

### Section 3.—Dominion-Provincial Relations\*

The genesis of the current phase of Dominion-Provincial relations was the Dominion-Provincial Conference of December, 1936. At that time drought and depressed prices had led the Government of Alberta into partial default on its outstanding debt, and the Governments of Saskatchewan and Manitoba made clear at the Conference that in default of assistance they would be forced to take similar action. On the invitation of the Dominion Minister of Finance and the Premiers of the three Prairie Provinces, the Bank of Canada undertook an examination of their financial positions. The Bank's report on Manitoba was made public on Feb. 15, on Saskatchewan on Mar. 15, and on Alberta on Apr. 7, 1937. The Bank Report recommended certain interim financial assistance from the Dominion Government but concluded that no solution seemed possible other than that which might be provided by a complete inquiry into the financial powers and responsibilities of Canadian governing bodies at all levels. In addition to the special difficulties of the Prairie Provinces, the burden of relief had weakened the financial position of all provincial and municipal governments, and had finally proved completely beyond their capacity to bear in its entirety.

**Royal Commission on Dominion-Provincial Relations.**—By P.C. 1908 on Aug. 14, 1937, the Royal Commission on Dominion-Provincial Relations was established. The Chairman was the Hon. N. W. Rowell, Chief Justice of Ontario, and the members were the Hon. Thibaudeau Rinfret, Justice of the Supreme Court of Canada, Dr. J. W. Dafoe of Winnipeg, Dr. R. A. MacKay of Dalhousie University, and Professor H. F. Angus of the University of British Columbia. Subsequently the Hon. Justice Rinfret was compelled to retire owing to ill health and was replaced by Dr. Joseph Sirois of Quebec. Illness also forced the resignation of Chief Justice Rowell in 1938 and Dr. Sirois was appointed Chairman to succeed him. The Commission has consequently been generally known as the Rowell-Sirois or Sirois Commission. Hearings were held throughout Canada and an exhaustive report, accompanied by a large number of special studies prepared by the research staff of the Commission, was submitted on May 3, 1940. The report recommended important financial and jurisdictional changes,† of which the chief were: (1) exclusive Dominion jurisdiction in income, corporation tax and succession duty fields; (2) acceptance by the Dominion of responsibility for relief to able-bodied unemployed; (3) assumption by the Dominion of net provincial debt charges; and (4) payment by the Dominion of national adjustment grants designed to put each provincial government in a position to provide average standards of services without imposing higher than average rates of taxation.

**Dominion-Provincial Conference, January 1941.**—A Dominion-Provincial Conference was called in January, 1941, to consider the Royal Commission Report. The Conference broke down on the second day in the face of opposition from the Premiers of Ontario, British Columbia and Alberta.

**Wartime Tax Agreements.**—Later in the year the Dominion Government proposed that, in order to meet the exigencies of the War, the Provincial Governments (and their municipalities) should suspend imposition of income taxes and corporation taxes for the duration of the War and one year after, and be reimbursed by the Dominion on the basis of either the 1940 revenues of the particular Province

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† See Canada Year Book 1940, pp. 1157-1163.