

It will be evident that this arrangement would not achieve full provincial responsibility for the social measures, since the total compensation to each province would continue to be based upon the actual cost of standard programmes. This would make it necessary to continue the shared-cost programmes in their present form, in order to determine the programme costs. The second step, therefore, would be to make the federal compensation wholly independent of programme costs, or unconditional. This would be accomplished by escalating the adjustment payments, after a given date, on an objective basis unrelated to programme costs. After this date the provinces' compensation in respect of these three programmes would increase quite independently of — and almost certainly more rapidly than — programme costs, on the formula we will propose. I am suggesting that this second step be taken on April 1, 1970.

...As to portability and programme standards, we are proposing a general intergovernmental agreement that would contain three provisions. First, all governments would agree to continue the intergovernmental machinery that has been developed for the purpose of reviewing programme developments and discussing programme improvements, and to continue to participate in these consultations. Secondly, the Federal Government would undertake to continue to provide technical assistance, to any province that wants it, for the purpose of maintaining and improving programme standards. Thirdly, the provinces would agree to maintain uniform residence requirements in respect of all health and social security measures where benefits to individuals and families are involved.

We recognize that the cost of this latter provision falls unevenly upon the different provinces: those provinces in which the "in-migration" of people exceeds "out-migration" are assuming a net burden. In recognition of this fact, the Federal Government proposes to offer annual "portability grants" which would be paid to any province maintaining the agreed residence rules and in which net in-migration is occurring. The grants would be equivalent to the amount of net in-migration for the year multiplied by the *per capita* cost of the programmes in question.

I have one other proposal to make concerning federal-provincial social measures. The arrangements I have described apply to the major and established continuing programmes. There are, in addition to these a number of smaller programmes, most of which form a part of the health grants programme and the Canada Assistance Plan, which are made up largely of a series of individual projects. These research and demonstration projects, as they have come to be known, are individual projects in respect of which federal support is non-continuing, and which are designed to determine technological soundness or the feasibility or desirability of new approaches and new ideas. They are designed to contribute knowledge and experience to the whole of Canada, and they do not, because of their size and their short-term nature, result in any significant federal influence over provincial decision-making. For these reasons the Federal Government proposes to continue to support research and demonstration projects....

ECONOMIC MEASURES

...The shared-cost programmes in this category cover a wide spectrum. They range from a variety of agricultural programmes and the ARDA agreements, to the Trans-Canada Highway and Roads to Resources, to water-conservation projects, and to the combating of unemployment through the Municipal Winter Works Programme and the training of the unemployed...

The guiding principle in the Federal Government's approach to this category of programme might be stated in this way: while the provincial governments undoubtedly have an interest in stable and balanced economic growth, and are increasingly embarking upon their own programmes for this purpose, and while it is certainly true that the provinces have control over their own resources, the Federal Government must continue to accept an overriding responsibility for employment, economic stability, and economic development in Canada.

It follows that it should continue to be free to engage in federal-provincial measures as well as its own tax, expenditure and credit measures, in order to accomplish this general objective. The Federal Government proposes, therefore, to continue to employ shared-cost programmes for economic purposes, and to offer them on the same basis to all provinces....

EDUCATION

The federal-provincial programmes in the general field of education are the subject of particular interest and controversy. It is generally recognized that expenditures on education are growing more rapidly than any others, and that educational programmes are far from being settled in their form or stable in their trend. We are conscious of the pressure the provinces are under. At the same time provincial governments, educational institutions and students have been pressing the Federal Government to take further action in this field. It is known, of course, that present federal-provincial programmes in the field of education, including the technical and vocational training agreements and university grants, are under review both by the federal and provincial governments.

I am able to announce that the Federal Government proposes to increase its financial assistance in respect of post-secondary education. The form that assistance should take, however, and its relationship to federal-provincial affairs generally, is a matter requiring the most careful and thoughtful consideration. That is why the Prime Minister suggested that there should be a special conference on this subject. At that time we will present the Federal Government's views.

JOINT USE OF TAX FIELDS

The major element of federal-provincial fiscal relations, by far the most important one in the post-war period, is the division and use of tax fields by the federal and provincial governments. What this has come to mean to most of us is periodic federal-provincial disputes over what share of personal income tax should be federal and what share provincial. We have come to the conclusion that it is time to try to recast this whole question of tax-sharing in broader and more comprehensive terms....