



CANADIAN REVENUE NEWSLETTER

A Publication of the Canadian Revenue Study Group of BNAPS


July 1998


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Number 22


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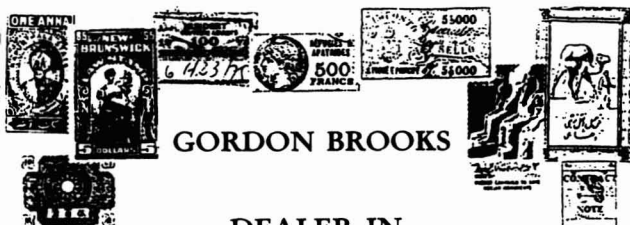
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CASTLEGAR'S AIRPORT DEPARTURE FEE

Christopher D. Ryan



Figure 1.

Since the publication of his article on the Airport Improvement Fee tickets (CRN Nº21) this writer has learned of a similar fee charged to airline passengers using the Castlegar Airport in southeastern British Columbia. This "Airport Departure Fee," as imposed by Bylaw Nº 789, 1996 of the City of Castlegar, took effect on January 1st, 1997. As of that date, ownership of the airport was transferred from the federal government to the City of Castlegar. In a 1996 promotional pamphlet, the City explained the necessity of the new Departure Fee as follows:

The Castlegar Municipal Airport must be viewed as an independent and self-supporting enterprise. Other West Kootenay communities and the Regional Districts had the collective opinion that any deficits incurred by the Airport be recovered by user fees. . . . The City has initiated significant changes to reduce/eliminate the operating deficit over the next couple of years[, including the introduction of the Departure Fee.] These, and future, changes will permit the Airport to operate independent of property taxation.

Figure 1 above illustrates the Departure Fee ticket sold at the Castlegar Airport while Figure 2 below illustrates the ticket sold through travel agencies. The latter ticket, whose illustration is broken into two parts due to its extreme length of 283 mm., still bears the vendor's stub that is normally retained by the travel agency.

The colour of the tickets is blue with two gold falcons, black serial numbers and some white in the airport's logo. Along the right edge of the control portion in Figure 1 is a gold vertical stripe with blue lettering. This stripe is blue with white lettering in Figure 2. The passenger's receipt portion is virtually identical in design for both the airport and travel agency versions. The only difference appears in the

fine details of the falcons. In the travel agency version (Figure 2), individual feathers and other anatomical details are clearly outlined in blue and thus are quite distinct. In the airport version (Figure 1), these blue outlines are very weak with a resulting loss of sharpness, particularly in the tail feathers. This difference in the falcons is quite likely connected to the difference in the colours of the stripe on the control portion.

The tickets are supplied by the City of Castlegar. Its Director of Finance has stated that the items illustrated here are the only types used to date.

The transfer of the Castlegar Airport to the City was done under the federal government's National Airport Policy (NAP). The NAP provides that the twenty-six large National Airports (such as Vancouver, Edmonton, Thunder Bay, *et cetera*) will remain the property of the federal government, with responsibility for operations, maintenance and upgrading being transferred to local Airport Authorities. Under the NAP, the ownership of each of the seventy Regional and Local Airports (such as Castlegar) is to be transferred to "local interests." Regional and Local Airports are defined as those with regularly scheduled passenger traffic numbering less than 200,000 per year, but do not serve a territorial or provincial capital and are not in an Arctic or other remote location.

Inquires made with local authorities, and a review of news releases issued by Transport Canada, indicate that most of these mid-size airports have been, or are in the process of being, transferred to either municipalities or to not-for-profit corporations. As far as this writer has determined, such corporations are or will be generally controlled by one or more municipalities or other local groups such as chambers of commerce.



Figure 2.

Continued

A PREVIOUSLY UNRECORDED DESIGN OF ALBERTA SALES TAX-TICKET

Member **Keith Spencer** has submitted the previously unrecorded sales tax-ticket from Woodward Stores in Alberta as illustrated at right in Figure 1. This item has black printing on beige paper and is unusual in several respects. It is horizontal in its format, unlike the typical, vertical sales tax-ticket shown in Figure 2 below. It bears the full proper name of Alberta's short-lived (1936/37) sales tax, "The Ultimate Purchaser's Tax," unlike others from that same province, which read "Provincial Sales Tax." Finally, its printed design and blank back are completely different from the private issues used in Alberta and elsewhere.

