

reasons this Bill is here or, in the alternative, the Government should withdraw the Bill.

The original agreement made in 1977 between the federal Government and the provinces looked after and put all the various shared cost programs dealing with post-secondary education, medicare and hospitalization into a block of funds called the established programs fund. The amount of money to be transferred by the federal Government to the provinces was made up of what was deemed to be certain transfers of tax points and certain equalization of that amount in a cash transfer. It was a block funding arrangement.

There was no provision in the original agreement for the division of those funds between health and education. The Government of Canada, in order to do its internal bookkeeping—I say that clearly, its internal bookkeeping—decided to divide the money and tax transfers that would go to the provinces for these established programs between health and education on the basis that health would receive 67.9 per cent of the funds and education 32.1 per cent of the funds. That breakdown did not really apply as far as the provinces were concerned. The provinces accepted the transaction. Indeed, the Bill specifically set it out as one transfer. The Bill did not divide it between health and education; the Bill set it out as one transfer. The provinces accepted the money as a transfer of money.

Under the block funding arrangements the provinces had the responsibility, and have the responsibility under our Constitution, to perform certain services to the public—health, hospitalization and post-secondary education. This money is the federal Government's acknowledged share of the costs. How it is to be used, where and whether more is to go for health or more for hospitals, universities, CEGEPs or community colleges is up to the provinces to determine. That is the way this Act is structured.

The 67.9 per cent and the 32.1 per cent figures were for bookkeeping purposes only to enable the federal Government, when it produced its blue book and set up its Departments, to make sure that the Secretary of State looked after the transfer for post-secondary education and the Minister of Health looked after the transfer for health.

I point out to you, Sir, that the provinces accepted the money as a block transfer. If we go back in the history of things, the question really boils down to the principal sources we use for taxation. In this country our principal source of taxation has become income tax, either on a personal basis or on a corporate basis. The question is really, to whom does that field of taxation belong? There is real ground to say that that field of taxation was first entered into by the provinces which started to levy an income tax. As we all know, that field of taxation through the last World War became taken up by the federal Government and the provinces were prepared to stand back and let the federal Government essentially have that field of taxation. But that field of taxation should in reality be divided in a way that gives us the social results we want. Clearly income in this country is not necessarily earned from a tax point of view where income must be spent from a social

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point of view. What we really have is a system whereby the provinces collect tax, the federal Government collects tax, but because the federal Government can spread the tax burden across the whole of Canada, there has to be some kind of an equalization system. The equalization system for these established programs is provided by the federal Government under this Act. Under this Act the provinces collect some of the tax and the federal Government tops it up with cash to give the equalized transfer. That was the arrangement in 1977.

What has happened since? In 1982 this federal Government proceeded to abrogate the arrangement. Today it proceeds to abrogate the arrangement even further. First, the federal Government wants to take credit for that which is not its. In the equalization of things we mind up with what is called mythical tax points. I say mythical because they really do not exist anywhere. If a province sends out a tax bill to its citizens and they pay the taxes, why is the federal Government all of a sudden supposed to take credit for collecting the tax when it does not collect it at all?

What happened in 1982 was the federal Government reorganized the Established Programs Financing Act. It charged back the tax money that should be paid to the provinces first so that the cash transferred would become smaller, smaller and smaller. This bill deliberately makes the cash transfer smaller. Officials of the Department of Finance indicated with respect to post-secondary education that the total cash which will be transferred this year to the provinces because of this Bill will be \$1.952 billion. Next year the amount of money going to the provinces for post-secondary education will be reduced to \$1.917 billion. In other words, under this Bill the provinces, for post-secondary education, will receive \$35 million less in the year 1984-85 than they received for 1983-84. So much for an increase; so much for the press release introduced by the Minister of Finance.

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On December 8, the Minister of Finance indicated that federal transfers to provinces would exceed \$24 billion this year and that over \$700 million had been added to April forecasts of EPF transfers. The fact is that the cash goes down; the money is less. That is the only thing with which we deal in the House of Commons. We do not deal with provincial taxes. We deal with the taxes we collect and distribute in the way the federal Government is obligated to distribute them. When we budget in the House, we do not budget what the provinces are supposed to collect in taxes; we budget what we collect and distribute in taxes. The effect of this Bill will be to reduce dramatically the cash we distribute or the cash which is available to be spent by provinces on post-secondary education and health care.

We must remember that there is ongoing inflation. We hope there will be some increase in the nominal GNP. However, the total cash which will be transferred to the provinces under the health and education programs during 1983-84 will be \$7.242 billion. Next year, with this "big" increase about which the Minister of Finance talks in terms of growth in the GNP, the