

*The Budget—Mr. Lesage*

effects determined in a dispassionate manner, avoiding charges and counter-charges and, above all, name-calling. Would there be any justification, for instance, for accusing me of being an enemy of my province?

I am a Canadian, a son, a resident and a representative of the province of Quebec; to my mind, the only emotion which the circumstances permit is that resulting from the concern that the citizens of my province may find themselves in a predicament.

I fully realize that the personal income tax levied by the Quebec government and the attitude—fully justified, in my opinion—of the Canadian government in regard to total deduction of the tax, give rise in my province to differences of opinion which may rend the unity of the racial group to which I belong.

Peace and contentment within each group as well as between the groups that compose the Canadian nation are so necessary for the safeguarding of national unity and for the social and economic progress of our country that every man of good will must leave aside any political prejudice and interest and conscientiously examine the problem in an effort to find a solution. This afternoon I shall endeavour to set forth as objectively as possible the data of this problem.

The distribution among the provinces of taxation revenues in the form of grants by parliament is a policy which is entirely consistent with the spirit of confederation.

Statistics prove that the payment of subsidies to the provinces was an integral part of the implementation of the act in 1867 by the fathers of confederation themselves. Indeed in 1868, 54 per cent of the provinces' total revenues were made up of subsidies granted to them by the Canadian government. This percentage varied from year to year between 42 per cent and 57 per cent until 1888; between 29 per cent and 37 per cent from 1888 to 1909; from then on it gradually decreased until the depression of 1930-35 when, in that last year, the percentage reached a level of 46 per cent, to fall off again afterwards.

In regard to Quebec, the subsidies received from the Canadian government made up 60 per cent of the provincial revenue for the fiscal year 1867-68 or 59.67 to be exact. During the first ten years of confederation, the average was 46 per cent; during the first twenty-five years it was 37.5 per cent. This percentage has consistently decreased so that it barely exceeds 1 per cent at present.

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It is not fair, therefore, to claim that the payment of subsidies to the provinces is contrary to the wishes of the fathers of confederation. Throughout their lifetime, such payments were made on a high scale.

Being faithful to the spirit of confederation, in order to establish a fairer distribution of revenues which help all the provinces to fulfil their constitutional obligations, the Canadian government made, since 1945, various proposals to local governments with a view to reaching fiscal agreements which would at the same time offer the important advantage of avoiding double taxation.

I think that nobody will deny that, in order to maintain our system of government, every level of government must have the financial resources it needs to fulfil its constitutional obligations.

But certain provinces would not be able to meet these needs simply by tapping the direct taxation fields within their territorial limits. Such is the case with the maritime provinces which, unfortunately, participate only in a slight degree in the economic development of the nation. Manitoba and Saskatchewan can claim their share of the taxes levied on a national revenue to which they are contributing handsomely, but which is out of reach of their taxing powers.

We must keep in mind that most of the head offices of the companies which derive their profits from operations which they carry out in all the provinces are located in Ontario and Quebec and that it is in these provinces that their incomes are subject to taxation, as is the personal income of most of their highly-paid employees.

Under those circumstances, it is only fair that the tax revenues be divided in some manner between the various provinces.

In the province of Quebec, for instance, most of the taxes come from the island of Montreal and are distributed throughout the province by the Quebec government. And yet nobody complains about it.

The proposed tax rental agreements submitted by the Canadian government between 1945 and 1950 were not deemed acceptable by all the provinces; but the latter did not submit any workable alternatives.

In 1950, the Canadian government called a new conference and put forward a new system of agreements which possessed the advantage of not requiring acceptance by all the provinces. Without studying in detail, for