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PROVINCE OF BRITISH COLUMBIA



BUDGET SPEECH

DELIVERED BY
HONOURABLE JOHN HART
Minister of Finance

In the Legislative Assembly, Wednesday
March 12th, 1919



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BUDGET SPEECH.

By the HONOURABLE JOHN HART, Minister of Finance.

On rising in the Legislative Assembly at the opening of the sitting of March 12th, 1919, to move that Mr. Speaker leave the chair in order that the House might go into Committee of Supply, Hon. Mr. Hart submitted his annual Financial Statement and Budget, as follows:—

MR. SPEAKER,—Before I proceed to the Financial Statement which it is my duty to lay before the House and the country, I would like to congratulate the three gentlemen who have been elected to the Legislature since the last session, the Hon. the Junior Member for Victoria, the Hon. the Member for Alberni, and the Hon. the Member for Cowichan. The Government is pleased to have the assistance of these gentlemen, who represent their constituents as a whole, but are here specially as representing the returned soldiers, and who, being themselves returned men, are in a position to give the House and the Government the benefit at first-hand of the views of those who have fought for the Empire and are coming back to take their share once more in developing our Province.

I wish also to take this opportunity of expressing the appreciation of the Government and my own appreciation of the splendid manner in which the Civil Servants of British Columbia responded to the call of duty. Those who were unable to go on active service, and the lady members, not only made liberal contributions to the Canadian Patriotic Fund, but gave much time to Red Cross and other patriotic work. It is regrettable to have to record that at least twenty-five men of our service paid the supreme sacrifice for the Empire, and I desire to extend the sympathy of my colleagues and myself to their relatives and friends.

DUTY OF PRESENT HOUR.

When last I addressed this House on the financial situation of the Province our Empire was engaged in a terrific struggle on the Western Front, but the turning-point in the war had been reached, although at that time it was not realized generally, nor was it thought that the enemy would collapse as soon as he did. We meet now with the Allies in peace conference and with our own men returning to their homes.

It has almost become a habit to frame budgets and discuss business conditions as affected by the conflict in which this nation and the Empire has been engaged with every ounce of strength. This was but natural, since upon the successful outcome of the war depended all our material future. The chief obligation now on our shoulders is to continue with fresh vigour the pursuit of the vocations of peace, and with diligence proceed to the greater development of our unsurpassed resources.

Canada as a whole has done its duty in the war and for the war splendidly. British Columbia has given freely of its men and its means while the conflict lasted, and now it aims to lead in the expansion of industry and production which will follow. Our Dominion is fortunate in that its great share in the war has not involved material exhaustion at home. We have lost heavily of our best manhood,

and this casts upon those who remain a larger measure of responsibility. That there will be considerable readjustments to be made in all our relations is inevitable; how wide a range these will take one cannot pretend to say, but it is certain that they will be important.

INDUSTRIAL ACTIVITY.

During the past two years there has been much activity in industrial life, due in a great measure to war orders, and we are enabled to look forward to a continuance of this activity by the demands for reconstruction material and the reviving European markets for foodstuffs. Manufacturing has expanded. Existing industries have been fully occupied and ship-building on a permanent basis has been added to them. Our mills have been kept busy. Mining has maintained its activity. Agriculture and fisheries continue to show gratifying figures of production. The steady employment of large bodies of men at enhanced wages has meant a greater turnover for wholesalers and retailers, and the volume of banking transactions has reflected the general buoyancy of business. Taken all round, British Columbia has reason to congratulate itself upon the way it has stood the strain, and it may go forward into another year, the first year of the return of peace, with renewed vigour and with fresh confidence.

The Government, on its part, has continued earnestly at work on the problems which confront our Province. The period of rehabilitation of Provincial credit has been fairly reached, and we are now in a position where we can begin to see the result of the endeavours which we have so far made and where we can reach out towards the achievement of those policies which we were elected to put into effect. There has been a great deal of ground to be cleared before anything of a constructive nature could be undertaken; defective legislation has had to be repealed or corrected and departmental reorganization has been necessary. While something remains to be accomplished along these lines, enough has been done to enable us to proceed with plans which, we are satisfied, will go a long way toward the solution of British Columbia's difficulties.

PUBLIC ACCOUNTS, 1917-18.

In dealing with the Public Accounts for the year ending March 31st last, we find that the revenue which my predecessor, our late Premier, estimated would be collected was \$9,868,325.13, and against this was estimated an expenditure of \$2,032,225.37 on capital account and \$8,768,579.30 on current account, a total of \$10,800,804.67, leaving an estimated deficit of \$932,479.54.

For the sake of comparison I am treating the accounts on the same basis used for many years

past, and on this basis we find, from the Public Accounts which I presented at the opening of the session, that the net revenue for the year was \$8,882,846.02 and the net expenditure on current and capital accounts was \$8,399,649.15, leaving a surplus of net revenue over net expenditure of \$483,196.87. This net expenditure showed a saving of \$2,401,155.52 on the estimates presented in 1917.

Deducting the capital expenditure, the net expenditure on current account as shown by the Public Accounts was \$8,073,565.17. The figure of \$8,399,649.15 does not, however, cover sinking funds, which, I think, should be taken into the calculation when figuring out whether there is a surplus or a deficit. Taking this into account, we will find a deficit of \$466,504.74. It has also been the practice in former years to exclude from the calculation certain payments considered as recoverable at some future date, such as moneys paid on account of Pacific Great Eastern interest.

The revenue for the year fell short of the estimate by \$985,479.11. The chief heads which showed a larger collection than was expected were poll-tax by \$179,500, interest by \$73,400, "Motor-traffic Regulation Act" by \$73,000, coal and coke tax by \$72,000, land-sales by \$46,000, amusement-tax by \$24,500, interest on the investment of sinking funds by \$37,000, and log-scaling fees by \$20,000. Under the "Prohibition Act" sales of liquor brought in \$17,200. Sources of revenue which fell short of the estimate were income-tax by \$420,000, real-property tax by \$316,000, personal-property tax by \$179,000, wild land, coal land, and timber land tax by \$224,000, timber royalties and licences by \$270,000, and succession duties by \$159,000.

