

Federal-Provincial Fiscal Arrangements Act

Mr. Blenkarn: And this weeping and wailing and gnashing of teeth goes on. What money the provinces borrow, they borrow for 3.5 per cent less than what they paid when the former Government was in office. They have massive new employment and a booming economy. Here they were weeping, wailing and crying about a \$13 million contribution to a massive problem that was created by an alliance between the New Democratic Party and the Liberal Party as evidenced by the opposition to this Bill and the lack of fiscal understanding.

[*Translation*]

Mrs. Pépin: Mr. Speaker, I have a comment and a question for my colleague. I heard him mention earlier that the provinces now had reason to complain about equalization, and that he knew of no province that was forced to levy taxes because of federal equalization payments. I suggest the answer to that was provided in the Budget speech made by the Quebec Finance Minister, in which he said that transfers to provinces were not the cause of the federal deficit; that the federal Government was transferring its deficit to provinces; that the federal Government had brushed aside any true negotiation with the provinces; that the federal Government is making inconsistent fiscal decisions when cutting down its funding of health care and post-secondary education while introducing progressive exemption of capital gains and phasing out the oil and gas revenue tax in the producing provinces.

Also, the Quebec Government was forced to introduce a surtax on corporate income tax, to raise employer contributions to health services and to increase capital gains tax in order to compensate for federal cuts in EPF funding and the revenue losses under the equalization program because of the federal Government's failure to ensure a minimum 95 per cent of entitlement flowing from the 1984-85 Budget.

Mr. Rossi: They will be losing \$2.3 billion in the next five years.

Mrs. Pépin: They will therefore be losing \$2 billion in the next five years. So, when I hear my honourable colleague say that the previous administration had also been very irresponsible in its financial management and that, thanks to this new Conservative wave, the Government will be able to save millions of dollars, I wonder if the purpose of this Conservative Government is not to create two classes of citizens, bailing out banks at the expense of low income citizens. I should like my honourable colleague to tell me if we are witnessing the creation of two classes of citizens by eliminating the rich; then we would be left only with poor people. Is that one of the purposes of this Conservative Government? I will add simply that he may think he is knowledgeable about this, but the Quebec Government is absolutely against Bill C-96, for it must overburden Quebecers with taxes because of unfair equalization payments.

• (1750)

[*English*]

Mr. Blenkarn: Mr. Speaker, let us talk about oil and gas taxes before we talk about anything else. I suppose my hon. friend would have us increase taxes through the PGRT, the IORT and others that nearly destroyed the oil industry in western Canada, and would destroy it even further now that oil prices are falling and there is a virtual mad depression out there. That is the kind of economic nonsense we hear from members of the Liberal Party.

Let us understand what happens to provincial finances. We increased taxes at the refinery gate at the federal level. Provincial sales taxes are calculated on the basis of the price after payment of federal taxes. Therefore, the provincial Governments have dramatically increased their revenues from all sources including oil and gas, and not because they have had to do anything wrong. All they did was charge a percentage tax and if the base is lower, they collect less but if the base is higher they will collect more. The effect of the federal taxing system has been to increase provincial revenues.

With respect to income tax in the Province of Quebec, I very much appreciate that the Province of Quebec is different from the other provinces in Canada in that Quebec looks after its own personal income tax and its own corporate income tax. The figures I gave this afternoon represent the situation that exists in the other nine provinces. The other provinces collect a percentage of the federal personal income taxes and the federal Government does the tax collection for them. In the Province of Quebec, there are separate tax rates contained in a separate tax Act and citizens of the Province of Quebec must file separate tax returns. The consequence is that instead of benefiting from federal tax increases, the Province of Quebec has had to impose the same kind of tax increases, the same increase in the federal tax system that was reflected in the automatic increase in provincial revenues for the other provinces.

As far as the debt situation of the Province of Quebec is concerned, I think the Hon. Member knows that the deficit of the Province of Quebec is down in excess of \$350 million this year. That is a rather dramatic change in fiscal position which occurred even though this is the first year of a new Government since an election has just taken place.

If the Hon. Member analyses the matter very closely, she will know that the amount of change is rather inconsequential. If it had been larger, the provincial Treasurer, as I am sure she will appreciate, would have come before the legislative committee to make active presentations here in Ottawa. While I appreciate that provincial Treasurers like to make good solid speeches and blame Ottawa, which is the easiest thing to do, the facts are the following: the economy is a lot stronger today than it was, interest rates are down dramatically and provincial revenues are up dramatically.

Mr. Turner (Ottawa—Carleton): Mr. Speaker, I would like to address a question to the Hon. Member for Mississauga