

\$63,288 Deficit Is Budgeted For On Current Acct.

Tax Increases Include 2 cts Per Gallon On Gasoline, \$1. On Motor Registration Fees, Heavier Motor Truck Taxes, And 100 p. c. Increase On Life Insurance Companies

Following is the conclusion of the Budget speech by Premier Campbell in the Legislature on Monday night:

"Turning to the other side of the picture, we come to consider the question of revenue for the year. The principal increase of revenue may be summarized as follows: "General taxation, an increased estimate of \$15,000. That includes income and personal property taxation, land tax, corporation taxes, and general taxation of that kind. Life insurance companies, 1936, \$5,991; estimate \$12,000, an increase of \$5,000. That comes about in this way. The present tax on life insurance companies is 1 per cent. per premium income. Looking at the situation we found that in the other provinces they are paying from 2 to 3 per cent., and there seems to be no logical reason why the tax should be less in this Province, because the underwriters' rates are fixed without regard to provincial boundaries, and we felt that taxation should be fixed in the same way. We shall therefore introduce legislation to increase the rate of taxation on insurance companies from 1 to 2 per cent., which is estimated to bring an increased revenue of \$5,000.

On Banks, an increase of \$13,000. This is estimated owing to the improved conditions and increased business. Domicile companies, 1936, \$70,000; estimate for 1937, \$75,000, an increase of \$5,000. In this connection the Liberal party may say with some satisfaction that since these domicile companies were introduced here in 1931, the total revenue derived by the province up to the end of last year amounted to \$256,000.

Succession duties, 1935, \$19,838; 1936, \$42,810; estimate \$45,000 an increase of \$2,000. This increase is partly due to improved collection methods, partly to an equitable adjustment of exemptions which was made during the session of 1936. In the opinion of the government and most just form of taxation and those achievements in exemption which we made in 1936 whereby people who were not members and dependents of the testators' family were put into a category where they received light exemptions. While we do not believe it creates any hardship, it will as the years go on produce a considerably increased revenue to the treasury of the province.

Amusement Tax Increase

Amusement Tax: In 1935, approximately \$5,000; 1936, \$11,000; estimate \$14,000. This increase is partly due to a slight increase in the rates. The government felt that if anyone in the province is able and justified in paying an increased contribution to the treasury it should be those people who can afford to attend amusements and entertainments. For that reason the scale of rates of amusement taxes was revised and slightly increased. But that accounts for only one part of the increased revenue. The amusement tax stood forth as only another example of the tax and almost non-existent system in vogue in this province in connection with the collection of taxation. Any person who came along and offered to pay the treasurer an amusement tax was received with open hands. The tax was taken and not turned down, but no systematic effort — in fact no effort at all — was being made to collect the tax. And so by a systematic improvement in the method of collecting this tax, in addition to the slight increase in rates, we have been able to estimate for \$14,000 revenue from

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General Taxation

"I mentioned at the outset that we were estimating for an increase in general taxation. In 1935 the amount of revenue on this item was \$138,918. We felt that the situation in this respect was becoming alarming, that the amount of unpaid taxes throughout the province was having a serious detriment upon the administration of affairs. While there was some sympathy for those who through stress of the depression had been unable to keep their taxes up, we felt that this was not the whole nor yet the substantial part of the difficult situation. We felt that the growing arrears was due not so much to any temporary depression as to the negligence, or reluctance, of successive governments to attempt any systematic method or to make any systematic effort in the direction of tax collection. It was getting to the stage, Mr. Speaker, when even the conscientious and more or less well-to-do citizen was saying to himself and to the government, 'I am not going to pay any more taxes because while I have been conscientiously doing my part in paying taxes, my neighbors haven't been paying taxes, and the government has made no effort to compel them to do so. The situation became so alarming in this respect that we decided that some drastic step had to be taken, and with that in view we appointed a number of special tax collectors, one full-time man and two others part-time men. It was the duty of these officials to go through the country, interview those whose taxes had got so far in arrears, finding out why the accumulation had piled up, making collections in whole or in part where possible, and—perhaps more important than anything—making complete and systematic reports to the provincial treasurer. Largely owing to this determination of the government and the increased efforts made by the treasurer and by the special tax collectors in connection with the systematic cooperation of the regular collectors, the general tax collection of 1935, amounting to \$129,000, was increased in 1936 to \$194,000. I think a very creditable showing for an increase in a single year. With that in view, and considering the fact that a good deal of the work of the special tax collectors last year was largely to get the network and preparatory to actual collection, we are making an estimate for 1937 in collection of general taxes amounting to approximately \$210,000, as against \$138,000 two years ago. This collection, this increase, with increases in every classification of these general taxes, is not achieved by a single increase in any of the rates of general taxation. This item is solely due to increased efficiency of collection.

