

had been agreed that settlement on these lines would be recommended on condition that its acceptance would not prevent signature of agreements by the provinces with whom negotiations had already been virtually concluded, viz. New Brunswick, Manitoba and Saskatchewan. It was to be noted that agreement with British Columbia on these lines would not affect these provinces adversely.

Settlement of British Columbia treasury bills was an essential element in view of arrangements made in this respect with Saskatchewan. This element in the proposed agreement had no relation to settlements with the Eastern Provinces.

2. The Cabinet, after considerable discussion, agreed that the conclusion of a tax agreement with the Province of British Columbia along the lines described by the Minister be authorized.

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3. The Prime Minister reported that, since the meeting of December 3rd, a communication had been received from the Premier of Nova Scotia setting out the conditions upon which the Provincial government were prepared to conclude a tax agreement and their views upon certain other features of Dominion-Provincial relations in the matter of finance and taxation.

(Letter, Premier of Nova Scotia to the Prime Minister, Dec. 5, 1946).

4. Mr. King said that consideration had been given with the Minister of Finance, to the reply which should be sent to this communication and submitted and read a draft answer to Mr. Macdonald.

5. The Minister of Finance observed that in the draft reply it was proposed to state that the government were prepared to agree that 30% of the White Commission award should not be deducted from the annual payments to the Maritime Provinces proposed in the budget. This additional amount would be justified on the ground that the three Prairie Provinces had received or were now to receive capital payments representing compensation for loss of revenue in respect of natural resources, and in order to place the Maritime Provinces in a position of equality in this respect.

If the draft reply were acceptable to the Cabinet, it was proposed that it be not delivered to Mr. Macdonald until the governments of Manitoba and Saskatchewan had been informed of its contents. The Premier of New Brunswick had already been so informed.

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