THE CASE OF BRITISH COLUMBIA FOR BETTER TERMS.

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MEMORANDUM of the Government of British Columbia in the matter of Readjustment of Financial Relations.

His Excellency at the recent opening of Parliament having intimated that Provincial Autonomy would be granted to the North-West Territories, and in view of the possible readjustment at the same time of the financial relations between the Provinces and the Dominion, the Government of British Columbia desire to place on record and reiterate the claims of this Province for distinct and separate relief.

The relief sought is from an insufficiency of revenue arising out of causes constant in operation and peculiar to British Columbia.

These causes render it impossible to provide for the responsibilities of local administration imposed under the Terms of Union, without creating intolerable burdens of taxation or exhausting the resources of Provincial credit.

It was intended by the framers of the B. N. A. Act, as will be shown, that the amount of revenue left to the Provinces after Confederation should be adequate for the performance of all local services; and, therefore, the Government submit as a basis of their claims, that it is constitutionally incumbent upon the Dominion Authorities to increase the allowance wherever and whenever it can be shown that such circumstances do not exist.

To review the steps that have been taken towards obtaining a recognition of the claims of the Province, early in 1901 a delegation from the Government of British Columbia interviewed the Dominion Authorities upon a number of matters as between, or affecting the relations of, the two Governments, one of which was the subject-matter of this memorandum.

Prior to that time, upon several occasions in the Federal Parliament attention was called to the large contributions from the Province to the Federal Treasury in the way of customs and inland revenues. By comparisons with the rest of Canada these were shown to be in the ratio of three to one. Attention had also been called to these facts in the Local Legislature on several occasions as forming a just claim for increased subventions by the Dominion to railway enterprises in the Province.

In the memorandum submitted by the delegation of 1901 was a tabulated statement showing the contributions to the Federal Treasury from, and the expenditures by the Dominion in, the Province of British Columbia since 1871. This statement has been completed by the addition of the figures for the years 1901-2-3, and appears in the Appendices hereto. From this statement

it will be seen that during 32 years the Province has contributed to the revenues of Canada the sum of $49,397,238, and has received in expenditures in return the sum of $32,454,382, and that the excess of contributions over expenditures is about $17,000,000.

The cost of no portion of the construction of the C. P. R., which like the canal system of Eastern Canada is national in its character, was included in this statement; but, as pointed out, there is included the cost of other services which are national and would not be chargeable to any of the Maritime Provinces in an accounting of a similar nature.

That British Columbia has much more than borne its rightful share of the expenses of governing Canada is demonstrated by the fact that while on its part it exhibits this surplus of $17,000,000, the net debt of the Dominion has risen from $80,000,000 in 1872 to over $261,500,000 in 1903, or an increase of about $181,500,000. Not only, however, has British Columbia contributed thus unduly to the Federal Treasury, but it has become liable for its share of the general liability of the Dominion, which share according to population is, roughly speaking, $9,000,000.

All this is in addition to the disproportionate burden of administering a Province, the physicial conditions of which render it many times more expensive than other Provinces.

Attention is called to a statement in the Appendices of what the results in a financial way would have been had the contributions of the whole of Canada to the Federal Treasury been in the same proportion as those from British Columbia; and, conversely, what the results of British Columbia's contributions would have been had they been in the same proportion as from the rest of Canada.

The position created as the result of our financial relations was stated in the memorandum of 1901 as follows:—

"A Province has a certain population and contributes a certain revenue. What it pays as imposts to the treasury is, per capita, its impost or burden of government. Computations on that basis in various ways show, as a general and almost invariable result, that for a whole period of years the burden has been two and three-quarter times that of the rest of Canada, taken as a whole."

Attention was also called to the duty paid indirectly by people of the Province on goods brought from Eastern Canada upon which duty had been collected at eastern points of entry and added to the price at the western end. From data acquired on the subject by the Provincial Government in 1897 the duty thus indirectly paid then amounted to about $300,000 per annum. The total amount paid since 1871 is estimated to have been $6,000,000.

Although the delegation of 1901 did not make a special feature of the arguments arising out of the physical disabilities of the Province, it was kept in mind, as the following shows:—

"In this connection, too, we must also consider the very much greater cost per capita involved in the development and government of a Province like British Columbia, where the physical features are so rugged and distances so great, and communication so difficult and expensive, and the population is comparatively sparse."

Reference was also made to the increased burden upon the consumer in British Columbia by reason of the large freight bills on goods coming from eastern centres; and also to the disadvantages arising out of the extreme westerly position of British Columbia in respect to finding a profitable market for what is produced therein.

In January of the year 1903, a second delegation went to Ottawa to confer with the representatives of other Provinces on the subject of financial relations generally, and, in particular, to lay before the Dominion authorities the claims of British Columbia for increased subsidies, apart from any general settlement made in behalf of all the Provinces.

At the conference which took place special stress was laid upon several aspects of the question, which differentiated the claims of British Columbia from those of other Provinces and demanded special consideration (*See* page 9 of the Appendices).

It may be urged that the Province of British Columbia is bound by the terms of the Memorandum adopted by the Quebec Inter-provincial Conference, inasmuch as it was signed by the members of the British Columbia Delegation. By reference, however, to this Memorandum it will be found that it embodies a letter to the Premier of Quebec, convener of the Conference, from the Premier of British Columbia, presenting the special claims of the Province and expressly stipulating that concurrence in the joint memorial was subject to the rights of the Province to special consideration on account of exceptional conditions. Adherence was given to the principles involved in the resolutions of the Conference setting forth the reasons for readjustment as applicable in a greater or less degree to all the Provinces; but it was held that in the case of British Columbia not only was the force of these reasons greatly intensified, but that there were considerations forming additional reasons which did not at all apply to the other Provinces and for which additional allowance should be made.

It was stated by the Delegation of 1903 that—

"The position we take is not that the Dominion Government has violated the Terms of Union, or that we are entitled to compensation for lack of fulfilment in any substantial respect, as the performance of a legal contract could be construed; but we do contend that in the development of the constitution, in its actual operation, from the date of Confederation in 1871, a state of affairs has grown up in British Columbia and in the Dominion, as the result of the union between the two, that has established a moral right and a sound constitutional claim on our part for increased recognition—a state of affairs that was not anticipated by either party to the Federal compact."

The historical and constitutional arguments in support of the claims were summarised as follows:—

"That there is an absolute precedent in the Nova Scotia settlement of 1868, inasmuch as, without any charge of violation of the Terms of Union by the Dominion, the claims of Nova Scotia were recognised on the grounds that the sources of revenue left to the Province were not sufficient to meet local requirements, and on the grounds generally that the peculiar geographical position and exceptional conditions of that Province demanded a revision of the financial arrangements. It was admitted in Parliament that there were substantial grounds for the claims made, that there was an injustice, and that it was incumbent upon the Dominion Government to redress grievances where they existed, not only on moral grounds, but to ensure the success of Confederation:

"That, after careful investigation and reference to the best and highest authorities, it was competent for the Parliament to adjust financial relations, where necessary, without a change in the British North America Act:

"That the principle once established and, as a matter of fact, put in force on several subsequent occasions in respect to other Provinces, it is not only competent but a matter of right and constitutional necessity on the part of the Dominion to apply that principle whenever and wherever the circumstances justify it:

"That it is recognised that the Act of Union is a contract and a treaty binding for all time to come, but that it is not a contract like the laws of the Medes and Persians, invariable, but subject to modification as circumstances demand, as the resolutions of the Premiers presented to you yesterday premise. At the time of the British North America Act, or the British Columbia Terms of Union were passed, it was impossible for either party to foresee the results of union, or to fix in an absolutely definite way and unalterably the financial relations, so as to provide equitably for all time to come for the requirements of both classes of governments; and that it was the evident intention of the framers that adequate provision should be made for both:

