THESE ARE THE FACTS

of the Dominion-Provincial Conference on the Sirois Report

***IT IS PARTICULARLY IMPORTANT** at this critical phase of our national life that the people of the Province of Ontario should be given the facts and allowed to base their considerations and judgment on them.*

***There is very little doubt** that in many instances opinions have been based on speculation, propaganda and rumor.*

***The statements given herewith** are taken from the Official Reports of the Conference as published by the Dominion Government.*

HON. MITCHELL F. HEPBURN, PRIME MINISTER AND PROVINCIAL TREASURER OF ONTARIO, (Vol. 1, Pages 14 to 20):

"Mr. Prime Minister and gentlemen, during this time of stress and strain and ruthless warfare I have never publicly criticized the Sirois report or its recommendations. I did make a statement about the timing of the publication of the report because I believed then, and still believe, and am joined in this belief by many persons, that I did a public service in calling attention to the act of throwing into the arena of discussion a highly contentious document at a time when people who love the Empire and all it stands for are concerned with one thing, and one thing alone—the successful prosecution of a victorious war in which our national security is at stake. For if our effort fails, Hitler, and not the delegates present at this dominion-provincial conference, will settle our domestic problems.

In this regard the policy of the government of Ontario has not changed in any particular. Those of us who represent the central province have been consistent in our attitude.

Some while ago a former associate of mine in the House of Commons, my good friend the Minister of Finance, journeyed to Toronto, at which time he discussed with Mr. Nixon, Mr. McQuesten, Mr. Walters and myself the advisability of implementing the recommendations of the Sirois report. Along with my colleagues present, I urged—yes, almost begged him to use his influence to prevent this becoming a national issue during war time. I am satisfied he conveyed my message to the Prime Minister. I was, therefore, somewhat perplexed when, a few days later, I received a letter from the Prime Minister of Canada advising that a conference would be called and that the federal government was, in effect, recommending favourable consideration of the commission findings. Again, in order to maintain our consistency, I replied as follows:

'I have your letter of November 2nd, regarding the Sirois commission report.

'I was hopeful that a discussion of this problem could be delayed until after the war so that there could be no possibility of any controversial issue arising which might impair national unity and the effective prosecution of the war.

'However, in view of the fact that a conference is to be called it is the intention of this government to make available its representatives any time that may be required after the middle of January, as suggested by you.'

Later still, on December 28, 1940, the Prime Minister in a letter stated in part:

'In view of requests from several of the provinces, a proposed agenda which we will recommend to the conference has been worked out and is outlined below.'

Not having been asked for, nor having made any recommendations, I therefore am free to suggest that further consideration be given to the following sentence in the letter in question:

'I should like to emphasize the view of the government that the opening session should be confined to general statements and not to debate on points of detail or special circumstances.'

Public Should Be Informed

The following paragraph of the letter informs us that the conference will then resolve itself into working committees, which will sit in camera.

The Ontario delegates desire that we state our case publicly and briefly and at no time be a party to a scheme which withholds from the press and the public vital information to which they are justly entitled.

We were not informed nor consulted with regard to the terms of reference contained in the order in council passed by the dominion cabinet which gave life to the commission itself.

When Ontario's presentation was made we asked for nothing. When the findings were agreed upon by the commissioners, Ontario had no representative, Mr. Rowell having long before retired because of ill health. But later on we were presented with a costly five hundred thousand dollar report—the product of the minds of three professors and a Winnipeg newspaper man, none of whom had any governmental administrative experience, and whose opinions all of us cannot share.

In view of the fact that, in the report itself, it is stated that Mr. Rowell had nothing to do with it, his name, which has been tagged on for purposes of propaganda, can very well be omitted in future.

Those of us who believe in democracy abhor the very word propaganda because the circulation of ready-made opinions by any centrally-controlled power is the most dangerous enemy of civilization. From this perspective we see the evil working of such a vicious system in Europe, leaving in its wake misery and suffering which shakes one's faith in humanity itself.

Can Provinces and Dominion Both Win?

