

Federal-Provincial Fiscal Arrangements Act

Finance critic. Now, the Conservative Government is doing exactly the opposite of what he was saying in 1982. So I am asking my honourable colleague this: Does he agree with what the Minister of Finance said at the time?

[English]

Mr. Dorin: Mr. Speaker, I would simply like to point out a few things to the Hon. Member in response to her question. The first is that during the period since 1982, we have seen federal budget deficits in the neighbourhood of \$30 billion, \$35 billion, \$37 billion a year. We have seen the budget deficit grow to such an extent that, quite frankly, I am not sure that looking back to what the situation was in 1982 will give us much help in deciding what to do today. Notwithstanding that, however, I want to remind the Hon. Member, as I pointed out in my speech, that the Minister of Finance indicated, at least beginning in his first Budget in May of 1985, his intention to consider that area. He went on to discuss with the provinces how best to achieve the goal, and a decision was reached with the provinces that if this must be one of the tools to meet the goal of deficit reduction, then the means that was the most fair to all concerned was the formula that was derived on December 13, 1985, in Halifax.

[Translation]

The Acting Speaker (Mr. Charest): Questions or comments. The Hon. Member for Outremont (Mrs. P  pin).

Mrs. P  pin: Mr. Speaker, I want to repeat my question, because I believe the Hon. Member has failed to answer it. At the time, the Federal Government had made a unilateral decision concerning equalization payments and had imposed it on the provinces; Mr. Wilson, then the Finance critic of the Official Opposition, had claimed that taking the action of unilaterally cutting the financing, as the Government was then proposing, and then having some discussions with the provinces, was putting the carts before the horse. He suggested that the government should have reversed this procedure. My question, therefore, is this: Do you agree with what the Minister of Finance (Mr. Wilson) said at the time? How could you justify that he was right saying what he was saying at the time when he is now doing the opposite of what he was saying then? To reduce the deficit, he is now cutting back in health care and education programs, while trying to bail out banks, for instance. How do you explain that?

[English]

Mr. Dorin: Mr. Speaker, perhaps I should try to explain it, in another way, one more time. The Minister of Finance, in advance of his first Budget in May of 1985, conducted extensive consultation with the provinces; in fact, not just with the provinces but also with representatives of business and labour, all sectors of the economy and all interested groups. He conducted those consultations in putting together what was his first Budget. In that Budget, he included some specific measures over which the federal Government had direct control, and he indicated his desire to make adjustments to some areas where there were influences of the provinces.

Between the two Budgets, the tax measures and the measures to improve the health of the economy in general will result in millions of dollars in net provincial gains to provincial Governments. I might just point out a couple of ways in which that will happen. First, any increase in personal taxes—because the provinces levy their share of tax as a percentage of the federal tax—will automatically increase provincial revenues. In addition, the sales taxes of the federal Government will cause the provincial sales tax to increase because, again, they are a percentage of the final selling price. Therefore, I believe that in examining the Bill, we must consider the total fiscal impact, the total contribution that will be made to the provinces by the federal Government, not just through the Bill, but through all other Bills and all other fiscal measures that the Minister has included in his two Budgets.

Mr. Foster: Mr. Speaker, I would just like to ask the Hon. Member for Edmonton West (Mr. Dorin) about the EPF funding Bill, Bill C-96, because it certainly is clear that this represents a tremendous cut-back in funding for hospitals. I have a presentation that was made by the Province of Manitoba, and I understand that New Brunswick made similar representations.

● (2040)

Clearly, all provincial Governments are being slammed by this Bill. The presentation to which I have referred points out that the federal Government has money for other things. For instance, it points out that the Government has been able to provide funding of \$1 billion for bank bail-outs; \$2 billion in capital gains and other tax breaks favouring the wealthy; more than \$1.6 billion in corporation income tax reductions; and \$3.5 billion to increase defence spending by 35 per cent to \$12.6 billion by 1990-91.

In this presentation the impacts of Bill C-96 are looked into. It is pointed out in some detail that by 1990-91 the federal share of EPF will have dropped to 36 per cent from the current level of 43 per cent, which represents a reduction of 7 per cent. This is not a contribution to someone off in another land. It is funding for provincial Governments which have relatively smaller tax bases than does the federal Government.

I am interested to know if the Hon. Member feels that a cut-back of 7 per cent in the EPF is justified during that four-year period, especially for provinces such as Alberta which is facing cut-backs in terms of the amount of revenues it is receiving? The Province of Alberta would have had about 80 per cent of the exploration and development in the petroleum industry this year. Yet that exploration and development has been cut back from \$11 billion to \$6 billion, which represents a \$5 billion reduction. Of that \$6 billion amount, about half of it has been expended. Some \$3 billion was expended in the first three months of the year. That leaves only \$3 billion for oil and gas exploration in the last nine months of the year.

Provinces such as Alberta are facing tremendous cut-backs in terms of revenues. I believe it faces a deficit of \$2 billion or \$2.5 billion. If the yardstick of \$1 billion worth of oil and gas