"That, with reference to British Columbia, although it is not contended that it was forced into Confederation as it is claimed Nova Scotia was, yet the circumstances and conditions of the Province were such that there was but little alternative left to her in the matter of terms:

"That the terms were not the terms the people of British Columbia asked for and believed were necessary for the adequate administration of local affairs and the development of the country:

"That, as shown by the debates which took place both in the local House and in the Houses of Parliament at Ottawa, in neither case were the framers of the terms able to accurately or even approximately foresee what the results would be, and that in a great measure for both it was a leap in the dark:

"That the people of British Columbia did, from a local knowledge of their own Province, appreciate the necessity of and stipulate for a much larger provision for the financial requirements of the Province than was conceded by the Dominion:

"That the Dominion Government did not agree to the terms of British Columbia for the reason that they feared and believed that this Province would remain a drag on the Dominion, and it is well known that they could only secure a ratification of the treaty in the House by granting the least favorable conditions possible. The Government at Ottawa, in the matter of British Columbia, acted solely on the policy of creating a nation extending from ocean to ocean, and in doing so were under the conviction that they were assuming burdens quite out of proportion to the value of the province as an asset—in other words, sacrificing material interests to a large extent in the interests of patriotic sentiment—that of "rounding out Confederation." The whole debate confirms that view of it absolutely:

"That the reasons which dictated the policy of the Government at that time have been shown by the developments which have taken place in British Columbia, and the financial results which followed, to have been entirely and absolutely erroneous and unfounded:

"And that, therefore, although the framers of that treaty were without doubt honest, high-minded, and, from the knowledge they possessed then, justified in that course, their reasons having proved unfounded the Government of to-day is entitled in equity to recognise the consequences of those errors and compensate for the inordinate benefits the Dominion has received, and also increase the allowance for the requirements of the public service in a Province demanding so extraordinary a rate of expenditure for its settlement and development."

The delegation then proceeded to present a statement of facts bearing upon the peculiar conditions and position of the Province, under the following heads:—

"1. The cost of administration, owing to the physical character of the country.

"2. The distance from the commercial, industrial and administrative centres of Eastern Canada.

"3. The non-industrial character of the Province, as compared with Eastern Canada, whereby a larger percentage of goods are imported and consumed, increasing the contributions to the Federal Treasury, in the way of taxes, in a ratio of three to one.

"4. The disadvantage of the Province in relation to the markets for its special products."

The statement of the case, as above, will be found in full in the Appendices to this memorandum at page 9.

In the summer of 1903 a third delegation from British Columbia interviewed Sir Wilfrid Laurier and other members of the Dominion Cabinet at Ottawa, and strongly urged their consideration of the facts that had been submitted by previous delegations.

The principal object of this delegation, however, was to impress upon the Dominion Authorities a proposal for the reference of the claims of the Province to a joint high commission, consisting of three members to be named, one by the Dominion Government, one by the Government of British Columbia, and one by the Imperial Colonial Secretary.

Having presented the foregoing resume of former negotiations, it is here proper to observe that the claims being presented by the other Provinces for increased subsidies are similar in character to some of those of British Columbia, with this important distinction, that the reasons which alike give them foundation are greatly accentuated in the case of this Province.

With regard to the reasons for financial readjustment contained in the resolutions adopted by the Quebec International Conference of 1902, it is submitted that it is a fair presentment to say that they are, mainly, as follows :—

(1.) That new conditions have arisen since Confederation which were unforeseen or not provided against at that time.

(2.) That the financial resources of the several Provinces, as determined by Statute, are no longer sufficient to meet the expenditure necessary to adequately administer the affairs of the Provinces and efficiently promote their further development.

(3.) That the growth of population, by reason of development, the result of efforts on the part of both the Dominion and Provincial Governments, increases the financial responsibilities of the Provinces without a corresponding increase of revenue, as a consequence, and without provision for a corresponding increase of subsidy to meet it.

(4.) That it was the evident intention of the framers of the Terms of Union to make adequate financial provision for the requirements of the Dominion and Provincial Governments for all time to come.

It is assumed that it will be for these reasons, and for these reasons alone, that a general readjustment of financial relations will, if effected, be brought about.

In this connection, the remarks of Hon. S. N. Parent and of Hon. G. W. Ross are noteworthy, and a few of the more pertinent of their observations are given in the Appendices at page 12.

Taking the foregoing considerations as applicable, in common, to the claims of British Columbia, they have, as intimated, exceptional force, the evidence of which exists in two main facts :

(a.) The charges against the Province through Customs and Excise revenues, to which may properly be added heavy freight bills, arising out of long distance from centres of supply in the East, are several times greater than in the other Provinces, and thus to that extent lessen the ability to maintain the cost of local administration.

(b.) The responsibilities of population involved in the increase of population in British Columbia, as will be shewn, are several times greater than elsewhere in Canada by reason of a combination of disadvantageous conditions, mainly physical in their nature.

The contentions of the Quebec Conference that increased subsidies to the Provinces to permi- of their still further development would bring increased revenues to the Dominion as a compensation, apply with peculiar force to the particular case of British Columbia. This Province has, admittedly, great sources of wealth. Obviously, however, owing to the physical obstacles to overt come, to make these sources available by development, an expenditure very much larger than in other Provinces is required; but, as British Columbia has in the past contributed, and in the future must continue to contribute, in an excessive ratio to the Federal Treasury, as compared with the rest of Canada, so the Dominion for relatively increased subsidies to this Province will reap a corresponding increase in revenues to the Treasury and in benefits to trade and industry.

The conditions, permanent in character, which accentuate the position of British Columbia, considered in relation to the other Provinces, have previously been enumerated.

To arrive at a definite basis upon which to submit a claim in a stated sum as compensation on account of such conditions and physical disabilities, which increase abnormally the cost of provincial administration compared with the average conditions of the rest of the Dominion, a full and detailed examination has been made covering the expenditures of all the Provinces for various services since 1871.

The first of these conditions, which refers to the mountainous surface, is one which clearly differentiates the case of this Province from that of every other Province. The extreme limit of the arable land is about one-twenty-fourth of the entire surface or at the very outside 10,000,000 acres, much of which cannot be classed other than pasture land, out of 240,000,000 acres. The habitable area is mainly restricted to the arable portions. This lies more or less evenly distributed in widely separated narrow valleys immured by precipitous mountain sides. This is a condition which finds no parallel in Canada among the other Provinces, the distinct effect of which upon the cost of provincial administration may, by an examination of the statistics referred to, be ascertained in some degree of definiteness. It is a condition which neither settlement nor development can alter in the slightest, and on account of which settlements are small in area, isolated in position, and difficult of access. As a consequence, the Province pays per head of its population for roads, streets and bridges over twenty times as much in the average as the same services cost in the other Provinces for the five years, 1898-1902, as the following table shows:—

Annual Expenditure per Head for Roads, Streets and Bridges.

