

poration taxes and permit those fields to be occupied by the Federal Government alone. At this time when the Dominion Government's need of money for war purposes is so great, such an agreement seems advisable, and, indeed, absolutely necessary. The Bill provides that the Dominion will compensate the provinces for their loss of revenue from these sources. It is also agreed that the provinces will give up the taxation on gasoline, and in lieu of their expected receipts from that source the Dominion will compensate them on the 1940 basis.

Hon. Mr. HAIG: Will the honourable leader permit a question? Is he sure that last statement is correct? I thought the intention was to compensate the provinces for loss of revenue arising from restrictions on the sale of gasoline. The provinces will continue to impose the tax.

Hon. Mr. HAYDEN: That is right. Section 5 shows that.

Hon. Mr. MORAUD: The provinces will still collect the tax.

Hon. Mr. KING: I know the intention of the Minister is that the provinces should not suffer loss of revenue because of the restrictions on the sale of gasoline. Under this arrangement they stand to gain, because it is based on the revenues of 1940. The provinces will also continue to levy succession duties.

I may say the agreements with five of the provinces state the amount to be paid to them for their ceasing to levy personal income and corporation taxes is calculated on the basis of their 1940 receipts from these sources. These provinces are British Columbia, Alberta, Manitoba, Ontario and Quebec. The amount to be paid to each of the other four provinces—Saskatchewan and the Maritimes—is calculated as equivalent to the net debt service paid by the province during its fiscal year ending nearest to December 31, 1940.

Hon. Mr. MORAUD: Has Quebec signed the agreement?

Hon. Mr. KING: Yes, Quebec has signed. I have a note here that the necessary Bill has been passed by the Quebec Legislature, and the agreement has been signed, and has been received by the Minister to-day. The agreement, which, it would seem, has now been entered into with all the provinces, is to continue from year to year, until one year after the war. Every province has the right to complain at any time if not satisfied, and upon giving thirty days' notice it may withdraw from the agreement.

Hon. C. P. BEAUBIEN: After the war?

Hon. Mr. KING: No; at any time.

I have given a brief outline of the Bill. The matter is very important, and it seems to me that it would be well to have it referred to the Banking and Commerce Committee for consideration to-morrow morning. We could have officers from the Department of Finance present to tell us how they arrived at the various amounts to be paid as compensation and to give us any other detailed information required. In moving second reading now, I do so on the understanding that the Bill will be referred to committee.

Hon. Mr. BALLANTYNE: The honourable leader has pointed out that the provinces are to be compensated on the basis of the taxes collected on gasoline during 1940. Well, there will be a great difference between the tax returns on gasoline in 1942 and in 1940. Unless the provinces are willing to make some adjustments with the Federal Government, they will gain very handsomely.

Hon. Mr. KING: Of course, at the time of the negotiations for these agreements there was no indication that a gasoline shortage would occur. I think the agreements were not discussed on that basis.

Hon. C. P. BEAUBIEN: Will the Minister explain a little more fully what is the basis of the agreement with Saskatchewan?

Hon. Mr. KING: The province of Saskatchewan and the Maritime Provinces have taken as the basis their debt service paid in carrying on the public business for 1940, and the Federal Government has agreed to pay them the amount required for that purpose rather than a subsidy such as the equivalent of the total revenue from income tax.

Hon. Mr. BEAUBIEN: Rather than make up the loss?

Hon. Mr. KING: Yes. They had the option of taking one form or the other.

Hon. Mr. COTE: I have been expecting a speech from the honourable senator from Westmorland (Hon. Mr. Copp) against referring a money bill to a standing committee for study.

Hon. Mr. COPP: This is not entirely a money Bill. It is essentially an agreement to do certain things.

Hon. Mr. COTE: An agreement to pay certain money—just the same as the Ottawa Bill.

Hon. Mr. COPP: It is an enabling agreement; quite a different thing.