

*Federal Transfers to Provinces*

provincial sources of revenue—being taxation on natural resources—was that the federal government had to have revenue in order to treat provinces equally. In other words, to create the equalization we have had. But, first, when you take only five provinces as a standard, you lose a great deal of the justification for the taking of those revenues.

Second, when you have only five provinces you do not justify a federal national taxation system. At the moment that system is broken down. At one time the federal government was the tax agent for personal income tax and for corporate tax for all of Canada. Quebec now has its own personal and corporate tax system. Ontario has broken away with its corporate system, as well as Alberta. There is even the possibility of British Columbia setting up its own tax collection system. We are breaking away from this federal taxing system. However, when you use only five provinces for equalization, you create the tendency to break away from a national taxation system.

The formula given will produce a return to the provinces on equalization very much like the kind of formula recommended by the fiscal arrangements task force. That task force recommended—and I am pleased the minister has followed through—that a number of matters should be brought into the pot of provincial revenues to be equalized. Up to this point there have been 29 tax areas that have been equalized. This bill brings in a great many more. It breaks up old oil and new oil, as well as a number of other things not mentioned by the minister. There are municipal revenues from municipal taxation. The bill goes on further to mention municipal licence fees and the like, presumably for the sale of water and hydro by municipal utilities, etc. It takes those revenues or profits into account. That is good. I think had the task force gone on and felt that these were valid arrangements, the task force members would have said: "Good; we think all revenues should be brought in." I think the new equalization arrangement of bringing in new forms of revenue will improve the quality of equalization.

The minister says he is bringing in \$16.5 billion of further provincial revenues to be equalized. He says that and sort of leaves the impression with the House—maybe I am mistaken—that somehow he was adding in more money to recipient provinces. That is not the case. Equalization is really a balancing act.

It is done by taking the income that an average province would receive and averaging out how all provinces receive income from a taxation source. We do that now from 32, 33 or 35 taxation sources or whatever it is. We average it out on a per head basis to find out whether a province is above or below average. The result is a balance.

Last year the provinces received \$4.285 billion from this form of payment. According to the estimates, the provinces will receive \$4.709 billion. The minister tries to give us the impression that this is of great benefit to the provinces, as though he had created a system that would make the provinces vastly more well off. But the minister does not tell us that he now has far greater access to oil and gas revenues than he ever had before. He does not point out that in 1980-1981 the amount of money transferred for equalization was 3.53 billion.

Therefore, the increase is not much different than has always existed.

For the past three years equalization payments by the federal government to the provinces have increased by about half a billion per year. The reason for the increase is not the minister's fancy new formula, but because parts of the country do not have the fiscal capacity they should have. Equalization attempts to balance the fiscal capacity on a per capita basis between provinces. It does not take too much from the rich or give too much to the poor; it averages them out. The reason for this increase over the past three years is not the changing formulae; it is because an imbalance has occurred in the community. That imbalance has to be corrected by the federal government in accordance with our new Constitution because we have entrenched equalization in that Constitution. This is not a gift to the provinces; it is not something which the minister has that belongs to the federal government. It is something which the federal government exists to do. It is a question of fiscal balance and the responsibility of the government under the Constitution. It is no more and no less than that.

● (1640)

I wish now, Mr. Speaker, to turn to the question of revenue guarantees. The minister made a great thing about the fact that the revenue guarantee was some sort of protection to the provinces because of an arrangement made after tax reform came in on January 1, 1972. He said that really what we were doing was carrying on that arrangement and, you know, it is now 1982 and that is all past now and we do not need to worry about it. I want to quote what the minister said to the fiscal arrangements task force in his submission on April 23, 1981, in connection with revenue guarantees. On page 83 of his brief he said:

The latter amount is the cash equivalent of one equalized personal income tax point per capita in 1975-76. This was part of the negotiated settlement. It was intended to provide compensation for termination of the 1972 Revenue Guarantee program and was given to the provinces on the condition that they agreed to integrate the hospital insurance program into the EPF arrangements on April 1, 1977. (The provinces had the option of continuing to receive shared cost entitlements for hospital insurance until July 15, 1980, when the hospital insurance agreements were due to expire.)

That revenue guarantee, Sir, was part of a deal in 1977. It was one equalized tax point in cash which was added to the deal to get the provinces to sign. It was not a revenue guarantee, it was added to a block transfer. How the provinces used that block transfer was nobody's business but theirs. They could use it any way they wanted to. There is nothing in the agreement which demanded the provinces use one iota of it for medicare or post-secondary education. They had a block transfer and they had the responsibility.

Let us now talk about what Donald Macdonald, the then minister of finance, said on third reading of the bill. Reading from page 4264 of *Hansard* for March 23, 1977, he said:

We started off with the position from the revenue guarantee, which terminated as of the end of 1976, that there was no further obligation to pay. We met the provinces half way on that, split the difference, and settled the compromise. Even