Let us guard carefully for fear a similar frankenstein does not appear in our midst. In the first flush of public reaction the propaganda machine made it appear that to implement this document would make the provinces richer and, at the same time, make the dominion richer by the simple process of transferring debts and revenues to the central government.

Inasmuch as there are only two parties to the deal, surely one need only to have an elementary knowledge of economics to appreciate the fact that both cannot win. Unless there are transferred with the debts sufficient existing provincial revenues, the dominion will have to increase taxes or debt or probably both. This does, however, offer an opportunity to explore every possibility of reducing all governmental costs in Canada and, to this end, Ontario is prepared to cooperate to the limit at the right time. That is a domestic problem to which we can devote time and effort as a post-war problem, and much better be it so too, because the financial problems of to-day may have very little relationship with those of a year hence.

I am convinced that the commissioners were genuinely sincere, and others also, when months ago they stated that by assuming the cost of employables on relief the dominion would render a financial favour to the provinces and the municipalities. But anyone who says so to-day, if conversant with the true facts, is guilty of unadulterated 'humbug'.

Unemployables Major Problem

Hon. Mr. Howe said some while ago that, since the report was written, more than half the employables have secured jobs and that the other half would be absorbed in industry during this year. I believe Mr. Howe. In fact, if we are going full out in this war effort, it is a reflection on the government not to put to work immediately the physically fit adult males of all Canada. But the end of employable relief problems does not by any means solve the issue. There is still left the army of unemployables, who to-day make up the vast burden of relief and, generally speaking, will continue to do so.

Under present arrangements, the dominion contributes forty per cent. towards the cost of food, clothing and shelter. If this report is adopted in its entirety, the dominion will contribute nothing and its former share will have to be borne by the provinces and municipalities after revenues, out of which these costs were formerly met, have been surrendered to the dominion. I am sure the actual working out of the system is quite different from that anticipated. When the report was written, on page 85, Book II, it is said that the taxes left to the provinces are more stable. In Ontario, we shall have left the profits from the Liquor Control Board operations, vehicle licences and gasoline tax. Where is the stability?

Wartime prohibition, as a dominion measure, has already been requested and, if my memory serves me correctly, the Minister of War Services stated, and quite properly so, that the federal government has the power to enact such a measure.

Already a Fuel Controller has been appointed and he has the power to regulate the distribution of gasoline. As a war measure, he could deprive us entirely of revenues from the licensed vehicles and gasoline. We should then have to go to the dominion authorities with a tin cup in our hands saying—'either contribute to the extent of our loss of revenue or pay for the social services of Ontario'—and, believe me, they are many and varied in this age of growing paternalism.

When the Prime Minister addressed to me on November 2nd, 1940, a letter with reference to this proposed conference, he said in part:

'While the cost of unemployment relief has been reduced, the war has cast additional burdens on governments and taxpayers alike. It has inevitably increased the competition between governments to secure revenues, and has aggravated the overlapping, cumbersome and discriminatory character of much of our tax structure.'

Ontario Co-operates on Income Tax

I take this opportunity of referring to the actions of the government of the province of Ontario with respect to the Income Tax Act of Ontario. Perhaps I should explain that the Income Tax Act of Ontario differs from the acts of most of the other provinces in this respect—that we allow as a deduction from the income of the Ontario taxpayer the amount of tax paid to the dominion government under the Income War Tax Act before we impose our own tax.

Is that interfering or competing with the dominion, especially as it has been admitted by former ministers of finance of Canada that for the dominion to levy an income tax at all is to invade provincial fields of taxation?

To make such an allowance as I have set out is not competing with the dominion; it is taking a secondary position to the dominion. Furthermore, let me state that the province of Ontario was the first province in Canada to arrange with the dominion to save the cost of collection of the income tax and the economic waste of time of taxpayers; Ontario arranged with the dominion government that the Ontario tax should be collected by the same dominion officers and at the same time as the dominion tax is collected.

That is not competition. That is cooperation, admitted by all, and due credit being given by all taxpayers affected.

