GOVERNMENT BRIEF PRESENTED YESTERDAY

Premier Urges "Fiscal Need" As Basic Claim

Over $600,000 Additional Revenue Required To Balance Budget And Establish "Minimum Reasonable Standard" Of Public Service.

Following is the text of the brief now being presented to the Rowell Commission by Premier Campbell and Government counsel. The full heading reads: "The Case of Prince Edward Island; a Submission Presented to the Royal Commission on Dominion-Provincial Relations by the Government of Prince Edward Island":

Introductory

The Province of Prince Edward Island approaches with a very great degree of caution the preparation of submissions to be made to the Royal Commission on Dominion-Provincial Relations.

On the one hand, this Province continues to believe that, under the existing relations between the Dominion and the Provinces, Prince Edward Island has not been and is not receiving a fair or adequate share of assistance from the Dominion Government; we also believe that the so-called "National" Tariff Policy has worked to the great detriment and disadvantage of Prince Edward Island and the other Maritime Provinces as compared with the larger central Provinces. And yet, on the other hand, by dint of the most drastic economies in provincial administration, by doing without a great many services enjoyed by other Provinces of Canada and by maintaining other services on a modest, and even niggardly scale, by exploiting every feasible source of taxation and revenue, Prince Edward Island has succeeded in attaining a substantial balance between revenue and expenditure.

Our extreme caution in approaching the problems of the Commission is therefore due to our fear that any radical change in the set-up of Dominion-Provincial Relations might upset the finely adjusted fiscal balance of this Province, unless ample precautions were assured that we should not be callied upon to give up any of our existing revenues without relief from an equal or greater amount of present expenditures. As a matter of fact, we shall endeavour to show the urgent necessity of, and the right of the Province to, substantially increased Dominion assistance for the provincial services which Prince Edward Island is obliged to carry on.

But although we must approach the problem with caution, we are not unaware of the necessity for some measure of fundamental readjustment of the financial relations and relative constitutional positions of the Dominion and the Provinces. Prince Edward Island is therefore willing to co-operate to the largest possible extent in the work of the Commission, and in its efforts to discover a satisfactory method of improvement in these directions.

Proposal to Capitalize Subsidies

The subsidy problem has been a vexatious one since Confederation, and has been a constant source of contention among the Provinces.

A plan has been adopted, which appears to us to have considerable merit and which, if adopted, would entirely abolish the present existing subsidies. As this plan is developed, it may appear superficially that it is of exceptional benefit to this Province. On any unbiased examination of the subject, however, it must become apparent that such is not the case. It is true that the debt of this Province is small in comparison with that of others. But this smallness must not be taken to mean that our financial needs are not great. Rather it is an indication that we have lagged behind in the development of many necessary public services. The people of this Province have a deep respect for financial integrity. They have demanded of successive governments that spending be commensurate with a sure ability to pay. During the last decade, however, taxes in both scope and rate have been extended as **far as possible.** Indeed, for a largely farming community, in some respects they have become too high. Any extension of public services would necessitate further borrowing, which in view of our lack of natural resources would endanger our provincial solvency. As a result, our people have been obliged to look on while other Provinces, more fortunately situated, or perhaps with a lesser degree of carefulness, have implemented many services equally necessary here, but which we felt we were unable to afford. We have seen other Provinces forge ahead of us in public welfare work, in health measures, in education. Their public servants have been adequately paid and their public works greatly improved. This is not possible in Prince Edward Island, unless what appears to be undue carelessness is exhibited towards future expenditures. This carelessness we have sought to avoid.

But we do not consider that we should be penalized for our frugality. Nor do we believe that, when our position has been examined by the other Provinces and by the Dominion, when they thoroughly understand and appreciate the extent to which expenditures have been curtailed to ensure sound financing, there will be any danger of discrimination.

We do not propose to examine at any length the weaknesses inherent in the present scheme of Federal assistance to the Provinces. These weaknesses have been recognized by eminent students of public finance in Canada, as well as by other Federal systems employing plans similar to the one followed in Canada. No doubt the many faults of the subsidy system are familiar to the members of this Commission.

We mention, therefore, only two of the many unfortunate features, which appear to us not to have received the consideration to which they are entitled.

