

The commission found that under the existing economic set-up in Canada wealth tended inevitably to move to the central provinces. It is not difficult to understand the reason why this was so. Business concerns and financial institutions, almost without exception, have their head offices in either Ontario or western Quebec. The great banks, with branches scattered throughout the various provinces, do business all over Canada; but they have their head offices in the East. Big industrial concerns such as the implement manufacturing companies and other manufacturing concerns invariably have their head offices either in the city of Toronto or some other Ontario city, or in Montreal or some other Quebec city.

Hon. Mr. NICOL: Or in Sherbrooke.

Hon. Mr. CRERAR: The vast transportation companies also have their headquarters in eastern Canada, and the highly paid officials of these corporations and banks are located at their head offices.

The final result is that the provinces of Ontario and Quebec have, in addition to the corporations and companies, a large population of income tax payers to draw upon. In that way there has been a serious drain upon the other provinces, which contributed very largely to the business success of these financial institutions and manufacturing concerns but receive little from them in taxes.

The Sirois Commission found the situation as I have stated it to be. It made suggestions which, in the judgment of the commission, would correct to some degree at least what was regarded as a condition of unbalance and inequity.

Hon. Mr. HORNER: My honourable friend should include insurance companies.

Hon. Mr. CRERAR: Yes, of course. With the exception of the head office of one large insurance company in the city of Winnipeg, nearly all have been located in Quebec or Ontario.

The Sirois Commission in its report made several recommendations. I am not going to burden the house tonight with all of them, but I wish to refer briefly to four: First—a very important recommendation—that the dominion should have exclusive authority to raise revenue from income tax, corporation tax and succession duties; second, that the dominion should accept responsibility for the relief of the employable unemployed; third, that the dominion government assume the net provincial debt charges; fourth—and this also is important—that payments to be known as national adjustment grants on the basis

of a fiscal need be fixed periodically by a board on which the provinces would be represented. That simply meant that the dominion government would assume the responsibility for employable unemployed, thus ensuring uniformity of treatment for this problem from Halifax to Vancouver; that the giving of the corporation tax, personal income tax and succession duties to the federal government would bring about a uniformity of the tax burden across the country. The commission found that we had varying scales of income tax in the various provinces on both corporation profits and personal incomes. The same was true of succession duties.

These essential recommendations of the commission were widely approved in the press throughout Canada; a good deal of discussion took place, and the recommendations were widely supported throughout the whole dominion.

The work of the commission was then over. It had done its job, and I venture to say that in our eighty years of history there has been no more important state paper than the report of this commission. But what was to be made of it? Were these recommendations to be implemented, or were they to disappear into the limbo of forgotten things?

The government of that time, of which I was a member, thought that the report of the commission was sound and constructive, and in January 1941 a conference with the provinces was called, to take place in this city. Honourable senators are familiar with the results of that conference. I think it is fair to say that six of the provinces were in general agreement with the recommendations of the commission; three—Ontario, British Columbia and Alberta—would have nothing to do with it. I have always felt that considerations which were not disclosed may have entered into the decision made by each of these three provinces. It was apparent that there was no hope of reaching an agreement on the recommendations of the commission, and for the time being the matter was dropped.

But in April, 1941, when the budget was brought down to the House of Commons, it contained a provision for bringing into effect new agreements with the provinces for the duration of the war and one year thereafter. Under these agreements the federal government was to have exclusive use of corporation and personal income taxes and, also, as I recall, succession duties.

Hon. Mr. HAIG: No.

Hon. Mr. CRERAR: I believe my honourable friend is right; succession duties were out. In return, the provinces were to secure by way of grants from the federal government practi-