Federal Collections

"It is further proposed during the present year, if satisfactory arrangements can be concluded with the Department of National Revenue at Ottawa, that the collection of income tax should be handed over to be administered by that department. The difficulty has been that in this Province the provincial treasurer has no adequate machinery for the collection of income taxes. The personnel is not sufficiently large. If we were to commence a systematic collection of our income tax we should require increased office space which would mean moving out of this congested building. It would also mean additional machinery, and a considerable additional staff. To meet that difficulty we feel that it is only right and expedient that we should accept the offer of the Dominion Government to collect our income taxes. We feel sure that this will result not only in a greatly increased revenue, but in a great relief to the personnel of our machinery and personnel of our active and more efficient administration of the other items of revenue. As I said before, we do not purpose to make a single increase on any of these items of general taxation; no increase in land tax; no increase in personal property tax; no increase in income tax. In fact, Mr. Speaker, the government proposes—and a bill will be introduced to that effect—to provide a long-felt want in the exemption of a larger portion of the income of married persons and others who have to support children or other dependents. This we feel will be of great advantage to those taxpayers who have to support a family on a small or limited income.

"As I have indicated before, the government proposes to reduce taxation in another direction, namely by making to fishermen, farmers and other operators of stationary engines a full rebate of the gasoline tax. One section of the press editorially stated not long ago that the government tax man had submitted, Mr. Speaker, that any adjustments of taxation which we have made are against those who are capable of paying taxes; whereas these two reductions—the relief of married persons with families and the relief of fishermen and others in the direction of gasoline taxes—are being made by this government for the purpose of relieving those classes of citizens who are least able to pay taxes and to contribute to the provincial treasury. The only persons who will pay an increased income tax are those who up to the present have been concealing the true state of affairs of their income from the provincial government.

"Having briefly outlined the situation as regards revenue and expenditure, I wish to deal very briefly with proposed capital expenditures for the year. Rights of way, \$2,000; permanent bridges, \$36,000; steel culverts, \$15,000;

renovation of the Law Courts building, \$15,000.

Law Courts Building

"I think perhaps there is no suggestion which has so constantly and persistently forced itself on the attention of grand juries in this province as the condition of the Law Courts building in Charlottetown. I am speaking to an English gentleman the other night and he told me that he was a member of the grand jury in the year 1916, and the grand jury then brought in a recommendation that the government should do something to remedy the deplorable condition of the Law Courts building. Since 1916 practically every grand jury that sits in that court has made its unavailing recommendation that something should be done. An examination of that building shows that its unsatisfactory condition is not confined to the surface, but that substantial renovations are necessary. The fire insurance underwriters have warned us that the building is a positive danger from the point of view of fire risk. With all these things in view, with the urgent recommendations which we receive every year from grand juries who sit there, the government finally came to the conclusion that the time has come when something must be done to remedy the state of affairs in that building, to remove the fire hazard and the electric wiring hazard which is there at the present; to make the building at least slightly and presentable; to make some minor adjustments among the various rooms and divisions of the building which will bring it more up to date and make it more serviceable for its purpose.

"Renovation of the Court House, Summerside, \$3,000. That building to the ordinary public view is in pretty good condition, but an examination of the brick-work shows that a great deal of the mortar is in bad shape; that it is falling out in many places; that the bricks are losing their support, and that the strength of the structure is gradually being weakened and will greatly deteriorate if it is not taken in hand at an early time. It is also felt that the furnace in that building—an old antiquated furnace—is not giving adequate service. It is using an unconscionable amount of fuel and not giving a proper amount of heat. For these reasons it was felt that a new furnace must be placed in the Court House at Summerside, and that at least some measure must be taken to protect the brick-work and mortar work on the exterior and parts of the interior of the building, against the inevitable dilapidation which will take place if it were allowed to go uncares for. "Similar renovations have long been overdue to the Court House at Georgetown, for which we have an estimate of \$15,000.

