

## APPENDIX

## CORRESPONDENCE BETWEEN MINISTER OF FINANCE AND MANITOBA PROVINCIAL TREASURER

MINISTER OF FINANCE  
Canada

Ottawa, March 14th, 1958.

The Honourable Charles E. Greenlay,  
Provincial Treasurer,  
Province of Manitoba,  
Winnipeg, Manitoba.

Dear Mr. Greenlay:

In reply to your letter of March 7, 1958, respecting the basic stabilization amount, I must substantially repeat what I said in the House of Commons on January 29, 1958.

The purpose of Section 5(4)(a) was to ensure that no province would receive less for the fiscal year ending in 1959 than 95 per cent of its total tax rental, equalization, and stabilization payments applicable for the fiscal year ending in 1958. The stabilization payment was to be related not to the payments for the current year but to the actual payments made in the preceding year or, when applicable, the average of the actual payments for the two preceding years. If it had been the intention of parliament to do what you suggest, the government of that day would have worded the subsection in a manner which would have related stabilization to the current rates of standard taxes and not to the actual payments received in preceding years.

There has been no reduction in the protection afforded your province by stabilization. Your province remains entitled to the same stabilization subsequent to the amendment as it did prior to the amendment. What change there was, is to the advantage of your province. The tax rental payment and tax equalization payment for 1958-59 will be larger by the amount of the 3 per cent increase in the standard individual income tax than they would have been had no such change been made.

Yours very truly,  
Donald M. Fleming.

PROVINCE OF MANITOBA  
Department of Provincial Treasurer  
Office of The Minister  
Winnipeg

March 14, 1958.

Hon. Donald M. Fleming,  
Minister of Finance,  
Ottawa, Canada.

Dear Mr. Fleming:

Thank you for your letter of March 6, 1958, in which you confirmed certain of our calculations respecting the possible yields to Manitoba in 1958-59 under the tax-sharing arrangements.

Your comments respecting the basic assumptions underlying those calculations have been noted, particularly those relating to the significance for the tax arrangement payments of any lag that might occur between a decline in profit levels and the reflection of that decline in corporate tax collections.

Yours very truly,

Chas. E. Greenlay,  
Provincial Treasurer.

PROVINCE OF MANITOBA  
Department of Provincial Treasurer  
Office of The Minister  
Winnipeg

March 7, 1958.

Hon. Donald M. Fleming,  
Minister of Finance,  
Ottawa, Canada

Dear Mr. Fleming:

In your letter of February 20, 1958, respecting the estimated tax arrangement payments to the provinces under the new 13-9-50 standard tax formula, you indicated to us that it was not the intention of the federal government to have the 13-9-50 formula apply in the determination of stabilization payments for the 1958-59 fiscal year, though it was to have effect in the determination of the rental and equalization payments for that year.

In our view, this differentiation between the stabilization payments on the one hand and the rental and equalization payments on the other seems rather inconsistent and, frankly, difficult to justify—particularly since as a result the “95 per cent of last year’s revenue” guaranteed minimum has become practically meaningless. If the 13-9-50 formula is not employed in the determination of the stabilization payments, the so-called “95 per cent minimum” for Manitoba for 1958-59, on the basis of the data presently available to us, means a guaranteed revenue of \$30,732,500, or only 85 per cent of what the province would have received in 1957-58 if the 13-9-50 formula had been in effect that year—effectively, then, an “85 per cent minimum”.

You and your colleagues would not, we are sure, deliberately reduce in any way the relative measure of protection available to the provinces under the tax-sharing arrangements. Yet the “interim” amendments introduced to the Federal-Provincial Tax-Sharing Arrangements Act last January have, unfortunately, resulted in such a reduction! It is