

It is obvious that with such a large amount of Government property exempt from taxation, the question should have repeatedly arisen between the City Corporation and the administration of the day, as to the contribution which the Federal Government should make to the city exchequer. During the past thirty years, various agreements have been reached between the City Council and the Government upon this point. Amendments were made from time to time, but in substance the obligation of the Government includes the maintenance of Major's Hill Park, and the bridges over the Canal, as well as the care and maintenance of Wellington Street, between Bank Street and Dufferin Bridge. There was also, as I have mentioned, a contribution direct to the civic exchequer for water supplied to the Government Buildings.

The withdrawal of valuable properties from the taxable list, by the Government leasing city properties for public purposes, aroused the city council, and protests were made to the Government, with the result that all new leases of buildings used for Governmental purposes contain a clause that the owner of the building must pay taxes to the city. As a result, taxes were paid last year on six buildings leased for Governmental purposes.

There was also an agreement between the city and the Government, made in 1885, under which, in return for the assumption by the federal authority of certain works, which might be regarded as coming within the civic domain, the salaries of civil servants should not be taxed. Whether or not that agreement is legal, is not for me to say. The contention is put forth that in order to make it legal, at the time it was made, an act of the Legislature should have been secured. Following a decision in the Australian courts, the Assessment Department this year has decided to tax the incomes of civil servants, as was done by the Assessment Department of St. John, N.B. The legality of the action of the St. John authorities has been upheld by the Supreme Court of Canada, and the case has now gone on appeal to the highest judicial forum in the Empire—the Privy Council of London. I am afraid, however, that the decision of that body will not solve the question so far as the civil service in Ottawa is concerned, if the decision of the Supreme Court of Canada be upheld. The point at issue in Ottawa is, whether the compact of 1885 was legal; and it may require a special reference to the courts to determine this question. The most expeditious way in that event would be for the Government to state a case to the Supreme Court of Canada. Assuming that authority is vested in the Assessment Department to tax the incomes of civil servants, the assessment of the city will be increased this year by \$1,124,982, and the civic revenue enhanced by approximately \$23,000.