Spencer indicated that the Woodward chain of stores originated in British Columbia. Perhaps it is due to this origin, far from the City of Montreal and the beginning of Canadian sales tax-tickets, that Woodward used a different design for its tickets. These items may have been printed locally in Alberta or British Columbia. Other private issues appear to have come from a common printer, likely Southam Press of Montreal.

— C.D.R.

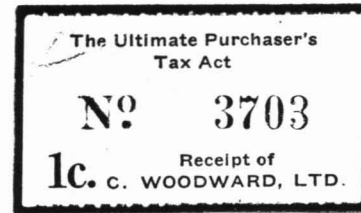


Figure 1: The previously unreported design of sales tax-ticket as used by Woodward Stores in Alberta.



Figure 2: Typical private sales tax-ticket as used in Alberta.

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Figure 2 continued from page 2.

UNUSUAL EXAMPLES OF THE EXCISE TAX ON COMMERCIAL PAPER

— Part 2 —

Christopher D. Ryan

Illustrated here (Figures 2 and 4 to 6) are examples from an unusual group of almost three hundred inland bills of exchange payable on demand (also known as demand-drafts) as drawn on the Ottawa, Ontario office of Fraser & Company during the period of 1925-1935 by the firm's Deep River, Ontario agent, Alfred Allan. These demand-drafts are unusual in that virtually all of them are payable to individuals or companies other than the drawer, Alfred Allan, or a bank, which was the standard practice of the time. At first glance, these demand-drafts might appear to be cheques. However, cheques are legally defined as demand-drafts drawn on a bank or banker. As far as this writer has determined, Fraser & Co. was neither of these and, as will be shown and discussed below, Allan's demand-drafts were not treated as cheques by the chartered banks.

The wholesale timber and lumber firm of Fraser & Co. was founded as a partnership in 1885 by brothers John Burns Fraser and William Henry Alexander Fraser at Westmeath on the Ottawa River near Pembroke, Ontario. John B. and William H.A. Fraser were the sons of Alexander Fraser (1830-1903), part of whose lands were transferred to the new business. Prior to the formation of Fraser & Co., the two brothers had worked in their father's timber business since 1876 and 1883, respectively.

Alexander Fraser was one of the great timber and finance figures of the Ottawa Valley, being a founder and President of the Ottawa Trust and Deposit Company as well as a founder and long-time Director of the Bank of Ottawa. He amassed a fortune in the millions, derived in large part from his extensive interests in timber lands and production. The senior Fraser's influence in Ottawa society was such that his 1903 obituary merited one and one-half columns and front-page, headline status in the local daily newspaper, the *Citizen*. Illustrated in Figure 1 is an August 31st, 1922, cheque issued by John B. Fraser on an Ottawa branch of the Bank of Nova Scotia, formerly of the Bank of Ottawa, against the Estate of the late Alexander Fraser. The 80¢ tax at 2¢ per \$50 is paid by a 70¢ excise tax stamp and a 10¢ war tax stamp. (All illustrations are 80% of actual size.)

John B. and William H.A. Fraser moved to Ottawa in 1895 and 1898, respectively, and by 1897 had opened an office of Fraser & Co. at 74 Nepean Street in the city. By 1927 the firm moved to the Fraser Building at 53 Queen Street, which was also the premises of the Fraser-Bryson Lumber Company Limited. Fraser-Bryson ceased to exist by 1928, with Fraser & Co. continuing in operation at its new address.