On the other hand, the actual expenditure on capital and current accounts was less than the estimated expenditure by \$1,451,453.91. There was a saving of \$47,000 on public debt, of \$116,000 on the cost of civil government, of \$114,000 in the Department of Lands, of \$83,000 in the expenditure on education, of \$70,000 on the administration of justice (other than salaries), of \$124,000 on miscellaneous, and \$45,000 on the cost of maintenance of public institutions. Services which exceeded the estimate of expenditure were hospitals and charities by \$40,000, public works by \$37,000, revenue services by \$11,000, and legislation by \$8,000.

As compared with the previous fiscal year, all the general sources of revenue showed increases, real-property tax by \$481,000, personal-property tax by \$230,000, wild-land tax by \$169,000, income-tax by \$374,000, motor-traffic fees by \$59,000, and timber receipts by \$87,000. On the other hand, items of expenditure which showed a decrease as compared with 1916-17 were public works by \$679,000, civil government by \$141,000, legislation by \$90,000, administration of justice by \$41,000, and hospitals and charities by \$79,000. There was \$66,000 more spent on education than in 1916-17, the Department of Agriculture expenditure was greater by \$14,000, Department of Lands by \$57,000, and miscellaneous expenditure by \$114,000.

REVENUE INCREASING.

The most striking feature about the figures which I have been able to present to the House for the current year, 1918-19, is the increasing revenue. For the nine months up to the end of the calendar year 1918 the receipts were only \$657,759 short of the estimated revenue for the twelve months of the fiscal year, while the receipts for the corresponding period in 1917 were over \$3,000,000 behind the estimated revenue for 1917-18. On the other side

we find a reduction in the comparative expenditure by \$500,000, the outlays in the nine months of last year being \$3,388,692 less than the estimates for the year, while the year before the expenditures for the nine months were \$2,815,345 below the full estimates. There should really be deducted from both revenue and expenditure a sum of \$660,395.85 which was paid into the Consolidated Revenue Fund in error in connection with the Pacific Great Eastern settlement, and which was paid out again under authority of special warrant. This would leave the revenue for the nine months at \$8,581,899.59 and the expenditure at \$7,562,605.50.

Towards the \$9,900,055 which is expected to be the revenue for the twelve months we had collected at the end of December \$9,242,295.44. Already we have received for three-fourths of the fiscal period in excess of the estimated revenue for the year by \$161,735 on account of personal-property tax, by \$109,672 on account of the mineral-tax, by \$47,639 on account of wild land, coal and timber land tax, by \$41,500 on account of timber receipts, by \$39,200 on account of land-sales, by \$18,500 on account of interest. Several of the heads of revenue which showed a shortage have since filled out, such as motor-licence fees, poll-tax, and Dominion subsidy payments. There still remained to be paid at the end of the year on account of income-tax some \$800,000. This is in large part made up of amounts expected to be derived from mining corporations, and following an audit which has just been completed will probably be paid into the Treasury before the end of this month, which closes the fiscal year.

There was expended on current account \$6,468,541.71 as against an estimated full year's expenditure of \$9,658,254.08, and on capital account \$1,094,063.79 as against \$1,953,440. It is, of course, impossible to say whether or not the amount left unexpended at the end of December will be used up before the end of this month, but the general trend of spending and the larger amount remaining as compared with the expenditure for the nine months of 1917 justifies me in believing that we ought to be able to break even at the close of the fiscal year, if we do not show a small surplus.

ESTIMATES FOR YEAR ENDING MARCH 31ST, 1920.

I come now to a discussion of the estimates of revenue and expenditure for the fiscal year ending March 31st, 1920. This being the second time that the estimates have been compiled in the new form, it is possible to present a comparison between the figures for the coming year and those for the fiscal year which is now near its close. You will find, therefore, Mr. Speaker, that in the estimates which I laid before the House this afternoon the figures of last year's appropriations have been printed in a parallel column, enabling members to see at a glance the amount asked for in each case as compared with last year.

The various services of government call for an expenditure during the coming twelve months of \$11,071,113.01 on current account and \$2,242,190 on capital account, or \$13,313,303.01 in all. Against this we estimate that we will have a revenue of \$10,209,960.13, which is an increase over that estimated for the current year of \$309,905. The figures have all been carefully prepared, and while the usual variations in collections may be looked for, I believe I am justified in thinking that at the end of the period we will find that we have received at least the total of our estimate.

In the Department of Agriculture we expect a revenue of \$53,000, the increase of \$23,660 being

accounted for by larger receipts from horticultural inspection fees and collections from those who purchased seed-grain last year. The revenue looked for in the Department of the Attorney-General is \$883,000, or \$255,415 more than it was in the current year. By an increase in the motor-licence fees \$100,000 will be collected, and \$50,000 additional is estimated for from land-registry fees. The revenue from the administration of the "Prohibition Act" is set down at \$25,000, and old sources which are expected to yield more are game-licence fees, company-incorporation fees, fines and fees of Court, and law-stamps.

Under the head of the Department of Finance we estimate for a revenue of \$6,358,215.13, the first item being the Dominion subsidies. These stand at the same figure as before, \$623,135.06. The reduction of \$287,000 which we allow for in my Department is much more than made up by a lesser collection of income-tax as compared with the current year, due to the fact that last year there was included in the estimate the amount which will be got in from the mining companies for 1917 as well as for 1918. Mineral-tax is expected to bring in \$150,000, an increase of \$65,000 on the last estimate. Closer collection of personal-property tax justifies us in placing the figure from that source at \$750,000, which is higher than I put it last year. To the receipts from the taxation of unworked Crown-granted mineral claims we have added \$20,000, making it \$60,000. Another tax in which we look for an increase is wild, coal, and timber lands, which we estimate at \$750,000. In the case of these four items the collections up to the end of December were practically what we have placed the coming year's revenue from them at. By bringing the coal-mining companies under the alternative of income-tax or mineral-tax, in common with other mining companies, we can hope for a revenue of \$200,000 instead of the \$160,000 at which it appeared in last year's estimate.

