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THE COURSE OF FEDERAL-PROVINCIAL FISCAL RELATIONS

In an address on March 24 to the Canadian Club of Victoria, British Columbia, the Minister of Finance, Mr. Donald M. Fleming, gave the following outline of the history of fiscal relations between the Government of Canada and the provincial government:

"...When the Fathers of Confederation settled the essential question of the division of powers and responsibilities in the financial field, the Federal Government was given power to raise revenues by any mode or system of taxation, whether direct or indirect. The taxing powers of the provinces were confined to direct taxation. In exercise of these powers, the Province of British Columbia was the first government in Canada to impose a personal income tax and a corporation tax. It first levied the former in 1876, the latter in 1901. It first imposed a succession duty in 1894.

"In the light of the provinces' present concern for their rights in the direct tax field it is an interesting footnote to history that Confederation nearly failed over the issue of the division of taxing powers. In those days the bulk of government revenue was derived from indirect taxation, chiefly the tariff, and the only direct tax of any consequence in use was the property tax. The provinces in 1867 were not prepared to cede rights in the field of indirect taxes without compensation.

"Thus it was recognized from the outset that the Union of the provinces in a federal

state could not be achieved without financial adjustments between the central government and the provincial governments. These took the form of statutory subsidies containing three main elements: *per capita* grants from the Federal Government, grants towards the general cost of government, and debt settlement. In one form or another these statutory subsidies were to be the basic component in the relations between the Dominion and the provinces for the ensuing 75 years. It is a commentary on the limits of human foresight that, when the Fathers of Confederation successfully devised the formula governing the statutory subsidies to be paid by Ottawa to the provinces, they presumed them to be 'in full and final settlement' of any claims by the provinces upon the Federal Government. It is a matter of record that, within six years after Confederation, four of the provinces had successfully achieved a revision of their statutory subsidies. Need I say that the general process of revision is still going on? Indeed, even in 1907, after the inclusion in Confederation of Manitoba, Saskatchewan and Alberta and the holding of two inter-provincial conferences had brought about a general revision of the statutory subsidies, the Parliament of Canada was naive enough in its petition to Westminster to amend the British North America Act to state its belief that the new terms governing Dominion-provincial financial relations would be 'final and unalterable'. These words, however, did not become

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imbedded in the amendment to the Act itself, and thus today we are still engaged in an attempt to find solutions to our financial relations.

SPECIAL PROGRAMMES AND SUBSIDIES

"The statutory subsidies are the oldest form of payments by the Dominion to the provinces, and formed, as I have indicated, an important part of the terms of Confederation. While their relative importance has gradually diminished, other forms of financial assistance have taken their place. In the second phase of Dominion-provincial financial arrangements, these took form in federal participation in special programmes in the fields of provincial responsibility and in special subsidies to the provinces of one kind or another. The first shared-cost programme was in 1913. In ensuing years additional grants for shared-cost programmes have accounted for a rapidly increasing volume of federal assistance to the provinces. Special subsidies for the Maritime Provinces were proposed by the Duncan Commission of 1926 and the White Commission of 1934 and were subsequently incorporated into the structure of the statutory subsidies themselves. Other significant special subsidies were those paid the Western Provinces by the Dominion in compensation for the retention of certain of their natural resources following the Turgeon and Dysart Commissions of 1928 and 1934. By far the largest special subsidies, however, were those payments made to the provinces by the Dominion during the 1930's to assist in the relief of unemployment.

EARLIEST UNCONDITIONAL PAYMENTS

"It was in the third phase, following the report of the Rowell-Sirois Commission, that the first venture was made in unconditional payments beyond the original conception of statutory subsidies. It was to be coupled with what came to be regarded by some provinces as an erosion of their constitutional rights in the field of direct taxation although it also marked the first clear recognition of fiscal need as an element in Dominion-Provincial financial relationships. I refer to the War-time Tax Agreement of 1942 and the Tax Rental Agreements of 1947, 1952 and 1957.

"Thus we see that the arrangements that have governed Dominion-provincial financial relations have been undergoing a fairly continuous process of adaptation, in response to the growing complexity of our modern economy and its development under a federal system. In 1867 payments by the Dominion to the provinces cost the Federal Treasury a little over \$2 million. Now they far exceed \$1 billion per annum. It is well to keep in mind something of this history as we contemplate the arrangements which it is now proposed should govern the financial relations between the Dominion and the provinces.

"I believe the essential point to remember, as we enter yet another phase in Dominion-provincial fiscal relations, is that the Constitution establishes the underlying principles and prescribes the division of rights, responsibilities and powers which govern these relations. This has been the determining consideration in the approach of the present Federal Government to the problems of Dominion-provincial financial relations...."

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HEALTH EXPERT TO JAMAICA

Mr. Charles B. Walker of Ottawa, a statistician in the Research and Statistics Division of the Department of National Health and Welfare, will be the World Health Organization consultant in a study of public health problems to be carried out by the Government of Jamaica this spring.