Provinces.	1898.	1899.	1900.	1901.	1902.	Average.
British Columbia	$2 30	$3 74	$1 89	$2 94	$3 68	$2 91
New Brunswick	47	48	49	72	89	61
Prince Edward Island	.....	31	42½	42½	38	38½
Nova Scotia	19	18½	20	25½	20½	20 7/10
Manitoba	26	17½	25	13	15	19 3/10
Quebec	06½	08	11	11½	07	08½
Ontario	05	04	07	06	09½	06 3/10
Average						22 7/10
Averages of all the Provinces other than British Columbia						13⅖

To the cost per mile and not to the mileage or the sparse population is due this abnormal expenditure for road construction in British Columbia. Its six thousand miles of waggon roads, which are wholly inadequate to the needs of the districts they serve and far from a state of completion, based on the standard of Eastern Canada, have cost on an average over $2,000 per mile. For purposes of comparison, it will be fair to take not the numerous roads in the older settled sections of eastern Canada, built for the main part by statute labour, but the expensive mining and colonization roads in the new and northern part of Ontario in which the conditions more nearly approach those in British Columbia. For 18 years, 1876-1885, in Algoma, Muskoka and other parts the average cost of construction of new roads was $294 per mile for over 2,000 miles (*vide* Sessional Papers Ontario, 1885, Return No. 24). Thus the ratio of cost is 7 to 1. This disparity is an enduring as the mountains which gave rise to it. It may be argued, however, that the addition of municipal expenditure to provincial expenditure would vary the results to the prejudice of British Columbia. There is difficulty in obtaining municipal statistics for all the Provinces. In Ontario and British Columbia, however, there are complete statistics which are available for comparison. It is pointed out, too, that when Ontario went into Confederation it was largely municipalised, and that all previous liabilities for public works were assumed by Canada as a whole. Adding Ontario and British Columbia's municipal expenditure per head for 1901 (as a convenient year), for roads, streets and bridges, to the foregoing provincial average per head for five years, we have :—

	British Columbia.	Ontario.
Provincial expenditure for roads per head per year for five years	$2.91	0.06\frac{3}{10}$
Municipal expenditure for roads per head for 1901	1.58	1.63
Total	*$4.49*	*1.69\frac{3}{10}$.*

Showing an annual sum of 2.79\frac{7}{10}$ per head, or a sum of $466,425 to place British Columbia on an equal footing with Ontario with respect to the item of provincial and municipal expenditure for this service alone.

British Columbia's per capita expenditure for Civil Government, arising out of the services of the Government required in widely scattered communities, is over nine times that of the average of the other Provinces, as the following table shows :—

Annual Expenditure per Head for Civil Government.

Provinces.	1898.	1899.	1900.	1901.	1902.	Average.
British Columbia	$0 87	$0 82	$1 01	$1 28	$1 31	$1 06
Quebec	17½	17	17½	16½	16	16$\frac{9}{10}$
Manitoba	19	15½	13	15	15	15½
Ontario	11½	11½	12	13	13	12$\frac{1}{5}$
New Brunswick	08	09	09	09	09	08$\frac{4}{5}$
Prince Edward Island	06	05	05½	06	07	06
Nova Scotia	05	04½	04½	04½	04½	04$\frac{3}{5}$

Another service that is peculiarly affected by the conditions referred to is that of the Administration of Justice, which is four times that of the average per capita cost in the other Provinces as compare by the subjoined table :—

Annual Expenditure per Head for Administration of Justice.

Provinces.	1898.	1899.	1900.	1901.	1902.	Average.
British Columbia.....	$1 11	$1 15	$0 69	$0 59	$0 61	$0 83
Quebec	32½	31	32	30	37	32½
Ontario	20	19	19½	19	19½	19⅖
Prince Edward Island..	16	14½	16	17	20	16 7/10
Manitoba	11	13	10½	12	14	12
New Brunswick.	06	04½	05½	05	06	06⅕
Nova Scotia	03	03	03	03	03	03

For Hospitals and Charities the per capita expenditure is five times the average of the other Provinces as the following table indicates :—

Annual Expenditure per Head for Hospitals and Charities.

Provinces.	1898.	1899.	1900.	1901.	1902.	Average.
British Columbia.....	$0 32	$0 36	$0 31	$0 46	$0 45	$0 38
Nova Scotia	13½	13	13	12½	16½	13 7/10
Ontario	09	09	09	09	10	09⅕
Manitoba	07	06½	07	11	07	07 7/10
Prince Edward Island..	06½	06½	07½	07	07	06 9/10
New Brunswick.	02	02	02	02	02½	02

Taking together these four services, it is found that the cost to British Columbia per head of the population is over nine times that of the average of all the other Provinces, as the following table shows :—

Average Expenditure per Head for Five Years, 1898 to 1902.

Provinces.	Roads, &c.	Civil Government.	Justice.	Hospital, &c.	Total.
British Columbia	$2 91	$1 06	$0 83	$0.38	$5 18
New Brunswick.....	61	08⅘	06⅕	02	78
Prince Edward Island	38½	06	16 7/10	06 9/10	68 1/10
Quebec.....	08⅘	16 9/10	32½	02⅖	60 3/10
Manitoba	19 3/10	15½	12	07 7/10	54½
Ontario	06 3/10	12⅕	19⅖	09⅕	47 1/10
Nova Scotia	20 7/10	04⅗	03	13 7/10	42
Average					69 3/10
Average of all the Provinces other than British Columbia					53 9/10

Taking the total per capita expenditure for all the Provinces for all services for the five years, 1898-1902, it will be found from the table below that British Columbia is nearly five times that of the average of all the other Provinces, and that the difference between British Columbia's annual per capita expenditure of $12.61 and that of all the Provinces (including British Columbia) of $2.66 is the yearly sum of $9.95 per head of the population, or requiring the yearly sum of $1,706,222 to place it on all fours with the rest of the Provinces.

Total Expenditure for all Services in all Provinces for Five Years.

Provinces.	Average population for 5 years.	Total expenditure for 5 years.	Amount per head per year.
British Columbia	171,489	$10,813,905	$12 61
Manitoba	245,469	5,132,134	4 18
Prince Edward Island	103,687	1,526,494	2 94½
Quebec	1,636,454	22,057,010	2 69½
New Brunswick	330,377	4,027,154	2 44
Nova Scotia	458,882	4,815,300	2 10
Ontario	2,177,751	19,969,942	1 37½
	5,124,109	$68,341,939	2 66

Lastly, from the subjoined table of the total expenditures for all services of all the Provinces for the 30 years, 1873-1902, it will be found that British Columbia's per capita expenditure is over five times the average of all the Provinces, and that the excess of British Columbia's per capita annual expenditure over that of the average of all the Provinces is $9.54, or very little less than the excess for the five-year period, showing that the excess was constant throughout the whole period.

Total Expenditure for all Services in all Provinces for Thirty Years.

Provinces.	Average population for 30 years.	Total expenditure for 30 years.	Average per head per year.
British Columbia	90,634	$ 32,243,068	$11 86
Manitoba	123,801	16,025,974	4 31
Prince Edward Island	104,062	9,179,906	2 94
Quebec	1,421,994	104,027,881	2 44
New Brunswick	314,802	20,381,060	2 16
Ontario	1,961,260	105,798,513	1 79
Nova Scotia	434,585	21,525,863	1 65
	4,451,138	$309,182,264	$2 32

The striking inequality in expenditures disclosed by a comparison between British Columbia and the other Provinces, and the similarity, amounting almost to uniformity, shown to exist among the latter, point unmistakeably to some cause permanently operating in this Province to account for the difference in results.

It is impossible, having in view all the facts, to escape the conclusion that this permanent cause is the vast area of mountainous surface in British Columbia, which enters as a controlling factor into every branch of Provincial administration.

The second cause which operates disadvantageously towards British Columbia is its position in relation to other Provinces and other countries, which adds, as additional imposts, long-distance freights to the first cost of articles imported for use and for local manufactures; and also minimises to an unusual degree the advantages to be derived from inter-provincial trade, which was the commercial object of Confederation.

In regard to freights, the matter was dealt with in the report of the first delegation of 1903, as follows:—

"In Eastern Canada—in what we may call old Canada—the cost to the consumer, conveyed from points of entry like Montreal, Toronto, Halifax and other cities, varies, from the nearest points to the most distant, from 12½ cents per 100 lbs. to 50 cents. It may, in exceptional cases, reach 75 cents. The official through rate from eastern distributing or terminal points to western terminals varies, according to the classification of goods, from $2 to $3.25 per 100 lbs. What are known as commodity rates, to meet competition from New York to San Francisco and other Coast points, are, however, lower than that. In addition to that, while the consumer in the East only pays one local rate, the people of the interior not only pay the through rate to the Coast, but the local rate back again, which, in some cases, equals the through rate."

