

Legislative Assembly of British
Columbia

BUDGET SPEECH

Delivered on Thursday, April 4th, 1918

BY

HON. JOHN HART, Minister of Finance

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Hon. Mr. Hart, in rising to submit the Annual Financial Statement and Budget of the Province, said :

MR. SPEAKER,—It is not possible to rise at this time for the purpose of discussing the annual financial statement of the Province without recalling that it is not twelve months since my predecessor in the office, our late Premier, delivered his first and only budget speech.

None of us could have believed that within so short a time this Province and country would be deprived of his invaluable services and that those of us who were close to him would have lost a very dear friend. It is not my intention to add at any length to the very feeling tributes which have already been paid in this House to the memory of Mr. Brewster, but I feel that I would be wanting in loyalty to our friendship if I did not in a few words express my feelings.

The late Premier possessed qualities which people are coming more and more to look for in public men. He was sincere, animated by a high sense of honour and duty, and was convinced that the sound business principles which win success in the commercial world could be and should be applied in the administration of public affairs. The work which he was able to do for the Province during the months he led the Government will tell in years to come.

I have not hitherto had an opportunity, Mr. Speaker, to congratulate the House and yourself on your election to the high and honourable position which you occupy. There is no doubt that you will preside over the deliberations of this Assembly with impartiality and dignity and that you will add lustre to the office.

I must at the same time ask permission to compliment the sixth member for Vancouver upon her election to this body. Women are proving every day their ability to stand beside men in the sterner work of life as well as in the home, and it is but proper that they should have a share in the framing of legislation and in the solution of the problems which confront us. It must not be forgotten, Mr. Speaker, that it is by the act of this Liberal administration they have that right in this Province today.

Why Taxation Increased

The task before the Government is a stupendous one and calls for the exercise of wise foresight and sound constructive policies. The financial situation is serious, demanding careful study and not a little sacrifice on the part of all, but it is not incapable of satisfactory solution. It will have to be realized by everyone, however, that the Province has now to pay the price of extravagance and living beyond its means for some years past. I can hold out no hope of immediate relief from increased taxation; all that the people have any right to expect from a Government under the circumstances is that it shall make economy its slogan and shall so adjust the burden as that all shall share equitably in meeting the greater demand which must be made upon their pockets in order that as a Province they shall pay their way and maintain their credit.

Why has it been necessary to increase taxation? Perhaps this question could best be answered by re-

ferring briefly to the last few years' administration of the late Government. In 1911 a surplus of 8½ millions was shown and it was heralded far and near that this had been built up by economy and business policy. On investigation we found that there was a surplus of 8½ millions in 1911 but this was brought about through the sale of our natural resources, principally land and timber.

This surplus, however, melted away like snow before a chinook wind. If this were the only damage done we might have been able to get along without increased taxation, but we find that in addition to squandering the 8½ millions surplus, the public debt was increased from \$10,303,146 to \$23,153,146, a total expenditure, over and above ordinary revenue, of \$21,319,734.74 in six years.

Railway Guarantees

But this was not all, because we find in addition a liability of over 65 millions saddled on the people for railway guarantees, and the taxpayers are being asked this year to put their hands in their pockets and contribute an additional one million dollars to cover interest on P. G. E. bonds, which interest has been paid by the Province for the past couple of years. It is also necessary to call upon the taxpayers to contribute \$2,111,868.00 annually to meet the interest and sinking fund on the large debt, principally created by the spendthrift policy of the late Government. While this reckless spending was going on we find that the revenue had fallen from \$12,510,215.08 in 1912-13 to \$6,291,693.60 in 1915, a reduction of 50%.

I would point out, and it is worth noting, that the interest on the P. G. E. and interest and sinking fund on public debt equal the amount of real property tax and income tax to be collected this year.

I need say no more, Mr. Speaker, to show that the responsibility for in-

creased taxation rests upon the late Government and to prove the shallowness of their criticism and expose the dishonesty of their efforts to shift the onus to the present administration.