Further, the dominion government on September 13th, 1939, added a surtax of 20 per cent. applicable to income of 1939 and subsequent periods. This meant a lesser amount of income left in the hands of the taxpayers to be subject to the Ontario tax. The province of Ontario agreed to absorb this loss in revenue.

Ontario Suffers Revenue Loss

On August 7th, 1940, the 20 per cent. surtax and all the old rates under the Dominion Income Tax Act were repealed and in their places newer and higher rates were enacted, and at the same time, exemptions were cut. These changes were applicable to the incomes of 1939. Besides these changes in rates, the new National Defence Tax was enacted applicable to incomes earned from July 1st, 1940. The effect of these added imposts was to seriously reduce the revenues of the province of Ontario, and it is estimated that for the fiscal year which begins on April 1, 1941, the province of Ontario will suffer a loss of revenue of upwards of two million dollars.

We have turned over the Elgin Hospital—a seven million dollar institution—and many other provincial properties, without payment or reward and will continue to do so.

We have curtailed our capital expenditures and have delayed necessary works—works that would have been profitable and would have yielded additional revenue.

Then, too, in an effort to encourage the incoming of American tourists who will bring with them much needed American dollars, so necessary to enable the dominion to save exchange and prosecute the war, the province of Ontario has undertaken to expend on publicity and advertising for tourists this year the sum of three hundred thousand dollars. That, according to officials of the dominion government, is cooperation, not competition.

And in respect to the Corporations Tax, it will be within the memory of the representatives of the various provinces here that the authorities of the dominion government have appointed a board to be presided over by the Hon. Charles P. McTague, Justice of the Supreme Court of Ontario, which board has been formed to determine the amount of obsolescence and depreciation that may be allowed taxpayers as a write-off against profits which will be subject to war taxation. The government of the province of Ontario has announced that it will accept without question the findings of this dominion-created board.

Ontario Not Competing

Time does not permit a lengthy recital of other acts of cooperation on the part of the government of the province of Ontario, but I challenge anyone to successfully charge the government of Ontario or, for that matter, any other province, with competition for revenue in fields that do not exclusively belong to the provinces, or with any lack of cooperation whatsoever.

On the other side of the picture, even although the organization of Resources Committee, patterned after the one that functioned so effectively in the last war, was set up by our Ontario Legislature—and by unanimous vote—the nucleus, with power to add, consisting of His Honour Lieutenant-Governor Matthews, Colonel Drew and myself—and even although well over a year ago we journeyed to Ottawa and personally pledged, on behalf of the organization, the fullest measure of cooperation in every possible war effort, the secretary of the organization now advises me that not a single request or communication has been received from the federal government.

Any just criticism that may be levelled against the government of Ontario for its considered judgment on this issue my colleagues and I accept without complaint. But if the propagandists believe for a moment that, because of our attitude, we will remain silent while insinuations are broadcast deliberately for the purpose of branding us as unpatriotic, unneighbourly with our sister provinces, or guilty of doing anything to block Canada in achieving our maximum war effort, then I say to them, 'We shall defend ourselves from that kind of attack here, on the floor of the legislature, and on the public platform.'

Here I avail myself of the opportunity of warning the purely financial press and others that they have overplayed their hands by attempting to cloak this report with the garments of patriotism and under the exigencies of war would do irreparable damage to both national unity and confidence.

I desire to quote one authority as a case in point. The Toronto *Star*, a supporter of the present federal government in its editorial of November 30th, 1940, says:

'The *Star* believes that the general idea of the report is a good one, the idea that the dominion should be the chief tax collector and, as an offset, assume certain provincial responsibilities.'