In regard to inter-provincial trade, it has been set out by Mr. George Johnson, Statistician for the Dominion, in this way:—

Trade of the two Central Provinces with the other Provinces,	$150,000,000
" " with each other	115,000,000
" three Maritime Provinces with each other.....	30,000,000
" Western Provinces and Territories with each other	20,000,000
Total	$315,000,000

Or say, $60 per head.

The products of British Columbia, which are exported to other Provinces, though extremely limited, consist chiefly of lumber, shingles, fish and fruit, and of goods to the Yukon. From the latest available statistics these are estimated in value at $3,000,000, or 1 per cent. of the whole inter-provincial trade of Canada. Thus, this Province having 3 per cent. of the whole population, pays 8 per cent. of the price of Confederation, and gets in return 1 per cent. of its trade benefits.

The third head under which our disadvantages in Confederation are compared with the other Provinces is the non-industrial character of the population, which arises out of conditions unfavourable to manufacturing as developed in Eastern Canada. The special products of British Columbia—mineral, fish and lumber,—are not the raw materials which enter into the manufacture of dutiable goods most largely consumed in the Province. This condition accounts for the larger percentage of goods imported, which increases the contributions to the Federal Treasury so disproportionately. An analysis of the census returns of 1901 show to what unusual extent the population of British Columbia is employed in mining, lumbering and fishing, and relatively to what limited degree it is engaged in agricultural pursuits and manufactory, with corresponding results in the nature of their respective products.

And, lastly, as a consequence of the limited market for special products of British Columbia in the East from which its people buy so extensively, a market has to be found for these in Great Britain and foreign lands, where they come in competition with the cheap labour products of the world. Adopting the language of a former memorial "We have had to pay long distance freights on both what we bought and sold; we have been obliged to reverse the order of successful business principles and buy in the dearest market and sell in the cheapest." Under this handicap have our present industries been created, and in regard to others, such as the manufacture of iron and steel and of pulp and paper, the natural conditions for which are so favourable, and whose development is nationally so important, the securing of profitable markets so far from the centres of population is by far the most serious of the problems to solve in their undertaking.

The foregoing are the grounds, mainly, upon which the Government of British Columbia appeal for special consideration to the Dominion authorities, in connection with the proposed re-adjustment of financial relations as between the Provinces and the Dominion.

They indicate in themselves the nature of the relief sought as compensation for a combination of disadvantageous conditions, incident to physical characteristics and geographical situation.

The first render it impossible for the Provincial administration to carry on its ordinary expenditures necessary under the Terms of Union and provide for the further adequate development of an immense area still largely unpeopled. In an experience of thirty-three years the Province has but once in its history produced a surplus of revenue over expenditure, and has in the same time accumulated deficits amounting to about $10,000,000, during which its financial requirements have been insufficiently met even by the aid of loans.

The second has resulted in the excessive contribution of $17,000,000 to the Federal treasury for which no benefits have been received, and placed the Province at a serious disadvantage in respect to its share of inter-provincial trade, foreign commerce and the development of native industries.

The Government in 1903, in asking for a commission of inquiry of the character suggested, deemed it to be an eminently fair proposition, inasmuch as it would put the burden of proof on the Province itself, place the consideration of the questions involved beyond the sphere of political influence, and guarantee the fullest and most impartial investigation.

In the event of a settlement, satisfactory to both, not being possible by a friendly conference between the Governments, the Government of British Columbia still adhere to the proposal for a commission as an alternative. It is submitted that in no other way can so complete and unbiased an *examination of those claims be made as by reference to an independent tribunal. If by such reference the contentions of the Province be sustained, the duty of the Dominion Government will be obvious: if the report be unfavourable to those contentions, then the subject will be forever removed from the arena of controversy.*

EXPENDITURE BY THE DOMINION ON ACCOUNT OF THE PROVINCE OF B. C., 1872-1903.