William H.A. Fraser died in 1917 or early-1918, leaving John B. Fraser as the principal partner in Fraser & Co. during the time period represented by the drafts described below. John B. Fraser was also a partner, director or operating officer in several other firms and companies. These positions included Partner (circa 1880-1886) in the timber firm of Fraser, Sereny & Co., President (circa 1911-1927) of the Fraser-Bryson Lumber Company Limited, Vice-President of the Ottawa & Hull Power Company, and Vice-President of the Bank of Ottawa from 1913 or 1914 until its absorption by the Bank of Nova Scotia in 1919. Following the absorption, John B. Fraser was a Director of the Bank of Nova Scotia until about 1936.

Figure 2 illustrates an October 15th, 1929, demand-draft payable to the Estate of David Dover, endorsed by the estate's representative on the back and bearing no marks whatsoever to indicate that the document was in any way handled by a bank. However, this cheque does bear two impressions of Fraser & Co.'s "paid" stamp which reads in four lines as follows: "\$ _____ Ottawa / PAID / FRASER & Co. / Per _____." One of the impressions ties the 2-cent excise tax-stamp required at the time on cheques over \$10 and on all drafts regardless of amount. The second impression has the amount "15.55" and the date "Oct 22/29" added in manuscript. Thus it appears that this demand-draft was presented to, and paid by, the Ottawa office of Fraser & Co.

Only cheques and drafts processed by a bank or banker were subject to the excise stamp tax. The presence of the excise stamp on the document in Figure 2, and others of the same type, may appear to indicate that Fraser & Co. considered itself to be acting as its own

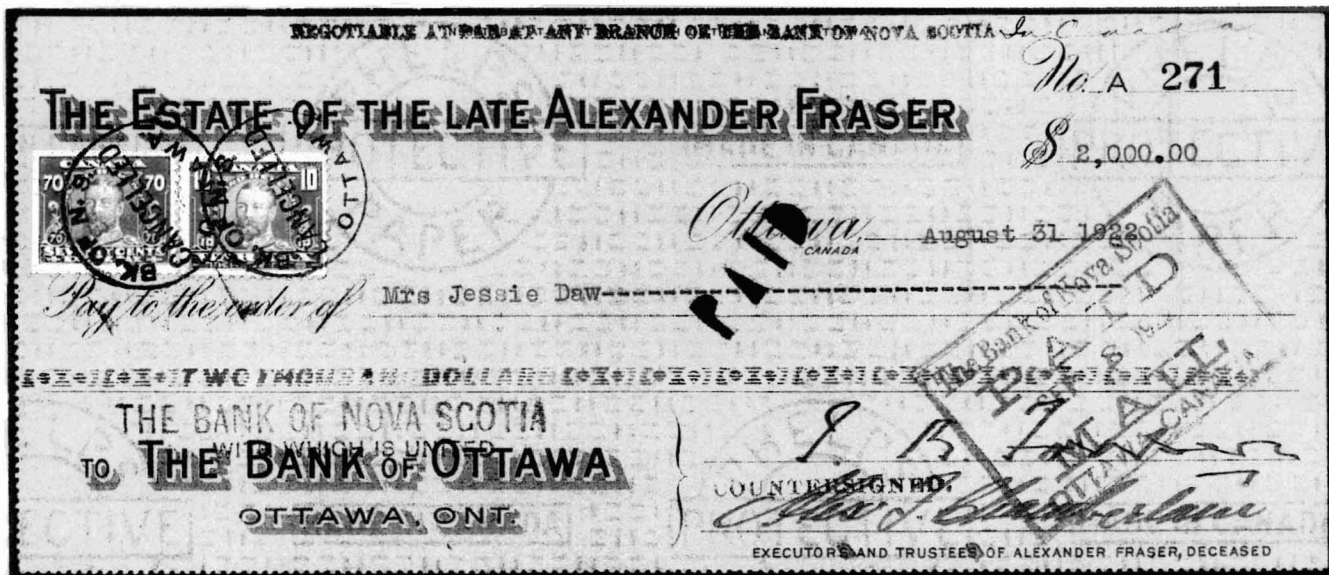


Figure 1.