That was the then friendly policy of that paper. What did the *Star* say in its editorial of Saturday, January 11, 1941? I quote:

'The report has, naturally enough, strong backing. Great financial concerns and wealthy individuals who are holders of provincial bonds support a project which would place the credit of the dominion behind provincial securities whose market value has greatly deteriorated. A Toronto broker has estimated that adoption of the report might add as much as $20,000,000, $40,000,000 and $60,000,000 to the value of the bonds of Manitoba, Saskatchewan and Alberta, respectively. This gift to the bondholders would be more costly to Ontario than any other province. Ontario's own bonds would not be increased in value to any marked degree, as its credit closely approaches that of the dominion. A feature of the arrangement not generally realized is that in the case of Alberta the dominion would assume not only the provincial debt, but the defaulted interest on the same. This had reached $3,400,000 by 1937 and stands now at a much higher figure. Ontario's federal taxpayers provide nearly half the dominion revenue out of which this gift to the bondholders would be provided.'

That shows the changing opinion of that great publication. Why? Because that and other newspapers, sensing public opinion, are reflecting the growing suspicion of the awakening public mind. As a political observer I say that there is a fast developing body of opinion, not without cause, now promoting the idea that behind this untimely move, ostensibly as a war measure, is a well-cooked, nefarious deal to make good the losses in depreciation of certain bonds held largely by financial houses, to collect unpaid interest on Alberta bonds and to cause a sharp appreciation in bonds of certain provinces, which bonds were, because of circumstances beyond the control of the respective provincial treasurers, actually sold at much less than par, although the coupon rate was abnormally high. This possible huge capital appreciation is not even subject to federal income tax.

I solemnly warn those who are obviously pressing for such action that they may aggravate that suspicion and destroy completely public confidence in governments.

Canada Must Be United

Now I come to a subject of even greater importance—national unity. We have it to-day. All Canada is behind the prosecution of the war. We are a united people. We need be. We have a common foe in the dictators. I happen to know something about religious and racial issues. I can speak feelingly on this subject.

We tried, as a government, to remedy a simple obvious injustice and inequality with regard to school tax revenues. We failed, and the very ones we tried to help were as anxious as anyone else to have us retrace our steps. Is not a similar situation, on a larger scale developing today?

Already there are rumblings that Quebec is getting preferred treatment. I know that, to some extent, there are extenuating circumstances. But the fact remains that Quebec is being relieved of some of her municipal debts, while other provinces are not. Quebec is to receive an eight million dollar yearly irreducible subsidy, while others including Ontario, are not to receive a cent. Again there are extenuating circumstances. But explanations do not always explain such cases with certain sections of society.

The Toronto *Telegram* is a powerful newspaper and reflects the opinions of many citizens of Ontario who have a great respect for its considered opinions. The Toronto *Telegram* has dealt with this aspect of the report with great effect. I shall not quote from its editorials—that is not necessary. All I can say is not to underestimate the power of the press in this regard. This new issue being developed presents a challenge to those of us who believe in national unity. To blind ourselves to the obvious is not fair to Canada, not fair to our neighbouring province of Quebec, especially when by this deal, according to the best constitutional advice I can get, Quebec and the rest of us will have to agree to a surrender to a central authority of rights and privileges granted by the British North America Act. I say that so long as my colleagues and I have any say in directing public policy for Ontario and so long as there is a British North America Act in its present form, which cannot be amended at will by a mushroom government that may in future take office in Ottawa, we shall, as a sister province, stand solidly beside Quebec if at any time her minority rights are threatened. On this sound foundation of national unity we stand as firm and resolute as the Rock of Gibraltar itself. To lay hands on the life work of Sir Wilfrid Laurier and Sir John A. Macdonald is nothing short of national vandalism.

Do We Fiddle While London Burns?

In the post-war period we may have to open our gates to thousands, yes millions, of European homeless and destitute. If this eventuates, the British North America Act may serve a useful purpose until the process of assimilation is completed.

Is this the time to send a courier to bomb-torn London with a document in his hand and have him step into the Hall of Westminster and ask the British parliament to pause in its consideration of questions determining the very life of the British Empire in order to debate the question of a new constitution for Canada?

