

figures as worked out on that base, and I would like an explanation of why this has happened.

Hon. Mr. Higgins: I would like to ask the honourable senator from Westmorland (Hon. Mr. Taylor) one question. I understand this agreement was made jointly by the federal authorities and the provincial authorities. Did not the Premier of New Brunswick or somebody acting for the province agree to this?

Hon. Mr. Taylor (Westmorland): No. I would like to explain that. Just a few days ago there was an exchange of letters between the Premier of New Brunswick and the Prime Minister in which the Premier of New Brunswick asked for additional funds, or, at least, that an attempt be made to correct this difference. But the Prime Minister felt there was no justification for calling another conference. The Premier of New Brunswick and various officials of that province have objected strenuously to this new agreement particularly, as I understand it, on the basis of natural resources income.

Hon. Mr. Connolly (Ottawa West): I am subject to correction, but as I understand the present situation the fiscal arrangements between the federal and provincial authorities are not going to be conducted on the basis of agreement but on the basis of legislation, and this is the effective piece of legislation to carry out the proposal. There is no longer an agreement. We are not approving an agreement here, but rather a piece of legislation which deals with the fiscal relations between the provinces and the dominion with respect to vacating certain branches of important tax fields.

Hon. Mr. Pearson: Might I just read the preamble to Bill C-122? It is as follows:

An Act to authorize the Minister of Finance to make payments to the governments of the provinces and to authorize the Government of Canada to enter into tax collection agreements with the governments of the provinces.

Hon. Mr. Connolly (Ottawa West): There is, of course, an agreement with reference to the collection of taxes; that is the mechanical side of it. But I am not talking about the arrangements with reference to the collection of the taxes. My point is that taxes are not to be shared hereafter by agreement, but under the authority of this legislation. As the honourable leader of the Government (Hon. Mr. Aseltine) has said, under this legislation, for example, the federal authority will not collect on personal income taxes an amount of 16 per cent, which will increase year by year up to 20 per cent. It will be

up to the provinces to occupy this field, but there is no agreement in that respect. This is the federal legislation that is being proposed now to provide how the federal authorities will act in this respect.

Hon. Mr. Taylor (Westmorland): Honourable senators, the agreement we are now approving by legislation has not been approved in toto by all provinces. Some have agreed and others have not. It is only fair to say that in the agreements made over the years, while there has not been absolute unanimity with respect to the tax agreements, some provinces having been disappointed and dissatisfied, but I think in the main the agreements have been generally satisfactory. This bill changes the whole system. The federal authorities are leaving a part of the personal income and corporation taxes to the provinces, and after this bill becomes law each province will have to pass income tax and corporation tax legislation which will authorize them to collect 16, 17, 18 per cent, whatever the case may be, so long as the basis is the same as that laid down by the federal authorities in the agreement.

This legislation also provides for equalization payments based on certain changes I mentioned earlier. The base of income for the two highest provinces has been changed to the average of all provinces which, as I said, is a backward step. It will mean we will still have provinces with second-class citizens. Another point is that when this legislation becomes law and a province wants to collect personal income and corporation taxes, it will have to do it free of charge; at least, that is my understanding. In other words, the federal Government, having been asked by a province to collect its part of the tax, will pay it over to the province.

Hon. Mr. Brunt: Provided the rate is in accordance with the agreement.

Hon. Mr. Taylor (Westmorland): Yes, if the base is in accordance with the agreement. But how is it that New Brunswick will get only this small additional amount? I am not sure that my friend knows this, but it is a fact that the additional tax we shall get this coming year is based on figures filed and tabled by the Minister of Finance. In New Brunswick it will be only \$1.25 per capita under the present policy, if that policy is carried on into next year.

May I emphasize again that I am not criticizing any other province; I want to make that abundantly clear. New Brunswick will get \$1.25 per capita more under this agreement than under the old agreement; Newfoundland will get \$5.10 per capita more than under the old agreement; Prince Edward