



FORMER MINISTER ARRESTED

VANCOUVER, B. C. Robert charged with conspiracy to accept bribes. He was arrested city jail under RCMP escort and brought to Vancouver from

sonal income per capita, the annual increase would be some twenty to twenty-five per cent higher.

We are fully confident that, with the support of our sister provinces, and after hearing our appeal, the Government of Canada will find the ways and means by special legislation if necessary to increase the present financial arrangement by the amount requested.

NOT ALONE "We realize that we are not alone in dealing with the problem of securing more adequate fiscal arrangements. Other provinces, in spite of competent and economic provincial provisions, find themselves like ourselves unable to maintain the standard of government services normal to this country. Where such conditions prevail, they too should be corrected by a special grant.

"Of all our national policies, in a century which Laurier predicted would be Canada's, this one would contribute more to national unity and national spirit, as well as local prosperity, which all our governments must surely desire."

SUMMARY OF BRIEF The brief notes that Canada, as a federal state, has three levels of government—national, provin-

ilities are unmetting their needs. The automobile for instance, has created the need for greatly improved highways, roads and adequate bridges to carry heavy loads. Changing ideas of social welfare is another example and future holds more problems of this kind in store.

Existing federal subsidies are a revenue from local sources have proved totally inadequate for these requirements. In some cases, as in Prince Edward Island, these steadily increasing obligations have resulted in an ever growing debt with its accompanying debt charges.

"The Tax Rental Agreements may have produced a tax structure that is on the whole somewhat efficient, despite the lack of universal agreement," says the brief, "but they are not the fundamental solution to the financial problems of the provinces of government. They have enabled some of the provinces to substantially expand their provincial, social and other services, and assisted in the development of their natural resources. But an examination of our accounts will prove, beyond doubt, that the financial benefits accruing to the Province of Prince Edward Island is not sufficient to meet its material needs let alone provide for expansion of services and development projects."

INHERENT WEAKNESSES Among the weaknesses inherent in the present scheme of federal assistance, the brief notes the following: Tax rental agreements, past and present, have been based upon a per capita plan of compensation. The combination of a "standard" tax yield and "equalization" grant does not really compensate for the inequalities of the per capita plan. Actually, a proper equalization adjustment would have to take into account the natural resources. But again the existing plans fail to recognize the differences in tax effort in fields other than income taxes. Also they do not allow for the steady decline in the purchasing power of the dollar.

An authority on public finance is quoted as saying that the relative improvement of the four Atlantic Provinces is less marked under the new scheme of "equalized tax potential" on a per capita measurement than would be expected, because under the tax rental agreements these provinces were receiving a higher per capita payment than most other provinces. Other authorities are quoted as emphasizing the unfairness of the system, particularly with regard to the population factor as a sufficient index to necessities condition.

"For these reasons," says the brief, "we wish to record our disapproval of any financial arrangement that is based purely on theoretical calculations designed to meet only one purpose, and not the actual financial requirements of provincial governments. The Maritime Provinces need an equivalent level of education, health and welfare services, and economic development without resort to the aid of federal subsidies. The Canadian average. Experience has indicated that the parental agreements have provided these means."

Any proposed plan for payment of unconditional grants is urged, should be adopted only after a thorough re-assessment of the relative needs and resources of the various provinces. "Evaluating present and future demands for five year periods and then determining the annual payment to be made to each province, sufficient to enable it to meet those demands, is in our opinion the most realistic approach for some of the provinces to forecast their budgetary needs for five year periods, but it is the only exact method that will solve Prince Edward Island's local problems compatible with present conditions and tax ability."

"If it is the policy of the present Federal Government to continue in the same method of approach, we suggest that it should be permitted to fall below the Canadian average and it would also protect the provinces against a slump in provincial revenues resulting from low prices for their primary products."

As a dominant factor in taxation in Prince Edward Island the brief stresses the natural financial limitation of an agricultural community, with few other resources, the result is inability to pay for needed services or to make adequate salary provision for government personnel, teachers and others who are now remunerated at rates much lower than those paid in Charlottetown by the Federal Government and private industry.

Because of the size of the Province the Provincial Government finds itself carrying on, not only its own functions, but also many which elsewhere would be handled by municipalities. Cited in this connection is maintenance of hospitals for mental illnesses and for tuberculosis, health clinics, research laboratories and a town planning office. "The government cannot divert too large a portion of its revenue to municipal purposes because the urban population comprises less than one-quarter of the total and it depends so much on the welfare of the rural community. To maintain this balance is a difficult task."

TAX SOURCES EXHAUSTED "This Province," states the brief, "has exploited every feasible source of taxing provincial revenue. In the words of critics, the Province has taxed every thing tangible and intangible. For instance, at the last session of the Legislature the Province increased its gasoline tax to 16 cents. It will be found that the number and variety of provincial taxes in this Province is unusual, and are considerably higher, and our scale of exemptions considerably lower than those prevailing throughout the other hand, by dint of the most drastic economies in Provincial administration and by maintaining the barest necessities of education and other public services, on a scale and at a cost, ridiculously low in proportion to those prevailing throughout the other Provinces, the Province has not succeeded in attaining an even balance between its overall revenue and expenditure.

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The brief estimates that more than two million dollars additional revenue is required to meet educational needs alone. CIVIL SERVICE just amounts to some \$228,000 per annum less in sorely needed revenue.

EDUCATION "Education illustrates the situation. The school teachers of the Province, as well as all those engaged in educational work, are grossly underpaid: the average yearly remuneration of a first class teacher was \$2,668 in 1956. "The remuneration of teachers in academies and junior colleges are correspondingly inadequate. This situation is very unfortunate. It prevents the teaching profession from having that degree of permanency and prestige which is necessary to the successful operation of an educational system. But the Province is helpless in the situation as no additional provincial source of revenue can be discovered which would improve the conditions referred to.

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