

Equalization Payments to Provinces

national treasury in order that we will in effect have a national solution to a national problem?

Mr. Sharp: To the extent that we are transferring to the provinces increasing sources of revenue, as the tables I have distributed show, between 1966-67 and 1967-68 we are making available to the provinces in one way or another something like \$375 million more. These revenues are distributed in various ways. Some provinces get more than others, but to that extent we are putting the provinces in a better position to discharge their responsibilities generally and thereby putting them in a better position to take on other responsibilities or to finance them.

Let me point this out, and it relates to the point made by the hon. member for York South whose comments I think were fair in relation to what I said, and I did not mean in any way to mislead the house. If, for example, other provinces were to follow the New Brunswick lead in taking over responsibilities for education this would result in very substantial increases in equalization payments to all provinces. For example, if some of the larger provinces followed New Brunswick's lead there would be a very substantial effects upon the level of equalization payments.

Mr. Douglas: In the meantime, unfortunately New Brunswick would suffer from that.

Mr. Sharp: No, it would not suffer. It has acted in the interest of the taxpayers of New Brunswick and I think it made a sound decision. To the extent that other provinces follow that lead the transfer of revenues from the federal government to the provinces will increase to the benefit of New Brunswick and the other provinces.

Mr. Fulton: It is a well understood principle, I suppose, that ministers of finance do not normally encourage provinces to follow policies which will result in the minister on behalf of Canada passing out more money to them. But I hope this minister will vary that rule because I feel strongly, and I think this feeling is generally shared, that we need a nation-wide effort to find a solution to this increasingly acute problem of bearing the costs of education.

So let me come back to my question. To what extent have there been discussions or has any plan been made to hold discussions

[Mr. Fulton.]

with the provinces to encourage them to follow the general pattern that has been mentioned of assuming more of the cost of education, thereby relieving the municipalities, so that ultimately we can have the resources of this nation, through the federal government, placed behind provincial efforts to bring about the equitable distribution of the burden of education costs? Are such discussions contemplated?

Mr. Sharp: I cannot say that we have any specific discussions in mind along those lines, but I am confident that at the next meeting of the tax structure committee the implications of the equalization proposals now under discussion will be well understood by the provinces. We now have a plan in effect that is both objective and, it seems to me, tends to support the right kind of development in our tax structure.

Mr. Nowlan: Is there any objection to the suggestion of the hon. member for Burnaby-Coquitlam relating to the production of a comparison between the present and the proposed fiscal arrangements for this year, rather than the two years together which certainly gives a false comparison? Is there any objection to that production?

I should like to ask another question relating to the national problem of sharing tax revenues between the federal and provincial governments. This whole process has created a fundamental and persistent constitutional problem. Perhaps the minister would give us some interpretation of these objective tests without getting into great detail in respect of the equalization formula.

After 90 years the Atlantic area achieved the Atlantic provinces adjustment grants. It is my understanding that as a result of the proposals before us these grants will disappear under the over-all equalization formula. Am I right in stating that the Atlantic provinces adjustment grants will no longer be a fact of fiscal life in Canada, and have the special needs and responsibilities of the Atlantic area, which does not have the tax capacity of other areas in Canada, been taken into consideration in respect of the objective tests that have been discussed?

Mr. Sharp: Mr. Chairman, perhaps the hon. member for Digby-Annapolis-Kings was not in the house when I gave the tax structure committee figures for the year 1966-67, which is the same year of comparison. The table I placed in *Hansard* on March 2 appears at pages 13686 and 13687. The exact comparisons