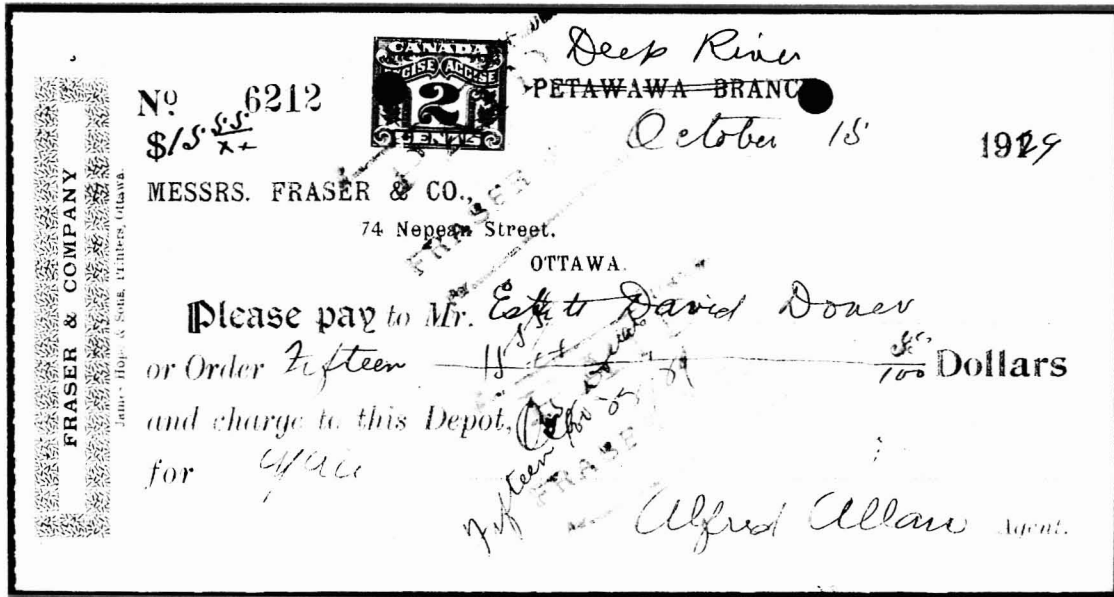


Figure 2.

banker. However, the law required the person who issued a cheque, or who transferred a draft to bank, to affix the revenue stamp. Thus, Alfred Allan probably applied a stamp to all such documents, as a matter of course, being unable to know whether any particular item would or would not be processed by a bank once it left his hands. Allan's application of the stamp as issuer of the draft may also have been expected by the payees since he was using the drafts in a cheque-like fashion to pay for goods, services and wages. Allan himself seems to have regarded the documents as cheques since he did not stamp items for \$10 or less during 1927-1931 when cheques (but not drafts) of these amounts were exempt from the tax. In any event, the application of the excise stamp at the time of issue would guard against potential legal difficulties.

Figure 3 shows a document from September 1934 in which the original text "pay to" has been altered to "send by" thus making the

paper something other than a demand-draft. The document is cancelled by Fraser & Co's "paid" stamp but bears neither an excise stamp nor an endorsement by J.D. Fraser (the person named in the document), both of which would have been required on a cashed demand-draft. A notation on the back of the document indicates that the \$150 it represented was sent to Alfred Allan as \$50 in "small bills" and \$100 as a cheque. The "J.D. Fraser" mentioned in the document was quite probably John Donald Fraser, son of John B. Fraser and, in 1934, Manager of Fraser & Co.

The document of January 4th, 1933, shown in Figure 4 represents the bulk of the items in the group in that it was processed not as a cheque but as a demand-draft by the Royal Bank of Canada. This status is given by the two oval marks applied, respectively, by the Pembroke and Ottawa branches. These marks indicate the treatment accorded a draft and the number under which it was registered in the