With a larger sum invested in sinking funds the income from interest will be increased by \$20,000, to \$210,000. Rents have been put at \$38,000, an increase of \$23,000, which is explained by the rental of offices in British Columbia House, London. Amusements ticket-tax, real-property tax, miscellaneous interest, probate fees, and succession-duty fees are left at the former figures. Poll-tax receipts are set down at \$250,000.

Department of Lands sources will bring in a revenue of \$2,184,600, reduced receipts from timber licences and leases and increases from royalties and sales accounting for a net comparative reduction of \$18,450. A new source of revenue under this head comes from the grazing-lands policy of my colleague, the Hon. the Minister of Lands. We will this year receive \$35,000 from the Dominion Government in connection with the establishment of labour bureaux, and this is credited to the Department of Labour.

The growing activity in mining renders it more than likely that the estimate of \$126,000 will be exceeded, this figure being \$13,900 greater than the probable revenue was placed at a year ago, but in line with the larger receipts of the year. Fisheries revenue is down for \$36,000. Anticipated tolls from ferries brings the Department of Public Works estimates up to \$66,000. Increases of \$20,000 each from the mental hospitals and the Printing Bureau are accountable for an estimate of \$254,675 in the Department of the Provincial Secretary. An item which we have placed in the estimates as receivable on capital account is \$224,570, covering disposal of portions of the Songhees Reserve.

The estimated expenditure by services is as follows:—

	1918-19.	1919-20.
Public debt	\$1,409,678 08	\$1,412,050 62
Legislation	101,500 00	100,000 00
Premier's office	12,750 00	13,430 00
Department of Agriculture	240,201 43	271,334 00
Department of the Attorney-General	941,300 16	917,822 00
Department of Education	1,780,990 00	1,844,540 00
Department of Finance	754,035 18	727,277 50
Department of Fisheries	17,175 00	16,955 00
Department of Lands	713,608 00	866,001 00
Department of Labour	29,000 00	103,880 00
Department of Mines	335,504 00	330,238 89
Department of the Provincial Secretary	1,923,921 83	2,331,880 00
Department of Public Works	1,996,840 00	2,092,874 00
Department of Railways	41,730 00	42,830 00
Chargeable to capital	1,764,590 00	2,242,190 00

BALANCE-SHEET.

The balance-sheet of the Province for the year ending March 31st last shows a surplus of assets over liabilities of \$18,260,032.52, as against a balance of \$17,477,345.70 at the end of the previous fiscal year, an increase in our assets of \$782,686.32.

The statement of capital assets and liabilities shows for last year an excess of assets of \$16,821,989.34, which is an increase over 1916-17 of \$686,716.38. This has been brought about by an increase in sinking funds and other capital assets, against which stands the transfer of items aggregating \$500,000 from capital assets to current assets. These are printing plant and equipment, road machinery, and Colony Farm live stock.

The excess of current liabilities over current assets at the end of March, 1918, was \$3,062,984.41. The increase of \$1,634,402.85 is made up by increases of \$1,400,000 each in our temporary loans and in accounts payable, against which is to be placed an increase on the credit side of \$900,000 in cash and advances in the hands of Government Agents and the amount transferred from capital assets.

The excess of deferred assets over deferred liabilities at the end of the last fiscal year was \$4,501,027.59, an increase of \$1,730,373.29 over 1917. The items which are placed under the heading of deferred assets are outlays for which we expect to be repaid, but the ultimate realization of which we cannot at present determine. The sums which make up the increase mentioned are a payment of \$29,033.25 on account of interest on Nakusp & Slocan Railway bonds, a payment of \$874,117.24 on account of interest on Pacific Great Eastern bonds, and a payment of \$827,222.80 to the Pacific Great Eastern on loan account.

PUBLIC DEBT.

The public debt at March 31st, 1917, stood at \$23,153,146, less sinking funds amounting to \$3,429,135.37, or a net public debt at that date of \$19,724,010.63. At March 31st, 1918, the debt had been reduced by \$861,358.88, the total funded debt being \$23,071,936 and the accumulated sinking funds \$4,209,284.25, or a net debt at the end of the

last fiscal year of \$18,862,651.75. This reduction has been brought about by the repayment of the 1887 loan of \$381,210 and by an increase in our sinking funds of \$780,148.88, against which must be placed the 1917 loan of \$300,000 on account of the Land Settlement Board. The floating debt in March, 1917, stood at \$2,094,289.17. This had increased to \$3,550,000 at March 31st, 1918.

I have had prepared a statement of the controllable and uncontrollable expenditures of the Province for the fiscal years from 1912-13 to 1917-18, which shows strikingly how the latter has grown. The amount which has to be appropriated annually for uncontrollable items, consisting of interest on public debt, sinking funds, and the redemption of debentures otherwise than out of accumulated sinking funds, increased to the extent of 246.66 per cent. for 1917-18 over the fiscal year 1912-13. That we have been able to meet such inroads on our revenues has only been made possible by such economies as have brought about a reduction in our controllable expenditures of 50.55 per cent. comparing 1917-18 with 1912-13.

Of the total expenditure in the first-named year, amounting to \$15,626,805.96, \$545,819.47 was uncontrollable and \$15,080,986.49 controllable. By 1915-16 the uncontrollable expenditure had risen to \$982,104.63, or almost one-tenth of the total expenditure of \$10,083,504.47. The continued growth of the public debt as a result of borrowings to cover deficits was responsible for an increase in the uncontrollable expenditure for 1916-17 to \$1,280,196.95, more than one-seventh of the total expenditure for that year. For last fiscal year, 1917-18, the uncontrollable expenditure was \$1,892,168.94 and the controllable expenditure amounted to \$7,457,181.82.

PROVINCIAL LOANS.