In his budget speech last session the late Premier announced the intention of the Government to investigate taxation and to place it on a more scientific basis. As a first step towards that end a Board of Taxation was appointed, consisting of the late J. B. McKilligan, Surveyor of Taxes, as chairman, Ald. W. G. Cameron and Thomas Kidd. In passing I must pay tribute to the long and faithful service given to this Province by Mr. McKilligan, in whose death my Department lost one of its most valuable officials. The Board has had the assistance of a taxation expert in the person of Prof. Robert M. Haig, whose report will be included in that of the Board and will be laid before the House as soon as possible.

Taxation Equalized

During the past six months delegations representing every branch of industry waited upon the Government and the Board of Taxation and were heard at length in regard to Provincial taxation as it affected their particular businesses. The outcome of the deliberations and discussions is that the Government will submit amendments to the Taxation Act this session which will tend to refine it and to correct errors which inevitably crept in as a result of the necessarily hurried action which we had to take last session. Especially is this the case in regard to the taxation of mines and industrial plants, it being the policy of the administration to foster production in all lines and to encourage capital to come in here and assist us in the development of the Province's great natural resources.

Improvements will be effected in the taxation laws as these affect the farming community. In the system of assessment of real property there are glaring inequalities and injustices, instances of which come to my atten-

tion almost daily, and the farmer undoubtedly has a very real grievance there. Most, if not all, the complaint about increased taxation is due to his conviction that his farm is assessed at an unjust and in many cases an absurdly inflated figure. We plan to have a complete new assessment of all real property coming under Provincial taxation made during the next few months, on which the 1919 rolls will be based. This work will be done by men competent and experienced in each district and an amount has been placed in the estimates to meet the cost.

It is further the intention of the Government to exempt from taxation improvements on farm lands up to a certain value, and an amendment to this effect will be included in the Taxation Act Amending Bill.

As was stated by the Premier last year, a surtax doubling the amount payable by banks was imposed for 1917 but no change was made in the rate of taxation for this year, the banks offering to submit proposals which would, it was claimed, bring in the same amount of revenue from this source as the Government planned to obtain but would levy it more fairly upon the various banking institutions. However, the banks have not been able to implement this promise, and we intend to introduce an amendment which will place the rate of bank taxation at \$3,000 for one office or branch of a bank and \$500 each for any other branches in the Province.

Arrears To Be Collected

The policy of appointing special collectors for the purpose of getting in the large amount of arrears owing to the public exchequer, and also collecting the poll-tax in the cities, has fully justified itself by results. These will be kept at work. It is our intention to make a close collection of the income-tax and collectors have been instructed to get in arrears of this tax still owing, resorting to the legal machinery provided by the Taxation

Act if this is found necessary. It is also our intention during the present year to hold a tax sale, it being several years now since one was held. Special attention will continue to be paid to the collection of arrears until we have got in all that is collectible of nearly five million dollars so outstanding.

From a statement prepared by the Surveyor of Taxes it appears that the arrears of general taxes which were outstanding on December 31st last amounted to \$4,776,408.12, in addition to which the arrears of school taxes outstanding amounted to \$168,402.99. Returns from assessors in all but the more remote districts show that during 1917 there were collected arrears to the large sum of \$353,511.83. The sum represents arrears for every year from 1897 onwards and includes some arrears of school taxes. Some of the collectors did not give the amount collected on account of the latter tax, so that complete returns would increase the total which I have given. I am confident that between vigorous prosecution of the work of collection and the stimulus of a tax sale we will be able to show much larger returns next session.

Taking all circumstances into consideration, I think the payment of current taxes was fairly satisfactory in 1917. Especially do I wish to say a word as to the manner in which the farmers of the Province are meeting the increased demands upon them. In spite of the attempts made by our friends opposite to convince them that they were being badly used, and in spite of the fact that owing to extravagantly high assessments in many cases men had to pay out of proportion to their just share, the farmers are bearing their burden of extra taxation without grumbling. They realize where the blame lies for the load which the people of British Columbia have to carry, and they realize, too, that this Government is sincere in its promises to equalize the weight of that load. With a revision of the assessment on farm lands and the ex-

emption of improvements the amount which we will have to estimate in 1919 from this source will not be as large as it is this year, so far as the farm taxpayers of 1918 are concerned, but I am satisfied, Mr. Speaker, that we can expect such an increase in agricultural population that the Minister of Finance will not have to provide for any shortage of revenue.

