

*Dominion-Provincial Relations*

would strengthen Canada's federal system and give provinces and municipalities the funds to carry their responsibilities.

He said:

A Conservative government, if elected, would immediately call a federal-provincial conference to settle existing problems. The federal system was threatened by "the centralization complex of the St. Laurent government" and a healthy balance of revenues between federal and provincial governments must be assured.

Surely, Mr. Speaker, the Prime Minister does not dare to claim that so far he has fulfilled that promise. And how can the Prime Minister now condone and accept, as he is doing, the Liberal principles and the basis on which fiscal arrangements with the provinces were achieved if indeed they were a threat to the federal system, as he claimed they were in 1957? And if they are not a threat, on what grounds can the Prime Minister justify so insidious an accusation on a matter as fundamentally important as federal-provincial relations, an accusation which in fact did undermine the people's confidence in our federal system.

There have been few issues indeed that have been given the Conservative political football treatment more mercilessly than the fundamental and extremely difficult problem of federal-provincial relations. This may gain votes for the Conservative party, but it has not only confused the thinking of Canadians but has made an already difficult problem almost incomprehensible and retarded and jeopardized the progress that has been made so far toward an equitable solution to this extremely urgent problem.

It is only now that Canadians realize that the Conservative accusations were unfounded and unjustified, and that the present fiscal arrangements with the provinces, though admittedly not an ideal solution, were in fact a serious and sound approach to the problem. The government, instead of rejecting the substance of the fiscal arrangements which they criticized so violently, are now speaking of the difficulties and the problems involved which make any alternative solution to those arrangements extremely difficult. The Conservatives, of course, did not speak of those problems nor those difficulties when they were discussing federal-provincial relations in 1957. At that time they were merely content to confuse the issue.

Federal-provincial relations did not arise only with the Rowell-Sirois report of 1940; they were born with confederation. The provinces at that time saw the advantages to be derived by them in a federal system, and it is impossible to conceive that the fundamental principle of confederation could have been based on anything else than on co-operation and understanding between the autonomous

provinces and the federal government. I maintain, Mr. Speaker, that at no time has that principle ever been broken, and that tax-sharing arrangements have indeed been an application of that principle.

The exigencies of the war, the demand and urgent need for social legislation, the disparity in the financial resources of the different provinces, the justifiable desire to achieve uniformity in social aid, in the standards of living and in national unity, coupled with the increasing financial demands made within the rapidly expanding provinces and municipalities, presented problems which the fathers of confederation could never have dreamed of and for which they did not adequately provide in the constitution or in the methods of taxation made available to the provinces and to the federal government.

The urgency of the problems, both provincial and federal, and the fact that no clear-cut solution to these problems could be found within the framework of the constitution, made it necessary to resort to the principle of co-operation between the federal government and the provinces to find some alternative solution. That alternative solution was found, Mr. Speaker, when Right Hon. Mr. St. Laurent introduced the tax-sharing arrangements which were so violently criticized by the Conservatives.

It would be useful, I think, to review the provisions of those tax-sharing agreements which, in 1957, the Prime Minister felt were a threat to the federal system. Hon. members will recall that under these agreements, first of all, the provinces were completely free to rent their rights to direct taxation or to levy their own direct taxes and have them collected by the federal government, or, third, to levy and collect their direct taxes without interference.

Second, by this agreement the provinces were enabled to derive more than 20 per cent of urgently needed additional revenues during the first years of the new arrangements as compared with the previous years without imposing double taxation and this percentage, of course, increased substantially in succeeding years.

Third, equalization payments based on the tax yield of the two wealthiest provinces were provided to enable the less wealthy provinces to face their constitutional responsibilities. Such an interprovincial redistribution of revenue, as I said before, is essential to preserve a proper balance within our federal system.

Finally, stabilization payments were offered to the provinces as a guarantee against any