

TOP SECRET

Ottawa, December 13th, 1946.

CABINET CONCLUSIONS

A meeting of the Cabinet was held in the Privy Council Chamber on Friday, December 13th, 1946, at 4 p.m.

Present:

The Prime Minister (Mr. King), in the Chair,
The Minister of Justice (Mr. Ilesley),
The Secretary of State (Mr. Gibson),
The Secretary of State for External Affairs (Mr. St. Laurent),
The Minister of Public Works (Mr. Fournier),
The Postmaster General (Mr. Bertrand),
The Minister of National Defence (Mr. Claxton),
The Minister of Mines and Resources (Mr. Glen),
The Minister of Transport (Mr. Chevrier),
The Minister of Finance (Mr. Abbott),
The Minister of National Revenue and Minister of National War Services (Dr. McCann),
The Minister of Fisheries (Mr. Bridges)

The Secretary to the Cabinet (Mr. Heeney).

Dominion-Provincial relations;
discussions with British Columbia

1. The Minister of Finance reported that, since this subject had last been discussed at the meeting of December 3rd, the Prime Minister and he had held discussions with the Premier of British Columbia.

Mr. Hart had proposed that, in view of the special circumstances of British Columbia, the Federal government's budget offer might be amended in their case by adding to the option available to the province to receive 150% of the annual amount payable under the wartime tax agreement, the "escalator" provision based on increases in population and gross national product. It was estimated that this would increase the amount payable to the province from some \$18 million to about \$21 million.

The Premier had urged that increasing population and improving economic conditions in British Columbia would not justify acceptance of the budget formula without this addition.

After going into the proposal carefully, it

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