

*Interim Supply*

questions generally. At the opening of the first meeting to deal with these questions specifically, again on behalf of the federal government, I put the federal position on the record. This was a closed session, but I think it is not inappropriate if I repeat what that position is, as stated then, because it has a bearing on what I wish to say subsequently.

I mentioned that special emphasis was placed in the briefs of the provinces, and in my view rightly placed, on the provinces' responsibility for our human resources, for our investment in people, and as the most important phase of that, investment for education in all its aspects. That is a responsibility which we as a nation can discharge only by devoting to it increasing resources to match the increasing needs of these kinds. I mentioned that provincial expenditures on education had increased, were increasing and ought to go on increasing, and that this was described in most of the provincial briefs as a priority, indeed in some as a first priority need; on that basis of priority, and indeed on other grounds, that the provinces had made a strong plea for increasing the provincial share of tax revenues in Canada.

They gave, as it had been expected that they would give, priority to education in the whole context of Canadian governmental activities, federal and provincial. They gave priority to education and to the increasing costs of education, and they claimed as a first priority the need to increase the provincial share of the total tax revenues in the country, primarily though not exclusively, to take care of this priority.

That was the view which, as I have just said, and as I admitted to the conference, would come naturally to the provincial governments. It did not perhaps come quite so naturally to the federal government, which had other important responsibilities to consider and which had, in its turn, to remain strong financially and economically, and strong in other ways in order to discharge its responsibilities. Nevertheless we on the federal side made it clear that we shared the view of the provinces as to the high priority that ought to be attached, in the interests of Canada as a whole, to educational improvement, and we appreciated the financial implications of such priority.

I went on to say—as I have already indicated this afternoon—that it was right and proper in our view that at this conference each government should defend its own interests. But then I added this, and it was really a repetition of what I had said in the statement which was circulated before the conference:

But it is also proper that each of us has, above all a lively sense of the interests of the Canadian people, which are the first loyalty of us all. For

that reason, we do not in these matters argue against you in principle, though we may not accept all your arguments or even your evidence supporting it. We know that your financial needs are increasing—and you know that ours are not decreasing.

So while we might agree, and did agree in principle at this conference, that the provinces needed more resources to meet increasing provincial responsibilities, there was one point, a point of fact, which some of the provincial briefs passed over rather lightly, I thought, but with regard to which we on the federal side were compelled to be very conscious. This was that we were living under a fiscal arrangement which already recognizes increasing provincial responsibilities; that the abatement of federal taxes on personal income in favour of the provinces, by arrangements made previously, was increasing year by year under that legislation. In short, Mr. Chairman, on this matter—and I will be coming back to it again—the question before this conference was not one of principle but of degree of priority and degree of assistance.

It was a question, not of the direction in which we should be travelling both provincially and federally, but of the pace at which it was practicable, or even possible, to move. That question of pace and priority involved fundamental questions about the shape of our tax system in Canada, questions which go deeper and beyond—as was pointed out by more than one representative at the conference—the problem immediately before us, of reallocation. These are questions that go right to the heart of our tax structure and our federal system, questions which are at present under examination by a number of expert commissions both at the federal and provincial level.

Therefore I proposed—and the proposal was made by others, notably, if I may say so, the premier of Alberta who has attended, I think, every federal-provincial conference since 1940—that we take a hard look at this whole question of federal-provincial relations in the tax field. We realized that we could not come up with a final answer to that problem in a conference which lasted only four or five days. It was obviously impossible, as we all agreed at the conference at this first meeting—and it was a first meeting—to rewrite in any fundamental way the fiscal arrangements under which we are now operating.

We had to look at joint programs, of course, because these, among other things, were and remain closely related to fiscal relationships. I made plain in this opening statement, as I had made plain earlier before the conference was called, the federal government's willingness to withdraw from some of these programs, on an agreed basis, if the provinces