

Dominion-Provincial Relations

will be deducted by the federal government from the federal equalization payment provided under the terms of this federal legislation, namely the Federal-Provincial Tax-Sharing Arrangements Act.

Hence, Mr. Chairman, you see there is no contemplation of any agreement. Nothing of that kind is involved, any more than there was with respect to the provision made for equalization payments.

Mr. Chevrier: I think the minister has made it quite clear that this bill is to provide an alternative. Am I right in assuming that is what the minister has said?

Mr. Fleming (Eglinton): Yes.

Mr. Chevrier: And the minister has also said there is no contemplation of an agreement. In other words, I think what the minister has in mind is that the province would proceed with its own legislation and Ottawa would do likewise, the one in its field and the other in its field. But although the minister keeps repeating that there is no agreement, the correspondence shows otherwise. The letter written to the premier of Quebec by the Prime Minister of Canada states as follows:

I am glad to learn that your government agrees to the general principle for settlement of the problem and if further clarification is needed to secure agreement in detail—

And so on. Hence the Prime Minister of Canada certainly had in mind that there was to be an agreement in detail. The reply which came from the premier of Quebec certainly indicates the same thing, because in his letter to the Prime Minister of Canada of February 5, 1960 he states as follows:

—I presume—to anticipate that very soon you and I will be in a position to announce that the already expressed hope of a settlement regarding the grants to the universities has been realized.

So the Prime Minister of Canada had in mind an agreement and the premier of Quebec had in mind a settlement. If we go a step further, from the words of the Solicitor General here in the House of Commons on at least two occasions we realize that Mr. Barrette, the premier of Quebec, had approved these arrangements because—and I quote from page 3286 of *Hansard* of April 26, 1960 where the Solicitor General states as follows:

(Translation):

We have kept our word admirably, because Premier Barrette himself believed that this bill is consistent with the terms of Mr. Duplessis' proposal, which was submitted again by Mr. Sauvé, and later by Mr. Barrette himself.

(Text):

Hence it cannot be both. Here the Solicitor General, by implication, clearly states that this is taking up the terms of the proposal of

former Premier Duplessis. I do not think there can be any doubt about that matter. Therefore, in view of what the Minister of Finance has said, I think the committee should know whether or not the premier of the province of Quebec agreed to the conditions as set out in this bill, and more particularly in clause 2.

The Chairman: Shall clause 1 carry?

Mr. Martin (Essex East): I have a question I should like to ask the Minister of Finance. I have been following this debate with great interest and it seems to me there are one or two questions which, if completely replied to by the minister, would give us the satisfaction of knowing something that obviously we do not know from what the minister has said. Can the minister say this? In view of the fact that he had a discussion with the premier of Quebec, although it is clear that he did not show him the bill because he said it was not ready, is it clear that the provincial premier knew that the province would have to impose a tax of at least 1 per cent on corporate income? Can the minister say whether there is any doubt as to whether the premier had an appreciation in that particular?

Mr. Fleming (Eglinton): Mr. Chairman, the premier of the province of Quebec did not know that, because it is not a fact.

Mr. Martin (Essex East): Oh, oh.

Mr. Fleming (Eglinton): There is nothing here that says the province of Quebec must impose an additional tax.

Mr. Martin (Essex East): It certainly does.

Mr. Fleming (Eglinton): The province of Quebec, in the exercise of its constitutional rights, chose to increase from 9 per cent to 10 per cent the provincial tax on corporation profits. It is an incident of the present bill, if it is enacted by parliament, that in the case of a prescribed province the principle of tax abatement provided in the Federal-Provincial Tax-Sharing Arrangements Act throughout its life will apply in that circumstance to a 10 per cent rate rather than the 9 per cent rate.

What could be simpler than that? Nobody has told the province of Quebec that it must do anything. The province of Quebec does not accept dictation from anybody. I hope the hon. gentleman, who was a member of the last government, has learned that lesson sufficiently. I can assure him that this government will never be putting before parliament any legislative proposal, any suggestion or any course of action that involves, directly or indirectly, or by any stretch of the imagination, any attempt at dictation to any province.

Some hon. Members: Carried.