

minimum of education and social services throughout the nine provinces. To these must be added the problem of keeping a steady and progressive development, not of one section or two of the country, but of every part of our great country.

To make the present proposals more readily understandable and to show in a practical way what has been accomplished and how the problem has been partly met by the temporary proposals now in force, I am going to show how they apply to my own province, Manitoba.

The province has withdrawn from the income and inheritance tax field and has agreed to limit its corporation tax to five per cent. In return, to stabilize the financial position of the province, the federal government pays to the province an annual per capita payment of \$12.75, based on Manitoba's population in 1942. To this is added the escalator clause, which provides for an increase proportionately to the increase in population; then, no matter what happens in population, the minimum remains. The full statutory subsidies remain, as in the past, and the federal government also returns to the province fifty per cent of the amount of the province's income and corporation tax collection in the year ending April, 1941. This ensures the province of a guaranteed irreducible payment of \$13,500,000 a year. This is far more than it ever got from the taxation field that it has agreed to vacate. This is how the province's revenue has been stabilized.

On the other hand, the problem of the heavy relief debt left on the shoulders of the province by the thirties was dealt with as follows. The federal government cancels half of the province's relief debt, this amount being roughly \$5,500,000, and the other half of the debt is to be repaid by the province to Canada in thirty equal annual principal payments without interest. The other debt owing by the province to Canada for advances for its provincial share of relief works, to the amount of approximately \$14 million, is to be amortized over a period of thirty years, with interest at  $2\frac{5}{8}$  per cent per annum.

This places the province in a much sounder financial position and, as such, improves considerably the credit of the province.

For greater uniformity, the province has agreed to change its fiscal year, the idea being to have all the provinces end their fiscal year on March 31, in other words, at the same time as the federal government.

Thus, we, the taxpayers of that province, have been spared the annoyance and costly intricacies of a double taxation scheme, and the dominion guarantees revenues sufficient for

the province to discharge its primary functions, better than before and with full confidence. To those who doubt the practical effect of the agreement, I wish to quote a paragraph taken from the budget speech of the premier of Manitoba, delivered on March 27 of this year:

In lieu of taxes which, being based upon the ability to pay, are widely variable, we shall have a stable minimum revenue which will enable us to spend more freely, yet without imprudence, revenues which we receive from other sources. It is in consequence of this fact that the expenditures which we shall propose for the year ending March 31, 1948, will be increased by more than the increase in our revenues, which we enjoy under the dominion provincial agreement itself. Moreover, this stability has already resulted in a further improvement of our credit manifested by the favourable sale of \$4,820,000 provincial bond, issued by public competition in November last, after it was known that we were reaching an agreement with the dominion government. The over-all cost to the province of this issue was 2.6 per cent, lowest cost in Manitoba's history, for a public competitive bond issue of this character.

It will be seen from that, Mr. Speaker, that this temporary agreement has at least accomplished that much, in that it has relieved the province of a heavy debt burden, that it has improved the credit of the province, and that it has ensured the province of an annual minimum revenue. This, to my mind, is most important, because the province, to speak of one at the moment, has definite yearly obligations that must be met and cannot wait. Whether there is a crop or not, the children must go to school, and the province must see that they have at least a teacher to teach them the three "R's" and a minimum of facilities. The same thing goes with the development of the resources of the province, and so on.

Furthermore, the province must see to it that the health of its people gets a minimum of protection. Epidemics do not wait for increased revenues. I am now speaking of bare minimum but, of course, this should not be the objective. When the production of the province increases, the federal grant increases. On top of that, the government has already taken the jurisdiction over unemployment insurance and has already instituted a national employment service. I mention it now because it was part of the original proposal of the commission.

This is what has been done. There still remains considerable to be done. The problem of preventing the recurrence of the provincial relief debt burden has not been solved. Now that we have cured the sore, it is, to my mind, most important that we should take preventive measures against its recurrence. This is just as important, if not more important.