To me it is unthinkable that we should be fiddling while London is burning. In the heart of the Empire the citizenry—men, women, boys and girls—with their bare hands are beating out the flames spread by ruthless vandals upon the housetops and the roofs of their homes. Britons, on the shores of the sea and in the streets of their cities, will resist the invader foot by foot with their very lives, as their great leader said they would. Instantly concerned with their struggle to survive and to save us throughout this Empire and with nothing else, they are waging a winning fight to-day, the remembrance of which will never die while freedom lives. They have no other concern.

To-day, while these brave people are shielding their homes with their bodies and braving the bursting bombs and the hail of machine gun bullets, do we read that the Lord Mayor of London has paused in his efforts to save the nation and has called a meeting of the aldermen to consider a readjustment or a revision of the borough system of the great metropolis which is now a beleaguered fortress?

I listen to Mr. Churchill, to Mr. Roosevelt, the two great democratic leaders who stand out as beacon lights in this bewildered world to-day. I believe in their sincerity. Only an all-out effort will save civilization and christianity. Our central government now, under the War Measures Act, has extreme, even dictatorial, power. If there is anything specific that the dominion government wants to help in its war effort, say so, and I am sure every province will assist by passing immediately the necessary enabling legislation. This can be accomplished without controversy and without upsetting our reasonably well-organized system of government.

Ontario Shall Continue to Help

In our war effort we of Ontario believe we have been helpful and shall continue to be so, even to the extent of not joining in the clamour to unload over two billion dollars of debts of other public bodies on the dominion treasury in war time. The process of transfer itself would be involved and upsetting to our whole financial system. A transfer of all tax collection activities of the classes indicated in the report to the central authority could only be made after complicated and far reaching legislation could be enacted. The time and effort of the federal parliament would be devoted in this direction when every ounce of effort is required in the successful prosecution of the war. And while you thus obligated yourselves to fight this war with the last drop of printer's ink and to the last page of *Hansard*, confusion, utter confusion, would prevail in all governments as existing tax machinery bogged down.

We, in Ontario, I emphasize, have anxiously cooperated with the dominion government in its war effort and shall continue to do so. But this is a peacetime document, and we believe honestly and sincerely that the time to discuss it is not now, but only when the menace to our democracy, Christianity and freedom is removed by the complete defeat and even annihilation of the ruthless Axis powers."

HON. A. S. MacMILLAN, PRIME MINISTER OF NOVA SCOTIA, (Vol. 1, page 22):

"If we were asked to give a categorical answer favouring or opposing the report as a whole, that answer, representing Nova Scotia as we do, would have to be 'No'."

HON. J. B. McNAIR, K.C., PRIME MINISTER OF NEW BRUNSWICK, (Vol. 1, page 23):

"At the outset, I must say that we do not concur in the findings of the commission as set out in chapters V and VI of section F of Volume II, where certain special claims advanced by the government of New Brunswick are discussed."

HON. JOHN BRACKEN, PRIME MINISTER OF MANITOBA, (Vol. 1, page 30):

"Manitoba does not think it unreasonable, if it wanted to borrow money on the credit of the dominion, that it should be expected first to obtain the approval of such National Finance Commission. We feel satisfied that we shall have no difficulty in obtaining the approval of such a body in all cases where our application merits such approval. If a case comes up in which such approval is withheld, that will not prevent us if we think the object is a worthy one from borrowing upon our own credit. It has been suggested that such borrowing upon provincial credit alone will be impossible if the commission's recommendations are made effective. We do not agree. Any province which can borrow now could still borrow if the commission's recommendations were in force. The success of such borrowing in either case depends upon the credit of the province which is attempting to borrow. For example, with their resources we do not think that either Ontario or Quebec will have any difficulty in borrowing if this report is implemented; some other provinces might have; but is there not a question as to whether these latter could borrow satisfactorily even if the report is not implemented? If they could not, then they are certainly no worse off after implementation because then they can borrow in proper cases upon the credit of Canada.

The fact is, and the report makes it clear, that in the matter of future borrowing, the provinces are to be left in exactly the same position in which they now are. Indeed, they can continue to borrow upon their own credit. In addition, they are given a new and valuable right, exercisable wholly at their own option, of borrowing upon the credit of Canada."