"Renovations to the Souris Exhibition buildings: I may say that the Souris exhibition buildings in this province which are owned by the Government, I had the pleasure of attending the Souris Exhibition for the first time last fall. An examination of the condition of the roof of the main building would indicate to anyone that it was going into a state of very serious dilapidation. In fact, as a gentleman observed, it was very fortunate that the day was comparatively fine, as it is very difficult to imagine what could be done in that building if they happened to have a rainy day on the day of the exhibition. We have therefore an estimate for shingles and other repairs of \$3,000.

"Equipment and agricultural class-room, Prince of Wales College: a sum sufficient.

National Park

"National Park: a sum sufficient. It is anticipated that the Dominion Government will shortly make the formal proclamation declaring the National Park of Prince Edward Island to be opened. Members will recall that the part undertaken by this province is to furnish the land necessary for the establishment of the Park areas. The development of the Park areas is undertaken and carried out by the Dominion Government. While the site has been chosen, the land expropriated by order-in-council, only a few settlements have been made and the great number of the settlements with the former owners of the property still remains to be made.

"Fishermen's loans: a sum sufficient, to be determined according to the terms which are able to be arranged by agreement with the Dominion Government. I will leave the details to be enlarged on by the hon. President of the Executive Council, who is in charge of the administration of this item.

"Unemployment relief projects, in cooperation with the Dominion Government: a sum sufficient, also dependent on an agreement to be entered into with the Dominion of Canada. In that connection I may remind the House that a similar situation obtained last year, and that as a result of the efforts of the Government, several trips undertaken to Ottawa by several of the members of the Government, with technical advisors—"plénies" as the press is very often pleased to call them—and as the result, if I may say so, of a considerable amount of ingenuity on the part of the Government and its advisors in working out schemes which would meet with the approval of the Dominion Government, we were able to secure from the Dominion Government in 1936 contributions to our unemployment projects within the province of \$258,771. This money along with the provincial expenditures for the same purpose were expended on the completion of the paved highway from Hunter River to Rustico, the building of a wooden bridge over the West River, the sub-grading of a considerable mileage of trunk-highways, the improvement of low-lying sections of road, and other improvements, which

extended not only through every electoral district but through every polling division in this province. In all there were 53 unemployment projects, of which a great many were divided into a large number of subdivisions.

"This Dominion money had to be supplemented by a considerable expenditure of provincial money. As we were able to get a contribution of \$258,000 and upwards from the Dominion Government, our share of the expenses on those projects amounted to \$237,000; and yet, Mr. Speaker, with that considerable expenditure on more or less permanent unemployment projects, we were able to carry out the ordinary administration of the province for the year with a total increase in the provincial liabilities of only \$215,000 as against an increase in 1935 of \$952,000.

Paved Highways

"In addition to these expenditures we still have a demand—a constant and insistent demand from every part of the province, for paved highways, hardsurfaced roads. As I have stated before in this House, it is the considered policy of this Government that if we are to embark on a programme of expensive pavement, if we are even to continue a programme of extensive standard sub-grading and improvement of highways, there must be some new source of revenue found. Our programme of balancing the budget was limited to a reduction of expenditures which would balance the budget at the present standard of public service in the province. If the standard of public service is to be substantially increased, either by relieving the insistent demand for hardsurfaced roads or by a continual extension of the policy which we began last year of standard sub-grading, there must be new revenue. As the Montreal Star said, it is a very good plan to cut your coat to suit your cloth. The question arises, if paying is to be undertaken, if sub-grading even, is to be continued, what is to be the source of the necessary increase in revenue? I don't say the whole of such expenditures should be paid in the year in which the expenditures are made;

