

## A NEW OFFER TO THE PROVINCES

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make some concessions. It has been conceded that because the logging profits tax is levied in addition to the corporation income tax, the forest industry bears a greater tax burden than other industries. The possibilities of lessening the burden of taxation on the forest industry have been discussed at the official level. One of the possibilities discussed was that a tax credit, shared between a province and Canada, might be granted to the industry. Before this can be done some further technical discussions will be required to reach agreement on the definition of logging income which will be subject to tax and accepted for the purpose of this tax credit. Subject to reaching agreement on this matter of the definition of logging income, the Federal Government is prepared as a means of relieving the tax burden on the forest industry to offer a tax credit equal to two-thirds of the logging tax up to a maximum rate of ten per cent, provided the province gives a tax credit equal to the remaining one-third of such logging tax.

"Request has been made for the preparation of a list of federal agencies and corporations which might be subject to provincial sales taxes. We are proceeding with the preparation of such a list and this matter will be resolved before the expiry of the present agreements at March 31 next.

## UTILITIES INCOME TAX

"I indicated in my statement to the Conference of February 23-24, that the Federal Government was prepared to continue for the fiscal year 1961-62 the arrangements whereby the provinces receive a half share of the income tax collected from certain public utilities. A number of provinces have indicated that they believe there are strong reasons for continuing this sharing beyond the year 1961-62. We now propose as a concession to these representations to give the assurance that this sharing will be continued throughout the period of the next agreements, that is, for the next five years up to and including the fiscal year 1966-67.

"With regard to the progress which is being made with the preparation of legislation to implement the proposed financial arrangements for the period after March 31, 1962, it is our intention to introduce at the current session of Parliament legislation which will provide the basis for the proposed new arrangements. The Department of Justice is making good progress with the drafting of this legislation. While the legislation will provide authority for the Government of Canada to enter into tax collection agreements with the provinces, there will be a great deal of work involved in drafting the agreements themselves. This can come at a later stage. As soon as the draft legislation has been prepared which will provide the basis of the new arrangements, it will be possible for the Department of Justice to turn their attention to the preparation of

model provincial legislation which would complement the draft federal legislation. I understand that it was the wish of some of the provinces that the Federal Government should assist them in this fashion.

"I believe that the above comments deal with the major points which have been raised in connection with the federal proposals and I trust that they give you an adequate account of the progress to date."

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## WARTIME EMERGENCY SITES

Prime Minister Diefenbaker announced on June 21 that tenders were being called for the construction of wartime emergency sites for government in Manitoba and Nova Scotia. This announcement supplements that made by the Prime Minister on April 19. At that time, plans respecting British Columbia, Alberta, Ontario and Quebec were announced. The site in Manitoba will be at Shilo, and that in Nova Scotia at Debert.

Decisions have also been made regarding the emergency sites in New Brunswick and Prince Edward Island. These will be at Camp Gagetown and at Charlottetown, respectively. The location of such sites in Saskatchewan and Newfoundland is under review and a statement regarding them will be made in due course.

These centres are designed to provide an operational capability for the small group of federal, provincial and army personnel who would direct emergency measures within the provinces. While they are not designed to give protection against nuclear explosions, they will be constructed in such a manner that operations can be carried out despite the presence of radioactive fallout. The purpose is to establish centres where communications can be reasonably assured and from which necessary information and instructions to local communities and the general population can be given.

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## FAA-DOT MEETING

Civil aviation specialists from both sides of the border met in Ottawa June 22-24 to discuss mutual problems ranging from noise control to measuring the roughness of runway pavements. A 15-man delegation attended from the Federal Aviation Agency (FAA), Washington, D.C.

Subjects discussed included the co-ordination of air traffic control, the compatibility of navigational aids in both countries and the distribution of weather reports made by pilots.

The previous DOT-FAA meeting had been held in Washington in May 1959. Informal contact between the two agencies takes place frequently.

The FAA delegation was headed by the Agency's Deputy Administrator, James T. Pyle. His Canadian counterpart is Air Vice Marshal A. de Niverville, Assistant Deputy Minister (Air).