

these taxes at the present standard rates applied to any province be less in any year of the period than in the average of the last two years of the existant agreement, the Federal Government would make up the difference.

"Fourth, the Federal Government is prepared to recommend to Parliament, if the provinces agree, that there should be reciprocal application of sales and commodity taxes to federal and provincial Crown agencies, as many provincial governments have requested. We suggest that each of these agencies, whether federal or provincial, should pay these taxes just as private businesses do. Agreement will have to be worked out on which specific Crown agencies at both the federal and provincial level this arrangement would apply to, and what particular taxes will apply.

"Some discussion of conditional grant and shared-cost programmes took place in July, and there has been discussion of these programmes at the official level. I do not intend to recommend any proposal for change in these programmes at the present time except to say that further studies for the purpose of simplifying and, if possible, consolidating some of these programmes might be made.

#### OTHER TAXES

"As to the question of taxes on mining and logging companies and the sharing of the tax on certain private utility corporations whose main business is the distribution of, or generation for, distribution to the public of electrical energy, gas or steam, the Federal Government would propose to give further study to these questions in consultation.

"Fifth, there is one further proposal which my colleagues and I wish to place before you. In July it was suggested that, if we could not see our way clear to vacate a large part of the field of direct taxes now being utilized by Parliament, we should agree to a constitutional amendment that would permit any provincial legislature to levy an indirect retail sales tax. This is an important change in the principle of the constitutional division of powers and should not be entered upon lightly. We have decided, however, that if all of you agree in wishing to have this power, we could recommend to Parliament approval of a petition to Her Majesty the Queen, requesting the necessary change to be made in the British North America Act. While not proposing any quantitative limit be set upon the rate of tax that might be imposed, we consider it is essential, and in accordance with the spirit of our constitution that the type of tax authorized should not include a tax that discriminates between goods produced outside the province and goods produced within the province. Subject to this fundamental safeguard of the freedom of trade within Canada, and of subsidiary details to be worked out by agreement, we shall be prepared to share this field of indirect taxes with the provinces.

"I should emphasize that this proposed amendment would be confined to sales taxes at the retail level only, and not at earlier stages. Already seven provinces impose such retail taxes in the form of direct taxes, but these involve certain legal and administrative difficulties, and, it is said, certain additional costs which can best be overcome by means of using an indirect tax levied on the final sale of the goods.

"In stipulating unanimous agreement of the provinces to such a constitutional change I do not wish it to be concluded that amendments of this or a similar nature require unanimity in all cases. I say this because the attorneys-general are at present considering proposals to make to us for methods of amending the constitution and I do not wish either to pre-judge or to prejudice their discussions or decisions in this regard.

"The suggestions which I have placed before you will enable the provincial governments to make greater use of both direct and indirect tax fields and would add flexibility and independence to the fiscal system.

"The Federal Government will welcome your comments on these suggestions."

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#### CANADIAN EXHIBITS ABROAD, 1961

In the face of steadily-mounting competition for world markets, the Department of Trade and Commerce is planning the biggest trade-fair programme in Canada's history.

A new booklet, "Canada Exhibits Abroad in 1961", provides information on 16 international trade fairs for which the Department is now organizing Canadian participation. Not only is this two more trade fairs than in 1960, but the Canadian exhibits generally will be much larger and will cover a wider range of products.

Hundreds of firms in all parts of Canada will use these Canadian showcases abroad to display their wares to buyers in markets as far apart as New York and London, Frankfurt and Chicago; Lima and Paris.

#### TYPES OF FAIRS

Some of the fairs are devoted to specific commodities, such as building materials, sporting goods or leather products. Others are general, like the Ideal Home Exhibition in London, at which Canada will exhibit a wide range of foods and consumer goods. Incidentally, the Canadian exhibit at this particular show will be twice as big in 1961 as a result of the outstanding success obtained this year, when over 100 Canadian producers offered their merchandise to some 1,350,000 visitors.

The Department's booklet points out that "extensive experience has shown that one of the best ways a Canadian business can expand its export sales or break into a new market is by exhibiting its products and services at trade fairs in the target area".