I informed the House in my last Budget Speech of the arrangement made with the Minister of Finance for the Dominion to loan this Province the sum of \$3,000,000 at 6½ per cent., which we undertook to repay at the earliest opportunity. In June the money was received and we immediately applied it to liquidating our indebtedness to the Canadian Bank of Commerce on account of previous deficits. In this connection it is but right to say that the bank has always shown itself ready to finance the Province in a temporary way, and we have experienced most considerate and courteous treatment.

As I explained a year ago, the best rate the Province could obtain for a loan in the summer of 1917 was 7½ per cent., so that it was not at all advisable to market any of our securities at that time. In May last the Premier and myself went East and saw the chief financial houses there. As a result of what we learned we came to the conclusion that conditions were sufficiently favourable to attempt the flotation of a \$2,000,000 loan. Tenders were asked for ten-year 6 per cent. gold bonds to that amount, and in response four separate bids were received by me and opened in Toronto. The highest bid was one of 94.78 for \$500,000, with an option on the balance at the same price. This would figure out at a little under 6¾ per cent. I did not consider the offer sufficiently attractive and declined to accept any of the bids. Since that time up to the beginning of the year we made no further attempt to secure a loan.

The steadily improving credit of the Province and the movement of the markets convinced me that a much lower rate than any we had been offered could be obtained by waiting. From time to time financial houses volunteered bids, none of which we saw fit to accept, but in all of which there was evi-

denced gradual improvement in the market. Towards the end of last month the market looked favourable. We decided to call for tenders for \$3,000,000 twenty-year bonds, bearing interest at 5½ per cent. per annum, the proceeds of which were to liquidate our indebtedness to the Dominion Government.

I am pleased to announce that the improved credit of the Province was strongly reflected in the bids, the highest being on the basis of 99.32, which is almost par. This price is better than the Dominion Government received for its last Victory Loan bonds, considering that they were free of income-tax and that commissions and advertising were paid in addition. The saving to the Province in the lower rate of interest which we have to pay on this amount is a very large sum.

PROPOSED BORROWINGS.

We still have some borrowing powers left, both under the last "Loan Act" of the late Government and under the legislation of last year. Authority to borrow \$2,054,700 is available in the "Loan Act, 1916," and there is \$1,000,000 of the amount authorized by the "Loan Act, 1918," not yet made use of. This borrowing power is on account of Consolidated Revenue Fund and it will not require to be drawn upon during the next twelve months unless something unforeseen should occur.

A balance of \$1,200,000 remains authorized under the "Loan Act, 1917," for the purposes of the Land Settlement Board. It is estimated that another million will be required to be raised for that Board during the coming year.

Realizing the obligations which it is under to the returned soldier to supplement the efforts of the Federal Government, it will be my duty, on behalf of this Government, to introduce a Loan Bill in the course of a few days to provide the means of carrying out soldier-settlement projects of my colleague, the Honourable the Minister of Lands, and the productive public works to be initiated by my colleague, the Honourable the Minister of Public Works, for the purpose of at once assisting settlement and furthering employment for returned men.

In addition to further funds for the Land Settlement Board, this will provide \$1,500,000 for public works, \$500,000 for the carrying-out of plans under the "Soldiers' Land Act," and \$500,000 for the conservation of irrigation-works. The Province will, besides, borrow \$1,500,000 from the Federal Government in connection with the housing scheme now before this House.

SOUTH VANCOUVER.

Members will recall the circumstances under which the Government last year undertook to come to the aid of the Municipality of South Vancouver, which was faced with the necessity of defaulting at the maturity date of its certificates, to the amount of \$790,000. Under the authority conferred upon us by this Legislature we arranged with the holders of the certificates to renew the loan for five years, exchanging Provincial securities for those of the municipality. On March 16th certificates to the amount of \$160,000 fell due, and on May 1st other certificates to the value of \$630,000 matured. Treasury notes payable on March 1st, 1923, and May 1st, 1923, with interest at the rate of 6 per cent. payable half-yearly, were issued by the Province and exchanged by myself in New York last July on surrender of the South Vancouver certificates. The Province holds as security for its guarantee and this indebtedness of South Vancouver that municipality's unsold bonds amounting to \$989,000, which

is the same security that was put up by it for the original loan from United States lenders.

Under the same authority we have since guaranteed advances made by the bank to the municipality to meet current expenses. Against these advances the municipality has repaid \$25,000, and the amount for which the Province is now guarantor is \$375,000. To secure ourselves in respect of this guarantee we have insisted upon an assignment by the municipality of the arrears of taxes for 1917, amounting to \$247,484.48, and the arrears of the 1918 taxes, amounting to \$355,372.83.

The Commissioner appointed by the Lieutenant-Governor in Council to administer the affairs of the municipality is having a very large measure of success in his handling of the difficult situation. He reports that the taxes have been coming in much more rapidly than during the year before he took office. Up to the end of the rebate period in 1917 the total amount of taxes paid was approximately \$241,000, while the collections during the rebate period in 1918 were approximately \$395,000. The Commissioner expects to hold a tax sale during the present year, and what is thus realized will go toward the reduction of the municipality's bonded indebtedness, tax arrears up to 1916 having been assigned to Spitzer, Rorick & Co. as security. The various services are being maintained efficiently and economically by Commissioner Gillespie.

The majority of the people are quite satisfied with the manner in which their affairs are being conducted. There is no doubt that the action taken by the Government has tended to greatly strengthen the financial position of the municipality, and naturally this has had a beneficial effect, not only on the credit of other municipalities, but on the Province's own credit.

RAILWAY GUARANTEES.

Former railway policies of this Province have landed it in a serious financial mess, but there are some bright spots in the present outlook from the point of view of this Province. The Canadian Northern lines throughout the Dominion have been taken over by the Dominion Government, which thus assumes the financial obligations of the several companies composing the Mackenzie-Mann system. Nominally this Province is still guarantor for principal and interest of the Canadian Northern Pacific Railway Company's bonds to a value of \$47,975,000, due thirty years hence; but, of course, as the Dominion Government will not default, we are relieved of anxiety regarding this obligation and something like \$1,750,000 annual interest on the principal.

