ment to withdraw, instead of the present five years' notice which is required for hospital insurance changes.

This proposal would come into effect in 1977 for post-secondary education, and in 1981 or 1982 for health care. The federal government proposes that federal contributions be made up in two parts: one would be cash payments based on an unknown base year and rising at the same rate as the GNP. There would be tax room: Tax points would be transferred to the provinces and equalized to the national average of revenue yielded from that number of points by the use of transitional payments. Tax room would probably grow at a faster rate than the gross national product, according to the federal government.

The provinces reacted to these proposals and they certainly were not enthusiastic. A number of questions have to be answered before the provinces can reply rationally to the proposals. What base year is to be used? What escalation factor is to be used? What proportion of payments will be in the form of cash grants, and what proportion in tax room? How can the federal government guarantee equal per capita contributions to the provinces, given the wide discrepancies in the tax base of have and have-not provinces? What amount of money is the federal government prepared to add to existing medical care cost-sharing? There has been a vague mention of $200 million over the next five years. If that is so, what services will this cover?

If the federal government, the Minister of National Health and Welfare (Mr. Lalonde) and the Minister of Finance (Mr. Macdonald) would answer those questions, the provinces could then more rationally assess the government's proposals in terms of their own situation and the government might stand some chance of getting a more enthusiastic response from the provinces. Manitoba, Saskatchewan and, formerly, British Columbia are not in favour of transferring tax points, particularly if revenues are equalized only to the national average as opposed to the average of the two or three richest provinces, as this would reduce federal contributions. In fact, Manitoba has calculated that if federal contributions to post-secondary education and health care had been tied to the gross national product for the past three years, the ten provinces would have received $800 million less than under current arrangements.

● (1210)

One has to be suspicious of any guarantees that the federal government promises. It should be remembered that the federal government is currently reneging on $800 million to $900 million of the revenue guarantee promised at the time of tax reform in 1972. What good is a federal guarantee that the provinces will not lose under the transference of tax room?

Even if it were possible to equalize per capita contributions to the provinces, would that be appropriate? Cost may be higher in some provinces because of any number of factors. A widely dispersed northern population, for example, could mean a great difference in the costs of one province compared to another. What could happen to national standards if all provinces received the same per capita funds? What possible correspondence can there be between an increase in health expenditures and the rise in the gross national product? Manitoba has taken the position that we do not spend nearly enough on health care, that there are many health care services which we should be providing. If the Minister of National Health and Welfare (Mr. Lalonde) is serious about preventative medicine, as was espoused in the 1974 white paper on health care, he should be expanding federal contributions, not limiting them.

I do not think we should be impressed by the guarantees of the Prime Minister (Mr. Trudeau) at the first ministers' meetings that federal contributions to health care after 1981-82 would represent the same proportion of the total gross national product as at the moment.

In 1973, Canada spent 6.9 per cent of the gross national product on health care. Frankly, that is not enough. It is not something the Canadian government can be proud of.

I think the federal government's sharing of revenues with the provinces is now being put in the form of a federal squeeze. Since the budget of June last year, the government has been putting ceilings on federal contributions to cost-shared programs as part of the restraint program, and forcing provincial governments to pick up more and more of the costs of programs. The attack started prior to the last budget. In 1972, under tax reform—which were just tax changes—the provincial share was reduced from 28 per cent to 23.4 per cent. To make up the revenue guarantee, a formula was drawn up to protect provincial tax revenues for the five-year period 1972-77.

At the most recent finance ministers' conference on April 1 and 2, the federal government announced it was changing this formula. They predicted a loss to the provinces of $800 million to $900 million as a result of the change in the formula. Is it any wonder there is lack of enthusiasm by the provinces when the federal government's earlier guarantees were reneged upon and changed in the middle of the game? The provinces have not received much money under the formula. In 1975-76, which was the first year any funds were actually paid out, the provinces had estimates and had budgeted accordingly. In 1974, indexing was unilaterally introduced by the federal government. This measure cut significantly into provincial as well as federal income tax revenues.

Since 1975 we have seen a limit placed on equalization of oil and gas revenues, a 15 per cent limit on federal contributions to post-secondary education, limits on medicare contributions, withdrawals from services to treaty Indians, cutbacks in funds for police protection, manpower training and regional economic development. It was estimated at the recent finance ministers' conference that in 1975-76 alone, the ten provinces lost $1 billion in potential revenue as a result of just three of the federal government's actions: limiting the equalization of oil and tax revenues, indexing, and changes in the revenue guarantee formula. This figure is expected to increase to $1¼ billion to $1½ billion.

The federal government has been making a great deal of noise lately about the need to increase the efficiency of shared-cost programs. For example, it introduced the medical care limits bill in order to force the provinces into steering away from expensive hospital care and toward less expensive forms of treatment. All the while, the provinces had been carrying about $1 billion in such health care programs without any assistance from the federal govern-