In the first place, any examination of past history shows only too clearly the bickering and provincial jealousy which has resulted from the problem. We venture to say that much of the unfortunate interprovincial mistrust today is the result of dissatisfaction among the Provinces over the subsidy question. It seems very desirable, therefore, to remove this source of annoyance for all time from the field of Canadian politics. This we believe possible if the suggested plan is adopted.

In the second place, it will be noted that from the very first it was intended there should be no increase in the amount of subsidies. Yet increases have been periodically made, though at the time of some of them, the adjectives "fixed" and "unalterable" were freely applied. Various reasons for the necessity of these increases have been given. We do not believe that sufficient compensating effect has been given to the constant decrease in the purchasing power of the dollar. Apart altogether from the question of new functions and increasing responsibilities falling upon Provincial governments, the amounts assigned at the time of Union would not now be sufficient to carry out the purposes for which they were intended. There is no reason to believe that this situation will not continue in the future. Consequently, the most careful plan for reallotment of functions, for division of revenue, for subsidy revision, which may be made at the present time, if it includes the payment of fixed amounts to Provincial governments for the carrying out of certain functions, is bound to fail. Sometime in the future the dollar will not be capable of purchasing what it can today. As a result, a Provincial government will be obliged to secure revenue from other sources to carry out services which the subsidy alone was expected to cover. This will lead to financial difficulties and applications will be made for periodic increases in the subsidy. The old problem will begin again.

It is proposed, therefore, to capitalize the existing subsidies at three per cent and to abolish entirely the system of unconditional subsidies for the future, the capital amounts so arrived at to be applied to the reduction of provincial debts.

In the case of Prince Edward Island the proposed capitalization would yield a sum exceeding our provincial debt by approximately fifteen million dollars. No other Province would be in the same position; our unique situation is due to the reasons already given. We propose that this excess sum be placed to our credit at Ottawa and the Province be paid interest thereon at the rate of three per cent. If in the future it should become necessary, the Provincial government should be allowed to withdraw capital amounts from this credit in preference to further Provincial borrowing.

Unconditional Subventions

As a corollary to this plan, we suggest the payment of conditional subventions to a Province if further Federal assistance should become necessary.

(In this connection the brief quotes a lengthy excerpt from Professor Adarkar's "The Principles and Problems of Federal Finance".)

A Suggestion Concerning Provincial Debts

Arising out of the plan to capitalize the subsidies and apply the capital towards the reduction of provincial debts, is the suggestion that the Dominion Government assume the resulting residue of the indebtedness of the Provinces—conditioned on the Provinces yielding up assets and revenue to the Dominion Government commensurate with the new burden it would have to bear. This suggestion is, of course, of no immediate concern to this Provinces. It does appear to us, however, that it is extremely desirable that all the provinces be placed once again on a sound financial basis. Indirectly, the other provinces and the Dominion are deeply interested in the financial welfare of any one province. To the taxpayer, it matters not at all whether his taxes are paid to the federal or provincial authority. If the Dominion Government could assume all provincial indebtedness without any increase in the total amount of taxes to be paid, such a course would result in greatly enhancing the financial standing of all the provinces in the eyes of the lending public and restore that very necessary confidence which has been lost, in certain instances at least.

It would appear, indeed, that to the taxpayers of the provinces concerned, such a shift of financial responsibilities should, in the long run, mean a substantial saving. The Dominion Government can float long term loans at rates greatly below those paid on many provincial bonds.

In the event of any such step being taken, we wish to assert ourselves as favouring the establishment of some type of Loan Council.

Two outstanding suggestions have been made as to the form such a Council might take. The first proposes a scheme under which a province or provinces would become voluntarily associated with the Dominion in setting up a Council to advise in respect to provincial borrowings.

The other plan calls for the setting up of a Federal Loan Council patterned on the Australian model, with necessary changes to meet the Canadian situation.

The advantages of this type of Council have been admirably summarized by Mr. Exley in his Note on the Australian Council:

"1. Enhancing of Australian credit at home and abroad.

2. A management of loans with as little disturbance as possible to the money, work, etc.,

3. Advantage that can be taken of specially favourable conditions.

4. Lower interest rates due to absence of competition.

5. Limitation of loan programs.

6. Provisions for sinking funds in respect of all new debts created by the Loan Council."

(Note on Aust. Loan Council, in the Economic Record, May 1926, pp. 84-87).

This Province favours any such plan which will tend to promote the national well-being, and which will not interfere unduly with provincial autonomy.

