THE DAILY NEWS

PRINCE RUPERT, BRITISH COLUMBIA

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EDITORIAL

The Municipal Election . . .

The municipal electors of Prince Rupert have now had two concrete programs laid before them by two groups which have at least taken enough trouble to line up definite manifestos. It is fitting that these platforms should be considered well. In so doing, the electors may think not only of the things they would like to see done but also the possibility of things being done that are promised them either directly or by implication. Sometimes the most reckless promisers are not always the greatest doers. A reasonable undertaking, it might be just as well to realize, has more chance of accomplishment than a fancy promise which commonsense would suggest has no chance of being fulfilled.

There are many things that all of us individually might wish for. However, the more sensible of us do not waste too much time or effort working for things that we know we cannot get no matter how desirable they may be.

The platforms which have been placed before the municipal electors we would commend to their very earnest attention as they consider who they shall choose to put into public office by their votes at the polls this week. The nominations today present o good choice of material.

We join in congratulating the young mayor-elect by acclamation, Wm. Watts, who will be conscientious and hard-working and capable, we are sure, of facing the tasks he has ahead. We commend his public spirit and courage in undertaking a job which s going to be no easy one to be sure.

How Long Will War Last? . . .

Of course no one can pick the day or month when the war will end and victory will be attained. But there are reliable facts which might permit an informed guess.

Events of world-shaking significance follow a logic that is predictable. There is no need to be uninformed or misinformed about the world developments—economic, political, military or social—that are so powerful that, overnight, they can upset all careful personal planning.

Accurate knowledge of foreign affairs is a first consideration in any successful business. You have experienced the way they affect you through the distortions of a war-time economy, raw material shortages, the need for war contracts, the drastic nature of government controls over business and requisitions, priorities, price control, re-negotiation of contracts, etc. All these are children of the war, the natural aftermath for business of a murder in the Balkans, a defeat here or a victory there.

The question can be answered best by phrasing it in terms of whether the war will be over within a given period in the future, say six months.

The chance that the war will be over within six months is so exceedingly small as to justify no consideration whatsoever, but the chance that the European phase of the war will be over by the end of 1943 is probably about fifty-fifty.

It is not impossible that the German phase of the war might end late next year.However, because of the superior Nazi organization for overcoming internal weaknesses, because a new food crop will have been harvested by that time, and because Germany still has a number of alternatives that she can still follow with force and initiative, the first six months of 1944 still seem the best conservative guess as to the time when Germany will be defeated. Once that is finished, however, and forces can be concentrated on attacking Japan from the rear, probably the Japanese phase of the war will be terminated much more quickly than many observers now believe.

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Bank Executives Support Wartime Taxes, Prices and Trade Controls

Huntly R. Drummond Says, However, It Is To Private Enterprise Country Must Look For Great Work Of Converting War Factories To Peace-Time Production

G. W. Spinney Explains Significant Changes In Balance Sheet At Bank Of Montreal Annual Meeting

The Government's effort to prevent the effects of inflation as experienced in the aftermath of the last war merited the support of every thinking Canadian, declared Huntly R. Drummond, president of the Bank of Montreal, in addressing the 125th annual meeting of shareholders yesterday. At the same time he reiterated his plea made a year ago that government controls and regulations be removed with all possible speed after the war, for it was to private enterprise, he said, that the country must look to convert war factories to the production of peace-time goods. "We have gone a long way towards sacrificing everything except liberty itself," said Mr. Drummond, "and we have witnessed a truly astonishing manifestation of national willingness to do so and national understanding of the necessity therefor," but it should not be forgotten "that on the shoulders of free enterprise stand those other freedoms that make up democracy—freedom of conscience, freedom of speech, freedom of labour and equality before the law."

Canada's war-time industry, said Mr. Drummond, had expanded in the production of weapons of war to an extent never dreamt of three years ago, but with the present income and excess profits tax no company today could retain large profits. Industry was working not for profit but for furtherance of the war effort. "Nevertheless," he added, "it is vital to the future welfare of the country that industry should be allowed to attain sufficient reserves to enable it to meet the strain of reconverting plants to the production of peace-time goods at the end of the war."

Controls "For The Duration"

Mr. Drummond also pointed out that this wide expansion in industrial production had been financed by taxation and government borrowings under government direction and control, and he urged that such control and regulation be removed with all speed after the war is over. In this connection he said: "The Government has provided the money, guaranteed the overhead and provided the market for the output. These conditions will not, and cannot, obtain after the war. Then we must look to the initiative and trained experience of private enterprise to reverse the process, in which it has been so successful, and to convert our war factories to the production of peace-time goods.

"When I last appeared before you, I used these words: 'Democracy gives us great privileges, but every privilege has its corresponding duty; to keep the privileges we must be prepared to sacrifice everything except ultimate freedom itself. When the war is over, it is essential that Government controls and regulation be removed with all possible speed, for if we are to continue in a system of free enterprise for which we are fighting, it is to private enterprise that we must look for resumption of normal activities'."

Income Tax At High Level

The income tax, company and individual combined, was described by Mr. Drummond as "probably the highest in the Allied Nations and covers practically every individual." This had brought hardship to older and dependent persons who had lived on savings of bread-winners who had passed on. Every large body of office holders also were adversely affected and those of the professional class had no increase in earnings to enable them to meet the higher levies. Nevertheless the cheerful acceptance of hardship by all Canadians had been notable and was an encouraging sign for the future.