but there should at least be a sinking fund set aside to retire any borrowings during the period of permanency of the work constructed. What is to be the source of such a sinking fund? There has been a suggestion that an increased assessment should be placed on those resident taxpayers whose lands adjoin the pavements. I think there is some merit in that suggestion, because undoubtedly there would be some increase of value. But it seems to me that it would be ridiculous to expect that the taxpayer who happened to be residing along the pavements should pay the whole or even a substantial part of the increased cost of constructing these roads, roads, bridges and highways throughout the province during those years. I have endeavored to do this with more than fairness to the motorist, and I have made a conservative estimate of the expenditures, and have included the ordinary maintenance on roads and bridges, the statutory interest and sinking fund on the highway bonds issued between 1922 and 1932. The figures are as follows:

Revenue	1934	1935	1936
Road Tax	\$ 46,300.00	\$ 42,600.00	\$ 50,000.00
Gas Tax	202,600.00	212,400.00	232,500.00
M. V. Reg.	100,870.00	102,500.00	111,800.00
	\$ 349,770.00	\$ 357,500.00	\$ 394,300.00
Less gas rebates	27,700.00	32,500.00	31,400.00
	\$ 322,070.00	\$ 325,000.00	\$ 362,900.00
			\$ 1,009,970.00
Total revenue 3 years			
EXPENDITURE:			
Maintenance roads	241,000.00	358,000.00	187,300.00
Maintenance bridges	47,900.00	53,800.00	21,200.00
Int. & S.F. Highway			
Bonds 1922-1932	86,000.00	86,000.00	86,000.00
Int. & S.F. Road			
Mach. Bonds	13,000.00	13,000.00	13,000.00
Int. & S.F. National Highway		30,000.00	30,000.00
Int. & S.F. other			
Capital Highway Imps. and bridges	34,400.00	45,000.00	64,500.00
	\$422,300.00	\$585,800.00	\$402,000.00
			\$1,410,100.00
Total expenditure 3 years			

line and his repairs. But the motorist comes back with the reply—and he is supported by the press and others in his contention—that if all of the money we are now collecting from motor vehicle sources were expended on the roads we could pay the whole Island without any additional taxes. In order to answer that contention I have prepared a brief summary of the revenue and expenditure from highway sources for the years 1934, 1935 and 1936. I have taken the three items of road tax, gasoline tax and motor vehicle registration. I have totaled them and I have also totaled the expenditure on roads, bridges and highways throughout the province during those years. I have endeavored to do this with more than fairness to the motorist, and I have made a conservative estimate of the expenditures, and have included the ordinary maintenance on roads and bridges, the statutory interest and sinking fund on the highway bonds issued between 1922 and 1932. The figures are as follows:

Gas Tax Increase

"As a conclusion from this analysis, and giving the motorist the benefit of every doubt and of all those exemptions, I find that in those three years alone the Government expended over \$400,000 more on the maintenance, interest and sinking funds for highways than it collected from the combined sources of road tax, gasoline tax and motor vehicle registration. This supports our conclusion that for any extensive programme of hardsurfacing or standard improvement in sub-grading, increased revenue must be found. And for that reason the Government has decided that commencing at an early date, the tax on gasoline will be increased from 8 cents to 10 cents per gallon.

"The increased revenue from that source will not be used to enable the Government to balance its budget but will be placed in a special sinking fund earmarked for further hardsurfacing of public highways and for standard sub-grading and graveling preparatory thereto.

"The estimated revenue for the current year from gasoline tax is \$300,000. Giving the fishermen and farmers the full rebate of 10 cents a gallon will amount to \$45,000. One-fifth of the balance will be placed in the special sinking fund estimated for the present year at \$40,000, and which we feel should be increased to at least \$50,000 per year during succeeding years when the increased tax is enforced for the whole of the calendar year. In addition the motorist is assured that every cent of the increased taxation which he will pay this year and in succeeding years by way of gasoline tax, will go towards the construction of hardsurfaced and improved highways, the motorist in the long run will not be making any loss whatever on this item. For one thing, I think it is pretty clear that a 10 cent tax on gasoline in 1937 is no more than a 5 cent tax on gasoline was ten years ago, for the reason that with the modern automotive construction, automobile drive a much greater mileage on the gal-

(Continued on page 5)

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