

Federal-Provincial Relations

Mr. Gordon: This resolution and the bill which will follow it concerns the important matter of federal-provincial shared cost programs. It is designed as a prelude to a thoroughgoing review of the role of shared cost programs in Canadian confederation—a review which has been agreed to by all of the provinces. This review, to be undertaken by the tax structure committee, must be both objective and dispassionate if it is to produce a long run approach to shared cost programs which will be acceptable both to this house and to all of the provinces.

Let me say a word about these shared cost programs and how they developed before elaborating upon the intent of this resolution.

The primary purpose of certain of the federal-provincial shared cost programs was to stimulate the development of national programs and to ensure to all Canadians an entitlement to certain basic services, regardless of residence. The major services involved are well known to all hon. members—the hospital insurance scheme, the old age assistance payments and other related welfare services, unemployment assistance payments to others who are unable to work and to those who are temporarily out of work or whose unemployment insurance benefits have expired; vocational training, and the basic health facilities that are being financed partly by national health grants.

The major purpose of other joint programs was to facilitate the achievement of national and regional economic goals, primarily high and stable rates of economic growth. Examples of these programs include ARDA, the trans-Canada highway, the winter works and the roads to resources programs.

Still other programs, the smaller ones, were designed to meet temporary or short run problems, such, for example, as the camp grounds and picnic areas program, or the spruce budworm control program.

Everyone recognizes that in meeting these primary goals, the shared cost programs resulted in a very substantial transfer of funds from the federal to the provincial governments. These transfers enabled the provinces to undertake programs which were in considerable public demand without the withdrawal of funds from other important areas of government such as education which would otherwise have been necessary.

I should note, Mr. Chairman, that not all of these programs were inspired by federal governments—many of them were urged by the provinces themselves. It remains true, how-

ever, that the federal government has an interest in the shared cost programs; it is to be found in the broad national purpose which could be served by the establishment of certain Canada-wide programs, and in the transfer of funds to the provinces and municipalities.

It must be acknowledged immediately that the largest of these programs could be implemented only through legislative and administrative action on the part of the provinces—action which falls clearly within provincial jurisdiction. Some joint programs, it is true, were concerned with matters of concurrent jurisdiction—notably agriculture—and some of them were concerned with economic growth and development, an area in which federal initiative is generally acknowledged. But many of the programs, indeed, as I say, the largest of them, required the kind of legislative and administrative action which is within provincial domain.

Since the war we have seen a very substantial growth in these conditional grants. In 1945 about \$50 million per year was being transferred to the provinces by means of these shared cost programs; by 1964 this figure had reached \$903 million. In a period of 20 years the total is approaching 20 times the 1945 figure. When such transfers of funds reach these proportions it is time to re-examine the role and the purpose of shared cost programs. This is all the more so when one considers that unconditional payments to the provinces, namely equalization and fiscal adjustment payments, now constitute only about one third of the conditional payments. Yet it is through these very equalization payments that we can now overcome the unequal fiscal capacity of the provinces which contributed to the rapid extension of conditions grants.

The second reason for re-examining the role of shared cost programs in Canada flows from the first. Having overcome the most serious deficiencies in the fiscal capacity of the provinces, and given the vast improvement which has occurred in the staffing and the technology within provincial governments, the case for continued federal participation in joint programs is not nearly as strong as it once seemed to be. I think all the provinces recognize these changes; but Quebec in particular perceives that the equalization of provincial fiscal capacity now makes feasible a point of view which has tended to be argued in the past in theoretical terms: the discharge of provincial responsibilities without the degree of federal intervention that has