

gap in their case between the beginning of the new agreements, Apr. 1, 1947, and the end of the old wartime tax agreements: Oct. 31, 1946, in the case of New Brunswick; Nov. 30, 1946, in the case of Nova Scotia; and Dec. 31, 1946, in the case of Prince Edward Island. Secondly, if an agreeing province proceeds to take over the whole or any part of the business or undertaking or assets of a corporation and thus serves to reduce the tax revenues which the Dominion would otherwise obtain, a corresponding reduction will be made from the annual amounts otherwise payable to such province. Thirdly, in respect of natural resources, the agreement does not prevent the imposition of royalties and rentals by the province, since these are not regarded as taxes when they are of a nature conforming with the definitions set forth in the agreement. Further, the agreement specifically allows the imposition of taxes on income derived from logging and mining operations, as defined, without any deduction from the payment to the province. Also, under an offer ancillary to the agreement, but which applies to all provinces, whether agreeing or not, the Dominion is authorized to pay to the province one-half of the Dominion's net collections of tax on the income of certain specified public utility corporations resulting from the distribution to the public or the generation for distribution to the public of electricity, gas or steam in the province concerned.

Adjustment of Indebtedness and Natural Resources Claims of the Western Provinces.—The Dominion and the Western Provinces reached a settlement, effective July 1, 1947, concurrently with the tax agreements but not as a part of them, which covered the Treasury Bill indebtedness of these Provinces and the claims of Alberta and Saskatchewan regarding natural resources. The results of the settlement are summarized as follows:—

<i>Item</i>	<i>Manitoba</i>	<i>Saskatchewan</i>	<i>Alberta</i>	<i>British Columbia</i>	<i>Total</i>
	\$	\$	\$	\$	\$
Total Treasury Bill debt.....	24,734,452	80,361,852 ¹	26,212,000	34,031,219	165,339,523
Treasury Bills for capital and ordinary governmental purposes.....	13,855,101	13,414,441	15,617,000	17,346,838	60,233,379
Treasury Bills for direct and agricultural relief.....	10,879,351	61,221,227	10,595,000	16,684,381	99,379,960
Amount to be cancelled—					
(1) Half of above item.....	5,439,676	30,610,614	5,297,500	8,342,191	55,416,164
(2) Capitalized relief interest.....	—	5,726,184	—	—	—
To be repaid in cash out of proceeds of Natural Resources Settlement (calculated as of June 30, 1947).....	—	8,031,250	8,031,250	—	16,062,500
Amount to be refunded without interest..	5,439,676	30,610,614	5,297,500	8,342,191	49,689,980
Amount to be refunded with interest.....	13,855,101	5,383,191	7,585,750	17,346,838	44,170,879

¹ Excluding Treasury Bills covering 1938 seed-grain loans refunded in 1945; original amount \$16,468,852; amount presently outstanding \$10,051,708.

The Treasury Bill indebtedness was incurred during the depression and drought period of the 1930's. The natural resources claim covered the period 1905 to 1930 during which time the Dominion had administration and control. The general principles of the settlement are as follows: (1) that part of the Treasury Bill indebtedness of the province which represents borrowing for purposes other than direct relief or agricultural relief is to be retired over a period of thirty years by an equal annual payment representing amortization of principal and interest at 2½ p.c., which is approximately the cost of borrowing by the Dominion for a comparable period; and (2) half of that part of the total Treasury Bill indebtedness of the province which represents borrowing for direct relief and agricultural relief will be written off and