

receive approximately \$300 million from 1964 to 1967 in accordance with the new federal-provincial arrangements made in the past 12 months. That impressive sum will no doubt assist the provincial government in the continuing application of its dynamic policies, without increasing the burden of taxation in the province. In this perspective, how can it be said that co-operative federalism is nothing but a smoke-screen?

We have encouraged fiscal and legislative decentralization in another important way. We have made the provinces an offer to drop out of joint programmes already under way and involving fairly steady annual expenditures, and we have offered to compensate them by increasing the provincial share of direct taxation and by equalization.

The effect of that reform will be to give a new orientation to our federalism, to centre it more on provincial autonomy and to allow those provinces that so desire to assume their own responsibilities.

As a result of negotiations carried out during these last months, the Prime Minister of Canada, Mr. Pearson, wrote to the provincial premiers on August 15 last and told them that the Federal Government was willing to withdraw from well-established and sustaining joint programmes and to compensate financially those provinces which might wish to assume the federal share.

The following programmes are covered by this option formula: hospital insurance, old-age assistance, allowances for the blind and the invalid, the various grants for vocational training and public health, the building of hospitals, agreements concerning forests and access roads to resources, as well as certain smaller programmes. In 1963-64, the federal contribution to these programmes amounted to about \$644 million. If the Province of Quebec should take advantage of that offer, as is most probable, it will receive as compensation, in addition to contribution and equalization payments, 30 per cent of individual federal income tax, in the form of an exclusive and additional right of taxation.

This is a measure of decentralization without precedent in our political history. At the beginning of 1962, the proportion of federal personal income tax Quebec could collect while avoiding double taxation was 13 per cent. In 1966-67, if we take into account the new fiscal arrangements and the application of the option formula, that share would amount to 47 per cent. By including the equalization payments, it will exceed 70 per cent. How can it be claimed, after that, that co-operative federalism does not solve the centralization deadlock?