

*Dominion-Provincial Relations*

request was in the discussion on the resolution. It is at that stage that such matters are properly discussed. It is, I believe, quite improper to raise the question here in the discussion in committee on the details of the bill. After all, the procedure in this house in providing opportunity for discussion on the resolution in committee is designed to afford hon. members the opportunity to obtain all the information that they may require in order to deal intelligently with the bill that is to follow.

I have been asked this afternoon to discuss the negotiations or, more aptly, discussions with the late Premier Sauve and latterly with Premier Barrette of Quebec. I gave an outline of the course of those discussions, Mr. Chairman, when I introduced the resolution. The hon. member for Laurier this afternoon extracted two brief excerpts from the correspondence and gave the impression that something in the nature of a formal agreement was to ensue. Of course that is quite a misleading impression. There was extensive correspondence, and that correspondence has been tabled. There are half a dozen letters in which the plan that is now embodied in the bill under discussion was outlined and was clarified. When I met Mr. Barrette after the letters which were read by the hon. member for Laurier were exchanged it was for the purpose of clarification.

In view of the fact that this question has been raised now and although I have had to take issue with the way in which it has been raised and the course that has been pursued by hon. members opposite, I am going to read the correspondence in full. I regret that it has become necessary to do that because it is lengthy. In view of the flights of imagination here this afternoon on the part of hon. members opposite, the time has come to bring them back down to earth. On December 9, 1959, the Prime Minister of Canada wrote a letter to each of the provincial premiers. It was in identical form, and this is the form that went to all premiers: My dear Premier:

The government has decided to recommend to parliament legislation providing for an alternative basis for payment of federal grants to universities.

No change is proposed for those provinces which choose to continue the present system of grants.

Parliament at the coming session will be asked to provide that at the request of any provincial government which undertakes to provide additional grants to its universities on a scale equivalent to the present federal grants of \$1.50 per capita, the provincial share of the yield from the federal income tax on corporation profits earned in that province under the provisions of the Federal-Provincial Tax-Sharing Arrangements Act will be increased from 9 per cent to 10 per cent. This would be in lieu of federal grants to universities in such a province. Where the loss of revenue

to the federal treasury will exceed the university grants of \$1.50 per capita in the province concerned, a deduction equivalent to the difference will be made by the federal government from other payments being made to the province under the provisions of the act. If 1 per cent of the yield from the corporation income tax in the province is less than the grants of \$1.50 per capita, the federal government will pay the difference to the provincial government for the benefit of the universities.

Subject to the amendment of the Federal-Provincial Tax-Sharing Arrangements Act by parliament, any provincial government which has rented the corporation income tax field to the federal government under agreement pursuant to the provisions of the act will, if it desires to adopt the new arrangement respecting university grants, be enabled to amend its agreement in so far as the corporation tax is concerned and resume its collection of that tax on the foregoing terms.

In summary, the grants will be available to the universities in the same amounts and on the same formula of distribution as at present and be subject to the normal increase in the aggregate on the basis of increases in population.

This new arrangement will, if parliament approves, come into effect on April 1, 1960, and remain in effect for a period of two years until the conclusion of the current five-year tax agreements ending March 31, 1962.

I do not need to read the replies to that letter except the one from the late Premier Sauve of Quebec, in the light of the discussion this afternoon, as requested by hon. members opposite. Premier Sauve's letter was dated December 14, and it reads:

Dear Mr. Prime Minister:

I did not fail to communicate today to my colleagues of the executive council of the province the letter which I received last Thursday and which you had addressed simultaneously to the prime ministers of the ten Canadian provinces, eight of which, in pursuance of agreements, ceded to the federal government, for a five-year period and in exchange for annual subventions, their right of taxing the income of corporations. I also acquainted them with the text of the statement which you had made over the television network and which you had been good enough to forward to me.

Your desire to formulate an alternative to the present system of federal grants to the Canadian universities which would be more closely in accordance with the letter of the British North America Act greatly pleased my colleagues as well as myself. We are also very happy to note that your letter shows that you are planning again to think over the federal government's policy in this matter, in the light of the discussions which will have to take place on the bearing and the nature of the fiscal relations between the federal authorities and the provinces after March 31, 1962.

The only question which now arises is accordingly the consideration of a temporary *modus vivendi* which would remain in effect only for the two ensuing fiscal periods pending the decisions which we will be called upon to take and which will apply from March 31, 1962 onwards.

Clearly the greater part of your letter is intended for the provinces which have rented their rights and I accordingly believe that it would be necessary to define its meaning and bearing for our province. This is my conclusion after reading your letter, the text of your statement and after the conversations which I had with yourself and with your finance minister, the Hon. Mr. Fleming.