HON. T. D. PATULLO, PRIME MINISTER OF BRITISH COLUMBIA, (Vol. 1, pages 44 and 45):

"Money, of course, is at the root of this whole question. While monetary measures should be based upon the productive capacity of our people, the productive capacity of our people can be amplified by wise monetary measures and other considerations.

We are now told that it is necessary immediately to implement the recommendations of the commission successfully in order to prosecute the war. The government of British Columbia disagrees with this view. I am sorry that the winning of the war has been used as an argument to fasten permanently upon the provinces and the Dominion of Canada a change in dominion-provincial relations which I firmly believe will work to the injury and not to the benefit of the dominion and the provinces of which it is composed.

If there had been no commission, war measures would still proceed; and right now without any change in our constitution the dominion can take any action deemed necessary to the winning of the war; and the people are solidly behind the government that every resource which we possess shall be brought into action at the earliest possible moment for the purpose of furthering our war effort.

Let us face this question fairly and squarely just as if there were no war, as was the condition at the time of the appointment of the commission; and not place those who believe that the proposals are of a harmful character under the indictment that they are hindering the war effort of this dominion.

Would Retard War Effort

The commission further states:

'The immediate effect of Plan I on dominion finances would be adverse, since in some degree provincial finances would have improved at the expense of those of the dominion.'

Inasmuch as the finances of the dominion, according to the commission, are not immediately to be improved but the reverse, it does not seem logical to suggest that the implementation of this recommendation of the commission is essential to our war effort. Rather does it suggest that during the period of the war the implementation of the plan will be a burden on the dominion's war effort, not alone through the assumption of additional financial obligations but through the time and effort which must necessarily be expended in the setting up of the new organization as proposed by the commission. It would therefore seem the part of wisdom to get on with the war and postpone so far-reaching and contentious a problem until after the war."

HON. WILLIAM ABERHART, PRIME MINISTER OF ALBERTA, (Vol. 1, page 63):

"Our people will ask, 'Why are they so anxious to raise an issue like this when we all have our hands full with the job of the war?' And the whisper has gone around, 'It is the money powers.'

I am going to speak frankly. I believe that the perilous situation which is facing our nation and the empire demands sincerity of speech and boldness of action. I maintain that it would be most unfortunate if the idea gains popular credence that there is a concerted and deliberate attempt being made by the money powers to increase centralized control of our national life while our attention is fully occupied with the prosecution of our war effort, and that thereby there is developing an endeavour to obtain an unfair advantage over the people by means of imposing upon them a crushing debt structure under which they will be further enslaved. I am sure that every man in this gathering must be aware that considerable suspicion has been aroused in the minds of many because of the intensity of the propaganda campaign and the great expenditure of money and the frantic and unwarranted haste that has been urged in connection with the adoption of the Rowell-Sirois recommendations.

Make no mistake about it. Not only the efforts to gain the adoption of these recommendations, but the barrage of obviously inspired propaganda to win support for the "union now" proposals have been causing growing uneasiness in the minds of many. Whether it is common knowledge or not, we in Alberta are fully informed on the action which was taken in Australia regarding this sinister propaganda. In that British country they seem to have much more direct methods than we have to deal with such matters. We note that instead of allowing the use of radio facilities for its dissemination, as was done here, they treated this "union now" propaganda as being subversive to the British empire and raised such a storm of protest that public addresses on the subject had to be abandoned.

Surely it must be evident to any loyal British subject that to sit calmly and indifferently by while we are being hoodwinked and inveigled into a financial dictatorship or a fascist state, at a time when we are giving the best of our manhood to the empire and are sacrificing our all to overcome that foul thing which has raised its head in the world in many guises—a totalitarian order of centralized control and regimentation—is not only ridiculous but dangerously criminal. I have no apology to make for speaking thus."

HON. J. L. ILSLEY, DOMINION MINISTER OF FINANCE, (Vol. 2, page 80):

"I appreciate the cooperation that we have so far received from the provinces and I want to mention in particular the cooperation from the province of Ontario."

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