 00
1911	120,860 68	102,900 00	1930	120,161 08	50,700 00
1912	120,860 68	102,900 00	1931	116,663 08	43,700 00
1913	120,860 68	102,900 00	1932	109,667 08	32,700 00
1914	120,860 68	102,900 00	1933	106,868 68	28,700 00
1915	120,860 68	102,900 00	1934	104,769 88	28,700 00
1916	120,860 68	102,900 00	1935	92,876 68	24,700 00
1917	120,860 68	102,900 00	1936	86,838 15	16,700 00
1918	120,860 68	102,900 00	1937	76,207 94	9,200 00
1919	120,860 68	102,900 00	1938	72,709 94	2,850 00
1920	120,860 68	102,900 00	1939	67,870 49
1921	120,860 68	102,900 00	1940	63,987 16
1922	120,860 68	102,900 00	1941	49,691 89
1923	120,860 68	102,900 00	1942	13,566 54
1924	120,860 68	96,200 00	1943	6,668 65
1925	120,860 68	82,500 00	1944	4,443 22
1926	120,860 68	69,350 00			
1927	120,860 68	56,950 00			
<i>Fr'd</i>	2,417,213 60	1,951,400 00	<i>Ttls.</i>	3,751,925 42	2,290,750 00

NOTE.—Present value of Railway Certificates (interest $1\frac{3}{4}$ per cent. half yearly).....\$2,306,035 05
 Present value of Annuities (interest $1\frac{3}{4}$ per cent. half yearly)..... 1,563,250 35

Government
Publications