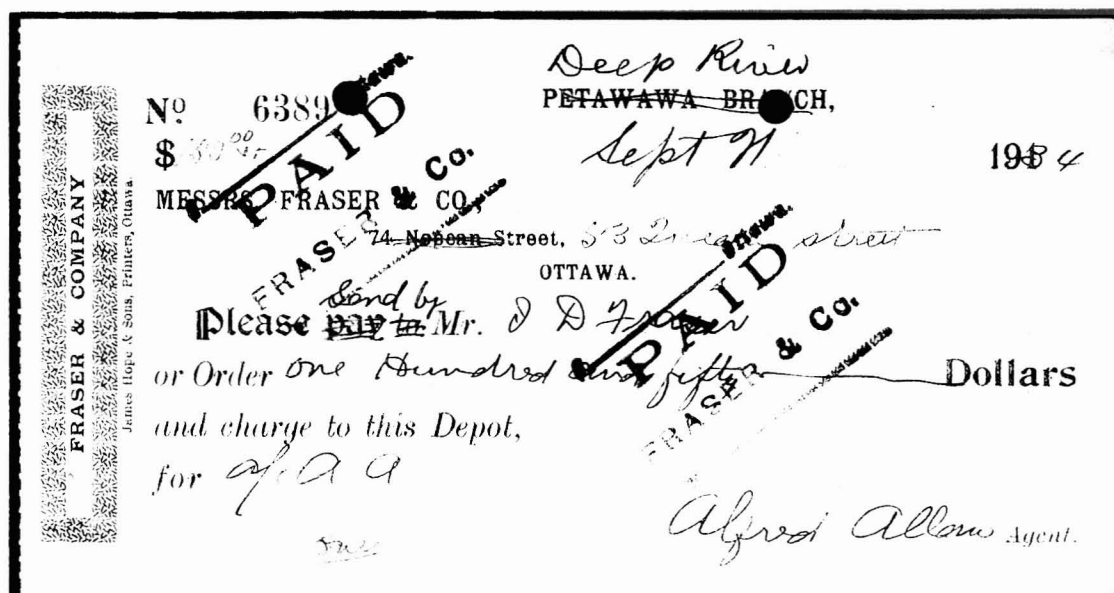


Figure 3.

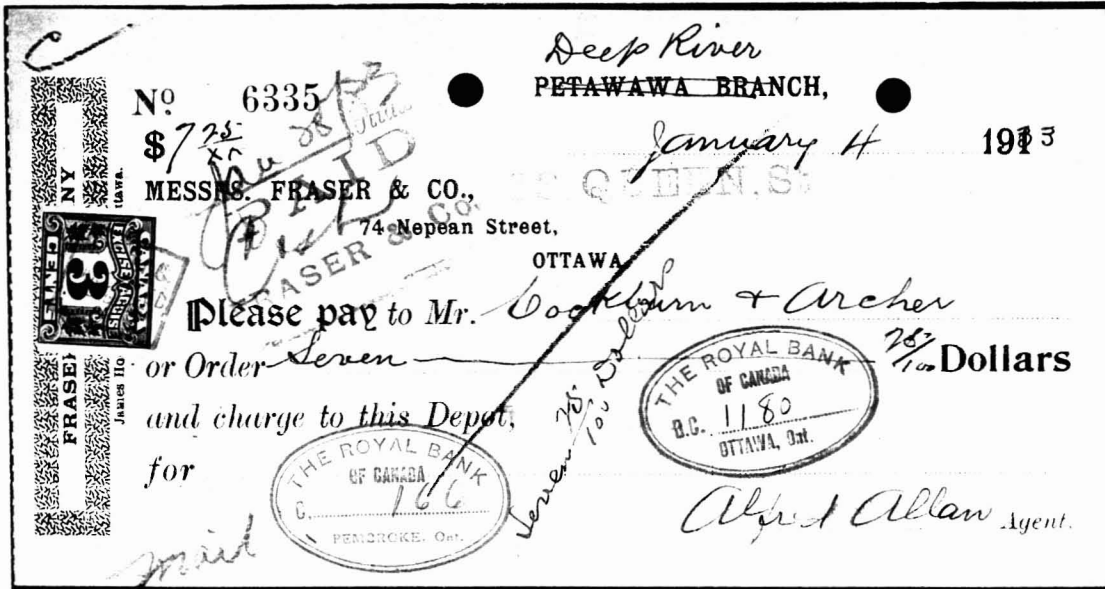


Figure 4.

respective branch. According to a Bank of Nova Scotia 1927 *Manual of Rules and Procedure*, the letter “C” in Pembroke’s mark signified a “local collection” draft while the letters “BC” in Ottawa’s mark signified a “remitted collection” draft. An expected standardization of practices among Canadian banks would give these same meanings to the letters used by the Royal Bank.

