

Treasurer

(Continued from page 1)

and one-half million dollars to the Province of Prince Edward Island.

"12. In its application to the fiscal year commencing on the 1st day of April 1958 paragraph (f) of subsection (1) of Section 2 shall, for the purposes of this Act, and any tax rental agreement, be read and construed as if for the words "ten per cent" therein there were substituted the words "thirteen per cent".

PURPOSE OF SECTION

The purpose of the proposed new Section 11 "Mr. MacDonald's" was to provide for financial assistance to the Atlantic Provinces in the amount of \$25 million per annum for the next four years. The purpose of the proposed new Section 12 was to increase the percentage to thirteen in the standard individual income tax payment to the provinces under the federal - provincial tax agreement.

"I shall first of all deal with the new Section 12 increasing the provincial share of personal income tax from 10 per cent to 13 per cent, because the resultant distribution of the estimated additional payment of over sixty-two million dollars proves, as we pointed out in our brief, the weaknesses inherent in the present method of federal assistance to the provinces under the Tax-Sharing formula.

Under the new rate adjustment all provinces except Prince Edward Island, received a substantial increase ranging from \$1.686,000. for Newfoundland to 22.3 million dollars for Ontario. Even the wealthy Province of Alberta is to receive an additional \$4.6 million, while the Provinces of British Columbia and Quebec each share \$2.8 and \$18.9 million, respectively.

QUOTES OPPOSITION

"I should now like to ask my friends on the opposite side of the House, to try and explain to this House the change in their party's views since the election of last June. Do they agree with their federal contemporaries that the distribution of over \$62,000,000. is based on sound reasoning and equity, where the smallest and most needy province of all received nothing? How well I recall the words of the opposition's financial critic in this House, the honourable member from Second Prince, in reply to the Budget last spring. These are his words: "Prince Edward Island was the province most discriminated against in all of Canada. I wonder if we are not in the midst of a squeeze to force us to join some other province and so eliminate our fiscal needs altogether."

"I know, Mr. Speaker, before they rise to take part in this debate, what their reply is going to be. Our Government at Ottawa gave you \$2½ million, what more do you want?"

"Before I proceed to comment on the Atlantic Provinces' Assistance Grant of \$25 million, of which this Province received the sum of two and one-half million dollars, I should like to quote from a few newspaper clippings on the speeches of this House last spring.

NOT SATISFIED

"On April 3rd, 1957, the Leader of the Opposition in introducing his own budget to this Assembly is quoted in The Guardian newspaper as saying he was not satisfied with the budget brought down by the Provincial Treasurer and more than a week ago had prepared an alternative budget in its place. It would call for an additional grant from Ottawa of \$5,000,000. Further on in the clipping he is quoted "why is Ottawa so stingy with us at the present time."

"In the same budget speech he is quoted as saying "do we have to go to Ottawa and get down on our hands and knees and beg for what we deserve" and "some thing will have to be done, you will have to have someone from the opposition go with you."

"Well, Mr. Speaker, since then the Government of Canada changed and, as I stated before, we presented our submission requesting the new federal government to consider our needs and fiscal ability and grant us annually \$5 additional million to assist us in maintaining services which modern requirements demand.

ADJUSTMENT GRANT

"By amendment to the Federal - Provincial Tax-Sharing Arrangements Act the Federal Government allotted \$25 million to the Atlantic Provinces without reconvening a federal provincial conference to ascertain what were the actual fiscal needs of the four provinces in question. Neither did they consult the provinces on a ministerial level but, in accordance with instructions from the Minister of Finance, arrangements were made for representatives to meet with representatives of the Atlantic Provinces at a technical level to discuss possible methods of distributing an Atlantic Provinces adjustment grant of an unknown amount. It was emphasized that the purpose of the meeting was not to determine actual amounts but rather to attempt to reach agreement among provincial representatives on a suitable method of distributing any amount that might be made available by the Federal Government. Discussions stemmed from the New Brunswick formula which had been presented to Federal - Provincial Conferences and on variations thereof that had been developed by the Federal Department of Finance. None of the formulas submitted at previous Federal - Provincial Conferences were acceptable to the Province of Prince Edward Island for the reasons outlined in our Submission of November 25, 1957.

UNSOUND PRINCIPLE

The result of the negotiations, at technical level, was a tentative agreement of 30 per cent to each of the Provinces of Nova Scotia, New Brunswick, Newfoundland, and 10 per cent to Prince Edward Island. Regardless of the fact that the other representatives at this meeting contended that it gave Prince Ed-

ward Island the highest per capita payment in recognition of her special position as a small province, and likely loss of stabilization payments under a general formula revision, we cannot help but be critical of the method taken by the federal government to determine the actual amount and the distribution thereof. We strongly feel that the proper calculation of the additional tax monies and assistance grants should have been based upon a sound principle as a matter of right.