Whether or not the foregoing proposals, namely, Capitalization of Subsidies and Dominion assumption of provincial debts, or either of them, are adopted, this Province urges the establishment of some form of federal Council which in future would control or advise upon all important questions of Dominion subsidies, loans and other subventions to the provinces. Such a Council should comprise representatives of each of the provinces as well as of the Dominion.

The Effects of the National Policy

Prince Edward Island entered Confederation on July 1st, 1873. Prior to that time there had been a steadfast refusal to have anything to do with Union on the terms suggested. In 1866 the House of Assembly declared that "any federal union of the North American Colonies that would embrace this Island would be as hostile to its feelings and wishes as it would be opposed to the best and most vital interests of its people." (Prince Edward Island House of Assembly Journal, 1866, p. 95). There is little reason to believe that this feeling and belief had been altered among the people when the Island entered Confederation. But events conspired to force the Island to join. That these events were not of the Island's own making, but were brought about by the Canadian and Imperial Governments, can be clearly seen on an examination of contemporary documents.

The people of Prince Edward Island seem to have had an almost prophetic view of what the result of union would be. Yet once committed to the union, there never was, nor is there now, any question of withdrawal. The citizens of this Province have borne with patience a national policy which has been distinctly not beneficial; they see the citizens of other provinces grow rich at their expense; they see the best of their youth attracted to other provinces, just as they are entering the period when they might become an asset to the community. The only protest has been an occasional request for "better terms."

In fairness to ourselves, and that our position in relation to the Dominion and other provinces may be clearly understood, it seems advisable to emphasize the fact that Prince Edward Island was partly cajoled and partly forced into the union.

At the Conference in Quebec the representatives from the Canadas were accustomed to voice in glowing terms the advantages which would accrue to the Maritimes from a federation. One of their reasons, however, was given by the Honourable G. E. Cartier: "....it is evident that no nation can attain great power without the maritime element. We must have commercial intercourse with Europe during more than six months of the year. You who live down by the sea have sea ports open all the year round and it is better that you should have the benefit of our trade than that a foreign power should have it. We thought that a federation scheme was the best...."

The real reason in the Honourable Mr. Cartier's mind was, no doubt, that in the event of war with the United States, Upper and Lower Canada would have access to the sea through friendly ports. Possibly he did not forsee the other result which has come about—that the Maritime Provinces have been forced to become purchasers from the Upper Provinces, but have been unable to sell their products to any extent to these same provinces, while losing a great part of their natural market to the south. The "benefits" of the trade have been very one-sided indeed.

After 1867 the pressure was applied to an even greater extent. The Imperial Government was very desirous that Prince Edward Island become a part of the Dominion. No efforts were spared to bring this about. The Island Government was discouraged at every turn in its efforts to float a loan. The ever vexatious problem of absentee landlords was refused discussion until the Island should enter Confederation.

In 1767 the Island, then a part of Nova Scotia, was divided into 67 townships or lots, of about twenty thousand acres each. With the exception of some small reservations for three County Towns, and certain fishing rights, these lots or townships were granted to certain persons, having real or imaginary claims on the Crown, in a single day by lottery in London before the Board of Trade and Plantations. Certain terms and conditions as to settlement, etc., were imposed on the grantees, but never carried out (even in part) in ninety per cent of the cases.

Quit rents were reserved to the Crown but the proprietors never paid one farthing of the quit rents, and the Imperial Government let them off on condition that they would pay a lower rate. Even this was never paid. Meanwhile the tenants were obliged to take the lands at whatever rent the proprietors chose to demand from them. In not a few cases they let the lands to the tenants at forty times their yearly value.

The following year Prince Edward Island became a separate colony, and its history from then until Confederation is practically a history of the Land Question. The colony was struggling under a universal leasehold system, and the absentee landlords or proprietors refused in most cases to sell the freehold to the tenants. The latter, eager to buy and own the land, in many cases refused longer to pay rent.

Distress proceedings had the appearance of military manoeuvres—a "Tenant League" was formed in open defiance of the proprietors, and the colony was in a chaotic condition much of the time. Riots were frequent, and it became necessary to call in the aid of the militia from Halifax to keep the peace.

The government of the colony, in an effort to effect a satisfactory settlement of the difficulty, endeavoured to act as an intermediary between the absentee proprietors and the tenants, buying out the lands from those of the proprietors that could be induced to sell, and re-selling same to the tenants on reasonable terms. It was impossible to force the proprietors to sell—legislation to this effect passed by the colony was disallowed by the Imperial Government. A good many purchases were made, however, so that at the time of our entry into Confederation about three-fifths of the land had been bought out and paid for by the Government of Prince Edward Island.