New Balance Sheet

Coming to the public accounts for the fiscal year 1916-1917, the estimates for which were prepared by the late Government, we find that the actual net revenue was \$6,906,783.63, as against an estimated revenue of \$5,944,015.13. The chief items in which the estimate was below the actual amount received were those of timber licenses, where there was \$208,000 more received than was foreseen by the Minister of Finance of the day, mineral tax, where the excess was \$187,000, succession duty, \$127,000, and real property tax, which was greater by \$82,000. On the other hand the actual net expenditure was \$9,079,317.70 as compared with the estimates of \$11,301,374.86. The net result of the year was a deficit of \$2,172,534, which rolls up the grand total of the deficits which the late Government accumulated in five years to \$18,358,751.

In the Public Accounts for that year, as tabled by me at the opening of the session, it will be found that a change is made in the form of balance sheet presented. This is in accord with the aim of this Government to place before the people the same kind of financial statement as would be presented to any body of shareholders by a board of directors. The form of balance sheet adopted will disclose to the average man yearly the actual financial position of the Province and sets forth clearly the assets and liabilities, capital, current and deferred.

Capital assets have been divided into two classes, those from which we derive an income or which are

realizable, and those which represent initial expenditures on public works and equipments. There has been some criticism voiced in regard to the capitalization of the subsidies the Province receives under the Terms of Union, placed at \$12,462,701.40. As we receive interest at five per cent every year from the Dominion on this amount I fail to see why we should not deal with it as an income-producing capital asset, particularly since the first of the group of items which go to make up the total, \$583,021.40, has been carried as an asset in every balance sheet since 1885. We are simply consistent enough to capitalize the remainder of the subsidies, as should have been done long ago.

The Provincial Debt

The total funded debt of the Province as at March 31st, 1917, is shown under the head of capital liabilities to be \$23,153,146. We have sinking funds invested to a total of \$3,429,135.37 for the redemption of our stock and debentures, so that the net funded debt at the date mentioned was \$19,724,010.63.

In calculating the net debt it has been customary to take the funded debt and deduct the amount invested in sinking funds for its redemption. I think the more candid and business-like mode is to take the sum of the funded and unfunded debts, less the amount in sinking funds, and then from this deduct the cash which the Province has on hand in bank or in the form of balances in the hands of Government Agents and the Departments. This method would show the net debt as at March 31st, 1917, to be \$20,946,949.98.

We all remember how much was made at one time of the fact that the Province had millions of dollars in bank, and how this was used as an argument for lavish expenditures. It is perfectly true that there were over eight and one-half millions in cash on deposit seven years ago and something under half a million dollars less than that a year later. By the method

I am using the net debt at March 31st, 1911, was \$8,033.88. Three years after it was \$8,743,945, it jumped fifty per cent during the next twelve months, and when my hon. friend's Government went out of office it was approximately \$21,000,000. I have gone to the trouble of compiling a table showing what the movement of the public debt has been for ten years, calculated on the basis I have mentioned. This is the interesting comparison:—

vision is being made for payment or renewal of the bonds, in which case the mortgage would be foreclosed and ownership of the line would be vested in the Government. I am not yet in a position to say what disposition would be made by us of the line, but the matter is receiving the consideration which its importance merits.

Current assets include cash balances in the hands of Government agents and collectors, advances to Departments and rural school trustees, ac-

	Funded and unfunded debts less sinking funds.	Deduct cash on hand in bank and cash balances with Agents and Departments.	Net Debt.
1908	\$ 9,408,607.26	\$3,362,840.33	\$ 6,045,766.93
1909	9,208,594.25	4,183,388.01	5,025,206.24
1910	8,969,777.13	6,508,816.35	2,460,960.78
1911	8,771,564.73	8,763,530.85	8,033.88
1912	8,592,352.63	8,339,936.49	252,416.14
1913	8,376,929.10	5,005,395.91	3,371,533.19
1914	9,905,229.62	1,161,284.46	8,743,945.16
1915	17,949,275.38	5,011,187.37	12,938,088.01
1916	18,176,433.28	1,756,420.89	16,420,012.39
1917	21,818,699.80	871,749.82	20,946,949.98

Obligations To Be Met

Besides the debt the only other capital liability is the mortgage of \$274,125 on B. C. House, London, so that the excess of capital assets over liabilities is \$16,135,272.96. In addition to these direct liabilities there are contingent liabilities incurred by the guarantee by the Province of principal and interest on railway and other securities. In the case of the P. G. E., as I have already said, we are being called upon to meet the interest payments.