	1872-3.	1874.	1875.	1876.	1877.	1878.	1879.	1880.	1881.	1882.	1883.	1884.	1885.	1886.	1887.	1888.	1889.	1890.	1891.	1892.	1893.	1894.	1895.	1896.	1897.	1898.	1899.	1900.	1901.	1902.	1903.	Total, 32 years.
PUBLIC DEBT:																																
Interest		$55,480	$55,480	$55,480	$55,480	$55,480	$55,480	$55,480	$55,480	$55,480	$49,640	$34,200	$29,200	$30,000	$29,200	$29,200	$28,207	$27,214	$27,214	$27,214	$27,214	$27,214										$865,037
Premium D & E		3,009	2,803		2,385	1,203			1,397	7,557	5,499	6,441	3,780	82	161	797	1,427	696	968	494		4,637										43,336
Sinking Fund	$166,620	46,720	46,720	49,640	53,047	59,860	74,947	65,700	64,727	54,993	23,847	16,547	14,878	9,735	20,093	16,542	16,307	15,355	15,873	16,464	17,676	6,157										872,448
Redemption											438,000						33,093															471,093
Charges, maintenance		10,671	10,425	7,528	10,414	9,764	8,875	8,515	6,960	7,208	10,073	8,046	7,930	8,062	8,648	9,166	6,801	5,210	3,854	4,114	3,792	7,219	$3,696	$3,700	$3,767	$3,764	$3,862	$3,782	$4,089	$4,288	$4,395	198,618
Lieutenant-Governor		9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	270,000
Administration of Justice, Judges, &c	67,197	42,717	30,592	40,528	37,566	32,525	35,604	32,852	32,232	24,750	27,353	28,160	31,114	31,028	31,309	31,228	30,415	35,815	39,840	40,515	39,268	38,840	36,199	37,552	43,896	43,322	43,578	41,670	41,512	48,364	49,208	1,166,749
Penitentiary		15,864	8,036	8,548	7,117	29,336	26,333	15,196	16,162	15,970	19,848	28,207	27,746	32,894		33,000	35,190	41,736	37,840	36,712	42,548	43,650	43,358	37,190	39,919	40,269	42,074	40,447	42,150	42,049	46,953	896,342
Experimental Farms																	14,023	9,163	10,381	14,142	9,320	9,720	8,863	3,762	8,735	8,735	8,593	(8,750)	4,190	4,739	2,190	125,306
Quarantine												445	1,445	1,762	1,800	1,899	1,769	1,656	2,056	3,791	20,633	10,320	15,980	8,017	18,390	18,391	17,529	(20,000)	62,150	65,193	46,812	320,038
Immigration	5,000	5,200	500									920	1,000	1,000	1,200	1,463	5,650	5,854	7,061	4,733	770											40,351
Pensions, &c																													27,835	27,835	23,834	579,504
Militia	529	3,219	9,517	6,840	5,873	5,011	6,241	5,615	7,474	7,827	5,274	7,009	6,856	6,098	6,000	6,229	5,113	9,263	4,584	12,195	5,235	5,500	6,000	6,500	11,000	15,000	15,442	(16,000)	35,255	30,894	86,246	359,839
PUBLIC WORKS:																																
Buildings	92,415	46,888	27,543	92,949	48,782	3,015	816	13,078	15,483	13,839	26,902	33,967	36,792	17,035	35,978	24,225	13,906	38,090	49,128	39,334	111,790	135,771	35,678	69,944	117,813	69,952	33,069	75,516	123,350	171,541	65,606	1,680,195
Harbours and Rivers	101,156				4,000		710	10,610	1,934	3,284	3,070	18,203	6,564	6,116	16,351	29,918	52,900	56,985	53,842	59,768	80,622	93,763	71,194	27,368	25,530	117,720	93,946	70,787	94,753	69,467	69,718	1,240,279
Dredging		8,736	22,607	17,732	567	5,122		15,758	7,545	2,114	10,497	37,951	20,095	17,457	15,000	17,994	14,711	14,413	19,404	23,374	18,000	53,144	21,848	10,777	21,000	30,258	31,688	14,315	83,605	104,000	39,684	699,396
Telegraphs		29,021	46,818	37,329	31,109	34,164	48,518	35,578	40,357	38,646	30,516	37,190	38,385	45,004	16,528	6,433	16,400	24,841	16,071	15,600	15,675	11,852	16,455	3,556	10,056	12,607	17,305	378,500	272,903	396,294	51,407	1,775,118
Agency		2,530	2,577	2,502	2,063	2,688	2,496	2,819	2,595	2,196	2,811	2,750	2,685	3,998	4,000	4,539	4,500	5,300	5,500	6,352	4,998	1,860	2,131	2,279	2,200	1,791	1,989	2,091	1,195	1,217		86,652
Mail Subsidy		54,000	54,000	54,000	53,883	54,000	54,000	54,000	29,270	17,640	17,640	17,640	17,640	17,640	17,640	13,230	14,700	19,707	17,640	17,640	17,640	17,640	5,000	5,000	5,000	5,000	5,000	5,000	5,000	4,904	20,000	691,094
MARINE:																																
Dominion Steamers		10,556	41,797	19,157	16,096	12,701	8,460	9,735	9,040	8,455	25,484	16,432	11,650	13,625	12,000	12,254	8,394	11,261	65,102	25,689	47,745	20,627	18,879	29,480	22,972	23,000	20,065	(22,000)	25,132	29,961	26,826	624,575
Light Houses	28,378	32,708	27,228	28,186	17,433	14,456	15,153	15,577	25,999	17,804	17,349	18,086	18,218	11,549	15,000	24,644	16,630	16,358	33,692	34,144	24,457	27,277	28,663	24,770	34,143	31,718	42,530	(35,000)	30,295	41,991	35,789	785,225
Meteorological																		100	1,514	1,325	1,500	1,500	1,500	1,500	1,500	1,500	2,000	2,876	(3,000)	3,985	4,311	2,429	29,040
Marine Hospital		1,231	3,882	3,408	3,093	3,837	4,167	3,007	3,053	3,162	3,906	3,969	2,905	3,144	3,450	3,479	3,853	3,123	3,423	3,570	2,018	3,913	4,872	5,804	4,465	4,415	5,186	(5,250)	5,299	8,240	6,160	119,284
Steamboat Inspection			336	1,175		1,085		930		175	341		230	1,475	1,500	1,830	2,142	1,748	2,523	2,196	2,550	2,083	2,396	3,234	2,887	2,900	3,641	(3,750)	5,039	3,858	5,413	55,437
Miscellaneous																													2,666	3,636	2,866	9,168
Fisheries					635	686	1,424	1,400	5,192	1,599	4,100	2,232	1,437	1,879	3,500	3,632	4,334	3,634	4,321	6,158	5,491	5,283	6,219	6,227	8,509	8,508	8,460	(8,500)	17,866	18,561	17,808	157,595
" Protection, "Kestrel"																													11,405	50,477	23,695	85,577
Hatchery													11,873	5,406	5,500	5,654	4,933	4,203	3,340	2,897	3,631	3,273	2,869	2,817	3,390	2,389	3,736	(3,750)	17,710	20,509	23,275	131,155
Indians		29,000	25,000	25,000	25,000	57,200	45,532	41,561	42,318	43,000	43,732	45,891	51,989	48,284	61,834	66,834	82,923	102,074	88,056	90,022	106,883	107,082	101,536	91,542	92,310	112,936	109,796	114,878	119,443	129,509	138,216	2,239,381
Subsidies	366,000	330,294	225,050	218,247	208,217	208,094	208,094	208,086	208,019	207,366	207,996	207,996	212,151	212,151	212,151	212,151	212,151	212,151	212,151	242,242	242,242	243,585	242,689	242,689	242,689	242,689	242,689	242,689	242,189	307,077	307,077	7,329,062
Dominion Lands													14,455	13,440	10,340	10,350	10,340	10,195	9,488	10,983	10,500	10,500	9,750	9,774	8,730	7,350	7,350	7,350	6,895	5,864	5,963	179,617
Customs	11,542	19,634	19,056	23,323	23,094	21,365	22,308	21,168	21,884	22,503	22,546	25,489	30,733	30,320	32,382	42,422	42,821	42,827	49,389	51,808	56,143	60,734	62,228	65,219	66,770	78,196	93,216	96,780	147,941	159,283	142,270	1,605,394
Excise	1,286	6,137	5,318	6,208	5,683	5,805	5,766	5,664	5,523	5,720	5,708	6,160	5,857	7,031	7,082	7,646	7,463	6,378	6,606	11,823	13,252	14,374	14,578	15,522	16,242	18,293	18,793	20,077	20,264	17,239	22,243	315,741
Weights and Measures							411	165	707	594	419	543	1,395	512	600	1,267	292	295	239	2,128	1,518	1,929	1,939	2,160	904	577	2,157	(2,200)	2,072	2,697	3,481	31,201
Gas and Electric Light							150	165	120	175	150	151	366	210	250	413	181	90	80	495	536	641	902	900	884	478	1,025	(1,050)	911	1,140	926	12,389
Esquimalt Dry Dock													45,562	363,632		97,372	7,949	19,870	14,766	16,591	4,784	10,016	10,420	12,355	10,770	11,746	11,957	13,262	11,831	13,278	15,179	691,340
Post Office	96,768	68,687	70,056	60,378	63,049	60,230	69,777	47,979	63,411	61,028	64,206	76,268	85,965	109,287	149,669	165,851	174.658	161,785	177,160	147,967	150,000	170,000	202,308	196,263	235,489	225,000	227,781	230,000	285,847	291,111	290,039	4,478,017
Chinese Immigration																1,450	13,188	13,250	13,703	28,805	70,150	29,357	21,037	25,137	31,150	30,600	51,130		3,495	3,556	4,100	340,108
Miscellaneous	192,803			1,027		370			1,344				900							1,445					6,000	5,175	16,729		3,610	59,854	24,081	313,338
Defences, Esquimalt																														129,837	111,944	241,781
Refunds																													40,512			40,512
Chinese Immigration Inquiry																														258,050		258,050
	1,129,694	831,302	744,341	768,185	683,586	686,997	704,262	679,638	677,226	632,085	1,075,907	689,893	750,796	1,058,856	728,166	892,112	896,364	929,640	1,005,809	1,011,730	1,167,581	1,188,461	1,008,187	960,038	1,106,110	1,183,779	1,192,192	1,495,394	1,811,394	2,281,774	1,982,883	32,454,382

STATEMENT OF REVENUE CONTRIBUTED BY BRITISH COLUMBIA TO THE DOMINION.