"Mr. Speaker, I do not want to be misunderstood that we feel ungrateful for what we received, nor do we deny that the additional amount of \$2½ million revenue will be of great assistance towards meeting our annual over-all deficit.

"But it is far from our actual needs and fiscal ability when one employs this Province's tax potential and tax collectibility factor in relation to personal income per capita. As the Leader of the Opposition of this House so vigorously expressed in his alternative budget of last spring "It would call for an additional grant from Ottawa of \$5 million."

NOT LOST HOPE

"Disappointed as we are over the amount of the additional fiscal payment we may expect to receive from the federal government, for the next four years, we have not lost hope that the coming fiscal year, commencing April 1st, 1958, will see some appropriate action taken to find a more realistic and equitable plan or formula that will give adequate financial assistance sufficient, not only to meet the provinces' needs but also provide funds necessary for the expansion of existing services and development projects. A plan that is not based on per capita, or theoretical calculations, but actual requirements of provincial governments, linked with tax potential and tax-ability.

"We still maintain that any proposed plan for payment of unconditional grants should only be adopted after a thorough re-assessment of the relative needs and resources of the various gov-

ernments, provincial and municipal. Evaluating present and future demands (for five year periods) and then determining the annual payment to be made to each government sufficient to enable it to meet those demands is, in our opinion, the most realistic approach. It is the only exact method that will assist Prince Edward Island to solve her fiscal problems compatible with present conditions and tax-ability.

Unfortunately, the new Tax-Sharing Arrangements do not favour this Province and I sincerely urge you to carefully study your Province's submission to the Federal - Provincial Conference of last November I feel confident, that after having done so, you will all have a better understanding of your Government's reasons for a readjustment of the present fiscal arrangements, and our continued effort for recognition of the principles that we, and prominent writers on public finance believe to be the best method of fiscal relations between federal and state governments."

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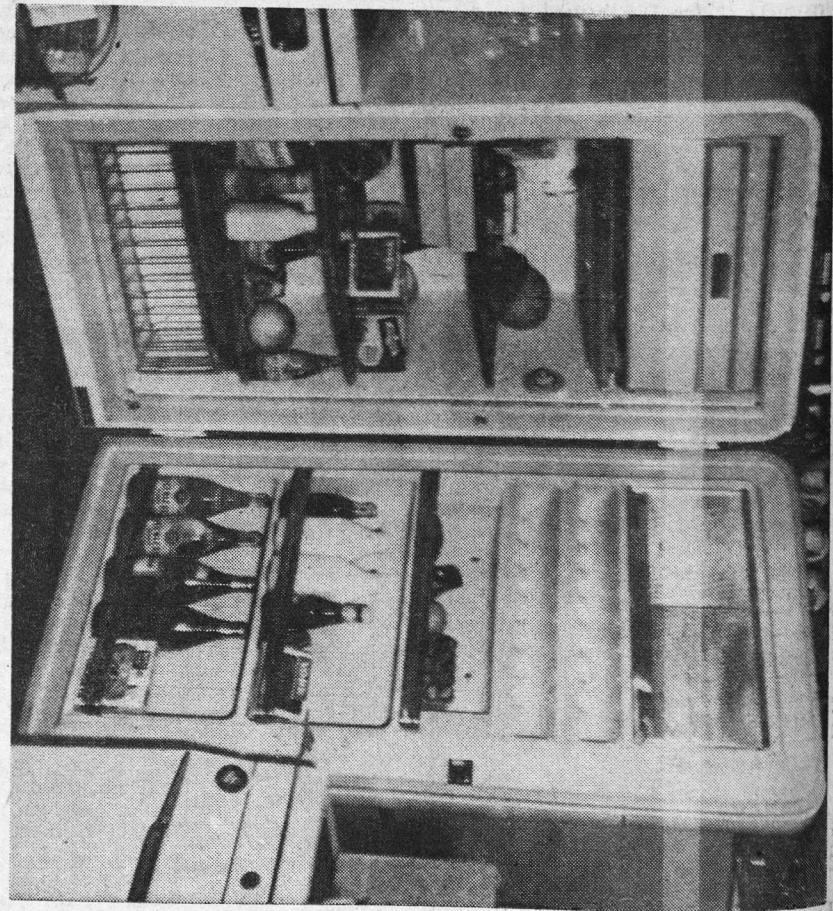
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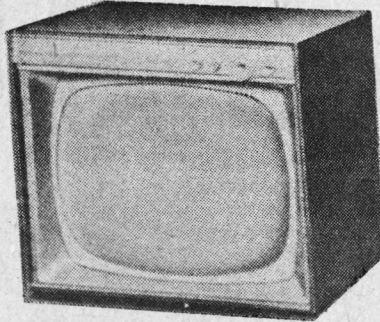
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