

*Dominion-Provincial Relations*

The length of the interim period would also vary depending on the circumstances of each program.

As the Prime Minister stated in his letter, it is not the intention of this legislation to make permanent provision for the provinces to assume the entire responsibility for joint federal-provincial programs. Permanent arrangements must await the deliberations and recommendations of the tax structure committee which was directed by the October federal-provincial conference to report, among other things, on "The general policy to be followed in respect of shared cost programs during the period 1967-72".

The tax structure committee has been instructed to report to the resumed conference in early 1966 and its recommendations will form the basis for discussions which, I hope, will lead to arrangements that parliament and the provincial legislatures will consider to be more suitable in terms of today's needs. The legislation presently before the house would simply authorize agreements of a temporary nature for a transitional or interim period.

The bill specifies the duration of the interim period for each of the programs which the government of Canada proposes to include in these contracting-out arrangements. It was the government's wish that the transitional period would end with the termination of the present fiscal arrangements with the provinces on March 31, 1967, so that any new approach to shared cost programs could be integrated with whatever new fiscal arrangements are devised for the next quinquennial period. There are however certain joint programs which, for various reasons, do not lend themselves to this arrangement, and a longer interim period has had to be accepted in such cases.

The programs for which a longer interim period is provided in this bill are: hospital insurance; the special welfare program which consists of old age assistance, blind persons allowances, disabled persons allowances and the base load or welfare component of unemployment assistance; the hospital construction program, and the roads to resources program.

The terminal date of the interim period for the hospital insurance program specified in the present bill is December 31, 1970. This date was chosen because the federal-provincial agreements authorized by the Hospital Insurance and Diagnostic Services Act have a minimum life of ten years and the last

province to enter an agreement did not do so until January 1, 1961.

The duration of the interim period associated with the special welfare program is extended to March 31, 1970. This extended period was chosen, as the Prime Minister's letter indicated, because of the desirability of replacing the compartmentalization which presently characterizes the several welfare programs with an integrated welfare program. This is the desire urged by welfare authorities right across the country.

The interim period for the hospital construction grants program and the roads to resources program fulfils an undertaking given by the government of Canada to continue these programs for a specified period of time. In 1960 the former government undertook to continue hospital construction grants at the existing level until March 31, 1968, and the present government wishes the interim period to continue to that date. The end of the interim period for the roads to resources program is also to coincide with the completion of the present program in each province. These programs terminate at different times from province to province.

Turning to the form of compensation proposed, the government of Canada is to compensate those provinces that assume financial responsibilities for the joint programs, either by equalized personal income tax abatements, subject to adjustments, or by cash payments. The manner of the compensation was determined by the nature and size of the program. The Prime Minister in his letter indicated that the hospital insurance program, the special welfare program, the vocational and technical training program, and the health grants program were of such a nature and size as to require compensation in the form of an equalized personal income tax abatement. In the bill before the house these are termed "standing programs". Cash compensation was considered suitable for the other programs which are described in the bill as "special programs".

A province, to contract out of a joint program, must enter into an agreement with the federal government. The bill empowers the governor in council to authorize the minister of finance and the federal minister responsible for the administration of the joint program to enter into an agreement with a province. This new agreement will supplement the agreement currently governing federal-provincial arrangements for the program.