	1872.	1873.	1874.	1875.	1876.	1877.	1878.	1879.	1880.	1881.	1882.	1883.	1884.	1885.	1886.	1887.	1888.	1889.	1890.	1891.	1892.	1893.	1894.	1895.	1896.	1897.	1898.	1899.	1900.	1901.	1902.	1903.	Total, 32 years.
Customs	$353,865	$306,437	$337,451	$415,317	$490,226	$406,106	$426,607	$517,262	$451,553	$601,002	$680,839	$911,167	$885,884	$969,296	$883,888	$887,376	$859,453	$975,169	$1,076,020	$1,344,358	$1,407,008	$1,217,718	$1,191,648	$1,055,899	$1,397,196	$1,542,000	$2,290,272	$2,090,000	$2,354,775	$2,363,378	$2,357,564	$2,423,586	35,471,320
Warehouse Fees			519			625	1,632	330	955	620	4,267	100						1,335	8,637	14,911	3,767				1,680	2,678	2,140	2,300	2,280	3,229	3,040	3,235	58,280
Petroleum Inspection																																	7,664
Casual																								33			2,818		1,668	1,105	1,075	1,075	7,774
Chinese Immigration															11,247		15,695	40,558	56,208	107,786	166,502	113,491	105,022	72,475	88,301	123,120	109,754	220,310	215,102	131,354	186,197	517,700	2,280,822
Excise	1,457	5,724	10,657	11,226	14,957	20,300	25,000	32,095	35,225	46,448	57,055	68,156	57,967	62,643	87,073	93,046	87,530	110,709	138,041	152,891	237,043	247,584	242,000	251,785	294,172	327,000	420,510	512,223	512,495	482,916	473,508	472,654	5,592,120
Weights and Measures							1,132	1,092	1,092	2,259	1,231	1,065	1,004	1,564	1,224	1,852	1,517	1,651	295	339	312	377	478	343	385	437	577	475	792	395	832	893	23,613
Gas Inspection							179							1,075	830	757	816	850	90	80	54	269	728	685	409	362	478	445	545	561	545	571	10,329
Electric Light Inspection																								40			752	780	(750)	1,067	1,296	1,796	6,481
Methylated Spirits																					55	155		690	524	1,244	1,225	119	(1,000)	265	358	453	6,088
Casual																										530							530
Post Office		14,704	9,748	10,899	12,725	16,135	19,028	18,612	18,186	22,519	23,224	30,158	35,567	43,229	46,304	57,560	70,216	65,407	79,336	106,873	127,635	136,748	148,684	140,126	161,645	204,219	247,282	248,795	250,000	256,806	268,115	283,509	3,173,994
Money Orders				646	1,432	1,747	1,777	1,905	1,728	2,172	2,458	3,250	4,351	4,630	4,723	5,231	5,381			8,178														49,609
PUBLIC DEBT:																																	
Premium, Discount and Exchange	2,462		2,803	2,920		461	2,475	14,880	3,941			19,500	135	8,000	150	585	135																58,447
Interest on Investments	18,534	6,233	1,810	5,770	5,550	5,650	5,650	6,350	6,150	6,150	6,150	32,922	14,519	14,162	14,850	15,048	15,560	15,157	14,628	15,040	15,604	16,049											257,536
PUBLIC WORKS:																																	
Telegraphs			10,121	9,489	9,257	7,326	8,531	5,180	8,078	8,641	8,500	8,500	8,500	8,500	8,500									961	907	907	1,367	1,830	2,204	(2,500)	3,287	24,746	4,600	152,432
Penitentiary		39,043							51	109	20	39	141	1,041	1,089	2,456	715	195	653	489	472	639	607	357	869	863	771	1,482	(1,628)	1,559	1,372	1,727	58,387
Experimental Farm																								17	79	67	450	409	457	589	530	1,101	675	(800)	515	898	411	6,998
Esquimalt Graving Dock																	5,337	14,812	13,566	29,467	18,416	23,204	10,787	6,338	10,222	7,515	62,228	10,316	6,660	12,348	14,502	13,669	259,387
MARINE:																																	
Sick Mariners' Fund		502	975	1,533	2,350	1,879	2,612	2,866	2,843	2,250	3,083	3,109	3,355	3,098	2,808	3,851	4,890	5,278	4,747	6,150	6,451	7,130	7,216	6,792	6,726	8,056	8,558	8,247	9,708	10,360	6,140	12,572	156,135
Steamboat Inspection		236	66	600	406	450	342	621	461	606	682	588	873	1,191	928	941	936	1,125	1,647	1,738	1,946	2,166	2,358	2,128	2,430	2,727	7,012	6,612	6,188	6,559	6,402	5,946	66,911
Examination of Masters and Mates																			69	127	131	189	117	418	475	719		859	(900)	979	1,185	1,489	7,657
Casual		252	12,449	3,085	12,440										12,600						563	2,953			52		25						44,419
Fisheries					60				10		672	792	128	366	923	944	6,935	6,416	11,368	12,914	8,192	40,264	25,338	23,517	26,411	39,888	47,865	45,802	53,195	52,960	41,179	43,016	489,155
Superannuation																														1,585	1,585	1,143	49,313
Dominion Lands and Timber																	36,154	37,424	64,508	60,225	71,232	71,798	49,927	36,772	35,000	26,806	33,853	42,202	35,000	22,439	75,764	61,841	760,945
Miscellaneous																																	340,892
	376,318	373,131	386,599	461,485	549,403	460,679	494,965	601,193	530,303	692,776	788,181	1,079,346	1,013,424	1,118,795	1,064,537	1,082,247	1,111,270	1,276,086	1,469,830	1,861,645	2,066,837	1,883,064	1,788,160	1,601,582	2,028,134	2,290,136	3,239,185	3,194,018	3,456,161	3,353,667	3,466,303	3,851,886	49,397,238

APPENDICES.

No. 1.

[NOTE TO FOREGOING TABLES OF REVENUE AND EXPENDITURES.]

It will be observed that by the method adopted in extracting the contributions by the Province to the Dominion, and the expenditures by the Dominion in and on account of the Province, from the Auditor-General's Report, there has been no effort made to distinguish expenditures charged to "Capital" and "Income" respectively, which, in some instances, would materially reduce the sum to be charged to the Province in a single year, as the account would take cognizance of interest only. To adopt a strictly accountant system, although materially reducing the amount chargeable to the Province each year, would greatly involve the process of arriving at a final result.

It will also be observed that the statement is *more* than fair to the Dominion, inasmuch as the expenditure includes such large items as quarantine, fishery protective service, maintenance and construction of lighthouses, defences of Esquimalt, and militia, which, strictly speaking, are matters of national benefit, and are in no sense local or Provincial, any more than similar services on the Atlantic Coast would in a similar statement be charged to Nova Scotia or New Brunswick. They are, however, incidentally of local benefit and are included.

In addition to that the cost of the Indians is included in "Expenditure," although the Province has no moral or legal responsibility in that connection. It is to be borne in mind, too, that the Province gave to the Dominion for the use of the Indians over 525,000 acres, which being in every instance the best land available is worth at the lowest estimate $10 an acre at the present time, for Reserves. Of course, in the case of the total dying out of the Indians the Reserves will revert to the Province.

To absolutely adjust such an account equitably would require the services of a Commission, as the proportionate cost of Government and a great many other things would have to be taken into consideration; but in a general way the results are given in the tabulated statements hereto attached.

No. 2.

(FROM REPORT OF DUNSMUIR DELEGATION, 1901.)

Since 1872, the revenue contributed by British Columbia to the Dominion up to July 1st, 1901, will have amounted to, roundly, $42,000,000. Taking the average of the population for the three census periods, 1871 to 1881; 1881 to 1891; and 1891 to 1901, at 81,000 and that of all Canada at 4,500,000 for the same periods—had the whole of the people of the latter contributed in the same ratio per capita, the revenue would have amounted to $2,333,250,000 instead of $886,360,000.

In other words, $\frac{1}{55}$ of the population has contributed about $\frac{1}{20}$ of the revenue of Canada in 30 years.

Conversely, if the contribution of British Columbia, for that period, had been on the same basis as the rest of Canada, it would have amounted to only $15,957,000.

Taking the population at 5,250,000 and 125,000, respectively, the per capita contribution of all Canada in 1899 was $8.93 per head, and that of British Columbia $25.67 per head.

If the revenue from British Columbia had been in the same ratio as the rest of Canada, it would have amounted to only $1,116,250, instead of $3,194,808.

Taking the customs and excise alone, which amounted in 1899 to $34,958,000 for the Dominion, and $2,627,500 for the Province, on the same basis of population, the per capita contributions are $6.65 and $21.02. Had the whole population of Canada contributed in the same ratio as British Columbia, the taxation derivable from inland revenue and customs would have been $110,250,000, instead of $34,958,000.

Conversely, if British Columbia had contributed in the same ratio as the rest of the Dominion, the revenue from British Columbia from these sources would have been only $831,250.

