

APPENDIX

LETTERS TO PROVINCES RESPECTING CONTRACTING-OUT ARRANGEMENTS

A copy of letter sent to all provinces except Quebec.

Ottawa, August 15, 1964.

My dear Premier:

I refer to the discussions on contracting-out arrangements for conditional grant and shared cost programs which took place in Ottawa on June 8 and 9. These discussions were, as you know, initiated at the request of the Quebec government, pursuant to the decision of the federal-provincial conference held in Quebec city from March 31 to April 2, 1964.

At the June meeting, our representatives sought to find an approach which would fulfil two conditions: first, it would be equally available to all provinces; and second, it would not interfere with provinces maintaining the existing arrangements for conditional grant and shared cost programs.

I should now like to review with you the conclusions we have reached subsequent to these consultations. I believe that these provide a satisfactory basis for the agreement which it is proposed to make with the Quebec government. We are prepared to make an arrangement on a similar basis with any province which so wishes.

It has been mutually agreed that it would be desirable to provide initially for an interim or transitional arrangement. Under such an interim arrangement, the province would maintain its present obligations in respect of programs which would be eligible for contracting-out. It would, in particular, continue to provide the services envisaged in them and to furnish to the federal government an accounting of the expenditures incurred under the programs. On the other hand, the federal contribution would, depending on the nature and size of each program, take the form either of equalized personal income tax abatements subject to adjustments, or of cash payments. The length of the interim period would vary depending also on the circumstances of each program. More permanent contracting-out arrangements would be the subject of further negotiations at the appropriate time, taking into account, among other factors, the experience acquired during the interim period and such recommendations as the tax structure committee might formulate

in the meantime on the subject of conditional grant and shared cost programs. Such arrangements might well prove to be part of a new approach to fiscal arrangements commencing in 1967.

The programs which it is proposed should be eligible for contracting-out fall into two categories. The first includes continuing programs which are concerned primarily with social objectives. Excluded from this category are programs involving non-recurring projects, such as capital, research and demonstration projects. The second category includes a group of programs which are expected to be of limited duration.

It has been recognized from the beginning that the contracting-out arrangements that might be agreed between the federal and Quebec governments should be such as to be readily applicable to any province that might wish to avail itself of them. It was agreed furthermore that a contracting-out province would, during the interim period and subsequently, continue to participate in federal-provincial bodies and meetings established for the purposes of consultation and co-ordination in fields of activity where contracting-out would apply.

As regards the compensation, it was established that it would, normally, take the form of equalized personal income tax abatements in the case of well established programs which could be expected to continue indefinitely, and the form of cash payments in the case of smaller programs which might not be expected to continue indefinitely.

More specifically, it is proposed that:

A. Among the programs to which contracting-out would not apply are the following:

1. Capital programs: (a) Trans-Canada highway; (b) Railway grade crossing; (c) Vocational training, capital assistance; (d) ARDA; (e) Municipal winter works.

2. Current programs: (a) Grants to 4-H clubs; (b) Grants to special fairs; (c) compensation for animal disease losses; (d) crop insurance; (e) Farm labour agreement; (f) Health grants (research and demonstration projects); (g) Public health research grant; (h) Training of unemployed; (i) Training in