full well that, under the 1867 Constitution Act, these sectors do not come under federal jurisdiction. Yet, over time, they have interfered in these areas of jurisdiction. So the first vehicle is Established Programs Financing.

The second vehicle is very well–known because, for a very long time, the champions of Canadian federalism told us that an original feature of the system was equalization, for which the federal government plans to set aside close to $9 billion. Equalization was born shortly after World War II. We must keep in mind that this transfer system was aimed at giving all Canadians from Newfoundland to British Columbia access to the same range of services. Equalization saw the light of day because Canada is an impossible country, a country of regional disparities.

Because the provinces do not have the same ability to collect taxes, because they do not have access to the same resources, nor the same tax base, we decided to develop a redistribution mechanism so that funds would be redistributed from wealthier provinces with access to a broader tax base to poorer provinces.

As you know, Mr. Speaker, the equalization formula is extremely complex, involving some 40 factors, so that as we speak, since 1989, in fact, the beneficiaries of equalization have been Quebec, the Maritimes, Manitoba and Saskatchewan.

● (1010)

Again, to make it clear to those who our listening, there is a third transfer mechanism, namely the Canada Assistance Plan, which was established in 1966 and which is the solution found by the federal government to get involved in the financing of social assistance. Under the Constitution, as you know, the federal government has no business in the financing of social assistance programs in Canada; yet, it finances about 50 per cent, or half of the welfare costs of the provinces.

Why do I point this out? It is, of course, because this bill seeks to unilaterally deprive the provinces of some $7 billion.

Why did we end up with transfer mechanisms such as the established programs financing, equalization and the Canada Assistance Plan? It is because there was an imbalance between the tax resources of the federal government and the provinces. That imbalance must be viewed in an historical context. After the first and the second world war, the Federal government took advantage of the exceptional crisis situations generated by these conflicts to move into direct and indirect taxation.

In the fifties, the imbalance became very obvious to the provinces, which were considered somewhat like large municipalities. Consequently, some mechanisms had to be devised to transfer the wealth. These mechanisms are the three to which I referred earlier.

The federal government was urged to spread the wealth and therefore decided to finance sectors which did not fall under its jurisdiction. This created a situation whereby the provinces would provide services to their population with budgets allocated by the federal government. Again, it is worrisome and even catastrophic to see that the federal government now intends to unilaterally cut $7 billion in the transfers to the provinces.

Do you think that the federal government consulted the provinces to make sure that this measure would cause the least amount of prejudice? Absolutely not. The provinces found out, when the Minister of Finance tabled his budget last February, that there would be a cutback of $7 billion, that would break down as follows: in 1996–97, $2.5 billion would be cut from transfers to the provinces; and in 1997–98, something like $4.5 billion. That is the scenario we are given in Bill C–76.

If we consider Bill C–76 and, more specifically, its impact on Quebec, we realize that Quebec will have to absorb $650 million in forgone revenue for 1996–97 and $1.2 billion for 1997–98.

Even more alarming is the fact that the federal government is intervening in areas over which it has no jurisdiction. This intervention, which has continued to this day, has a long history. The provinces have, to a certain extent, remained dependent on the federal government for these transfers which were used to help develop health care and education services.

● (1015)

There are not many examples of federalism left in a continental country with a low population density and most of its population concentrated along the U.S. border. All of a sudden, because the federal government is in trouble, because this federal government is an impossible government, the government, with obvious contempt for federal–provincial diplomacy and oblivious to the impact that these cuts may have on transfers to the provinces and specific services provided to users, decides to cut $7 billion.

The federal government, centralist as always, has gone even further. It says: There will no more established programs financing or Canada Assistance Plan. Instead, there will be a new program called the Canada social transfer.

However, we do not know what criteria will be applied to redistribution of the amounts the CST will contain. Our position is that the Minister of Human Resources Development and the provinces will have to consider the criteria for redistribution of these funds, without necessarily being bound by an agreement.