In 1899, our Provincial contributions to the Dominion Treasury, from all sources, were $3,208,788; and our share of all expenditure by the Dominion was $1,334,618.

If the whole of Canada had contributed in the same ratio, the revenue of Canada for that year would have been $134,767,000, instead of $46,741,250.

No. 3.

Cost of Administration.

(FROM REPORT OF PRIOR DELEGATION, 1903.)

In regard to No. 1, I have only to exhibit this map to illustrate what I mean by the physical character of the country increasing the cost of administration. The whole interior of the Province of British Columbia is more or less mountainous, and the valleys or agricultural parts suitable for settlement are few and far apart. The settlements that have taken place through mining development are also widely distributed and found often in very inaccessible places. In fact, without going into a long description of conditions with which everybody who has been in the country is familiar, the cost of building roads to connect these various settlements, sometimes over mountain tops, or along their steep sides, through rock, etc., is very expensive; and in many instances the expensive means of communication which it is necessary to provide only serve a comparatively few people, from whom there is anything but adequate revenue to be derived.

It is necessary, too, to provide educational facilities, supply officials in various capacities, build public buildings; in short, supply all the facilities that would be necessary in a thickly settled community. This is not only true of the interior but also of the coast, where the thickness of the forest, the denseness of undergrowth and great size of the trees make it still more expensive to clear and grade roadways.

As you will see by this map, we have only begun to touch the rim of the Province, and yet the Government has, according to a statement prepared for me by the Government Engineer, who says it is well within the mark, built 6,000 miles of road, at a cost of $12,000,000, and 5,000 miles of trails, at a cost of $1,000,000, or $13,000,000 in all. Now, to give the rest of the Province still undeveloped a similar system of communication, will cost I do not know how many times more. Few of these roads can be considered as finished roads at that. They are, as a rule, nine or ten feet wide, simply graded roughly, and constantly being repaired and improved. There are also numerous bridges and culverts to be constructed, which are very expensive indeed. I am submitting the particulars of a few roads that have been built of late years, to give you an idea of the cost in different districts, as follows:—

MAIN WAGGON ROADS.

	Length.	Width.	Cost per Mile.
In East Kootenay	20	9 feet	$1,000
Revelstoke	4⅓	10 "	3,350
Slocan Riding	12½	9 "	1,600
Yale (West)	4	10 to 12 "	4,544
" (East)	5¾	12 to 14 "	1,700
Richmond (Coast)	4	16 to 22 "	2,000
Rossland	6¾	10 "	1,185
New Vancouver (Coast)	1.8	12 to 16 "	2,220
	9	10 "	1,510

All of these are still under construction.

The physical configuration of the country, therefore, greatly increases the cost of government. Population can never be concentrated or compact, and, as a consequence, the cost of the individual factor of population is proportionately very much greater than in the Eastern Provinces. The revenues, as a consequence, to be derived must be very much less in proportion to the area, or the individual must be taxed very much higher. One or both of these results invariably follow.

I have made a comparison of the cost of the various services in the different Provinces under different heads, as nearly as they could be grouped from what appears in the Public Accounts, and the result is as follows, which is substantially correct, though subject to correction in some details:—

	B. C.	Man.	Ont.	Que.	N. B.	N. S.	P. E. I.
Population (in round figures)..	180,000	256,000	2,185,000	1,650,000	330,000	460,000	103,250
Administration of Justice....	$1.20	$ .52	$ .20	$ .33	$ .055	$ .16	$ .16
Civil Government.....	.95	.....	.13	.18	.095	.....	.....
Legislation.....	.25	.18	.065	.09	.11	.11	.07
Public Institutions	.60	.....	.38	.31	.24	.36	.30
Public Works.....	2.44	.90	.12	.065	.60	.34	.70
Education (1891).....	5.56	5.01	1.91	1.91	1.92	1.81	1.44
Total cost of Administration...	11.62	4.00	1.85	2.70	2.40	2.04	3.00

There is still to take in the cost of Municipal Government. As it happens, there are only two Provinces which compile municipal statistics, Ontario and British Columbia, but for our purposes Ontario may be taken as fairly representative of the others. The cost of Municipal Government, according to latest published returns of the Ontario Department of Statistics, is $6 per head of the population. We have now the basis of a perfect comparison between British Columbia for the year 1901, in respect to the cost per head for governmental purposes, and it is as follows:—

	Ontario.	British Columbia.
Provincial	$ 1 85	..... $12 60
Municipal	6 00	..... 1 75
Customs (average for Dominion).....	5 28	..... 16 00
Excise	2 00	(Included in Customs.)
	$15 13	$30 35

There are two important distinctions to make in the case of British Columbia, as compared with Ontario, and to some extent with the other Provinces, and they are that, owing to the municipalisation in the East, a very large burden of responsibility is thrown upon the municipalities which in British Columbia is borne by the Province; and that, owing to the character of the population in British Columbia, which includes 45,000 Chinese, Japanese and Indians, who contribute to the general revenues in a very insignificant degree, the whole of the taxation falls on a population equivalent to about 50,000 *adult white male* population, or an amount of over $100 per head for all purposes per annum. Tho above comparison is, therefore, greatly increased as against British Columbia, and exceeds, all round, the ratio of three to one. This is a condition of affairs arising out of our peculiar physical characteristics and geographical situation for which we claim special consideration.

To illustrate more clearly the effect of the physical configuration in the cost of administration, I have here a table showing the expenditures and receipts in three of our large outlying districts, covering a period of five years. The expenditures include the cost of salaries of officials in the districts, of education, hospitals and charities, works and buildings, roads, streets and bridges, surveys and miscellaneous, but *not* of the administration of justice, of legislation, the interest on public debt, the general expenses of civil government, and many other large items of expenditure which cannot be apportioned to districts. The revenues include all the revenues which arise out of the respective districts. The totals are:—

FOR FIVE YEARS, 1896-7 TO 1900-1.

	Expenditures.	Revenues.
Cassiar	$311,908 94	..... $323,038 37
Cariboo	340,007 85	..... 307,832 04
Yale.....	727,323 83	..... 683,480 50
	$1,371,240 62	$1,314,350 91

From the results shown in the above five years' experience, it will be seen how far short the ordinary revenue is of the ordinary expenditure in such large districts. The revenue includes all sources of money supply, while the expenditure only includes the appropriations within the districts.

As another illustration of how the financial situation works out in new districts: Last year there was a proposal to settle one hundred families in the fertile valley of the Bulkley River, south of Hazelton, on the Skeena River. The members of the colony, as inducements, asked that the Government should assist them in taking in their families and effects, to give them 320 acres of land free for each family, to build a road from Hazelton to the settlement, 75 miles in length, and build schools, etc. Upon making an estimate, the initial cost for the first five years was as follows:—

Road from Hazelton, 75 miles	$75,000 00	
Two school-houses	5,000 00	
One Government building	1,200 00	
Cross-roads	5,000 00	
		$86,200 00

In addition to this, to be taken into account, were:—

The salary of two teachers	$1,800 00	
The salary of one Government official	1,200 00	
Or a total in five years of		15,000 00
Grand total outlay in five years		$101,200 00

The greatest possible revenue that could have been reaped in return would have been:—

Poll tax, at $3 per head per annum on 300 male adults	$ 900 00
Land tax, on a valuation of the Government price of land for purchase, @ $5 per acre	1,200 00
	2,100 00
Or, in five years	10,500 00
At the end of five years, provided the land was pre-empted on the usual terms, the Government would receive, @ $1 per acre	32,000 00
Or a total of	42,500 00
As against an expenditure of over	100,000 00

Of course, in five years there would have been others added to the population, and in all probability there would have been miscellaneous receipts under mining licences, etc., but there would have been increased expenditure as well. This shows, in a practical way, what it costs to open up new districts in British Columbia. In other words, unless mining development accompanies settlement to increase the revenue, the ordinary settler, to use a homely expression, costs more than he comes to.