Mr. Walker left for Kingston, Jamaica, on March 17 for about a month to get the project under way. He will return for a further visit during the summer to assist in organizing and interpreting the study findings.

The study will examine present work programmes of public-health nurses and inspectors, determine the trend of public-health problems now facing the island, and make recommendations regarding use and training of staff.

HEALTH PROBLEMS CHANGE

Jamaica is faced with a changing picture of public-health problems, as attention shifts from the traditional diseases of malaria, pulmonary tuberculosis and yaws. The health of the average islander has been improving, though protein deficiency continues to be a problem. In addition other ailments are making themselves felt, such as polio, which first appeared in epidemic proportions on the island in 1954.

Mr. Walker's assignment with WHO is an example of work being done by officials of the Department of National Health and Welfare in assisting The West Indies and Central American countries in health and welfare studies. R.F. Curran, the Department's Legal Adviser, is now completing the writing of new health legislation for the islands of Trinidad and Tobago. Dr. Joseph W. Willard, the Deputy Minister of Welfare, has carried out technical assistance assignments in Costa Rica, Puerto Rico and Jamaica, the last with Dr. C.A. Roberts, Superintendent of the Verdun Protestant Hospital in Montreal and formerly Principal Medical Officer, Health Insurance Studies, of the Department.

The technical assistance work for which Canadians are lent to WHO is in addition to contributions to The West Indies under the Canada-West Indies Aid Programme, through which Canada has undertaken to provide aid to the value of \$10 million over a five-year period beginning in 1958.

GIANT TURBO-PROPS FOR TCA

Trans-Canada Air Lines will introduce turbine-powered Vickers "Vanguards" to its southern service routes starting April 1. The big 96-passenger, 425-mile-an-hour turbo-prop airliners will replace the piston-engined "Super Constellations" that have been operating on these routes since retirement of the "North Stars" on January 10.

The Canadian carrier will operate two weekly return flights to Tampa, Florida; three to Nassau, Bahamas, with two carrying on to Montega Bay and Kingston, Jamaica; one direct from Canada to the two Jamaica centres; and four to Bermuda, with two carrying on to Antigua, Barbados and Trinidad. The flights will operate from Toronto and Montreal.

FLYING TIME CUT

The "Vanguards", carrying 46 first class and 50 economy-class passengers, will cut flying times to the south by almost 25 per cent. For example, Jamaica will be just five hours away from Toronto, Bermuda three hours from Montreal, and Trinidad eight flying hours from Montreal.

TCA's 10 weekly "Vanguard" flights will provide a total of 960 seats weekly in each direction on the airline's southern-service routes, as well as more than 100,000 pounds of cargo capacity.

The "Vanguard" is particularly well suited to southern service, in which there is considerable demand for freight space in a single direction, because its "double-bubble" fuselage has giant cargo holds below the passenger cabine capable of carrying up to 10,000 pounds of cargo, even with substantial passenger loads.

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GOVERNMENT FINANCES

Mr. Donald Fleming, the Minister of Finance, recently released the regular monthly statement of the Government's financial operations for February 1961 and the first 11 months of the current fiscal year.

For February, budgetary revenues were \$425.9 million and expenditures \$460.3 million; there was a deficit of \$34.4 million. For February 1960, revenues were \$415.4 million and expenditures \$436.4 million, and there was a deficit of \$21 million.

For the first 11 months of the current fiscal year, budgetary revenues were \$5,105.9 million and expenditures \$5,136 million; there was a deficit of \$30.1 million. For the same period last year, revenues were \$4,753.3 million, expenditures were \$4,882.8 million and there was a deficit of \$129.5 million.

Operations of the Old Age Security Fund, which are not included in budgetary transactions, resulted in a deficit of \$6.1 million for February 1961 and an accumulated surplus of \$8.3 million for the 11 months to February

28, 1961. Last year, for the 11 months to February 29, 1960, there was an accumulated deficit of \$39.6 million. The deficit was covered by a temporary loan by the Minister under the terms of the Old Age Security Act.

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RNC SCHOOL TO CLOSE

HMCS "D'Iberville", the Royal Canadian Navy's basic-training school in Quebec City, will be closed down and the school moved to existing accommodation in HMCS "Hochelega", the RCN Fleet School in Ville LaSalle, Quebec, on July 31.

HMCS "D'Iberville" was commissioned into the Navy in October 1952 as a training establishment for French-speaking new entries, and since that time has been sharing the same building as HMCS "Montcalm", the Quebec City naval division. The school is commanded by Commander J.L. Neveu of Ottawa, and is under the administration of the Senior Naval Officer, River St. Lawrence Area, with headquarters in Montreal.

The decision to move the basic-training school from Quebec City to the Montreal area has been made for economic and administrative reasons. The present accommodation is no longer adequate for the school's needs and better facilities are available at HMCS "Hochelega" for the training of French-speaking Canadians preparing for careers in the Navy.