Since 1894 we have been paying interest on the bonds of the Nakusp & Slocan railway. Towards this we receive forty per cent of the gross earnings of the line, but irrespective of that we had to find \$240,000 more to meet interest. The bonds to the value of \$647,072 mature on July 1st next and the Province will in all probability have to pay the principal. Pro-

counts receivable, live stock, stores and equipment and special deposits on trust accounts, the whole totalling \$8,046,264. Current liabilities amount to \$9,475,846, showing an adverse balance of \$1,428,582.

The unfunded public debt, shown as temporary loans, amounts to \$2,094,689.17. Under the Loan Act of 1916 a Treasury Bill for \$500,000 was issued, due June 30th, 1916, and still outstanding. There are overdrafts shown at the Canadian Bank of Commerce of \$594,689.17 on current account and \$1,000,000 on special overdraft account. With regard to the former amount it may be explained that the Supply Act provides that expenditures incurred before the close of a fiscal year and paid within three months after shall be charged to the appropriations of that year. Special provision was made last year that the expenditures on account of legisla-

tion in connection with the adjourned session in August were to be charged back to the fiscal year in which the session began. In view of these statutory provisions the Finance Department was placed under the necessity of either following precedent by charging these payments back to the appropriations of 1916-17, and correspondingly reducing the actual amount of cash in bank as at March 31st, or showing as outstanding at that date certain liabilities which had been incurred after that date. On account of the exceptional circumstances it was considered advisable to follow precedent. I may mention in passing that this is the first time in the history of the Province that the total known liabilities at March 31st, have been disclosed in the balance sheet.

Under the head of deferred assets are shown certain items, the ultimate realization of which cannot be determined at this date. While there is no desire to swell the figures of our assets by any which are of a doubtful nature, we have thought it right to include such payments as those on account of interest on behalf of the Nakusp & Slocan and the Pacific Great Eastern, the loan made to the latter by authority of the Loan Act of 1916, and the special deposit in the Bank of Vancouver, which institution is now in liquidation, and these will be retained on our books until such time as the items in question are finally disposed of. They are, however, referred to in the balance sheet as merely book values. There are no deferred liabilities.

With reference to the qualification which the Comptroller-General makes in his certification of the balance sheet I may explain that apparently no attempt was made to balance the personal ledgers with the general ledger accounts prior to 1913. Owing to the system under which vouchers were filed before that date the process of discovering the errors and placing the books in balance is a slow and tedious one, but work is well in hand and I trust that before the next balance

sheet is issued there will be no necessity for this qualification to appear.

While the total known liabilities as at March 31st are, as I have just said, disclosed for the first time, it has not been found advisable to include all the assets which might quite legitimately be included therein, owing to the system of accounting in force which, with one exception, that of the coal and coke tax, only brings to account the actual cash revenue and fails to include in the Treasury accounts any record of unpaid taxes, probate duties, succession duties, instalments on land purchase and the like. Before these assets can be placed on the books of the Province with any degree of confidence in their accuracy, it will be necessary to have a very searching examination and make provision for the required changes in our accounting system. It is our intention, as soon as this can be done, to have the total revenue brought to account when due and any unpaid amounts carried in the balance sheet as current assets of the Province.

Public Accounts, 1917-18

Passing now to the revenue and expenditure of the year which closed on Sunday, March 31st, 1918, it will be found that the net revenue for the nine months ending with December 31st, amounted to \$6,794,671.30, against which we have a net expenditure chargeable to income of \$5,544,889.03. Unfortunately, however, obligations for which this administration is not responsible account for a further expenditure of \$2,365,576.12. This is made up of \$708,472.64 invested in sinking funds, \$381,210 applied to the redemption of the 1887 loan, \$1,251,847.92 on account of loan to and interest paid on account of the Pacific Great Eastern, and \$24,045.56 paid out in interest on behalf of the Nakusp & Slocan. In addition to this we have made advances to the Land Settlement Board amounting to the sum of \$74,994.09.