For a complete understanding of these transactions, it must be borne in mind that the Island Government was merely acting as an intermediary between the proprietors and the tenants—acting as a trustee in buying out the lands so that our people (already in occupation) might become freeholders.

It was an enormous strain on so young a colony. The payments had to be made in sterling at London, with the result that money was leaving the country at an alarming rate. The cost of administration was a large item. A complete staff had to be organized under the supervision of a Minister of the Crown. Not all of the land had been properly surveyed, and all this work was done at the expense of the Colony.

The "Quebec" proposals for the entry of Prince Edward Island into Confederation, at the same time as the original Provinces entered, were refused by the Island.

Subsequently the "Terms of 1869" were submitted to the Island Government, whereby the Dominion Government agreed to endeavour to get Great Britain to relieve us of the Land Question, and, failing that, to pay us eight hundred thousand dollars to buy out the remaining proprietors.

These terms were refused by the Island for two reasons: (a) We did not think them sufficiently liberal; and (b) in that they provided for further negotiations with Great Britain, they did not provide an IMMEDIATE solution of the Land Question.

Throughout all these negotiations we see, therefore, that what was contemplated by all was a gift of eight hundred thousand dollars to Prince Edward Island—"for the purchase of lands now held by large proprietors."

We have seen that Prince Edward Island never had any Public Lands. Not only is it that the Government of Prince Edward Island never had the administration of any Crown Lands, but there never were any Public Lands in Prince Edward Island to be administered. On our entry into the Dominion, therefore, we were given a subsidy of forty-five thousand dollars a year,—

"as the Government of Prince Edward Island holds no lands from the Crown, and consequently enjoys no revenue from that source for the construction and maintenance of local works."

Furthermore, we were in a much worse position than if we had been merely landless—because the whole Colony was suffering under the curse of a universal leasehold system.

The Dominion Government, therefore, on our entry into the Union, loaned to the Island Government the sum of eight hundred thousand dollars to buy out the lands remaining in the hands of the proprietors. (Three-fifths of the lands had been bought out prior to Confederation, and paid for out of current revenue). Interest at five per cent on the amount so borrowed was deducted annually from our subsidy of forty-five thousand dollars in lieu of public lands.

Let us suppose, for example, that our Provincial Government was a business corporation, desirous of borrowing eight hundred thousand dollars with which to purchase lands. At the same time it is necessary that we be subsidized to the extent of forty-five thousand dollars a year, to enable us to carry on business. We borrow the eight hundred thousand dollars to purchase the land, and commence to re-sell the same. But, we also commence to pay interest on the borrowed money.

Land sales brought us in a revenue between 1875 and 1900 of something less than forty thousand dollars a year. So that the receipts from sales of land were doing nothing more than paying the interest on the borrowed money.

What then happens after 1900? The stock-in-trade, the land, has all been sold to pay the interest, and we have nothing left—neither land nor subsidy. In 1928 land sales brought in one hundred and seventeen dollars and forty-six cents and no further income is expected from this source.

We would like it to be borne in mind that we obtained no Public Lands from our purchases—most of the land we bought being already occupied by the tenants at the time such purchases were made; and the Province merely acted as an intermediary between them and the proprietors.

We got no advantage as a Province in buying out these lands; instead, we lost a large sum of money, and by the transaction **merely raised ourselves to the level of the other landless provinces.** We were worse than landless in the beginning, at the close of the transaction we were still landless.

As a separate unit Prince Edward Island might have formed a very convenient base for smuggling operations. The problem of sea-coasts fisheries would be greatly magnified if Prince Edward Island were not subject to the same authority as the other Maritime Provinces. No doubt other less material factors had an equally strong influence, such as the very definite desire of the Home Government that the Island unite and the desire of Canadian statesmen to have a rounded out Dominion.

We are emphasizing these points to make our position perfectly clear to the Dominion and the other provinces. Left to herself, with no coercion, direct or indirect, from the Imperial or Canadian Governments, this Province would have been perfectly capable of working out her own destiny, which might very well have resulted in a greater financial prosperity and well-being for her people than they have attained under Confederation. This position we believe to be unique. No other Province became a member of the Dominion under conditions even nearly resembling the same situation.