The treatment, in its various permutations of “collection,” “discount” and “collateral,” given by a bank to drafts payable on demand, at sight or after a specified period, excluding bank-drafts, is effectively the opposite of that given to cheques. A cheque or bank-draft requires the payment on behalf of a client or bank of a sum of money by the bank branch on which it is drawn. Drafts, as drawn on a person or company, require the collection of a sum of money by a bank on behalf of itself or a client.

Fraser & Co.’s “paid” mark on the demand-draft in Figure 4 bears

the added manuscript notations of “Jan 28/33” and “cash.” For many similar drafts in the lot, the word “cheque” and its number were added to this “paid” mark. In one instance, a draft of the type given in Figure 2, the words “P.O. Money Order” were written. Where present, these notations indicate the means by which the firm had paid off individual items.

Figure 5 illustrates another demand-draft, this time received by the Pembroke branch of the Canadian Bank of Commerce. Unlike the previous draft, which was forwarded to Ottawa for presentation, this particular document from April 1927 was evidently paid by Fraser & Co. at the Pembroke branch. This is suggested by a lack of an Ottawa mark on the document and the manuscript notation “will call at bank with cheque” on the its back.

In Figure 6 is an example of only three drafts of its type that were present in the lot. The various markings, some not clearly visible in

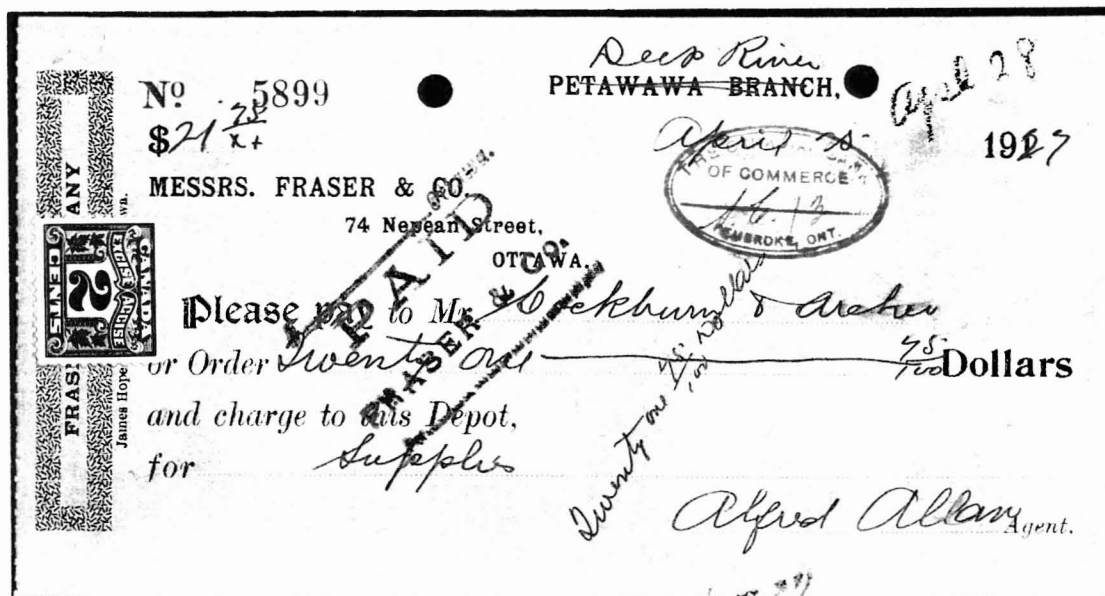


Figure 5.

