

# END OF SUBSIDY IS LAID TO WAR, REVENUE DROP

**Enlistment Will Ease  
Relief Burden, Says  
Hepburn to Mayors**

**LOSE GAS TAX SPLIT**

Premier Hepburn warned the Ontario Mayors' Association yesterday that a drop of \$8,000,000 in Provincial revenue, together with increased war expenditures estimated at \$6,000,000, made it impossible for the Ontario Government to grant to municipalities the same half-mill subsidy this year which they had received in 1939 from revenue obtained by the two-cent increase in gasoline taxation.

Rejecting the request of Ontario mayors that the Government reconsider its decision not to grant the half-mill subsidy this year, Premier Hepburn expressed the conviction that enlistments and improvements in industry would lower relief rolls during 1940 to the point where many Ontario municipalities would be able to effect a saving on relief expenditures equal to the half-mill rebate they had anticipated from gasoline tax revenue.

The Premier stressed the improvement in the unemployment relief situation which he felt was soon to be in evidence throughout the entire Province because of the war. He recalled in particular the recent announcement of the Federal Minister of Finance that Canada's war effort would cost the nation \$500,000,000 during the next year.

"If this war is to be as seriously prosecuted as the Governments of Great Britain and Canada would have us believe," Premier Hepburn declared, "there should not be a single able-bodied man on relief in this country. They should all be absorbed either in the army or in industry."

## **Predicts Labor Shortage.**

The Premier told the Mayors at a conference held at Queen's Park yesterday afternoon that he agreed entirely with the prediction made by E. A. Horton, Director of Unemployment Relief, that 1940 would bring a 33 per cent decrease in the number receiving relief assistance in Ontario.

"Before the year is out," Mr. Hepburn added, "I believe there will be an actual shortage of labor in Canada."

Mayors from all parts of the Province had gathered at the Royal York Hotel earlier in the day to draw up a statement in which they accused Premier Hepburn of having made "a definite pledge" to grant municipalities a one-mill subsidy from the increased gasoline tax. They insisted that the half-mill rebate granted in 1939 was but half of the total subsidy which the Prime Minister had promised them, and contended that total elimination of the subsidy in 1940 was a violation of the personal promise which Premier Hepburn had given the municipalities.

Mayor Stanley Lewis of Ottawa later read the statement to Premier Hepburn and pointed out that the Ontario Mayors' Association now urged that the pledges made, and only partially carried out in 1939, be implemented in full with provision for this being made in the budget at present before the Legislature.

## **Denies Cent Promised.**

A flat denial that he had ever made any such pledge was instantly given by Premier Hepburn as he insisted that never, at any time, had he committed the Province to give the municipalities one cent of the gasoline tax revenues. The half-mill rebate of 1939, he declared, had been given by the Government voluntarily, and should not be misconstrued as fulfillment of a pledge which was never made.

Controller Nora Henderson of Hamilton clashed repeatedly with the Premier during yesterday's conference and took strong exception to Mr. Hepburn's charge that Mayor William Morrison, of that city had not come to Toronto to join with his fellow-mayors because he was not in agreement with their protest.

## **Fears Mayors Ungrateful.**

The Premier expressed the belief that the mayors of Ontario too often were inclined to accept Provincial assistance without any demonstration of gratitude. He pointed out that the Province, in return for the income tax revenues, had taken over the cost of old age pensions and mothers' allowances, two items that were growing larger and larger each year.

The Province had granted the municipalities a one-mill subsidy as well, Premier Hepburn continued, and was also paying the cost of indigent tuberculosis patients. Cost of mothers' allowances during the past five years had jumped from \$3,031,000 to \$5,096,000; indigent T.B. patient expenditures during the first year reached \$1,603,000 and the Province in 1940 was anticipating an expenditure of \$2,400,000; Queen's Park this year was budgeting for \$1,000,000 less in income tax revenue; old-age pensions would cost an additional \$1,308,000; and until the 40-40-20 unemployment relief agreement was entered into by the Dominion Government, Premier Hepburn added, the Provincial administration had shouldered "the lion's share" of the relief burden in Ontario.

Not once during the conference did Premier Hepburn commit himself to a continuation of the one-mill subsidy in lieu of income tax. Asked by Controller J. D. McNish, Toronto, if municipalities in the future could always count on one mill, Mr. Hepburn said he was powerless to bind either the present or any future administration.

"But I'll tell you what I'll do," Premier Hepburn concluded. "So long as I am Premier, I will see to it that the municipalities are properly reimbursed by the Province's decision to take over the income tax revenues."