

grant programs there are others in which the conditions are nominal. For example, under the Canada Assistance Plan the federal government undertakes 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 hospital insurance program conforms to the traditional pattern of conditional grants, whereas the Canada Assistance Plan marks an approach in which flexibility and adaptability to local circumstances are allowed to modify insistence on a national uniform standard.

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 nature. 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 were of this nature.

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 was 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 million) on the dam and reservoir. By March 31, 1968, the full amount had been recovered from Saskatchewan.

The federal transfers to the provinces in respect of the conditional grant and shared-cost programs increased from \$75 million in the year ended March 31, 1954, to \$3,099.6 million in 1971-72. The increase was attributable largely to the introduction of the hospital insurance and diagnostic services program in 1958, medicare in 1968, increases in the level of assistance, and the integration of welfare programs under the Canada Assistance Plan. In 1971-72, federal contributions to the programs in respect of hospital and diagnostic services, medicare, and welfare programs integrated with and into the Canada Assistance Plan amounted to \$1,216.4 million, \$575.5 million and \$735.3 million, respectively. Further details are given in Table 20.16.

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, 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. These proposals were 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 August 15, 1964, proposed a temporary measure permitting a province for an interim period to assume full financial and administrative responsibility in respect of certain programs 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 assume full financial and administrative responsibility for certain programs in return for fiscal compensation. 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 and Schedule II listed smaller and more transient programs. The Schedule I programs were: hospital insurance; old age assistance, blind persons' allowances, disabled persons' allowances, and the welfare portion of unemployment assistance; the technical and vocational training programs for youths who were not yet members of the labour force; and the health grant program, except those elements that involved research and demonstration. The Schedule II programs were: agricultural lime assistance; forestry programs; hospital construction grants; campgrounds and picnic areas; and the roads-to-resources program. The Act was subsequently amended to include the Canada Assistance Plan.

If a province wished to avail itself of the provisions of the Established Programs (Interim Arrangements) Act in respect of a Schedule I program, it had to enter into a supplemental agreement in which it undertook to assume full responsibility for the administration and financing of the program. The federal government undertook to ensure that the province