

*Federal Transfers to Provinces*

is not one of the priorities of the government. The government's priorities are in its own power. The minister sees money which should go to the provinces to pay for established programs, and he says, "I cannot control those established programs, so let us cut them back; let us have more foreign aid; let us give more money to the CBC and to the Commissioner of Official Languages." We can say something about these departments, but the government restrains what Canadians want in terms of education for their children, education which ensures that the country grows and develops and ensures a supply of engineers and foresters, which we heard in committee were needed to build the country through the 1980s and 1990s.

What about the health care upon which all of us have come to depend? No, the government will spend money on foreign aid, the Commissioner of Official Languages and the CBC. They are important because the government controls them. It will spend less on the things it does not control. We could have restraint across the board, we could have budgetary restraint. I do not think anyone would object to that. I do not think anyone would object to each of us bearing his own share of the load; but let us not say that restraint is when the government transfers less money to the provinces, and that because less money has been transferred somehow expenditures have been restrained. This is not the case and the minister knows it. He knows that his budget costs, on a national accounts basis, will be up from \$74 billion this year to \$86 billion next year. There is no restraint. His expenses are up right across the board at 13.5 per cent.

The minister talked about the fact that the provinces were receiving too much money and that they had a fiscal balance in their favour. I remind him that the net after transfers by the federal government will amount to 38.3 per cent of the spending power or the taxes collected in the country in 1981. In 1978 it was only 32.3 per cent. In other words, the effect of the minister's actions over the past two years has been to increase the percentage of money spent by the federal government and to decrease proportionately the influence, power or spending of provincial and local governments.

We all know that this does not make much sense. Most of the services we receive are provided by the municipalities. They pick up the garbage, they run local primary and secondary schools, they look after local roads and such. The next most important service in society is education and health care which are supplied by provincial governments. When we look at what the federal government does for us, we wonder whether in truth it provides 38.1 per cent of what we receive from government, or is it to some extent not nearly worth 38.1 per cent?

The outlook is quite different than the minister suggested. According to figures published in the budget, between the current fiscal year and the 1983-84 year, the federal government expects to increase its revenue after transfers by 38.1 per cent and to increase its expenditures after transfers excluding public debt by 31.8 per cent. We must remember that the increase in transfers to other levels of government is rising 38 per cent on taxation and 31 per cent on expenditures, but the

expenditure increase to provincial governments is only 13.7 per cent, which is very considerably less than the rate of inflation.

In terms of gross revenue received and relating revenue received to transfers to provinces, in 1978 28.4 per cent of the revenue of the Government of Canada went to other levels of government. Last year it was down to 22 per cent, and very shortly it will be down to 18 per cent. We have had a massive seizure of revenue-raising potential and expenditure plans by the federal government, which is now trying to squeeze even more out of local taxpayers, as it takes a greater and greater share of the national product. This might be appropriate in times of war, but in times of peace it is inappropriate. The fiscal arrangements task force analysed the appropriateness of the level of taxation and the level of government expenditure which should take place. Prior to the Second World War, and for a short time after, provincial expenditures were considerably more than federal ones. Indeed, the natural mean is for provincial and municipal expenditures to be about 70 per cent and for federal expenditures to be about 30 per cent.

• (1630)

I want to deal now with the question of equalization. The minister will know that equalization was thoroughly explored by the task force. For the minister's benefit, we analysed the question of the Ontario standard and threw it out as totally inappropriate. I am pleased that after consultation the minister has thrown it out as being totally inappropriate. We analyzed other forms of breakdown.

However, the minister has come up with a five-province theory. The five-province theme is probably a poor scheme for him. When we were analysing how we should work out an equalization formula, the task force accepted the concept that you have to put all provinces in the pot in terms of determining the representative tax system and in determining what equalization should be.

One of the problems of going to a situation, as in this bill, of using only five provinces for the standard is that you create a phony or unreal situation. There is no evidence that the five provinces now selected, being Quebec, Ontario, Manitoba, Saskatchewan and B.C., are appropriate provinces for a mean average of Canada. Indeed, going back over the question of equalization over the years, we note the only province that has never received equalization is the province of Ontario. If we look at the fiscal capacity of Ontario, it will be noted that the fiscal capacity of Ontario province is deteriorating. Indeed, it would have been a situation under the present act whereby Ontario would have received significant sums of equalization. Under the amendments now proposed, Ontario probably will not receive equalization, but it could. What we have is an equalization situation where we try to spread and create an equal fiscal capacity for all provinces. But to pick out five provinces and say all of a sudden that it is their average that will be used will create a problem in the future.

I say that to the minister because one of the justifications the government has had for its raid on what was previously