

British North America Act for contributions to the provinces has proved to be absolutely insufficient and inadequate. The experience of forty years had brought this fact again and again to the attention of parliament and the people of Canada; ... not once, not twice, nor thrice, but periodically and systematically parliament has been asked at almost regular intervals to vote in favour of now one province and now another province appropriations far in excess of anything that had been stipulated by the British North America Act.... All these have been made by parliament without any guiding principle, but simply as the expediency of the moment suggested, or rather as the financial difficulties of one province or the other were more or less urgent.

At the same time Sir George Foster, then Mr. Foster, a former minister of finance, suggested that the province should be allowed a certain percentage of the customs revenue in preference to an increase in subsidy. He said that such an arrangement would do away with future raids on the federal exchequer.

Hon. gentlemen can see by reading the debates that took place on these various occasions that every time an increased subsidy was granted it was stipulated that this last arrangement was to be final, that there should not be in the future any more demands for increased subsidies. Even in the British North America Act itself, in section 118, which is the one relating to grants to the provinces, you will read these words:

Such grants shall be in full settlement of all future demands on Canada...

And so forth. But, Mr. Speaker, those hopes and expectations were not realized, because periodically since there have been movements for increases in these grants. When such requests for increases were granted it was always with that same condition of finality, but apparently in this case it cannot be final.

I said that there have been movements periodically to increase the subsidies. Even after the increases I have mentioned had been granted, in 1913, the year before the war, an interprovincial conference passed a resolution along the lines suggested by Sir George Foster in the debates of 1907, asking that ten per cent of the revenue collected by the federal government in customs and excise should be paid to the provinces. The war came a few months afterwards and no action was taken on that resolution, but conditions became worse on account of the situation created by the war. Until 1914 the federal government's main source of revenue, in fact almost the only source, was customs and excise. There were certain revenues from the Post Office Department, when there were surpluses; there was some revenue from the head tax on Chinese, but apart from these

sources of revenue there was practically no other taxation in Canada. On account of the exigencies of the war, the federal government had to adopt forms of direct taxation as well as the indirect taxation in the form of customs, excise, and so on. When this was first done, Sir Thomas White, then Minister of Finance, said he was doing it reluctantly because he thought the field of direct taxation should be left to the provinces if it were at all possible so to do. However, the federal government could not obtain the necessary revenue in any other way than by the full use of its powers in that regard. Thus all the fields of taxation were invaded—perhaps I should say "used" rather than "invaded," as this was done legally—by the central government.

Of course the provinces complained bitterly about this new situation. They were forced to resort to many new taxes for the purpose of securing required revenues. Commodities were taxed in such a way as to throw some doubt upon the legality of the action. In order to show the house what was done in this connection I shall refer to the taxing of gasoline and fuel oil in British Columbia, which illustrates very well the situation with regard to this sort of taxation. In 1924 the province of British Columbia imposed a tax on oil. This was challenged, the matter going as far as the privy council in the case of Attorney General of British Columbia v. Canadian Pacific Railway Company. I should like to read the decision of the privy council in this case, because it shows the nature of the action. It reads:

Held, the British Columbia Fuel Oil Tax Act 1923, which provides that every person who shall purchase within the province fuel oil sold for the first time after its manufacture in or importation into the province shall pay a tax thereon, comes within the general principle which determines that the tax is an indirect one and, therefore, invalid within the meaning of the British North America Act 1867, s. 92, head 2.

This particular tax was declared invalid. However, the province of British Columbia wanted to tax fuel oil and gasoline, so they proceeded in another way. Another statute was passed which was also challenged and submitted finally to the privy council in the case of Attorney General for British Columbia v. Kingcome Navigation Company, in which it was held:

The Fuel Oil Tax Act, 1930, of British Columbia, which imposes a tax upon every consumer of fuel oil according to the quantity which he has consumed, is valid under s. 92, head 2, of the British North America Act, 1867; the tax is direct taxation, because it is demanded from the very persons who it is