The Nakusp & Slocan Railway guarantee I referred to last year. The bonded indebtedness of this company, which has always been operated as a leased line of the Canadian Pacific Railway, amounts to \$647,072. While the Premier and myself were in Montreal last summer we took this matter up with Baron Shaughnessy. As a result of our discussion with the then President of the Canadian Pacific, that company has agreed to assume the Nakusp & Slocan Railway's obligations, and legislation will be submitted to the House at the present session to ratify the agreement which was arrived at.

As the House is aware, the Pacific Great Eastern Railway Company's property and share capital was acquired by the Province last year. This step would probably have had to be taken sooner or later, but was precipitated at that time by the failure of the company to keep open the portion of the line which was being operated, and by its evi-

dent inability to complete its undertaking. The Province's liability for the company's bonds amounting to \$20,160,000 goes on, and we have now to find the money to continue its construction northward; but, on the other hand, we are the possessors of a line of railway which will serve a valuable section of the Province, the development of which is very important. There will need to be a good deal of financing in connection with this line, and we will have to float a loan to provide for further construction. We expect, however, that in this connection the progress of building the road will afford work for many returned soldiers.

EQUITABLE REASSESSMENTS.

We have during the past summer had a number of special Assessors at work throughout the Province making a reassessment of all the realty subject to Provincial taxation. I need not repeat what I have already said in this House concerning the many and vexatious inequalities which have existed in the assessment of land in the different assessment districts. Not only were many of the assessments absurdly high, but there were in every assessment district glaring instances of unequal values as between neighbouring property-owners.

Our instructions to the Provincial Assessors, under whose direction these men worked, was that they were to personally visit every piece of property, getting in touch with the owner or occupier, hearing any complaints they had to make, and, after careful consideration of all the circumstances, to fix a fair value on each property. So far as I have learned, the result has been satisfactory in the main to property-owners. There will no doubt be individual complaints here and there as to the amount of the new assessment, but this can be expected under the most perfect system devisable. What we aimed at, and what I believe we are accomplishing, is the removal of justifiable complaints regarding past assessment.

It is the intention of the Government to follow up the new assessment of real property by a reassessment of timber lands. Our information leads us to believe that the values at which these lands are assessed for taxation purposes are not in keeping with conditions. It is felt that there is an inequitable assessment relatively as between timber land and real property, and to remove this we will have a complete revaluation of all lands held for purposes of forestry.

ASSESSORS AND COLLECTORS.

It is proposed at an early date to separate the offices of Assessor and Collector, which have been joined for many years past. The object of this is to relieve the Assessor of the office routine connected with the collection of the revenue and enable him to devote all his time to the work of assessment, to the inspection and valuation of property, and the duties of seeing that all persons liable to pay personal-property tax and income-tax are placed on the rolls on a just basis.

Much complaint has been heard in the past that Assessors do not get out enough over their districts, but this has been owing to their confinement to the office through the other branch of their duties. By this method of leaving the Assessor free to give all his attention to assessment duties it is anticipated that a very large addition will be made to the Treasury receipts by revenue which we are now entitled to, but which, on account of the fact that the Assessor has not time to attend to it, we have not been receiving.

With the exception of Victoria and Vancouver, the work of collecting the taxes will be placed in charge of the Government Agents. In the case of the two cities named it is the intention to have one man as Assessor and another as Collector.

COLLECTION OF TAXES.

The policy of closer attention to the collection of taxes referred to in the Budget Speech of last year has been continued and the machinery of the Taxation Department further perfected. Special Collectors have been kept at work steadily throughout the year in the collection of arrears of income-tax and personal-property tax and the collection of poll-tax in cities. As a result of their efforts we have succeeded in getting in \$372,796.20, of which \$175,076.20 represents arrears of taxes and \$197,720 the amount secured under the "Poll-tax Act." The total collections of poll-tax in the calendar year were \$290,765 and of all arrears of taxes \$864,780.62, some of the latter going back to 1904.

The arrears of general taxes which were outstanding on December 31st last amounted to \$4,194,708.21, and in addition to this there were arrears of school taxes owing to a total of \$167,442.59. The 1918 taxes are being met in a manner which I consider, taking all the circumstances into account, is rather satisfactory. While the taxes unpaid at the end of the year amounted to \$4,362,150.80, a portion of which represents arrears of land taxes for 1916 and 1917, our Collectors found a general disposition on the part of the public to meet their obligations to the Province if it is at all possible to do so.

TAX SALES OF 1918.

We held a tax sale during the fall, this being the first one held since 1913. It had the effect of bringing in considerable taxes from those who protected their property from sale by paying up to the end of 1915. On the property which went to sale the amount of taxes which had accumulated in arrears was very close to \$1,000,000. As a result of the sale we got in \$102,140.44, this being a surplus over taxes and costs of \$12,274.82 on the parcels of land which were bid in. There remained unsold lands upon which the aggregate of arrears is \$814,423. The owners have twelve months in which to redeem these unsold lands, and possibly some proportion of them may be saved by the payment of taxes and expenses. The remainder of the lands will become the property of the Crown absolutely, and where they are suitable should prove of considerable assistance in connection with soldier settlement.

We also held a sale for arrears of taxes owing on unworked Crown-granted mineral claims. The total arrears represented by the property which the owners allowed to go to sale were \$56,192.45. The receipts from the sale were \$6,790.98, of which \$140.95 was surplus over tax arrears and costs, and unsold parcels represented arrears and costs to the amount of \$49,542.42.

The refinements in the "Taxation Act" which were effected at the last session of the Legislature for the purpose of enabling us to deal with the mining and cannery industries in a manner which would be fair to these industries as well as to the Province have been worked out in practice by the Taxation Department, and are giving satisfactory results. Last summer I had the privilege of attending the International Mining Convention in the City of Revelstoke and of addressing the delegates on the subject of taxation. In the discussion which ensued and in conversations which I had with many of the delegates the mining men emphasized their conviction

that the Department is actuated by the desire to be perfectly fair to that industry, and that the amendments which were made to the Act are all in that direction.