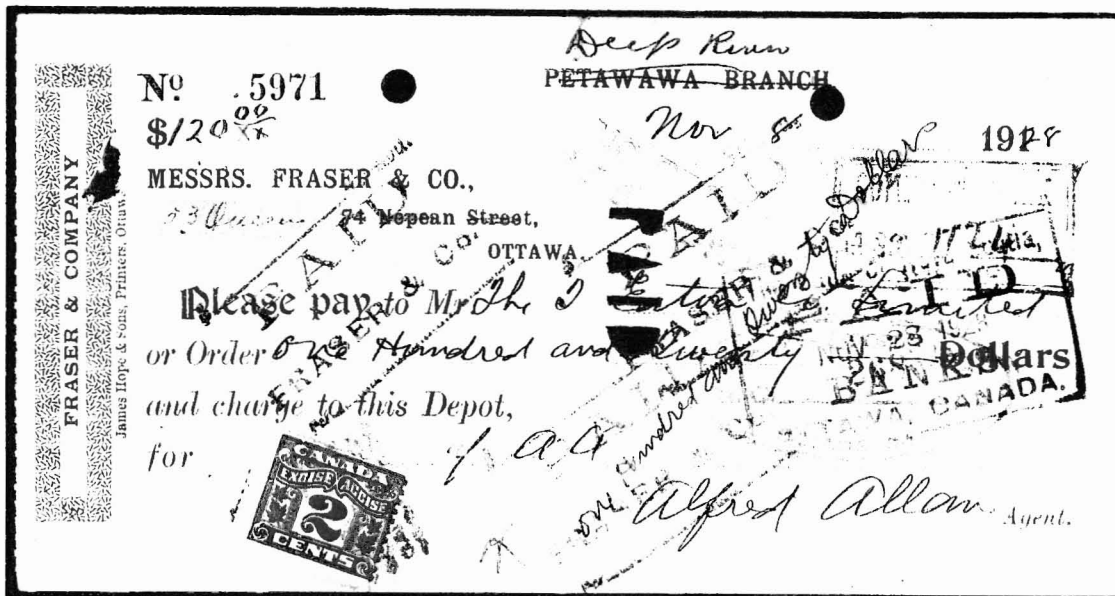


Figure 6.

the illustration, indicate that this document of November 8th, 1928, payable to the T. Eaton Company Limited, was treated as a demand-draft by the Toronto and Ottawa branches of the Dominion Bank. However, payment was not made in the usual manner by Fraser & Co. directly, but by the Ottawa branch of the Bank of Nova Scotia out of funds held by them on account for the firm.

The vast majority of the demand-drafts drawn on Fraser & Co. by Alfred Allan were received at the Pembroke branches of various banks and forwarded to their Ottawa counterparts for collection. A lesser number were received in Ottawa. The banks concerned were the Canadian Bank of Commerce, the Bank of Nova Scotia, the Bank of Montreal, la Banque Provinciale du Canada (the Provincial Bank of Canada), and the Royal Bank of Canada.

Only a few of the drafts were received at branches or offices outside of Pembroke and Ottawa. These odd branches and offices can be divided into two groups. The first group comprises locations in or near the upper Ottawa River valley. This area was the heartland of the extensive timber and lumber enterprises operated by the Fraser Family. This first group of locations is as follows:

- The Campbell's Bay, Quebec branch of the Bank of Nova Scotia.
- The Chalk River, Ontario sub-agency to the Pembroke branch of the Provincial Bank of Canada.
- The Mattawa, Ontario branch of the Bank of Nova Scotia.
- The North Bay, Ontario branch of the Canadian Bank of Commerce.
- The Shawborough, Quebec sub-agency to the Pembroke branch of the Provincial Bank of Canada.

The second group of locations, comprising those that are much further afield, is as follows:

- The Beaver Hall branch (in Montreal, Quebec) of the Royal Bank of Canada.
- A Fredericton, New Brunswick branch of the Bank of Nova Scotia.
- The Orillia, Ontario branch of the Dominion Bank.
- Toronto, Ontario branches of the Bank of Montreal and the Dominion Bank.

Of the entire mass of documents, the number received at any one of the above locations ranges from a single example to a handful or more

items.