It may also be asserted that to no other Province have so many disadvantages accrued from Confederation and the National Policy than to Prince Edward Island. The nearest approximation to a similar result is to be found in our sister Provinces of the Maritimes—Nova Scotia and New Brunswick. The whole situation, and the detrimental effects of the National Policy upon the Maritime Provinces, have been analyzed in a thorough and masterly manner by the Honourable Norman McLeod Rogers in a brief prepared by him for submission to the "Jones Commission" appointed in 1934 by the Government of Nova Scotia "to conduct a thorough enquiry into the economic welfare of Nova Scotia and its relations with the Dominion."

(Quotations follow from the Jones Commission report indicating the conclusions reached by that body on the subject, also lengthy excerpts from Mr. Rogers' brief.)

Education

We have already asserted that the disadvantages accruing to Prince Edward Island as a result of the National Policy have been greater than those suffered by any other Province of the Dominion. One of the most serious results of these disadvantages has been the inability of Provincial sources of revenue to meet the expenditures necessary to maintain a reasonable standard of general and technical education.

While Section 93 of the British North America Act, 1867, provided that "In and for each Province the Legislature may exclusively make laws in relation to education," (subject to certain provisions), no provision is made for the financial arrangements resulting therefrom. Whereas at the time of Confederation it was supposed that each Province would be in a position to finance its own educational program, many conditions have since arisen to prove otherwise.

There were a number of reasons for this provision in the British North America Act, among them the safeguarding of racial and religious minorities, the isolation of the Provinces, and the lack of conception on the part of the framers of the Constitution that Canada would become the nation she has become. In the seventy years that have since passed, each Province has built up its own school system, with regard to its own particular needs and any attempt to secure uniformity among the school systems of Canada would meet with serious difficulties.

Similarly it would appear impossible, at the present time, to secure any general agreement for the transfer of educational control to the Dominion Government.

There are, however, different classes of Provinces in Canada: the fortunate ones, and those which have not been so fortunate. Where it is found that a Province is unable, by the exercise of strict economy, to provide such educational facilities as should be the birthright of every Canadian, then the Dominion Government is bound to consider the national aspect of the situation. An approximately equal—not necessarily identical—education is the right of every young person in Canada, and the nation as a whole should take such steps as circumstances will permit to provide this equality.

Statistics will show that our per capita wealth is the lowest in the Dominion. In Prince Edward Island a condition of well-distributed relative prosperity is translated into a feeling of comparative poverty for the reason that all the other Canadian Provinces have inherited great natural resources, which give opportunity for vast expansion. Prince Edward Island, with its present disabilities, can conjure up no such brilliant future.

The earning power of our people is the lowest, and the per capita wealth is the second lowest, of any Province in Canada.

Per Capita Wealth of the Canadian Provinces 1936

(Canada Year Book 1937, p. 863)

British Columbia	$3,414
Alberta	2,721
Saskatchewan	2,711
Ontario	2,468
Quebec	2,269
Manitoba	2,201
New Brunswick	1,739
Prince Edward Island	1,558
Nova Scotia	1,514

Again, in 1933 the per capita sale of life insurance in this Province was the lowest in the Dominion. It amounted to $11.00, while for all Canada it was $33.70 per head.

In Prince Edward Island there are 12,800 farms. Of these:

3,400 are of less than 50 acres;

5,200 are between 50 and 100 acres;

3,600 are between 100 and 200 acres; and

600 are over 200 acres and less than 500 acres.

(The Maritime Provinces in their relation to the National Economy of Canada—Dominion Bureau of Statistics, 1934).

Our agricultural set-up is therefore of the small-scale variety. There are no nearby large centres of population to absorb our agricultural products.

No country can hold its own in the modern world without a citizenry which is educated to an extent of which our forefathers would never have dreamed. In the face of these conditions, our nation cannot exist half ignorant and half educated. Provincial lines have faded before our modern transportation facilities. Every child born in one Province is a potential citizen or criminal of some other Province.

In the year 1936 there were in operation in Prince Edward Island 476 schools, employing 657 teachers. Of these schools 413 were one-room rural schools. Only 68, or one-seventh of the schools of the Province, had more than one teacher. The number of children in attendance for 1936 was 18,183. In 1889, fifty years ago, the number of children enrolled in our schools of Prince Edward Island was 23,045. This loss of population, (a direct result of the National Policy), with the consequently increased number of small one-room schools, (150 schools have an average daily attendance of less than 15), has given rise to the most difficult problem the education authorities of the Province are called upon to solve. These small schools are extremely costly, the cost per pupil being sometimes as much as $100.00 per annum. And yet these schools must be kept in operation.