On the other hand, one hundred families settled there would have contributed at least $2,500 per annum to the Dominion Treasury, without the Government practically assuming any responsibility in connection with them.

These are the practical problems which the local Government have to face in British Columbia, and is one reason why we claim the local sources of revenue are not sufficient to meet the demands on the treasury as is, in fact, shown by the receipts and expenditures since Confederation. I think I have shown you very clearly that we cannot administer the affairs of the Province on a basis similar to that of the other Provinces, or anything like a similar allowance for local expenditures.

No. 4.

Effect of increased Population and Development.

The Hon. Mr. Parent, in presenting his case, remarked :

"The development of the Province has occasioned new expenditure."

"The larger part of this increase is due to various causes, which notwithstanding all the care given to the management of public affairs, it has been impossible to control."

"This increase in the population is inevitably a source of expenditure to the Provincial Government, and, although it is incumbent upon it to neglect no means of attracting to this Province and keeping therein a large population, it is unfortunately true that the accomplishment of this duty occasions a constant diminution of its pecuniary resources.

"This increase in the population is directly responsible for the additional cost for the administration of justice, the maintenance of the educational system, the support of the prisons and asylums and the assistance given to educational and charitable institutions, etc."

* * * * * * *

"On the other hand, the revenue of the Federal Government from $13,687,928, which it was in 1868, increased to $51,029,994 in 1900. From the figures above given, it will be seen that the customs and excise duties form a large portion of the revenues paid into the treasury of Canada in consequence of their surrender by the Provinces."

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"In the majority of the Provinces it has become impossible by taxation to cover the increased expenditure, and it appears to us that the only method of meeting all the public requirements is to have the views above expressed accepted by the Federal Government."

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"With the additional sums so placed at the disposal of the Province, we could encourage education, agriculture and colonisation, aid in the development of our natural resources and nascent industries, furnish, by practical instruction, the generations to come with the means of engaging in economic struggles of the future, and supervise with a more jealous care the observance of the laws which ensure the security of persons and property.

"This expenditure would directly benefit the Government of Canada, which would be more than repaid the sums handed over to us by additional customs and excise duties paid into the public treasury by increased population."

* * * * * * *

Hon. G. W. Ross, Premier of Ontario, took practically the same view. In his memorandum submitted he pointed out :

"It is true that there is no compact that the subsidies should increase according to the revenues of the central government, although such a basis would be eminently fair inasmuch as the moneys (customs and excise) from which the subsidy is paid by way of refund for maintenance of local governments, is collected from the people of the Provinces, and, indeed, in some respects such a basis for the payment of subsidies would be fairer than payment on the basis of population, as being a refund in proportion to the amount collected.

"The present basis ignores the fact that while the increase of population lightens the burdens of the Dominion inasmuch as it multiplies the contributors to the revenue from customs and excise, the increase of population adds to the burdens of the Provinces without any corresponding contribution towards their maintenance. For instance, the Provinces, through the central government, are taxed for maintaining the Department of Emigration. This department justifies its existence by increasing population from foreign parts, and the Government is recouped for this expenditure through the customs and excise departments. The Province, however, that has to provide for the education of these emigrants, for the administration of justice so far as they are concerned, and for the maintenance of their indigent or insane, has no means of recouping itself because of this increased expenditure imposed on it through the Dominion except at its own expense. Surely this circumstance must have been overlooked or the subsidies would not have been rigidly based on a fixed population, as has been the case."

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Hon. G. W. Ross goes on to point out that the very expenditure made by the Dominion Government in building railways, canals, etc., though it increases the population of Canada and the revenue to the Dominion, "the Provinces, so far as their administration of the responsibilities devolving upon them by the Act, receive no benefit whatever, but rather lose from this increase, as the charges by the Dominion Government, which the people of the Province have to meet in order to carry on these large undertakings, increase the difficulties of the Provincial Governments in meeting the charges which this increased population imposes upon them under the constitution.

"The Provinces are, in this way, subjected to a double charge: (1.) To find the means, through increased customs and excise charges, for public works undertaken by the Dominion; and (2) to provide for the maintenance of the population which naturally follows in their wake."

No. 5.

Better Terms Allowed to Provinces.

Nova Scotia in 1868.

New Brunswick in 1873 was allowed $150,000 per annum as compensation for loss of export duty on logs under the Treaty of Washington in 1871. Under the Terms of Union New Brunswick was permitted to impose this duty, which had been in force since 1842. It has always been regarded, and really was, a very liberal settlement. It was arranged by Sir Leonard Tilley, one of the New Brunswick representatives on the Dominion Government.

There was a general readjustment of terms in 1873, as the result of agitation in Ontario and Quebec against the payment of interest on 10½ millions, by which amount the actual debt of the old Province of Canada exceeded its allowed debt of $62,500,000 under the Union Act. The following sums were allowed to be assumed by the general Government as liabilities on behalf of the Provinces:—

Provincial debts at time of Confederation	$ 77,500,000
Debts subsequently assumed or allowed:	
Nova Scotia (better terms)	1,186,756
Old Province of Canada	10,506,089
Ontario	2,848,289
Quebec	2,549,214
Nova Scotia	2,343,059
New Brunswick	1,807,720
Manitoba	3,775,606
British Columbia	2,029,392
Prince Edward Island	4,884,023
Total	$109,430,148

Prince Edward Island in 1901 was allowed $35,000 per annum for failure to provide regular communication, winter and summer, between the island and mainland, as per Terms of Union. Communication at times is irregular, owing to hummocky ice in straits, which can never be overcome, except by tunnelling.

Nova Scotia in 1885, in which the Government of Canada took over the Extension line railway constructed by Nova Scotia and paid therefor $1,324,042, purchased certain wharves, and extended the line to Sydney as a work of general benefit. This line was afterwards amalgamated with the Intercolonial system; and in 1901 when a sum of $671,836 was placed in the estimates in connection with claims of that Province (*see* Hansard Debates, page 5892).

New Brunswick in 1901 also received the sum of $280,692 (*see* Hansard Debates, page 5941).

No. 6.

Cost of Road Building in British Columbia.

STATEMENT SHOWING LENGTH, WIDTH, AND AVERAGE COST PER MILE OF CERTAIN WAGGON ROADS.

East Kootenay, North Riding.

Toby Creek Waggon Road:

Length	20 miles.
Width graded, averages	9 feet.
Cost per mile (approximate)	$1,000.

Revelstoke Riding.

Columbia River Waggon Road:

Length	4⅓ miles.
Width graded, averages	10 feet.
Cost per mile (approximate)	$3,350.

Slocan Riding.

South Fork Kaslo Creek Waggon Road:

Length	12½ miles.
Width graded, averages	9 feet.
Cost per mile (approximate)	$1,600.

Yale, West Riding.

Lillooet-Lytton Waggon Road:

Length	4 miles.
Width graded, averages	10 to 12 feet.
Cost per mile (approximate)	$4,544.

Yale, East Riding.

Main Kettle River Road:

Length	5¾ miles.
Width graded, averages	12 to 14 feet.
Cost per mile (approximate)	$1,700.

Richmond Riding.

Hastings-Barnet Road:

Length	4 miles.
Width graded, averages	16 feet.
" between ditches	22 "
Cost per mile (approximate)	$2,000.

Rossland Riding.

Norway Mountain Waggon Road:

Length	6¾ miles.
Width graded, averages	10 feet.
Cost per mile (approximate)	$1,185.

Westminster District.

Reformatory Road (near Vancouver).

Length	1.8 miles.
Width graded, averages	12 feet.
" between ditches	16 "
Cost per mile (approximate)	$2,220.

Chilliwhack Riding.

Mount Baker Waggon Road :	
Length	9 miles.
Width graded, averages	10 feet.
Cost per mile (approximate)	$1,510.

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