

natural and inevitable, especially in a period of rapid change when all governments are confronted by requirements which tend to press taxation to the limits of what is economically and politically possible.

Over the years, the Parliament of Canada has gone a considerable distance in recognizing the increasing need for provincial use of direct taxes. No longer are the major grants to the provinces dependent on the rental of the tax fields, as they were in the forties. The abatement for the corporation tax has been increased from five to nine percentage points. The abatement or credit for personal income tax was five per cent originally, but under the present law rises to 20 per cent in the final year of the current quinquennium....

A healthy and co-operative federalism requires strength in the provinces; it also requires a strong and healthy Government for Canada as a whole, in whose Parliament the people of each province have their representatives. Each government must not only have the powers required to discharge the responsibilities entrusted to it but also be in a position to exercise those powers.

Most of the provinces can be in a position to exercise their powers only if our fiscal arrangements embody the concept of equalization. It is well known that my colleagues and I prefer to see equalization paid up to the level not of the average of all the provinces as Parliament enacted in 1961 but up to the level of the highest. But we also recognize that there are many points to settle in achieving a change of this kind and in relating it to other revenue sources. We should like to discuss these various aspects of equalization as part of a comprehensive arrangement that will improve the working of our federal system in the spirit of our constitution.

The Federal Government is not committed to any particular fiscal arrangement. Indeed, it may be that ultimately the best solution we can find will involve entirely new approaches to the tax arrangements of Canada and the provinces. The problem is not simple. The area of movement possible for any of us is limited. There has to be thorough consideration and discussion in detail. But I am hopeful that, by approaching this problem in a co-operative spirit, we will find an acceptable solution without unnecessary delay.

PENSIONS AND ASSISTANCE PROGRAMMES

One of the areas of common jurisdiction which will occupy an important place in our discussion is pensions. We are all concerned that our responsibilities should be so exercised as to make it possible for all Canadians to retire with a sense of security. Changing one's job, or moving from one province to another, should not be a handicap in this respect.

The universal old-age security benefit goes a considerable way towards achieving these objectives. But it falls short in some important ways. The Federal Government in July outlined a Canada Pension Plan designed to combine with the existing old-age security system to fill the present gaps in the provision of pensions as effectively and as soon as is equitable and practicable.

The federal proposal cannot and does not remove the right of any province to set up its own pension plan if it so wishes. But it would make no kind of sense - in principle or in economic and social practice - to have two full-scale pension plans, federal and provincial, operating in similar ways for the same people. The Federal Government therefore made it plain, at the conference on this subject last September, that the Canada Pension Plan would not be designed to operate in any province which preferred to establish a universal contributory plan of its own.

At the September conference, however, nine provinces indicated that they were, in principle, in favour of a federal contributory plan rather than separate provincial plans. At the same time, it was clear that some provinces had doubts about some features of the federal plan as it stood. As arranged at the conference, federal officials have since had useful consultations at the technical level with representatives of Ontario and Quebec.

There are certain features of the federal proposals which we consider to be essential to any national pension plan that we would wish to put before the Parliament of Canada. We will be prepared at this conference to define those essentials. We are equally ready to consider ways in which our proposals might be modified to meet provincial suggestions. We recognize the importance of provincial views and are willing to take them fully into account....

LIAISON ARRANGEMENTS

As I have already said, the present conference can best be regarded as the first in a series of meetings. It will therefore be particularly important to follow up and continue the work which we will initiate here. For this reason, it seems to be particularly appropriate to consider the desirability of establishing consultative machinery on a more regular basis than now exists, in order to provide a greater measure of continuity for the work of these conferences....

Our purpose extends beyond the powers of any government. Its nourishment is in the hearts and minds and wills of millions of Canadians. As Canadians, we are justly proud of what we have achieved. We must be humbly determined that what we do will create for those who follow us a yet richer heritage. We meet at this conference to discharge our share of responsibility in the fulfillment of that great purpose.