These latter items have necessitated the borrowing of \$2,350,000 of which \$1,000,000 was in the form of a special overdraft at the Canadian Bank of Commerce, \$800,000 in a Treasury Bill issued under the Loan Act of 1916, and under the Loan Act of 1917 \$300,000 in a debenture issue and \$250,000 in a Treasury Bill. It will thus be seen that in spite of the net expenditure chargeable to income being kept within the net revenue the very heavy capital expenditures and the sinking fund investments which we have had to provide have compelled us to resort to further borrowings which will in turn further reduce the revenue at our disposal for future years.

Without the complete figures for the year it is not possible to say accurately how these will compare with the estimates presented a year ago, but the indications are that the revenue will on the whole be well up to the amount which was then expected and that the expenditure will be considerably under the estimated sum which was appropriated by the Legislature. The receipts from the new taxes have been coming in very fully and in some cases somewhat better than might have been anticipated. Despite the antagonism to the increased tax on real property which was sought to be aroused by opponents of the Government the people liable for this tax have shown their appreciation of the financial needs of the Province and their confidence in the pledges this administration has given of economical conduct of public affairs by a response which is most gratifying.

Loans and Sinking Funds

The redemption of the 1887 loan, which took place during the recent fiscal year, was met by providing \$169,552.73 out of current revenue and the balance, \$211,657.27, out of uninvested sinking fund appropriations and dividends on account of that loan and the inscribed stock loans. The sinking fund of the loan, amounting to \$399,170.94, which was all invested in

British Columbia three per cent stock, was transferred to the sinking funds of the inscribed stock loans.

When I took office ten months ago it was necessary to go on the market to obtain four million dollars for our requirements, but inasmuch as the best rate obtainable at the time was 7½% it was thought wise to await a more favourable market. Through doing so the Government profited to the extent of approximately two hundred and fifty thousand dollars in the saving which it has effected in interest charges. The matter of our financial needs was taken up with the Dominion Government by the late Premier on his last visit to Ottawa, and the federal authorities have agreed to loan us three million dollars at 6½%. We have been fortunate in securing a further million at a rate a little over 6¾%. I think the Government may justifiably feel proud of this, as tending to prove that the credit of the Province in the money markets is improving as a result of the businesslike and economical administration which is now in force, and this is a direct answer to the statement of the leader of the opposition that he did not consider the bonds of this Province good security.

Estimates for Current Year

I pass now, Mr. Speaker, to the consideration of the estimates for the year 1918-1919, which have been laid before you. Let me say at the outset that the arrangement and classification of the estimates and the necessity for showing the appropriations under sub-heads for the purpose of giving more detailed information has received very careful attention.

It will be found by honourable gentlemen that the document which has been placed before them, the improved form of which will have appealed to them at first sight, presents the estimates of the coming year on a classified and standardized basis clearly setting forth the expenditures which will require to be made in each of the

several Departments and their branches. In the past this has not been done, nor has it been possible for anyone unacquainted with the system prevailing to ascertain from either the estimates or the volume of public accounts the exact expenditure of any particular office or Department.

Detailed estimates prepared in the form now presented, together with the Public Accounts submitted on a similar basis, will afford more direct control over the expenditures of public money, will enable members more intelligently to discuss the Government's budget, and tend to more efficient and economical administration. It will also be observed that the capital expenditures have been segregated from those chargeable to income, which has never been done before in the body of the estimates.

The requirements of the public service for the year which are chargeable to income amount to \$9,658,254.08, and I estimate that our revenue will be \$9,900,055.13. There would thus be a surplus of \$241,801.05 over expenditure which will be charged to current account, but as there are in addition expenditures on capital account amounting to \$1,953,440 the net result is that there will be an apparent deficit of \$1,711,638.95 on the year's operations.