AUDIT OF TAXATION RETURNS.

One of the features of the reorganization of the Taxation Branch of the Finance Department which has been undertaken is that of adding skilled auditors to the staff. In the course of business it was considered necessary to have the returns made to the Department checked up from the books of individuals or companies making them. Since we have adopted the principle of levying income-tax on mining and cannery companies there is also the necessity for a careful audit in regard to the items of deduction allowed. There are no intentional inaccuracies in the returns, but frequently the officers or employees making them up are apt to overrate the deductions, especially in regard to depreciation, capital expenditures, and mine-development work.

The results so far have amply justified the institution of this aid to the Taxation Branch. We have only commenced, but in the short time we have had these special auditors working their labours resulted, up to the end of February, in an increase to the revenue of \$178,345.47, at an added cost in the Taxation Branch of \$2,825.53. I think these figures form a striking proof of the value of an audit of returns. Our whole aim in this connection is to have the collection of taxes effected thoroughly and efficiently. With the system of taxation made to bear as nearly as possible equally on all, in the measure of their capacity to pay, it is the duty of the Government to see that no one shirks his responsibility in this regard.

TAXATION CHANGES.

For some months we have had the Board of Taxation at work. As I explained last year, the accident of sudden death deprived us of the advice and assistance of the late Surveyor of Taxes, Mr. McKiligan, but the other members of the Board remained at work and conducted their investigations with thoroughness and faithfulness. The results of their inquiries and deliberations will be laid before you as soon as we can have their report printed for presentation to the House. It will be found to contain many suggestions of great value, and these will guide the Government and the Legislature in future taxation legislation.

The only amendment to the "Taxation Act," apart from administrative amendments, to be presented at this Session will be one which is designed to bring the coal-mining companies under the income-tax provisions of the Act in the same manner as other mining companies, by making them amenable to this tax or the present coal-mines taxation, whichever is the greater. This we think is but equitable to all the mining interests and makes these companies pay a fair proportion of their profits into the Provincial Treasury. My colleague, the Hon. the Attorney-General, will also have some changes to announce in the tax upon motor-vehicles. The annual licence fee will be increased and we will exempt motor-cars from taxation as personal property.

SCHOOL TAXES.

With less than six months' experience of the new policy in regard to the payment of school taxes to School Boards, we are satisfied that the Government did right in making the change. As the House will remember, the practice hitherto has been that, while the school districts advised the various Asses-

sors of the amount which they wished to have raised for school purposes, and the Assessors levied that amount against the taxpayers in the school districts, there was paid over to the districts by the Assessors only the amount collected. It is to be assumed that the districts asked for no more than the amount necessary to carry on the work of education, and thus delinquency in the payment of school taxes hampered education in a greater or less degree, according to the proportion of taxes which remained uncollected. In some cases, unfortunately, this proportion was a considerable one.

Both my colleague, the Minister of Education, and myself received a great many complaints from Boards of School Trustees respecting this matter, and in some cases very urgent appeals were made to us to come to the assistance of districts which were really seriously handicapped financially. We had no statutory power to do this, however. The most we could do was to advance the districts up to 75 per cent. of the amount they had asked for, and this we did in every case. Where this exceeded the amount collected the advance, of course, remained as a charge against the district in favour of the Provincial Treasury.

The practice now, authorized by this House last session, is that we pay to the districts 100 per cent. of their estimate, in four quarterly instalments, on the last days of September, December, March, and June. This enables the trustees to conduct their financial arrangements without further trouble, to pay their teachers promptly, and settle all accounts as they are presented.

OFFICIAL ADMINISTRATORS.

The "Administration Act" provides that regulations may be made for an audit of books and accounts of Official Administrators by such persons and at such times as the Minister of Finance may direct, and also makes compulsory the rendering to the Minister, for presentation to the Legislative Assembly, of an annual balance-sheet of each estate handled. For many years the important duties of the Official Administrators have been carried on without proper supervision and without the statutory returns being made. With the single exception of 1902, the last record I find of the law having been observed in this regard was as far back as 1899.

A year ago the Lieutenant-Governor in Council approved of a regulation providing for the making

of an inspection of accounts, and in July last a further regulation was approved ordering that the books, accounts, and all papers of every Official Administrator should be open to inspection and audit by the Comptroller-General or any person authorized by him, and that at least one inspection and audit should be made in every calendar year. The Audit Department has now in hand the work of auditing the books of all Official Administrators in the Province. Numerous discrepancies have been found to exist, and the effecting of a reconciliation between the Administrators' books and those of the Treasury has been a necessary preliminary to the commencement of a periodical audit.

CONFIDENCE IN FUTURE.

And now, Mr. Speaker, in conclusion, let me appeal to British Columbians to have confidence in themselves. Let us believe in ourselves and in our future destiny, with a steady, sustained, and unfaltering confidence. It was faith in their cause and in the unshakable courage of their peoples that won for Britain and her Allies the victory which to-day heartens us. There were moments of defeat and discouragement which might have led to a far different result with a less brave race, but the confidence which every citizen of the Empire felt in the outcome never wavered.

Here in this Province we have had our set-backs and we still have weighty problems to solve. I sincerely believe that our people will not quail before the difficulties which surround the work of reconstruction on the industrial, financial, and social sides. These are to be successfully settled not alone by governmental action, but by the co-operation of individuals, employers and workers, municipalities, this Legislature, and the Government of the day.

I can assure you, Sir, and the country that the members of the Executive Council do not shrink from the responsibilities before them, nor do they weaken in their confidence in the people and the resources of the Province. There is no difficulty in any of the questions calling for solution which cannot be overcome by courage—courage and confidence. Our soldiers had the perfect confidence of all at home that they would win our battles for us, and gallantly have they fulfilled our highest expectations; let us have equal confidence in them and in ourselves to win the battles of peace.

ECONOMIC STATISTICS, ETC.

