

2.

DOMINION-PROVINCIAL SITUATION.

Dealing first with the situation as it obtains between the Provinces and the Dominion in respect to the question of the ownership of the power along the waterway, the reference of the question to the Supreme Court cannot be considered to be satisfactory to either party. To carry the reference further in the Courts will not only involve great delays, but will in all probability lead to further and equally unsatisfactory results.

While the controversy as between the Dominion and the Provinces has had to do with the question of the ownership of or title to, the power, the underlying difficulty will be found to have to do primarily with the question of financing the project.

If the ownership of the power is finally vested in the Dominion, the Provinces fear that the Dominion may itself develop and sell the power at a profit to the Provinces or possibly to private interests, or that, if the Dominion leases the right to develop to the Provinces, that such lease will be on some basis under which the Provinces will pay toll to the Dominion - with the result that the Provincial power consumer will be taxed an excess amount for the power consumed.

If an agreement could be reached between the Dominion and the Provinces under which the cost of developing the waterway could be fairly assessed as between power and navigation, the principal Provincial worry would be met and the question of ownership might be allowed to lie in abeyance, at least for the time being.

The undersigned would suggest, as a basis for a Dominion-Provincial agreement, the following:

1. The Dominion to recognize the prior interest of the two Provinces in the power to be developed along the waterway and to agree to this power being developed in accordance with the wishes of the respective provinces, (i.e., the power in Ontario to be developed by

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