

Hepburn Says Ottawa Violated Agreements

Liberal Members Applaud Cross for Checking Treasurer's Tirade—House Recesses for Two Weeks

In a violent attack upon the Ottawa Government, during which one of his former Ministers denounced him "because his judgment has become warped by his hatred," Provincial Treasurer Mitchell F. Hepburn yesterday announced that Ontario must curtail its activities unless the Federal Government recoups the Province for lost revenues.

Members on both sides of the Legislature were electrified, and some Liberal benches applauded, when Eric Cross, former Minister of Welfare, interrupted the Treasurer to take exception to his language in describing the Ottawa Administration as "despoilers, violators of a sacred agreement" and "men without honor." Mr. Cross declared that "this whole attack is inspired by the Provincial Treasurer's own dislike and feeling toward the Prime Minister of Canada."

Losses of revenue from alcoholic beverage sales would reach \$7,100,000, and from motor car taxation would be approximately \$5,000,000, said the Treasurer, in supporting a motion to adjourn the Legislature until March 9 because at present it was impossible to prepare a budget. It was necessary, said Mr. Hepburn, for Ottawa to recoup the Province for its losses or rescind the regulations which deprive it of anticipated revenues.

He quoted from a letter from Hon. J. L. Ilsley, Finance Minister, written exactly a year ago and promising that there was no intention to invade the field of alcoholic liquor regulations. On such assurance, said Mr. Hepburn, the Ontario Government had allowed itself to be "bludgeoned" into relinquishing corporations taxation and income tax revenues.

Unless the Dominion Government recoups Ontario for losses in motor vehicles and liquor revenues, estimated at over \$12,000,000, the Province will find it necessary to curtail its activities or impose new taxes and renounce the Dominion-Provincial tax agreement, Mr. Hepburn said.

The motion to adjourn the session was carried at the conclusion of Mr. Hepburn's address.

Altercation With Cross.

Throughout his address, the ex-Premier bitterly attacked the Federal Government, and at one point he turned and looked behind him to where his own followers sat and declared:

"Only the most partisan persons here will fail to understand the significance of what I am saying."

Eric Cross (Lib., Norfolk-Haldimand), former Welfare Minister in the Hepburn Cabinet, protested against the language used by his one-time chief, and Mr. Hepburn accused him of "kowtowing to Ottawa in the hope of getting a judgeship."

"I would rather kowtow to a sense of decency," retorted Mr. Cross. "This whole attack is inspired by the Provincial Treasurer's own dislike and feeling toward the Prime Minister of Canada. His judgment has become warped because of his hatred."

"I am not going to sit here and be scolded by that man," exclaimed Mr. Hepburn, as some Liberal back-benchers voiced approval of Mr. Cross' protest by banging their desks.

"All must realize, except the most partisan, that we must adjourn the House at this stage in order to await, like beggars with a tin cup, the time when Ottawa will keep its pledges."

"I have no intention of taking back anything," flashed Mr. Hepburn when Mr. Cross scored the references to Ottawa made by the former Premier.

"It's just another instance of 'I'll feed fat the ancient grudge I bear thee,'" said Mr. Cross, quoting from Shylock's speech in *The Merchant of Venice*.

"They are men without honor, and I propose to prove that statement," said Mr. Hepburn at the outset of his address. "They are something like Hitler's Nazi tactics, making an agreement and then breaking it. I want some of the members of the House who have a blind partisan adhesion to Ottawa to listen to what I am going to say."

As he made this remark, Mr. Hepburn turned and looked at the Liberal benches.

"Don't look at me," declared Col. Fraser Hunter (Lib., St. Patrick-Toronto).

"I wasn't looking at you," Mr. Hepburn replied, smiling slightly.

"No one deplures more than I do the humiliating spectacle of this House having to recess while we wait for our despoilers to live up to their word," declared Mr. Hepburn.

Will Maintain Services.

Defending his inability to produce the budget until the Ottawa "raid on revenues" situation was cleared up, Mr. Hepburn pointed out that the money available determined the extent of the Province's services, especially in the case of a "paternalistic Government" which was "the clearing house for the worries we set the municipalities."

"If we haven't money for Mothers' Allowances or the 16,000 persons in our mental institutions, they're going to suffer," he said, but added at once, "These services are going to be maintained, regardless."

"I want to show you what kind of Government we're dealing with at Ottawa," Mr. Hepburn went on.

"A year ago we were bludgeoned into an agreement to give up corporation and income taxes, in return for which we received a fixed grant, we received alimony. We made the best of a bad situation."

Ottawa's plan of action, Mr. Hepburn charged, "can drive the Provinces into a position where they will be impotent completely." He pointed out that the people are not so partisan today — "they are concerned with honest administration, winning the war and rehabilitation after the war."

He said Ontario had offered to help Ottawa in every way. "We thought then that Ottawa was going to prosecute a war." This Province had turned over to the Federal authorities 148 buildings worth \$16,000,000 without remuneration, except that Ottawa had agreed to restore the buildings in case of fire or lightning. The \$5,500,000 buildings at St. Thomas had been evacuated in six days, yet some time afterward Ottawa had only thirty men inside them and thirty outside guarding them.

Other Agreements Broken.

The Ottawa Government had broken the agreement, he charged. "They will only be responsible now for the insurable value of the buildings — two-thirds of their value. They even failed in recent months to pay the insurance on them. We had to pay it and we haven't been reimbursed for this or for capital expenditures made by the Province."

"They deliberately broke the agreement," said Mr. Hepburn. Broken, too, he claimed, was the Dominion Government's agreement with the mining municipalities to regard as a tax on real property and not as municipal income the tax on ore used by the mines, the main revenue of mining municipalities. "They made a reverse ruling and violated the terms of the agreement," he declared, "impairing the position of the municipalities. Never at any time have I had confidence in the honor of the men who direct affairs at Ottawa," Mr. Hepburn continued.

Hon. J. L. Ilsley, Federal Minister of Finance, he charged, had agreed not to enter the field of control of liquor sales, then did.

"Something like Hitler, that's the way he did it," said the Provincial Treasurer. "Made an agreement and then broke it. Nazi tactics." And he added: "They've put us in the position now of beggars with a tin cup, waiting for our despoilers to do the right thing."

It was this outburst that brought Eric W. Cross to his feet with an appeal to the Speaker against Mr. Hepburn's language.

Best Revenues Frozen.

"Relying upon Ottawa's assurance, Ontario entered into the Dominion-Provincial tax agreement, the effect of which was to freeze for the duration of the war two of the most productive and elastic revenue items, the Corporations Tax Act and the Income Tax Act. Notwithstanding assurances made to Ontario and other Provinces, the Dominion Government issued the regulations set forth in Order-in-Council No. 11374 restricting the manufacture and distribution of liquor, wine and beer. This means an expected loss of revenue for Ontario in the fiscal year which ends March 31, 1944, of \$7,100,000."

"Ontario asks that the regulations adopted by the Federal Government be rescinded or withdrawn, or, in the alternative, that the Government of Canada recoup the Province for the loss in revenue that will be sustained," said Mr. Hepburn.

The loss in motor vehicle revenue would amount to an estimated sum of \$5,000,000, continued the Treasurer. He asked that Ottawa either cancel the regulations in connection with this field or similarly recoup the Province.

One more move by the Federal Government calculated to impair Ontario's revenues, and the financial structure of the Province would collapse, "and the municipalities will go down with us," Mr. Hepburn as-