In addition to the Financial Statement which the Minister of Finance presented, he laid on the table statistics showing the economies effected by the Department of Public Works, and also demonstrating the progress made during 1918 in the various branches of industry.

PUBLIC WORKS ECONOMIES.

As the handling of the largest departmental appropriation is done by the Department of Public Works, some reference should be made to the steps which the Honourable the Minister of Public Works has taken to effect economies. The initial stage in the reorganization of the Department resulted in direct saving to the Province of expenditure through it under the various heads as follows:—

Works and buildings	\$180,816 06
Roads, streets, bridges, and wharves	321,578 01
Subsidies, steamboats, and ferries	24,471 72
Miscellaneous	2,728 77

The plan of dividing the Province into sections, each of which comes under the direct supervision of a District Engineer, ensures an intelligent and efficient administration of the Department's undertakings, particularly in the maintenance and repairs of roads.

The expenditures made by the Public Works Department since 1909 may be tabulated as follows:—

Year.	Roads and Trails.	Bridges.	Wharves.	Subsidies.	Totals.
1909-10	\$1,371,794 03	\$ 565,409 53	\$ 63,012 20	\$ 18,568 92	\$2,018,584 68
1910-11	2,573,263 90	501,113 39	80,338 64	19,045 58	3,178,761 41
1911-12	2,941,165 06	853,719 92	125,741 74	42,710 19	3,963,336 91
1912-13	4,097,759 72	634,766 35	64,897 49	69,163 40	4,866,586 96
1913-14	4,291,911 76	1,005,296 33	45,019 29	90,333 68	5,432,561 06
1914-15	1,889,478 95	476,955 12	20,437 13	98,613 78	2,485,484 98
1915-16	2,491,842 68	408,701 26	19,856 03	82,299 09	3,002,699 05
1916-17	1,442,997 97	496,964 02	25,548 35	97,663 28	2,063,173 62
1917-18	1,063,000 00	250,000 00	38,000 00	100,690 00	1,481,690 00
1918-19 (estimated)	940,440 00	488,500 00	82,765 00	142,133 00	1,777,823 00

The fact must not be overlooked that in this comparative statement the figures shown for 1917 and 1918 cover the maintenance and repairs of the present entire road system of the Province, comprising 16,000 miles of roads, 14,000 miles of trails, and fifty-two miles of bridges, which mileage is greatly in excess of that of previous years.

The administration of the Department during the last two years has been governed by the necessity for the strictest economy compatible with the maintenance of efficient service, and Hon. Dr. King and his officials are devoting their energies, with that end prominently in view, towards the carrying-out of the various undertakings in the most economical manner, utilizing scientific devices, tractors and machinery, in handling road-building material, at a saving in labour cost of from one-quarter to one-half compared with older methods.

A potent factor in the upkeep of roads is the changed conditions which now obtain for traffic, due to advancement in motor transportation, which has greatly increased the cost of maintenance of roads in the various sections of the Province. These are conditions the Department had not to contend with in former years, but changed conditions call for an alteration in the methods of administration to intelligently cope with the situation, and present conditions are being met in a proper manner by the well-organized efficiency of the Public Works Department.

AGRICULTURAL PROGRESS.

The total value of all agricultural products for the year 1918 was \$49,543,008, as compared with \$37,661,850 for the year 1917, showing an increase of 31.55 per cent. The only branches of the industry showing a falling-off were eggs, hay, and grain. Agricultural imports from other Canadian Provinces for the year came to a total value of \$18,269,223, representing an increase of \$1,645,726, or 9.9 per cent., whilst foreign imports aggregated \$3,495,611, an increase of 10.5 per cent., making the total imports \$21,764,834, as against \$19,786,206 for the year 1917, an increase of 10 per cent. For the year 1918 exports of fruit and vegetables approximated \$5,000,000.

As a result of the efforts put forth by the people of Canada during the past five years, it has been demonstrated clearly that in co-operation lies the great secret of national prosperity and success. The application of this principle to the agricultural industry has been the aim of those entrusted with the administration of the British Columbia Department of Agriculture during the past year, and to an appreciable extent satisfactory results have become apparent. The object aimed at in connection with combined efforts has been the increased production of the fruits of the soil with a minimum of expenditure in connection with the work of the Department.

There has been a tendency on the part of the agriculturists of the Province to look to the Government for financial assistance by way of grants and loans, with the result that community effort in the solution of farming problems has not been developed to the extent that conditions would warrant. To overcome this weakness special attention

has been given to the encouragement of all co-operative efforts on the part of producers, and it is hoped that the various farmers' organizations can be centralized in one institution which will be representative of all the various aspects of agricultural life.

As a result of live-stock sales which have been held during the past year, a live-stock show and sales association has been formed with the object of promoting the production and sale within the Province of live stock, thus making the importation of these foodstuffs unnecessary. In connection with this phase of the industry 482 head of cattle were purchased by the Land Settlement Board in the Province of Alberta, and sold to settlers in the northern interior of the Province where feed was abundant, and from which places it was difficult to ship to other parts of the Province.

The experience of the past few years has demonstrated the fact that no part of Canada can surpass British Columbia in the matter of seed production, and with this end in view encouragement has been given to seed-growers by an effort to place them in a position to produce all the seed necessary for the needs of the Province. To the returned soldier who is physically unfit for the more arduous duties of farm-life the seed-growing industry affords an excellent opportunity for making an independent living.

By the adoption of the district representative system the experts of the Department of Agriculture will be brought in close personal touch with farmers, and thereby will be enabled to render advice and instruction by actual demonstration of the methods best suited to meet the various farm problems which arise from time to time. These representatives will also give encouragement and assistance to the various farmers' bodies in the matter of organization for marketing farm produce and purchasing commodities pertaining to agricultural activities.

Realizing the possibilities from women's activities, as demonstrated by the results of their remarkable war efforts, a policy has been adopted with a view to enlisting their services in the work of increased farm production and the promotion of home economies. The various Women's Institutes throughout the Province are being visited and demonstrations given in domestic science by qualified instructors, who thoroughly organize the farm-women of the Province for co-operative effort in meeting the problems of the reconstruction period.

