

ex-service students under the DVA programme following World War II which first drew the Federal Government into contributing to general university costs through payment of \$150 per student per annum. Nevertheless, broadly speaking, federal assistance to universities prior to the nineteen-fifties was restricted to study and research considered national in scope. There were national scholarships and bursaries to students or assistance to universities for research projects related to the promotion and utilization of national resources, national defence and national health and welfare.

#### GENERAL UNIVERSITY GRANTS

"The origins of a new and more direct federal involvement in university operations are to be found in the Massey Commission Report, which in 1951 noted: 'Our universities are facing a financial crisis so grave as to threaten their future usefulness.' The Commission recommended federal aid to universities 'on the basis of the population of each of the provinces . . . to be distributed to each university proportionately to the student enrolment'.

"The proposals for paying university grants introduced in Parliament in 1951 by way of an annual appropriation in the estimates followed in general the lines set forth in the Massey Report, and provided for payment of fifty cents per capita by the Minister of Finance directly to the universities and for the Minister to seek the advice of the NCCU. Under this system the Federal Government made available to the universities in the five years 1951-52 to 1955-56 a total of \$28,267,450. Universities in the Province of Quebec did not accept the grants except in the initial year and their share of the vote lapsed accordingly. The next advances in the programme derived directly from the historic National Conference on the Crisis in Higher Education held in Ottawa in November, 1956, under your sponsorship. Following this meeting, the National Conference of Canadian Universities accepted the responsibility of distributing the grants according to the existing formula. For this purpose it was incorporated, and in January, 1957, the grants were increased from fifty cents to one dollar per capita. The agreement between the Minister of Finance and the NCCU permitted the accumulation of the grants in the hands of the NCCU to the credit of universities entitled thereto. In general terms these arrangements remained the basis for the distribution of federal grants to universities until this year.

"In the fiscal years 1956-57 and 1957-58, a total of \$32,607,288 was thus made available to the universities. Nevertheless their needs continued to grow rapidly. These were ably summarized in your representations to the Prime Minister and myself in April, 1958, in a report which, among other things, stressed the

need for an extension of graduate programmes and some modification to make the rates between one university and another more equal. Accordingly it was my privilege to propose to the House of Commons in September, 1958, an increase of fifty per cent in the university grants from \$1.00 to \$1.50 per capita. Unfortunately, wide differences in educational forms in the various provinces and differences in definitions of institutions of higher learning made it impossible to bring about a greater measure of equality nationally on a per student basis. The agreement subsequently entered into between the Minister of Finance and the Conference thus made no change in the formula for the distribution of grants but did provide for the distribution of the grants by the Canadian Universities Foundation, then in the process of being organized and incorporated in February of this year.

#### CASE OF QUEBEC

"With the exception of one small university in 1957-58 and two small universities in 1958-59, the universities of Quebec did not find themselves in a position to accept the grants made available in the years 1956-57 to 1959-60, and an amount in excess of \$25 million accumulated to their credit. This fact was a cause of continuing concern and dissatisfaction. Last October, during the course of the Dominion-Provincial Conference of the Ministers of Finance and Provincial Treasurers, discussions were opened between the Government of Quebec and the Federal Government on this question. Out of the extended negotiations which ensued emerged proposals by the Federal Government to all the provinces providing for an alternative method for the payment of university grants which took account of the longstanding objection of the Province of Quebec to payment of federal grants to universities of that province. I do not propose to review the details of this alternative which has now been embodied in an amendment to the Dominion-Provincial Tax Sharing Arrangements Act and given Royal Assent. Briefly, the legislation provides that a province which has rented the corporation tax field to the Federal Government may revise its tax rental agreement and resume the collection of its own corporation taxes. Where any province which collects its own corporation tax chooses to pay additional grants to its institutions of higher learning on the basis of student enrolment on a scale equivalent to \$1.50 per capita of its population, its federal corporate taxpayers will receive an additional abatement of one per cent under the federal Income Tax Act, raising that abatement from nine to ten per cent. A consequential amendment to the Income Tax Act will shortly be introduced in the House of Commons. This alternative has been made available for the taxation years 1960 and 1961, and other clauses of the amendment to the Tax Sharing Arrangements Act made provision for