

*The Address—Mr. Garson*

conference, did I use the term "sell", but used the term "rent", as he is well aware, because we were not prepared to give up our taxing powers. The same point was made by Premier Macdonald and Premier Manning, as well as by Premier Duplessis and myself.

**Mr. Garson:** I entirely accept my hon. friend's interjection because it has no bearing on the point I am making, whether it is sold or rented.

As I was saying, if we stopped at that point, as he did, this would be a good argument. With a singular lack of frankness the hon. gentleman at this point failed to tell the house that, to replace the field of direct income, corporation and death taxes, it was unanimously agreed that the dominion was to delegate to the provinces for the duration of the agreement the right to levy retail sales taxes within specified limits. In other words, one major tax field was to be replaced by another and the subsidies, at the same time, very substantially increased. I suggest, Mr. Speaker, this makes all the difference. For the sales tax is a productive field towards which, and away from state income taxes, there is a noticeable trend in the state governments of the United States within the past few years.

The negotiations were again resumed in the latter part of April and the early part of May, 1946. It was not until Monday, April 29, that the Ontario government, under the leadership of the hon. gentleman who was then Premier Drew, brought down its final counter proposal, the main feature of which was the Ontario formula for arriving at the rental which it would accept for the income and corporation tax fields. I do not have any hope in the world of being able to paraphrase this formula so I think I had better read it to the house. Certainly, it is a masterpiece of lucidity.

It reads this way:

In presenting this formula the Ontario government submits that until the balancing factors are determined by way of principle the basic figure cannot be settled with any arithmetical accuracy.

There would be a determined minimum per capita payment which, for convenience, can now be described as "X". The total annual rental to be paid by the dominion government to each province will be "X" dollars multiplied by the gross national production per capita for the year before the payment, divided by the gross national production per capita for the year 1941, multiplied by the population of the province for the year preceding the rental payment, or the minimum actual payment of "X" dollars multiplied by the population of the year preceding payment or of 1941 whichever is the

[Mr. Drew.]

greater. This may be set out in the following algebraic form with the preceding year being referred to as 194y

$$\text{"X"} \times \frac{\text{G.N.P. per capita 194y}}{\text{G.N.P. per capita 1941}} \times \text{194y population}$$

subject to a minimum payment.

Or, in the alternative:

$$\left. \begin{array}{l} \text{"X"} \times \text{194y population} \\ \text{or} \\ \text{"X"} \times \text{1941 population} \end{array} \right\} \text{whichever shall be greater}$$

**Mr. Jackman:** Who helped you with your income tax form?

**Mr. Garson:** I need not tell you, Mr. Speaker, that following this submission, the next few days were taken up with attempts to determine what the unknown X and Y were, and to ascertain what they would produce in money rental for these tax fields, and also in endeavouring to get some definite figure from the province of Quebec as to what it would consider an adequate rental.

When the Ontario formula had been clarified to the point where it was possible for the then Minister of Finance, the Right Hon. Mr. Ilsley, to make an estimate of the additional costs to the dominion government of the Ontario proposals, he did so. On May 3, he submitted his findings to the conference. He estimated that in the year 1947 the absolute minimum increased cost of the Ontario proposals would be \$134 million over and above the cost of the dominion proposals, and then he added this rather significant sentence. I am certain that his figures have never been challenged, and if anyone wants to challenge them today I will take up the challenge with the figures I have here. He said:

This would mean that if the proposed tax transfers and subsidies suggested by the province of Ontario were accepted, they would total something like \$50,000,000 more than all the provincial revenues, including the dominion subsidies, before the war.

**Mr. Drew:** Mr. Speaker, when the hon. member says it was not challenged I feel sure that his memory must be failing, because it was challenged and these figures were described as nonsense.

**Mr. Garson:** Yes, they were, and the reply of Mr. Ilsley was that if you could refute them it would be much better than calling them nonsense. I will say that my hon. friend, as he so often does, challenged them by calling them nonsense. That is not the way to challenge figures.

**Mr. Drew:** They were Mr. Ilsley's figures.

**Mr. Garson:** May I say that I would be delighted to take my seat now and have the hon. gentleman rise in his place and point to the time when he has ever challenged them by refutation and not by calling them nonsense.