As a means of placing before country communities reliable and instructive information relative to farm-work the scope of the *Agricultural Journal*, issued by the Department of Agriculture, has been greatly increased and its circulation during the past year has doubled. This publication is a medium for keeping each part of the Province advised as to conditions in other parts. At the request of the officials of the Khaki University a large shipment of literature on agricultural subjects was forwarded to London for distribution among the soldiers of the Canadian Expeditionary Force.

MINERAL PRODUCTION.

It is estimated that the mineral production of the Province for the year 1918 represents a monetary value of \$41,083,093, which is \$4,072,701 greater than that of 1917, equivalent to an increase of 11 per cent. Only once in the mineral history of the Province has this output been exceeded, in 1916, when the year's production was only 2.9 per cent. in excess of that of 1918. The results of the past year in regard to this important industry are more satisfactory when it is borne in mind that 1916

was a phenomenal year, metal prices being abnormally high owing to war conditions, and when it is pointed out that the 1918 output exceeds the next highest recorded production—\$32,440,800 in 1912—by \$8,642,293, or about 26.6 per cent.

The achievement of 1918 is made all the more noteworthy by comparison with the results of mining operations during the same period in six of the great mineral-producing States of the American Republic, there being a marked decline in the value of production in Utah, Nevada, Idaho, Colorado, California, and New Mexico.

The margin in favour of 1918 as compared to 1917 in reference to the value of the production of metalliferous mines is not great, the total for 1918 being \$27,288,161 and that for 1917 \$27,284,474, but these figures cannot be accepted as correctly indicating the condition as to the output of actual mineral. Prices in 1917 were high, but in 1918, the demands occasioned by the war having been met to a large extent, they commenced to drop. Thus it is found that, while in 1918 our mines produced 63,387,010 lb. of copper, as against 59,007,565 lb. of copper in 1917, there is a decrease in the value of the 1918 output in comparison with that of 1917 of \$356,310.

We also produced more lead last year than in the one previous, but in valuation, again owing to prices, a decline must be shown. In zinc there was a decrease both in quantity and in value. With silver the condition is reversed, for the production, while slightly less in volume, represents an increase in value of \$335,371. As to gold, British Columbia is in the gratifying position of having increased her output, while most other mineral countries, owing to its fixed value and the generally rising costs, show a decline. Although the value of the output of the placer mines fell off, the value of the production of the lode mines advanced to the extent of \$883,705.

Our production of coal is another phase of the mining industry which gives marked satisfaction. The Provincial collieries show outputs, both of coal and coke, exceeding those of the preceding year, the increased output of coal being some 142,093 tons and of coke 30,751 tons. As the value of coal has advanced substantially, the product of our coal-mines for 1918, represents about \$12,794,932, an increase over 1917 of \$4,310,589.

These figures are significant. They show that the mining industry of British Columbia continues to flourish; that the mineral resources of the country are being energetically developed; and that those directly interested are proving to an ever greater extent the economic value of our minerals. For the moment, with the war over and a formal declaration of peace in sight, the mining industry of America is experiencing slack times. In some sections this is more apparent than in others, and so far our Provincial industry has been able to maintain its equilibrium. The continuance of this period cannot be for long. With the active commencement of reconstruction the demand for metals will be as strong as ever, and once a settled condition is re-established, and the world begins in earnest to heal the sores of the recent great conflict, our mines will be called upon to yield their riches in an even greater degree than during the past five years, and the wheels of our large mining plants will revolve as actively and to as good purpose.

FOREST INDUSTRY.

The forest industry in British Columbia showed a continuance during the year of the great improvement which was remarked on in the last Budget

Speech. The revenue of the Forest Branch for the first nine months of the fiscal year amounted to \$2,020,653, whereas the estimated revenue for the twelve months was placed at \$2,000,000. The revenue for nine months of 1918 was \$377,500 in excess of that for the corresponding nine months of 1917, and the estimate of the Minister of Lands is that the actual revenue through this branch of his Department will amount to at least \$2,500,000 before the close of fiscal year. The demand for ship-building timbers is still maintained, and during the year there was extensive activity in the cutting of spruce timber for the Imperial Munitions Board for use in the manufacture of aeroplanes.

The year 1918 saw British Columbia timber most prominent in connection with the war. The rapid development of the Royal Air Force, with an ever-increasing demand for more machines, made spruce for aeroplane construction of great importance to the success of the Allies, and the magnificent spruce stands of this Province offered a source of supply. Very complete plans were made and quick action was taken, the Government commandeering all spruce timber. The result of the organized effort made to secure aeroplane spruce is shown in the fact that from the commencement of the year until the signing of the Armistice there was cut over 26,000,000 feet of spruce and close on 10,000,000 feet of fir

The value of forest production for 1918 totalled \$54,162,523, which, as compared with \$48,300,469 in 1917, shows an increase of 12 per cent. The most striking item in the table of forest production is that of pulp, which increased from \$6,835,034 in 1917 to \$10,517,250 in 1918, or an increase of 54 per cent.

FISHERIES.

British Columbia again led the Provinces of the Dominion in the value of her fishery products for the year 1917-18, with a total valued at \$21,518,495, the high record for the Province, and 41.13 per cent. of the total for all Canada, which is recorded at \$52,312,044.

British Columbia fishery products exceeded those of Nova Scotia, the second in the list of Provinces, by \$7,050,176, and exceeded the total combined fishery output of all the balance of the Provinces by \$5,193,265.

The salmon-pack for the year 1918 amounted to 1,616,157 cases, a gain over the previous high record pack of 1917 of 58,572 cases. The bulk of the pack was commandeered by the British Ministry of Food.

The halibut-catch for the year 1918 shows a marked decline. Deep-sea trawling was successfully conducted from both Prince Rupert and Vancouver. In other lines of fishery activity very satisfactory results were obtained, and the whaling industry had a good year.