

Dominion-Provincial Conference

Our proposal will readily be seen to mean an extra \$40 million for the Atlantic provinces. This extra assistance to that part of our nation would, under our plan, be available through a formula which would apply equally to all sections of Canada and which would mean that all Canadian citizens would be treated equally by our main tax-sharing arrangements.

However, we made it quite clear at the conference that if, after these main and basic changes in the tax-sharing arrangements were made, still further aid from the national treasury was needed by and given to any part of Canada, Manitoba would agree completely with such decision by the federal government. We also emphasized the point that adverse weather conditions or other unfavorable circumstances might place one or all of the prairie provinces in the same position and consequently that the policy should not be termed an Atlantic adjustment but one applicable to any province of Canada where the need is established.

We think, however, that you asked the non-Atlantic provinces for an almost impossible decision in the context in which you chose to place your request for our "approval" of this Atlantic settlement. You will recall that at our Tuesday discussions you and your colleagues indicated clearly that you wished the provinces to jointly (and presumably unanimously) agree that the following three programs had priority over a decision on the general fiscal settlement:

- (1) A maritime (Atlantic) adjustment;
- (2) The inclusion of mental and tuberculosis costs in the federal shareable portion of any hospitalization scheme, and finally
- (3) The new downward extension of the existing dominion-provincial unemployment assistance agreement.

You made it clear at that time that you had no intention of dealing conclusively at the November conference with the main issue of a realignment of tax-sharing arrangements that would bring benefit to all provinces and thereby to their municipalities. You and your ministers also declared it to be your policy that if the provinces agreed to any of these three specific items the resulting costs would have to be subtracted from whatever amount might be available for the future general dominion-provincial fiscal rearrangements which will most directly benefit municipalities and provinces.

In passing I might repeat what I said at the conference, viz., that nowhere in your speeches (or those of your colleagues) during or preceding the recent election campaign do we find any evidence of the mutual exclusiveness of these programs. When you promised or implied new financial relief to

municipalities and provinces, or when you and your colleagues said that mental and tuberculosis costs should be shared by the federal government in a national health plan, no attempt seems to have been made by you or them to indicate that relief and assistance given on one program would reduce the relief and assistance so badly needed on the other. At no time did you or your colleagues say, for example, that if the provinces wanted mental and tuberculosis costs included in the national health plan, the federal share of such costs would have to come out of the provincial share of any future improvement in tax-sharing arrangements.

The change in your position became evident only at the November conference—and was basically the reason why Manitoba's delegation at that meeting expressed objection to the methods chosen by you and your colleagues to arrange the Atlantic settlement which you had promised among so many other things prior to and during the last federal election.

We say again, as we have said before both at the conference and in this letter, that the basic tax-sharing rearrangements should have been established first, and special assistance formulas studied and developed after that, for use in any region of Canada which required supplementary aid.

The Rowell-Sirois commission, which made the most penetrating study in the past 25 years of dominion-provincial problems and relationships, was set up by the federal government of 1935-40. Manitoba strenuously argued the case of the less wealthy provinces before that body. In the tax suspension days of the second great war we were happy to do our part provided only that the national policy extended equally to all parts of Canada. In the post-war reconstruction and tax conferences of 1945-1947, 1950, and 1955-1956, Manitoba has consistently fought for a nationally applicable arrangement that would leave no part of the nation able to say that it has less favorable treatment than another. We have not always won, but we have consistently striven for, policies and formulas that would have national and equitable application for all citizens of our country. We in Manitoba, at all times and with all the governments of these past twenty years, have worked hard on behalf of the smaller and less wealthy provinces—including the Atlantic group in that class. For example, on a notable occasion during the negotiations respecting one of our earlier tax-sharing agreements, Manitoba—and I understand, New Brunswick as well—insisted that a specially favorable arrangement which had been offered to and accepted by one of