Banks Play Their Part

While giving credit to the Government for the conduct of its finances in this war and its fight against inflation—which, he remarked, merited the support of every thinking Canadian — the president said that "we must, in justice to the banks of the Dominion, tell of the work they had done before and during this time of war to lay broad and firm the foundation on which the government's efforts are founded and which, in fact, made them possible.

"If the health of the country is sound, in a monetary sense," he continued, "it is largely due to the wise conduct by the banks, over many years, of their own affairs, and their help and guidance on the business affairs of all Canadians.

"Thus, today they are able to support to the full the Government in its stupendous task of financing the war.

"We can fairly claim that in Canada our banking system has more than justified its existence and, with irrefutable facts, answer those who talk of the State taking over the Banks."

During the year the Bank's assets and deposits reached new record levels. The average assets were $1,091 million, compared with $1,032 million in the preceding year. Deposits — the safety of which is "our first consideration" —amounted to $1,064,645,000. Earnings showed a small increase, but taxes at $2,540,000 were considerably higher.

This higher taxation came from the Government's policy of restricting net earnings to 70% of pre-war-standard profits. The incidence of this increase in the rate of taxes announced by the Minister of Finance in his budget speech was felt only in the last four months of the year; the taxes for the coming twelve months would be sharply higher. Dealing further with the bank's position, he continued:

"This year an even larger proportion of our assets is represented by investments; these, almost exclusively short term and immediately realizable, place the Bank in a stronger position than ever before.

"Under war conditions, with business now being financed in increasingly large measure by Government funds, our commercial loans have been reduced though they are still higher than at the beginning of the war.

"These facts — higher taxes, a greater total of investments, fewer loans, combined with the Government policy of keeping interest rates low, which we commend — have the effect of reducing the earning power of all banks and are reflected in reduction of our dividend."

Wide Balance Sheet Changes

G. W. Spinney, general manager of the bank, reviewed in his address significant changes in the balance sheet arising from war conditions. He referred to the increase in total assets to $1,175,319,000 from $1,046,551,000 at the end of the previous year and to the fact that quick assets, totalling $896,935,000, were equal to 81.65 per cent of all liabilities to the public.

Investments were higher by $185,223,000 at $684,147,000, he said, and pointed to the fact that the average maturity of the bond portfolio (exclusive of Treasury Bills and Deposit Certificates) was approximately two and a half years.

During the year ended October 31st, the general manager said, new and refunding issues of the Dominion Government, exclusive of Treasury Bill financing but adjusted to include the approximate total of the Third Victory Loan, which was issued in the latter part of October and the early part of November, aggregated approximately $3,150,000,000. This figure includes $645,000,000 of the new Dominion of Canada ¾% Deposit Certificates, sold to the Chartered Banks from July to October, some of which have since been retired.

"In the light of the Dominion Government's heavy borrowing requirements," he stated in this connection, "I feel that the amount of war financing through the Chartered Banks has so far been kept within reasonable and manageable proportions. The extent to which this type of borrowing can be kept in check will depend largely upon the success of the public distribution from time to time of Government loan flotations."

Earnings and Taxes

Pointing to a contraction in net profits for the fiscal year under review to $3,283,000, after deduction of $2,540,000 for Dominion Government taxes, from $3,437,000 after $2,243,000 for Dominion taxes in the previous year, Mr. Spinney said: "In spite of higher operating costs and lower yield on investments, the net earnings position was relatively well maintained, but I should point out that the effect of the increased Dominion Government taxation imposed under the last Federal Budget was felt during only part of the year under review."

In accordance with Federal Government policy, as announced through the Wartime Prices and Trade Board, of curtailing all non-essential activities with a view to conserving man-power for the war effort, the Chartered Banks are taking steps to reduce all unnecessary banking services, the general manager said. This entails the closing of branches in areas where overlapping exists.

Care is being exercised to see that no area is left without adequate facilities as it is recognized that banking service is essential for the orderly conduct of general business.

In a special word of commendation on the work of the staff, he said that long hours have been the rule rather than the exception and extra duties have been loyally undertaken. In spite of the heavier demands, they have gone about their daily work with cheerfulness and enthusiasm.

He also expressed the thanks of the Bank to its customers, the general public. "Under conditions as they are today," he said, "with a greatly augmented inexperienced staff, and with the increased tempo of business, it has not always been possible to extend a service of pre-war standard. But our customers and friends have shown every consideration, in many cases by doing their banking earlier in the day when the rush is not so great, and generally by exercising patience and understanding, and we are grateful for their co-operation."

Infant's Funeral Held on Sunday

Rites for Small Son of Mr. and Mrs. Alvin Daly From First Presbyterian Church

The funeral of William, infant son of Mr. and Mrs. Alvin Daly, took place yesterday afternoon from First Presbyterian Church with Rev. A. F. MacSween officiating. The organist was John E Davey. Masters Robert Brook and George Good were the pallbearers.

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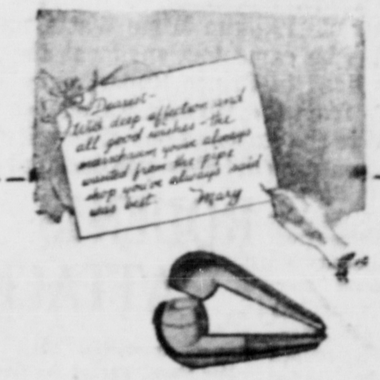

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