It is worth noting, however, Mr. Speaker, that three of the items of capital expenditure which we have to provide—sinking funds, Pacific Great Eastern interest and interest on the mortgage on British Columbia House—balance this deficit, so that we are able to present to the House and the country a budget in which our expenditure on current account and that chargeable to capital which is not a direct outcome of the mismanagement of our predecessors is brought within our income. It has been a long time since such an achievement was known in this Province.

Expenditures

I have already dealt with the tremendous increase in the amount which

has to be provided out of current account to take care of the interest on our public debt. For this year the sum required for this purpose is \$1,409,678.08. The other heads of expenditure chargeable to income are these:

Legislation	\$ 100,000
Premier's Office	12,750
Agriculture	219,684
Attorney-General	909,776
Education Department	1,777,290
Finance Department	692,604
Fisheries	17,175
Labour Department	16,170
Lands Department	697,608
Mines Department	335,504
Provincial Secretary	1,633,345
Public Works	1,794,940
Railway Department	41,730

The expenditures which will have to be made on capital account are as follows:—

Sinking Funds	\$ 718,940
Nakusp & Slocan (Interest on bonds)	11,500
P. G. E. Ry. interest.....	907,200
Wellington Coll'y Co.....	15,000
B. C. House mortgage.....	9,750
Songhees Reserve works.....	50,000
Essondale Hospital	10,700
Colony Farm	4,000
Roads, Streets, Bridges and Wharves	208,650
Ferries	17,700

The whole sum for which we ask the House to vote supply for the fiscal year 1918-19 is thus \$11,611,694.08. In framing these estimates, I do not think I need assure this House, the members of the administration have been animated by the desire to cut all expenditures down to the lowest point consistent with efficient service.

I have no doubt that our hon. friends opposite, who never allowed consideration of revenue or the means of the taxpayers to sway them, will criticize us for cutting all expenditures to the bone, but I have just as little doubt, Mr. Speaker, that we will receive the approval of the people at large for doing what I will admit required some courage.

We recognize, however, that the people of this country, in common with their kin throughout the Empire, have a heavy strain put upon their resources to meet their share of the cost of the war, and we do not feel that we would be justified in making any further demands upon them in the line of taxation so long as we can, by wise economies, keep our expenditures as close to our revenue as is possible.

With the early peace which we hope for from a decisive victory for the Allied arms, and with the return of general prosperity, we look for a larger revenue from present sources and a consequent opportunity to devote more where the needs of the Province call for it. Nevertheless, I would reiterate the fact that at no point have we starved any branch of governmental activity, and that there will be no impairment of service because the Departments are being compelled to conduct business along ordinary lines and at a minimum of expense.

We have to ask for supplementary votes in Supply on account of the fiscal year 1917-18 amounting to \$225,061, to provide for the balances on several items of expenditure. The greater part of this total is made up of three amounts, \$94,000 additional for the erection of school buildings, \$33,000 over and above what was voted for hospital grants, and \$13,000 needed to meet the very great cost of the office of the Agent-General in London. For the fiscal year 1916-17 we are asking for \$5,985.55 on account of hospital grants.

Revenues

The revenue for the coming year, as I have said, is estimated at \$9,900,055.13, practically the same as was anticipated for 1917-18. Here again it will be found, Mr. Speaker, that we have assembled the heads of our revenue under the several departments through which it is collected, instead of presenting a long statement in

which items are given indiscriminately as in the past. This will be found of great convenience both to members and the public, and makes it possible to see at a glance the receipts of each Department.

Two-thirds of the total revenue is collected through the Treasury, and the Department of Lands is the next largest contributor. Of the Departments through which various fees and licenses are collected that of the Attorney-General is naturally the chief, and there we look for a revenue of \$514,360. Under the different classes we have estimated for substantially the same revenue during the coming twelve months as our estimates of last year called for, these being backed up by the receipts for nine months. The same is true of the revenue which is derived through the Provincial Secretary's Department with the exception that we expect a much increased amount from the Printing Office. The cost of all printing supplies has gone up and we must raise the prices we charge for copies of Government publications.

Under the head of public debt revenue we estimate that we will receive \$209,000 as interest on the investment of our sinking funds and interest in connection with the Dyking Assessment Act. The amount we have invested in this way will be increased so greatly this year that the sum receivable in interest will also be larger.

