

**Mr. Smallwood** Not exclusive.

**Mr. Hollett** What method was left for the municipalities or town councils? It has to be remembered that 93% of all people in Canada live in incorporated areas. Their main method of direct taxation is the tax on property and tax on business. Prior to 1942, Nova Scotia and New Brunswick also taxed income, but now and for the next five years the Dominion government alone will tax income in all provinces except Ontario, Quebec and Nova Scotia, who still retain the right to tax incomes as well. Under confederation the town councils have the right to tax all real property, that is to say your house and land, your boats and nets, your barn and farming equipment, or any other kind of property, as also any improvements which you may make on these properties. If you are unable to pay these taxes on your property, the municipality or town council has the right to take it and sell it or rent it, and as a matter of actual fact the total amount of property taken from the individual property holders in Canada by town councils up to the year 1943, by reason of the fact that the owners or householders could not pay their taxes, was \$88,484,188.

However, you cannot have roads and education and public welfare unless you pay for it by way of taxation, and since the provincial governments of New Brunswick and Nova Scotia and the others have surrendered most of their taxing powers to the Dominion government under the present system of confederation, the burden of the maintenance of said roads, education and public welfare must be borne by the municipality or town council.

The trend today in Canada is to nullify the usefulness of the provincial governments and concentrate all power and authority at Ottawa, so that eventually they may have just one government at Ottawa, and the municipal authorities throughout Canada, constituting the Government of Canada. It is *just this* that all the provinces of Canada last year fought out bitterly with the Dominion government, and against which only Ontario, Quebec and Nova Scotia were strong enough financially and morally to successfully contend.

To fairly understand the position, sir, of Canadian finance at the present time, we have to remember that during the period 1930-1937 the combined revenues of provinces and

municipalities fell short of total relief and current expenditures by over \$750 million; and this in spite of ruthless cuts on account of education and health services, and the restriction of relief payments in many areas to little more than the barest needs for existence. By 1937 the whole provincial financial structure was falling about the government's ears, so much so that the various provincial bodies were unable to issue securities on the New York stock market when they had obligations falling due. Temporary assistance was given by the Dominion government and on the recommendation of the Governor of the Bank of Canada, a royal commission was set up on August 1, 1937. After three years this Rowell-Sirois Commission made its report and recommendations, but I need not go into that. The plan was endorsed by the Dominion government, and *this* was the plan which subsequently was employed as a basis for discussion at the conference of January, 1941 — which as you will remember, proved a dismal failure.

Hepburn of Ontario thought the publication of the report and the conference ill-timed and complained of the \$500,000 cost of the report. He held that great financial concerns and wealthy individuals who were holders of provincial bonds had engineered the report. He also objected to the surrender to a central authority of rights and privileges granted under the British North America Act. Most of the premiers spoke against the Sirois recommendations, and refused to sit in further conferences. Said Hepburn, "I will not sell my province down the river for all time to come and allow our social services to remain a victim of the *dictatorial methods of a bureaucracy to be set up in Ottawa.*"

However, although three provincial premiers had refused to even sit down to discuss the Rowell-Sirois Report, they all agreed to surrender income tax collection to the Dominion government for the duration of the war and for one year thereafter, as did also the municipalities. As a result the municipalities were compensated yearly to the amount of \$86 million, Nova Scotia receiving less than \$3 million. What would we have got, I wonder? The Dominion finance minister then proceeded to step up rates on personal and corporation incomes to the highest possible point, collecting nearly \$1,000 million in 1943 from these sources alone as against \$123 million