

example, under the Canada Assistance Plan the Federal Government undertook to share one half of the cost of welfare paid to recipients in need, the scale and conditions of the assistance to be determined by the provinces. In general, it may be said that the old age assistance program conformed to the traditional pattern of conditional grants, whereas the Canada Assistance Plan marks an approach in which flexibility and adaptability to local circumstances is allowed to modify insistence on a national uniform standard.

The federal transfers to the provinces in respect of the conditional grant programs increased from \$75,000,000 in the year ended Mar. 31, 1954, to an estimated \$1,348,795 in 1966-67. The increase was attributable largely to the introduction of the hospital insurance and diagnostic services program in 1958, to the increase in the level of old age assistance, disabled persons' and blind persons' allowances, and to the enlargement and reorientation of unemployment assistance and the Canada Assistance Plan (see pp. 332-333). In 1966-67, federal contributions to the programs in respect of hospital and diagnostic services and unemployment assistance and the Canada Assistance Plan were estimated at \$569,893,000 and \$180,218,000, respectively.

Joint programs in the second category—those in which the federal and provincial governments accept sole responsibility for portions of a total project—are not numerous and are generally of a public works type. The irrigation projects carried out jointly by the Prairie Farm Rehabilitation Administration and the Province of Alberta on the St. Mary's and Bow Rivers in southern Alberta are of this nature, as is the bridge being built between Ontario and Quebec at Portage du Fort. In the St. Mary's irrigation project, the Federal Government has undertaken the responsibility for the construction of all main reservoirs, large dams and connecting works, and Alberta has assumed responsibility for the construction of the distribution system and the development and colonization of the new irrigable areas.

Joint programs in the third category are also few in number and the sums of money involved are seldom large. The South Saskatchewan River Dam is an example; Canada undertook to pay the costs of the Dam in the first instance, with Saskatchewan subsequently reimbursing Canada for one quarter of the federal expenditures (up to a maximum of \$25,000,000) on the dam and reservoir. In the year ended Mar. 31, 1967, the costs recovered from Saskatchewan on account of such expenditures amounted to \$4,797,354.

The increasing number and extent of conditional grant and shared-cost programs has occasioned some provincial criticisms and misgivings. It has been argued that the preponderant occupancy of the direct tax field in the postwar years by the Federal Government encouraged the growth of such programs as the provinces were denied the revenues that would have enabled them to provide equivalent programs themselves. At the 1964 Federal-Provincial Conference, the Province of Quebec proposed that a province be given the option to assume full administrative and financial responsibility for certain joint programs upon the Federal Government making available to that province the necessary additional tax room. The "contracting-out" proposal was referred to a federal-provincial committee of officials for consideration. As a consequence of their consideration, the Prime Minister of Canada, in a letter to the provincial Premiers dated Aug. 15, 1964, proposed a temporary measure permitting a province to contract out of certain programs for an interim period pending the development of more permanent arrangements. Parliament approved the necessary legislation—the Established Programs (Interim Arrangements) Act—in April 1965. Under the Act, the Government of Canada was authorized to enter into agreements with any province that wished to contract out of certain conditional grant programs. The nature and number of programs were itemized in the schedules to the Act.

Schedule I listed the major conditional grant programs of a continuing nature which a province might contract out of, and Schedule II listed smaller and more transient programs.