Of the 657 teachers in the schools in 1936, there were 120 beginners. Another 100 had only one year's experience. 144 had from five to ten years' experience, while only 118 had taught for ten years or more. It is evident that under existing conditions the teaching profession has no permanent attraction, certainly none whatever in the one-room rural school. The average time spent in the profession by the 657 teachers is about six years. Moreover, 465 are young women, the majority of whom are still in their teens. Only 34 men with more than ten years' experience are now employed in our schools and of these only seven have had more than twenty years of service.

Prince Edward Island is the only Province in Canada where the principle of governmental responsibility in education has been recognized, and expenses paid, by more than fifty per cent. In this Province, as the following table shows, more than sixty per cent of the total cost of education and more than seventy per cent of teachers' salaries, are borne by the Provincial Government:

Table No. 1

	Total expenditure for education	Government expenditure for education*	Per Cent
1930	$496,234.22	$306,390.40	61.7
1931	510,951.63	321,507.63	62.9
1932	543,307.50	324,830.87	59.7
1933	526,921.45	344,109.25	65.3
1934	513,668.01	347,954.00	67.7
1935	575,701.03	351,778.83	61.0
1936	543,109.49	343,938.68	63.0

Average per cent—63.0.

Table No. 2

	Total salaries paid teachers	Amount paid by Governmen	Per Cent
1930	$342,928.00	$249,246.00	72.6
1931	356,791.00	258,904.00	72.5
1932	353,953.00	263,034.00	74.3
1933	348,689.00	264,210.00	78.6
1934	346,282.00	262,351.00	75.7
1935	348,471.00	264,541.00	75.9
1935	354,449.00	265,723.00	75.8

*Gross Average per cent—74.9

Without Crown Lands, without natural resources, without manufacturing industries, without any distinctive advantages, our limited financial resources not only fail to permit the undertaking of a complete system of education,—but the very existence of the present one is often seriously threatened.

It must be agreed that the national importance of education justifies the Dominion Government in taking what steps circumstances will permit to foster this service, the most important of all the social services, and to give aid where aid is needed to those provinces which, like Prince Edward Island, are unable to secure revenues adequate to maintain a reasonable standard of general education.

The standard of general education should be the same throughout Canada. Some Provinces are unable to maintain this standard. It remains for the Canadian Government to equalize this difference. No state can rise above the level of the education of its citizens.

The concentration of wealth in certain areas, creating inequalities in funds available for the education of children, has become a grave national problem. This problem can be solved only by the Federal Government, the sole agency which collects taxes over the entire nation and distributes them to promote the welfare of the whole nation. Problems which affect the welfare of the entire nation, no matter how localized, should be declared national problems and dealt with as such. We should tax the wealth of the nation wherever it is found to educate the children of the nation wherever they are.

In Prince Edward Island we are able to spend far less per pupil per annum than any other Province; and yet our Provincial Government pays more than twice as much towards such cost as any other Province.

The following table shows the amount spent on schools in the various Provinces in 1934:

	Amount	Average attendance	Amount per pupil
P. E. I.	$ 428,055	13,399	$31.95
Nova Scotia	3,735,048	93,294	40.03
New Bruns.	2,569,533	72,109	35.62
Quebec	21,237,377	542,355	39.16
Ontario	43,028,428	614,249	70.05
Manitoba	6,617,753	120,314	55.00
Sask.	7,557,281	175,457	43.07
Alberta	9,551,849	139,155	68.64
B. Columbia	7,655,193	103,408	74.03

Percentage of Provincial Government expenditure on education of total expenditure on education by Provinces (1933).

Prince Edward Island	65.3
British Columbia	29.9
Nova Scotia	25.8
Quebec	22.4
Saskatchewan	20.3
New Brunswick	17.3
Manitoba	15.9
Alberta	14.9
Ontario	12.0

We are further of the opinion that federal grants should not be stated to be specifically in aid of any one branch of education, such as agricultural, technical, or commercial schools. To do this would run the risk of artificially stimulating a given class of education.