The total revenue which we look for through the Lands Department is \$2,203,050. From timber licenses we estimate we will get \$1,200,000, from timber leases \$74,000, from timber royalties \$560,000, and from timber sales \$125,000. In view of the steadily falling receipts from land sales we do not think it wise to put this source down for more than \$50,000, but on the other hand the legislation which my hon. friend the Minister of Lands has brought down this session justifies us in looking for a somewhat larger income from water rentals.

Taxation of Mines

This brings me to the Finance Department, through which it is estimated that \$6,700,000 will be collected during the next year. The principal item here is that of income tax, from which source we expect \$2,215,000. This is more than double what we estimated would be the revenue from income-tax in the year just closed, the reason being that we will this year be collecting from mines on their income and for last year as well as the present. We propose that mines shall be taxed either two per cent on the assessed value of ore removed, as in the past, or on income, which ever is the larger. There is no doubt that in the greater number of cases the amount payable on income will exceed what would be collectable as mineral tax, and therefore we are justified in looking for a considerable revenue there. On the other hand, the amount likely to come in from mineral tax will be much smaller than hitherto, and we place the sum at \$85,000. For the past couple of years this tax has yielded about \$285,000 annually. With closer collection of income tax generally I think the figure at which we have placed our estimate is a safe one.

Basing our estimates upon the manner in which the taxes came in up to the end of December, I consider that we can quite reasonably expect for the coming year to derive \$1,000,000 from the real property tax, \$600,000 from the personal property tax, and \$700,000 from the taxes on wild, coal and timber lands. The poll-tax ought to bring in \$300,000 as the activity in industrial enterprises will bring in many workers from outside, who will be liable for this tax. The tax on patrons of places of amusement is working very smoothly and is expected to produce \$220,000. The sum received from this source so far shows the accuracy of the estimate of last session, which was based on the probability of the tax being in force five months of the fiscal year. From

succession duties we look for \$300,000 and several smaller items of revenue make up the total which is set out under the head of the Treasury Department.

Reorganized Auditing

Since last session the reorganization of the auditing system of the Province which was recommended by the firm of Price, Waterhouse and Company has taken place. The new Audit Act was proclaimed in force and the Comptroller-General took office on August 1st. In view of the then current year having one-third expired and the public accounts for the year 1916-17 remaining to be dealt with, he did not consider it advisable to make any radical changes in the system until the new fiscal year. Immediate steps were taken, though, to strengthen the Comptrolling and Audit Branch of the Treasury Department, and as it is now organized this includes the offices of the Comptroller-General, the Auditor of Revenue, the Auditor of Disbursements and the Purchasing Agent. The results which have been obtained so far, even without any changes of system, fully corroborate the hopes of extensive economies, without impairing the efficiency of the public service, which were expressed by the late Premier when he announced the intentions of the Government in this regard.

While there has been this very necessary extension of the Controlling and Audit Branch, and some extension of the Taxation Branch necessary to increase its usefulness, I have not been unmindful of savings in the Treasury Department where these could be made. By the abolition of the superintendency of insurance as a separate branch and by wise economy in connection with publicity expenditures, it has been possible to effect a saving of several thousand dollars a year, and that without any loss in effective service. The supervision of insurance companies is now being conducted jointly by the At-

torney-General's and the Treasury Department, and most of the work of the Bureau of Information will be carried on by the different Departments, and the same policy of economy will be practiced throughout the coming year.

Agriculture

During the past year there has been considerable activity in all lines of industry in the Province, to some extent in response to war demands, this being particularly noticeable in regard to timber. This activity, though not as great as it should be, is on the whole satisfactory.

The fact that agriculture is the basic industry of all countries, is, I think, being strongly impressed on everyone as one of the results of the present conflict. In this Province, we have many problems and difficulties to contend with and many past mistakes to correct. With a sane system of settlement, which will place settlers in communities, they will have far better prospect of success and the cost of administration will be greatly reduced.

