

*Dominion-Provincial Relations*

the proposal now being put forward that over the next four fiscal years, commencing April 1, a total sum of \$100 million should be made available to the four Atlantic provinces by way of an Atlantic adjustment grant payable at the rate \$25 million in each of those fiscal years. The amounts going to each of the Atlantic provinces are declared in the bill, and the proportions have been agreed to in full by the four Atlantic provinces affected.

The other aspect of the matter is, as has been stressed several times, an interim measure to take account of the urgency of the present situation and the fact that it was not possible to reconvene the dominion-provincial conference under the pressure of the present protracted session of parliament. Having regard to the exigencies of the financial planning and budgeting by the provincial treasurers at this very time, it was felt that something of an interim nature should be provided for this immediate period, so the measure makes provision for a sum to be distributed among the 10 provinces arising out of an increase from 10 per cent to 13 per cent in the income tax portion of the standard taxes which are shareable in accordance with the provisions of the main act.

Estimates have been given as to what this may mean to the provinces. These are estimates only, but it is quite clear that this is a measure which will be of very substantial assistance to the provinces. The \$25 million per annum for the Atlantic adjustment grants is a fixed and determined figure. The figure that will result from the increase from 10 per cent to 13 per cent in the provincial share of the individual income tax will be a varying figure, depending upon the yield from these taxes as well as on one or two other factors created by the statute. We estimate broadly that this measure will mean in this immediate fiscal year approximately \$87 million for the provinces, \$25 million of which will be certain by way of the Atlantic adjustment grants, and a sum of approximately \$62 million available from the other source.

This is a measure which the government commends to the house with confidence. We believe it will be of very substantial assistance to the provinces. We believe that through them very great benefits will flow from this measure to the municipal governments. We believe the unemployment problem will be assisted very substantially by the use which the provincial and municipal governments will undoubtedly make of this additional assistance; and we believe, also, that this will make a contribution to better relations between the dominion and provincial levels of government in this country.

[Mr. Fleming.]

I was flattered in the discussion yesterday by the request of one hon. member for rapid fire answers to certain questions which actually involved considerable calculation. I indicated to him that if he would put his questions on the record I would obtain the answers and would give them when second reading of the bill was moved. I would therefore like to give the following replies to the questions that were put yesterday by the hon. member for Montmagny-L'Islet.

The first question was, "Is the increase in the per capita equalization \$3.97 for each province?" My hon. friend came close. The difference between the per capita levels to each of the provinces is \$3.96, that is the difference between \$41.58 which appears in the table on record in *Hansard*, which is the per capita for the top two provinces, Ontario and British Columbia, under the proposed 13-9-50 formula and the top two provinces under the existing formula of 10-9-50. The per capita difference in equalization varies for each province depending on the extent to which standard taxes per capita have increased as the gain is made up of two factors, first the increase in the standard tax returns and, second, the increase in equalization.

I have had a table prepared which indicates the result for each province. It refers only to these two factors, namely the increase in the standard tax returns and the increase in equalization before introduction of the stabilization payments or application of the stabilization factor. If it were the wish of hon. members that this be placed on the record I should be glad to do so with the reservations I have indicated, that this particular table does not take account of any stabilization payments.

The second question was, "What is the increase in the equalization for Quebec as a result of the change in the formula?" The answer is that the increase to Quebec on the basis of the most recent estimates applied to the 1957-58 data totals \$18,859,000, of which \$8,755,000 is attributable to the equalization principle and \$10,104,000 to the increase in the standard tax yield.

The third question was, "Will the increase in the standard rate of individual income tax apply to the 95 per cent stabilization based on the return from the act for the fiscal year 1957-58?" The subsection referred to—and I made mention of this last night—is subsection 4 (a) of section 5 of the federal-provincial tax-sharing arrangements act. That subsection provides that the basic stabilization amount shall be:

—for the fiscal year ending in the year 1959, 95 per cent of the total of the tax equalization payment, provincial revenue stabilization payment and current tax rental payment applicable to the province for the fiscal year ending in the year 1958.