The demand-drafts drawn by Alfred Allan on the Ottawa office of Fraser & Co. are atypical drafts for their time. If some special arrangement with the banks was required for their use, such an arrangement may have originated with the intimate association of the Fraser Family with the Bank of Ottawa and its successor, the Bank of Nova Scotia. What remains unknown is whether all of Fraser & Co.'s agents issued drafts on its main office and for what period of time were such drafts in use?

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FROM THE FILES OF REVENUE CANADA: NOTES ON THE LIQUOR STAMPS

— Part 2 —

Christopher D. Ryan



As described previously (see *CRN* N° 21), the bank note companies were, by the late 1970s, supplying the liquor stamps as individually cut pieces, put-up in bundles of 1000 each. This practice created an interesting problem. What would be done about stamps spoiled during the various steps in their production? The necessary deletion of these stamps would have caused an inventory problem for both distillers and attendant excise officers.

One solution was the printing of additional stamps with the same serial numbers as the spoiled items. These replacement stamps were then inserted into the bundles to maintain a continuous sequence of serial numbers.

It is evident that the insertion of replacement stamps would have been very time-consuming and delay the entire production line. Thus, on May 26th, 1980, R.C. Lanoue of the British American Bank Note Company (BABN) sent the following letter to D.E. MacKay of Revenue Canada in which permission was asked to discontinue the practice.

Confirming our recent conversation and in hopes of speeding-up our operation while serving our customers we would like to ask your permission to stop inserting make-up labels and instead indicate in each box how many and what numbers have been pulled out.

As you know we have been doing "make-ups" which slows down our operation considerably. The increase in volume at this time necessitates that our system change to faster method of processing your orders, and therefore we are suggesting that we discontinue inserting "make-ups" but indicate on a card in each box the missing labels if any.

Details of BABN's suggestion were forwarded by MacKay to the Association of Canadian Distillers by means of a June 9th letter. In a July 26th response, the distillers assented to BABN's proposal with certain conditions. The latter document read as follows.

[Your] letter dealing with the problems of skipped Spirit Age Labels was circulated to individual members for their consideration. The bank note company proposed that they put a card in each box indicating by number what labels are missing, and would discontinue the present practice of producing "make-up" labels to replace the missing ones.

The members have reviewed the proposal and agree to its acceptance subject to the following:

- 1. Missing labels are kept to a minimum.*
- 2. Documentation is included in each box advising of the numbers omitted.*
- 3. Excise recognizes that the loss of stamps on a bottling run will appear to increase, and numerical control must take into account the numbers that were missing in the first instance.*
- 4. Should any problems develop or there be any excessive number of skipped labels, then the present practice of providing make-up labels would be re-introduced.*

In an August 21st letter from Revenue Canada, BABN was informed of the distillers' conditions and authorized to proceed with the new card system. Finally, a September 12th, 1980, memorandum

to Regional Directors of Excise instructed them to advise officers in their region of the new procedure. Thus ended the use of the replacement (i.e. "make-up") liquor stamps.

Two important questions remain, without any official correspondence to provide the answers. When did the insertion of replacement stamps begin, and is there any means of differentiating between regular and replacement stamps?

With respect to the card system, the only other reference to it in the documents received by this writer from Revenue Canada occurs in the following letter of December 7th, 1983, to MacKay from Lanoue at BABN.

I wish to report that as far as we are concerned the item of spoils inserted in the boxes does not exist anymore. There was a period of time when the practice was to insert spoils on the top of the box, but, the distillers indicated there could be problems and therefore we changed the procedure to destroy in our plant all spoils and record them on a card which is inserted in each box.

In view of the previously described move from the system of replacement stamps to the card system, the 1983 letter suggests two possible scenarios.

- ① At some time during the 1980/83 period the card system was briefly suspended in favour of inserting the damaged stamps into boxes.
- ② The practice of printing and inserting replacement stamps was in place for only a short time and thus not significant enough to have been mentioned in the 1983 letter, or had just simply been forgotten.

This writer thinks that the second scenario is the more likely one but has no evidence either way. The Revenue Canada documents do not provide any further information on the subject.

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