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SHAKESPEARE SEMINARS AGAIN

So great was the response to last year's Shakespeare seminar, held in Stratford for one week during the Shakespearean Festival season, that the English departments of the Canadian universities will this year sponsor two seminars instead of one. The first will take place from August 14 to August 19 and the second from August 21 to August 26. Most of the meetings will take place in the Festival Theatre.

The principal lecturers will be Professor Northrop Frye, Principal of Victoria College in the University of Toronto, and Professor Alfred Harbage, the Head of the Department of English at Harvard University. Each will lecture twice, the former in the first week, the latter in the second. Among the other lecturers will be Mr. Michael Langham, Artistic Director of the Festival, Professor Herbert Howarth of the University of Manitoba and Professor Francis Fergusson of Rutgers University.

Discussion leaders for the seminars will include Herbert Whittaker, theatre critic of the *Toronto Globe and Mail*, Arnold Edinborough, editor of *Saturday Night*, George McCowan, director of two of this season's plays, *Henry VIII* and *The Canvas Barricade*, and Dr. R.B. Parker of the University of Toronto. The

organizers of the seminars, knowing at first hand of Paul Scofield's remarkable qualities as an interpreter of Shakespeare, are aware that a good basis for study will be provided by the Festival productions.

CURRICULUM

The members of the seminars will hear lectures and demonstrations, discuss the plays in small groups and put questions to members of the company in an 'actors symposium' one week and to professional critics the next. The relation with the Theatre will be close; the meetings of the seminars will be held in the Theatre building, and it is hoped that in touring the Theatre, attending the plays, and listening to scholars, critics and theatre people, the members will achieve the satisfaction of a deeper understanding of the problem and challenge of playing Shakespeare before a modern audience. The seminars are not courses for credit but are for interest only. As a result, applicants need no qualifications other than an interest in Shakespeare and the theatre.

The seminars are organized on behalf of the universities by the Department of Extension of McMaster University in Hamilton, Ontario, and further information may be obtained from Peter D. Smith, the Assistant Director of the Department.

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NORTHERN HOUSING CONTRACTS

Northern Affairs Minister Walter Dinsdale has announced that Dalite Corporation of Canada Limited, Toronto, has been awarded a \$181,968 contract for the construction of 14 residences for Eskimo schoolchildren and a \$200,213 contract for 12 houses for northern teachers, administrators, welfare workers and RCMP officers.

The buildings will be prefabricated at Toronto and shipped from Montreal, Churchill, Manitoba, or Waterways, Alberta, for assembly by local labour at northern settlements.

WINTER WORKS

The contracts are partly financed by a \$655,000 Northern Affairs winter works programme that will provide 655 "man-months" of employment from the building of 89 prefabricated northern buildings. Work will be stimulated in many parts of Canada by the programme, because the labour, which is a large part of the construction cost, is distributed among employees of plants producing the housing materials as well as those of the prime contractor.

The 14 hostels will accommodate Eskimo children who have not been able to attend school regularly because they lived far from schools or because they had to accompany their parents on fishing and hunting trips. Eight children will live in each residence.

Three residences will be built at Eskimo Point and Pangnirtung, two at Cape Dorset, Coral Harbour and Igloolik, and one each at Cambridge Bay and the Belcher Islands.

Two of the 12 three-bedroom houses will go up at Fort Chimo, Quebec, two at Pangnirtung, and seven at Sugluk, Quebec, and Rankin Inlet, Eskimo Point, Whale Cove, Pond Inlet and Resolute Bay, North West Territories. The other house is a double being paid for by the RCMP to accommodate its detachment at Tuktoyaktuk in the Western Arctic.

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ILO EXPERT TO ISRAEL

Mr. H. James Elliott, recently retired teacher-headmaster, Toronto Board of Education, left Canada on 25 March to take up an appointment in Israel, as an expert in instructor training for one year under the special Fund of the United Nations, by arrangement between the Government of Israel and the International Labour Office.

Mr. Elliott's duties will include the preparation of courses for training existing and potential instructor staff for vocational training schools and actual staff training.

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TCA LOWERS FARES

Trans-Canada Air Lines will lower passenger fares from Canada to Nassau and The West Indies by as much as 35 per cent on May 15, when new 17-day excursion rates and reduced regular fares on southern routes are introduced.

The new fares were agreed to at a recent International Air Transport Association traffic conference in Bermuda. They will apply on flights from Montreal, Ottawa and Toronto to Nassau, Jamaica, Barbados, Trinidad and Antigua, starting May 15.

Lower general fares will be introduced between Canada and Bermuda on the same date. In addition, 10-day excursion fares one-third lower than the new low general fares will be introduced on this latter route between October 31 and March 16.

The new rates follow introduction of TCA's Vickers "Vanguard" turbo-prop airliners on routes from Canada to Bermuda, Nassau and the islands of the Caribbean.