

capacity is closely related, we must also bear in mind the stronger position of the country by reason of accumulated savings, both personal and corporate, to which reference is made in tables 4 and 5 appended to the White Paper. These savings should ensure for some years to come a steady demand for goods and services and act as a most valuable buffer against the effects of possible depression.

As you are aware, we have considerably increased direct taxation during the war, and it now amounts to more than half the yield from customs duties, on which we used mainly to depend. Some revision of our tariff will undoubtedly be necessary as the result of international trade discussions which have been under consideration for some time and which are now scheduled to start next month. We shall, of course, endeavour to secure more favoured treatment for the entry of our produce into other countries but, at the same time, we shall be expected to make concessions in return. Until these negotiations have reached a more advanced stage, it will be impossible to assess the effect on our yield from customs duties but, in any event, we must be prepared for some reduction in this source of revenue, as our tariff is undoubtedly still heavy on certain classes of commodity, although, as you will see from paragraph 17 of the white paper, during the last 12 years the average rate of duty over all imports has been reduced from 36.5 to 25.5 per cent. We can, I think, expect some increase in revenue from the Department of Posts and Telegraphs as its telecommunication services are improved and extended. On the other hand, we must be prepared for some decline in the revenue from the Board of Liquor Control, as a falling off in consumption above the war time levels is already taking place.

I should like next to refer briefly to the public debt. You will find a statement of the debt and sinking funds as at 31 March last on page 35<sup>1</sup> of the White Paper. This includes both the sterling debt, and the local loans of \$1,500,600 (3.75%), \$1.5 million (3.25%) and of \$2 million (3%) raised in 1940, 1942 and 1943, respectively. Since that date we have paid further annual sinking fund instalments of £177,950 and \$41,250 on the sterling 3% guaranteed stock and on the dollar 3.75% war loans, respectively, so that the net

figure of \$82,188,000 shown in the statement must be reduced by these amounts. If we allow for the recent 10% appreciation in the Canadian dollar and interest accrued on sinking funds since 31 March, the net debt is now reduced to the equivalent of approximately \$73,876,000. As is mentioned in the memorandum on reconstruction and development schemes, we have recently set aside, at interest, an amount of £800,000 (approximately \$3.2 million), to meet the repayment of the two remaining sterling trustee stocks which mature in 1950 and 1952, respectively. This sum was obtained from the government of the United Kingdom as the first repayment of the loans totalling \$12.3 million which we made as a voluntary contribution to the war effort in the years 1941-1944. The balance of these loans still due to us by the government of the United Kingdom is now approximately \$9.1 million, and applying the repayment of \$3.2 million to the reduction of debt, the total amount of our public debt is reduced still further to \$70.5 millions.

This figure excludes a 2.5% loan to the railway arranged in 1941 from the Defence Supplies Corporation of the United States for the purchase of equipment, of which the balance outstanding is now \$1,493,000. It also excludes the value of unredeemed savings certificates, amounting to some \$2,257,000, out of total issues of \$3,103,000, since we have balances set aside to meet in full the government's liability in respect of these certificates. Out of the proceeds of savings certificates, we lent \$1,800,000 to the United Kingdom (part of the \$12,300,000 I have already mentioned), which will be available when we want it. The balance required to meet outstanding certificates is on deposit, at interest, at the Bank of Montreal, St. John's; this is the source from which current redemptions are met.

At the end of March, 1946, we had an accumulated revenue surplus of \$28,669,000. Of this, \$10.5 million was loaned to the government of the United Kingdom (since reduced by the repayment of \$3.2 million to provide for the redemption of the two sterling securities I have mentioned). The balance, apart from some \$240,000 used to finance the payment of allotments, etc., of men serving overseas with the imperial forces, was deposited at interest at the Bank of Montreal. I should explain, however,

<sup>1</sup>Volume II:45.