

*Federal-Provincial Fiscal Arrangements*

grants first was proposed, those of us who lived in the most populous and better-off provinces were very pleased to support the idea of regional payments to stimulate industrial development in parts of Canada that did not have a great deal of industrial development. However, Mr. Speaker, all of us have become disillusioned with the way that those payments are being made. All of us are starting to question whether the vast sums of money that have gone into that program have, in fact corrected anything at all, have in fact done little more than fatten the coffers of corporations that did not really need money, and have in fact not settled the glaring regional disparities in this country.

Yet the federal government, under constant prodding and questioning from this side of the House, has done little except defend itself and this program with great indignation. In effect, they have said, "How dare you question our veracity, our wisdom," even though the program is collapsing around their ears and these vast sums of money are going down the drain. Perhaps we should consider taking much of the money that is going into DREE now and incorporating it into the transfer payments system. Perhaps the provinces could make better use of this money if it were transferred to them so they could undertake industrial development. There are provinces that are quite prepared to set up Crown corporations to do the kind of development work that private industry is either incapable of doing or unwilling to do. Yet those provinces cannot get any funds from DREE. However, DREE will give money to a large American international corporation. I repeat it will not give funds to a province in order to support a development corporation. This is an area where the federal government is creating a fantastic amount of dissatisfaction, both in those provinces that are receiving the grants and in those provinces that, to a large measure, are paying for them.

There has been a failure on the part of the federal government to head off some of the provinces who, understandably because of their rather desperate circumstances, in trying to correct unemployment problems, indulge in give-away programs. We have the picture of one province luring an industry to it by virtually giving that industry the moon. We have a situation in the pulp and paper industry where, as a result of provincial policies, due to the desperate position in which provinces found themselves, provinces went on a most unwise program of encouraging anyone who showed any inclination to establish a pulp and paper mill and so provide employment for their populations. The results have been disastrous. We have built too many mills. Giving money to one mill has forced the shutting down of another mill.

In the province of Manitoba, they are still trying to untangle the snarl that was created by a previous government with respect to a pulp and paper complex. They are trying to figure out how in the world the province got into that kind of messy situation. At the time it was launched, the program met with considerable popular acceptance. When a province is looking for jobs and says it needs to offer some seed money to attract industry, it is understandable that people will accept that fact.

Through you, Mr. Speaker, I say to the Minister of Finance (Mr. Turner) that unless the federal government establishes some clear method of ensuring that all prov-

inces will tax resource industries according to the way they should tax them, and not play the game of robbing Peter to pay Paul, or of stealing industry from other provinces, we will not get harmony, and we will not get satisfaction from any kind of equalization program.

I would like now to spend a moment or two discussing a problem that is arising in the province of Nova Scotia. This concerns offshore mineral rights. I am pleased to note that the province has discovered some minerals. After starting its existence as a very prosperous part of Canada, and later seeing its standard of living decline as industry shifted and changing patterns brought other provinces into prominence, it now sees the prospect of getting large revenues from offshore oil. A conflict is developing between the province and the federal government. Naturally, the province of Nova Scotia would dearly love to get out of the position where it is receiving equalization payments and into a position where it was contributing to other provinces. The federal government has now taken the stand that it will share with the province in revenues from offshore oil. Perhaps that is the only position that can be taken at this time. But the point arising from that particular situation is that we must clearly establish that all revenues will be shared, that the base for equalization will be broadened.

In this context, the federal government has to consider seriously the proposals advanced by the province of Manitoba, and supported by the province of Saskatchewan, that municipal assessments be included in the taxation base for sharing. If you include resource revenues I believe you also must include the revenues from manufacturing. If you do not do that, there will always be a feeling by some provinces of being mistreated or short-changed in the equalization program. The only way you can include all the revenues from manufacturing is to include the municipal revenues as well. But this does not mean that the entire municipal revenues have to be included, because obviously some of those revenues have to cover the costs of essential services for manufacturing, the costs of housing, and things of that kind. But over and above that, there are revenues that go to pay for educational services and that help underwrite the infrastructure of the social services of a province.

A difficulty arises when those revenues are not included in the base. This difficulty has been pointed out by the province of Manitoba. I understand that the province of Manitoba would like to shift the costs of education from the regressive base of property ownership to the more progressive base of corporate and personal income tax. But if it does that, under the present scheme it would lose out in terms of equalization. Its income tax, or its base for calculating payments from the equalization fund would increase, and therefore the payments to it would decline, and all this because the province wanted to move in a progressive direction. Unless some of this municipal revenue is included in the tax base in such a way that it does not disadvantage those provinces that wish to be progressive, there is bound to be dissatisfaction with the system. It means that every province in Canada, in terms of how progressive its tax system can be, is limited to the policy in the province of Ontario. They can move no faster in terms of this progressiveness than the province of Ontario moves.