We must have a system carefully thought out and efficiently administered, one which will balance the needs of the whole of Canada in education against the resources of the whole of Canada. It is for this reason that we favour substantial Dominion subsidies definitely earmarked for education, though not for any specific educational service, and granted on some basis of provincial need.

Financial Arrangements With The Dominion

It has been laid down as a basis of proceedings that the present Royal Commission "will not review findings of the Duncan or White Commissions but will accept these as part of the general situation affecting Dominion-Provincial relations."

From the point of view of Prince Edward Island, this ruling must be subject to the following limitations:

(A) The Province cannot accept the finality of the findings of the White Commission.

In the report of the Duncan Commission, at p. 19, we find the following conclusion, on financial arrangements:

"6. Conclusion on Financial Arrangements.

"It follows from what we have said, that both in respect of grants for the machinery of governments and in respect of debt allowances, the Maritime Provinces have satisfied us that they have a genuine claim to a readjustment of the financial arrangements that exist between the Dominion and themselves, and that in any readjustment their territorial limitations entitle them to still further consideration.

"The terms of readjustment are obviously a matter for detailed determination and assessment, so that the actual amount—as well as the reasons and purposes attaching to it can be recognized by the rest of Canada as fair and equitable. It is not possible, therefore, to make a final recommendation as to the increase and form of Dominion aid which is required to satisfy the just claims of the Maritime situation, but we recommend that the Dominion Government should give immediate consideration to the whole of this subject, with a view to complete revision of the financial arrangements as between them and the Maritime Provinces. We do not feel, however, that it would be right or wise that the Maritime Provinces, in their present state of grave necessity, with deficits accumulating against them in their ordinary revenue and expenditure, should be left in suspense until a reassessment is made by the Dominion Government, and accordingly we recommend that immediate interim lump sum increases should be made in the payment to the three Maritime Provinces as follows:—

Nova Scotia	$ 875,000
New Brunswick	600,000
Prince Edward Island	125,000

These interim payments should be continued until the Dominion Government has had time to complete its investigation and reassessment."

Attention is especially directed to the following words: "The terms of readjustment are obviously a matter for detailed determination and assessment."

The White Commission, as appears by a recital in its commission of authority, was appointed to "deal with the recommendation of the Duncan Commission, that there be a revision of the financial arrangements between the Dominion Government and the Maritime Provinces." This clearly inferred that the duty of the White Commission was the "detailed determination and assessment" reserved by the findings of the Duncan Commission.

The White Commission, however, (at p. 21 of its report) comes to the conclusion that "the assessment in detail of each of the claims presented before us is manifestly impracticable."

It will therefore be seen that the White Commission, while finding impracticable the specific function which they were appointed to perform, fell back on what they termed their own best judgment, and decreed that the result of their own best judgment should be a final equitable settlement of the claims brought before them for adjudication.

This Province obviously cannot accept the finality of such a finding.

(B) One of the important aspects of the "detailed determination and assessment," which was the intended function of the White Commission, was clearly the fiscal need of the Provinces. So manifestly was this consideration overlooked in the finding of the White Commission that a memorandum of dissent was filed by the Honourable John A. Mathieson, C. J., and incorporated in the report of the Commission. At p. 23, the Honourable Mr. Mathieson says: "The report greatly minimizes, if it does not quite repudiate, the relevance of the question of fiscal need . . vital questions referred to this Commission remain undetermined by this report, and the increase of subsidy proposed will give but partial and temporary relief. The lapse of more than eight years since the Duncan report went into effect has witnessed such necessary increases in Governmental expenditures in the case of all the Provinces as will quickly absorb the present proposed increases, and still leave them in a position to compel diminution of necessary expenditure on provincial services, or a further increase of provincial debt or of local taxation, or of all three combined."

The prediction of the learned Chief Justice was more than amply justified by the fact that in 1935, the first year in which Prince Edward Island received the full additional subsidy recommended by the White Commission the Province had a deficit on ordinary account alone amounting to over $376,000. This is in spite of the fact that Prince Edward Island has never considered itself able to afford many of those social services which have borne so heavily upon the governments of many of the other Provinces.

The Province of Prince Edward Island must therefore insist upon the above limitations to accepting the findings of the Duncan and White Commissions, and must submit that even under the present general situation affecting Dominion-Provincial relations this Province is not receiving due consideration from the Dominion.