In spite however of the depletion of our farming population by enlistment, of a somewhat unfavorable season and of an acute shortage of farm labour, there were increases in nearly every line of farm production, and the aggregate actual increase in value as compared with 1916 was \$5,478,935, an increase of 17.02%. The total value of all products for 1917 was \$37,661,850. In addition to this there were agricultural products imported to the extent of \$19,786,206, this being an amount 15% in excess of the imports of 1916. I think it is fitting that I should make some mention of the unselfish and patriotic service rendered by the women of British Columbia last year in the harvesting of farm and orchard crops. In the coming months the women will be organized on an even more efficient basis and the boys from our schools will also lend their services.

Mining Activity

The approximate value of the mineral production of the Province for 1917 was \$37,182,570, a decrease of \$5,107,892, but this must not be taken to indicate any decline in the industry. The explanation is to be found in the cumulative effect of several adverse influences on the industry as a whole, these being industrial troubles, reduced metal prices in the last quarter of the year, less demand for lead and zinc for munition purposes, and economic conditions which seriously handicapped mining for gold.

The value of the output of the metalliferous mines is placed at \$27,663,786, the most serious decreases being in the production of gold, copper and zinc. The quantity of copper and zinc mined, however, showed greater totals than in any year previously except 1916. There was an increase of \$359,000 in the value of the production of silver and lead. On the whole the mining industry may be said to be in a virile condition and indications are that this will be permanent. The net coal production showed a small gain in tonnage but a decrease in value over 1916, due to conditions in the interior. Vancouver Island collieries made a new record with 1,698,235 tons, about 205,000 tons more than the year before.

While dealing with this industry it is proper that I should refer to the manner in which prospectors, operators and generally all engaged in mining have received the policy adopted by my hon. friend the Minister of Mines, in appointing highly qualified mining engineers in charge of the six mineral survey districts into which the Province has been divided. With the steps that are to be taken by diamond drilling to establish as nearly as can be done the available tonnage of iron ore of economic value, and with the expert investigation under way to ascertain the best means of encouraging the establishment of iron plants, it is not too much to hope that the Province is at last about to derive the

benefit in industrial expansion and substantially increased revenues which must follow the development of our admittedly large iron deposits.

Forest Products

The forest industries of the Province last year turned out a production about thirty-eight per cent greater than the year before in value, the total for 1917 being \$48,913,115 as compared with \$35,528,000 in 1916. The most notable increase is in the manufacture of pulp, and large increases are recorded in lumber and shingles. During the year the manufacture of paper amounted to almost eighty thousand tons, an increase of 22½% over 1916. The forest revenue reflected this striking improvement in the industry by increasing eighteen per cent to a total of \$2,162,170. This includes \$809,000 paid as royalty on cut logs, a figure exceeding 1916 collections by sixty per cent.

The strong demand for shipbuilding and aeroplane material, together with the buoyant condition of the Prairie markets, augurs well for a continuation of the activity that has marked the year past.

Fisheries Lead Dominion

British Columbia again leads all the Provinces in the value of her fisheries harvest, which amounted in 1917 to \$15,311,954, or nearly forty per cent of the entire products of the sea for the whole Dominion. She exceeded the output of Nova Scotia, second of

the Provinces in this regard, by \$5,219,042, and the value of her fisheries was in excess of that of all the other Provinces combined by over a million and a half dollars.

Salmon accounts for two-thirds of the catch in value, and halibut, owing to a greatly increased market price, more than doubled the figure of 1916. The salmon pack for the year totalled 1,557,485 cases, the largest in the history of the canning industry, notwithstanding that the sockeye did not run to the Fraser in numbers comparable with other big years. This pack was 271,548 cases greater than 1916, Vancouver Island waters producing a pack of 377,884 cases as compared with 145,763 a year previously. Owing to the increase in price of all varieties the pack of 1917 is very much greater in value than in any former year.

In conclusion, Mr. Speaker, let me express the hope that an honourable and a lasting peace, brought about by a decisive victory for Britain and her Allies, is close at hand. Following peace this Province will still be confronted with weighty problems pressing for solution, but I am convinced that we can meet them with courage and confidence, and successfully solve them. With such a country as is ours to develop, there can be no doubt of what the future holds in store for us, as a reward of honest work. The lessons which we have been learning through these years of war, will have their effect in fitting us to better discharge our duties, and prove ourselves worthy of the splendid heritage which is ours.