

federation indebtedness. From time to time, adjustments have been made in the basis of calculation of the debt allowances of the various provinces and the Dominion pays interest at 5 p.c. per annum on the amounts by which the actual debts of the provinces, on their entry into Confederation, fell short of the allowed debts as adjusted. The aggregate annual payment from the Dominion to the provinces in respect of interest on debt allowances is \$1,609,386.

Allowances for Government and Legislature.—Under the terms of the Union, annual grants of specific amounts were made to the various provinces for the support of their governments and legislatures. These fixed amounts vary with the population of the provinces according to the following scale, approved in 1907:—

Where population is—	\$
Under 150,000.....	100,000
150,000, but does not exceed 200,000.....	150,000
200,000, " " 400,000.....	180,000
400,000, " " 800,000.....	190,000
800,000, " " 1,500,000.....	220,000
Over 1,500,000.....	240,000

The aggregate annual allowances presently paid under this head amount to \$1,750,000.

Allowances per Head of Population.—Under the British North America Act of 1867, a grant of 80 cents per head of the population was allowed to each province. The British North America Act of 1907 provided that the grant would be paid to each province at the rate of 80 cents per head up to a population of 2,500,000, and at the rate of 60 cents per head for so much of the population as exceeds that number. The cost to the Dominion in 1938 of the annual allowances paid to the provinces per head of population was \$8,095,070.

Special Grants.—In the case of certain of the provinces, grants have been added to the original scale of subsidies in view of special circumstances obtaining, which, for the fiscal year 1938, amounted in aggregate to \$2,280,880 as set forth below:—

Prince Edward Island.—A special grant of \$195,000 less a deduction of \$39,120 (net grant of \$155,880).

New Brunswick.—An annual grant of \$150,000 since 1875 in consideration of the repeal of lumber duties reserved to the provinces by the B.N.A. Act of 1867.

Manitoba.—A special grant on the basis of population amounting at present to \$562,500 per annum.

Saskatchewan and Alberta.—Currently receiving an annual sum as compensation for loss of revenue derivable from their Public Lands, based on their respective populations which amounts, in the case of Saskatchewan, to \$750,000 per annum at present and, in the case of Alberta, to \$562,500.

British Columbia.—A special grant amounting at present to \$100,000 per annum.

Other Special Grants.—In addition to the above, there are other special grants paid to the Maritime Provinces and British Columbia which are voted annually, aggregating, in the fiscal year 1938, \$3,225,000 as follows:—

	\$
Prince Edward Island.....	275,000
Nova Scotia.....	1,300,000
New Brunswick.....	900,000
British Columbia.....	750,000

Temporary grants were made to the Provinces of Manitoba and Saskatchewan in the amounts of \$750,000 and \$3,500,000, respectively, in the fiscal year 1938.