The inequalities of the situation seem to be growing, rather than lessening. In the comparatively new field of direct relief, in which the Dominion has in recent years made grants-in-aid to the various Provinces, a comparison can be readily obtained.

The following table of grants-in-aid-of direct relief by the Dominion to the various Province from August 1934 to March 31, 1937, speaks for itself:

Prince Edward Island	$ 76,961
Nova Scotia	1,587,454
New Brunswick	987,781
Quebec	19,755,623
Ontario	23,706,750
Manitoba	5,334,019
Saskatchewan	7,902,256
Alberta	3,951,125
British Columbia	5,926,687
	$69,228,648

The above table clearly indicates the almost ridiculously small assistance which Prince Edward Island has been receiving from the Dominion Treasury, in comparison with the grants to the other Provinces. In this, as in a great many other respects, this Province appears to be penalized by the Dominion for the drastic economies which the Island exercises in its provincial expenditures.

Frugality And Taxation

It has been only by the exercise of the very drastic care that Prince Edward Island has avoided insolvency; this care has extended in two directions:

(a) A most drastic economy in expenditures. This has not only meant doing without a great many services enjoyed by the other provinces, but has involved maintaining the barest necessities of administration, education, and other public services, on a scale and at a cost ridiculously low in proportion to those prevailing throughout the other provinces.

(b) The province has exploited every feasible means of raising a provincial revenue. In the words of critics, successive governments of the province have taxed everything tangible and intangible. It will be found that the number and variety of provincial taxes in this province is unusually great, and that in almost every branch of taxation our rates are considerably higher, and our scale of exemptions considerably lower, than those prevailing throughout the other provinces.

The following list will indicate some of the respects in which this province has done without public services, or carried them on at an abnormally low rate of expenditure:

(1) Prince Edward Island has **no** Mothers' Allowances.

(2) Prince Edward Island has **no** technical education.

(3) Until recent years the province was able to spend practically nothing on hospitalization, or public health services. A public health service was started in 1931, but up to the present the sum which the province has been able to spend on these services is entirely inadequate to the needs of the situation.

(4) Owing to lack of revenue, the province has been able to touch only the fringe of the problems of juvenile delinquency and child welfare.

(5) Since the inauguration of Old Age Pensions, Prince Edward Island has paid its pensioners on the basis of a maximum pension of $180.00 per year, whereas every other province which has inaugurated the scheme is paying on a basis of $240.00 per year. Even with this peculiar economy, the Old Age Pension system imposes a heavy strain upon the finances of the province.

The table given below indicates the average monthly payment to old age pensioners in every province in Canada for the year 1936:

Alberta	$18.27
British Columbia	19.20
Manitoba	18.68
New Brunswick	13.50
Nova Scotia	14.63
Ontario	18.32
Prince Edward Island	10.63
Quebec	17.95
Saskatchewan	16.51
N. W. T.	18.98

(6) The school teachers of the province, as well as all those engaged in educational work, are grossly underpaid, the average yearly remuneration of the primary and graded schools of Prince Edward Island, including both city and country districts, from all sources (government as well as local district) may be shown under the following classification:

Schedule

First Class teachers, male	697.
First Class teachers, female	601.
Second Class teachers, male	493.
Second Class teachers, female	445.
Third Class teachers, male	400.
Third Class teachers, female	368.

The remuneations of teachers in academies and junior colleges are correspondingly inadequate. This situation is very unfortunate, as it prevents the teaching profession from having the degree of permanency and prestige which is so necessary to the successful operation of an educational system. But the province is practically helpless in the situation, as no additional provincial source of revenue can be discovered which would improve the conditions referred to.

(7) The public servants of the province engaged in the various branches of the administration are employed at an excessively low scale of payment. The number of public employees is inadequate to the carrying out of necessary services; the resulting overwork imposed on public employees and the extremely low rate of wages paid preclude the expansion and efficient operation of public services so urgently demanded by modern conditions.

Following are a few instances of the annual salaries paid to public officials of the province:

Premier of the Province	$ 1,000.00
Minister of Public Works and Highways (full time)	2,000.00
Minister of Agriculture (full time)	2,000.00
President of the Council	1,000.00
Attorney-General (including full administration of Government Liquor Stores and enforcement of liquor laws)	2,000.00
Minister of Education	1,000.00
Provincial Secretary-Treasurer	500.00
Minister of Public Health	500.00
Total Ministers' salaries	$10,000.00

(Continued on page 10, Col 1)