

Income Tax Act

fairer rates and more equitable treatment for the other goods which they carry and the other services which they perform.

By improving accelerated depreciation on several other items in the budget, as was the case in a previous one, we have assisted the railways in having a greater current cash availability to proceed with important railway developments, maintaining equipment, expanding their track facilities, expanding the capacity through the mountains in the case of recent western developments, the Canadian Pacific double-tracking, and improving its grade as a result of the incentives offered to it.

These are important matters. There are other important matters in the budget as well which have been overlooked because of the attention paid to this particular issue which has dominated the thoughts of hon. members of the opposition and of people in the country. I am referring to the problem which was created as a result of the attempt to reduce sales taxes across the country. It is important for us to look back at the beginnings of this issue. It is important to recognize that foremost economic opinion indicated a reduction of sales tax would be most helpful to the encouragement of faster economic growth.

Sales tax at the retail level is within the provincial scheme. At least, we are in the habit of seeing those taxes imposed by provinces across the country. In all but one province sales tax exists. Also the economists told us that additional spending and a lower level of taxation by the provinces could be an encouragement to growth, without the side effect of inflation which occurs when the federal treasury spends and incurs a larger deficit.

That was the background against which the Minister of Finance (Mr. Chrétien) was working. Many months ago he first proposed to the provinces an arrangement which would reduce sales taxes across Canada, and a certain amount of compensation would be made available to the provinces from federal tax revenues in return. At that time the provinces did not find the offer generous enough. They did not accept it.

In moving toward a budget in the spring of 1978, the Minister of Finance thought he should attempt once again to arrange for a sales tax reduction. He proposed an increase in the compensation he would give to the provinces compared to what he had offered before. He instituted formal consultations with the ministers of finance of all the provinces. It should be noted to the everlasting credit of this Minister of Finance that he sought out all of the provincial ministers of finance in consultation in an attempt to produce a budget which was ideal for this country. He tried to work in a co-ordinated way, riding over and working with the jurisdiction of the provinces and of the federal government together. This Minister of Finance tried that and it should be remembered.

● (2022)

Some hon. Members: Hear, hear!

Mr. Lang: In the process of doing what sound economics dictated, what the Minister of Finance offered was a certain significant additional expenditure from the federal treasury;

[Mr. Lang.]

and what he asked from the provinces was that they contribute a part as well of the tax reduction which was to go into place. It was, after all, to be a tax reduction in excess of \$1 billion in provincial taxes. He asked that they share a part of that reduction while he offered to pay the greater share of it. He had a significant amount of success in that consultation.

Earlier today the hon. member for Don Valley (Mr. Gillies) asked: What does the Minister of Finance know about consultation? How could he work at this late hour with the provincial ministers of finance? How could he fail to have a written and sealed agreement in respect of the tax arrangement he has entered into? Yet even as he consulted, and even as he asked these ministers of finance hypothetical questions about how they would react to various possibilities, the media got word of this and questions of privilege were raised in this House about this manner of consultation being some breach of budgetary practice.

I wish that for once opposition members in this House would be willing to be consistent in deciding whether they approve of consultation in advance of a budget being proposed or disapprove of it, and not attempt on one hand to disapprove of it when they hear a few hours before the budget that there has been some consultation, and then a month later criticize by suggesting that there should have been much more. They cannot have it both ways.

Some hon. Members: Hear, hear!

Mr. Lang: In the course of that consultation the Minister of Finance obtained significant agreement from the provincial ministers of finance, including, I would like to note again as a westerner, an agreement from the minister of the province of Alberta that that government would understand if it was not included in the sales tax reduction program because it had no sales tax, and that other provisions in the budget might in fact favour that area or region. Several of the items I have mentioned this evening did just that.

In eight of the provinces the Minister of Finance obtained agreement as to what they would do quite specifically in relation to the sales tax. In six of those provinces there was agreement with his initial proposal, and in two others there was required a small modification in terms of a change that British Columbia and Saskatchewan wished; instead of a 3 per cent reduction over six months, they wanted to engage in a 2 per cent reduction over nine months for effectively the same amount of revenue. That was a modest modification of the initial proposal.

In all of this there was some understanding among the ministers of finance that they were trying to work together as a group of eleven, and there would be limits as to how far they could go or expect anybody else to be allowed to go in terms of producing an arrangement that was consistent with the objective of the Minister of Finance. His objective, after all, was to follow the advice of some of the best economic advisers that a sales tax reduction would immediately produce a return to the economy of \$1 billion to \$1.2 billion, and was one of the best