

Federal-Provincial Fiscal Arrangements Act

corporations in most of the country, save for Atlantic Canada of course, be entitled to investment tax credits, which again change the corporate tax base and tax amount. This year we have changed the gross-up with respect to dividends. In effect, if one collects dividends one is likely to pay more income tax on those dividends than were paid previously.

Next year the effect of these tax changes will result in at least \$200 million a year more going to provincial revenues. However, we are not finished. We have been called the gougers and we have been called a terrible Government because we expect to pay our bills. We have increased sales taxes. When we took over we allowed a 1 per cent sales tax increase to go through. We increased that again last year by 1 per cent and again this year by 1 per cent. That amounts to three full percentage points of federal sales tax on manufactured goods.

Mr. Riis: A regressive tax.

Mr. Blenkarn: What does that do? What will happen to provincial sales taxes? Sales taxes provincially are charged at the retail level. If the manufacturers tax goes up then the provincial tax goes up. It goes up not only by the increase in the federal tax but by the profits and overhead on the federal tax. Their sales tax increases have been literally phenomenal as a result of this federal change. I do not have the exact figures in that regard. However, I want to tell Hon. Members how it works.

In effect, the federal Government has taken all the heat from the Opposition for increasing taxes.

Mr. Riis: You did it!

Mr. Blenkarn: The result of those tax increases has been to increase dramatically the revenues of the provinces. The \$318 million which the provinces will lose in EPF this year has been more than made up; and the \$600 million they will lose next year will be more than made up. If we were to carry on with the EPF transfer the way it is set out without this Bill, we would have been looking after the provinces with two hands instead of one. Surely to goodness it is the obligation of this Government to understand where we are going financially. It is important that we use those tax increases which we impose on the people of the country to handle the financial problems that were incurred as a result of the past 15 years of mismanagement and misallocation of resources.

Mr. Riis: What about the bank bail-out?

Mr. Blenkarn: Yes, the bank bail-out. It was not a bank that was bailed out. Indeed, the chartered banks of this country bailed the Government of Canada out.

Mr. Riis: Tell that to the Bank of America, to Wells Fargo and to the Bank of Hong Kong.

Mr. Blenkarn: And what do we do? We handled the credit unions in the provinces and looked after their accounts, their pension plans and their farmers. Members of the New

Democratic Party would not have us do that. I would like to see them handle it. The fact of the matter is that for the first time in a decade and a half—

Mr. Riis: You bailed out a bank.

Mr. Blenkarn:—a Minister of Finance came in and said he would have a certain deficit, a deficit of \$34 billion, and he has a deficit that will be less than that. For the first time in the history of this country the President of the Treasury Board has given a set of Estimates in which every Estimate has come in less than he said it would.

Mr. Riis: And a special remission to Dome, and to Gulf.

Mr. Blenkarn: The increase in the cost of carrying the ordinary expenses of Departments was frozen last year. Until 1990 it will be increased by one two-tenths of 1 per cent every year.

We have fiscal responsibility on this side of the House. We will make this country grow again. We will be out of deficit. With a little bit of luck we will be out of deficit completely and be able to start paying back that horrendous legacy that Trudeau left us by 1990.

We have to demand some sense of responsibility from the Opposition.

Mr. Gurbin: Don't expect it.

Mr. Blenkarn: My friend says that I should not expect it. That is true. The opposition Parties together were responsible for spending, spending and spending that which the country could not create. We now have to pay the burden caused by that overspending. Part of the burden has to be shared around the country.

Mr. Riis: How about Blais-Grenier's trip to Europe? Europe on \$5,000 a day. How do you explain that?

Mr. Blenkarn: Part of that burden will have to be shared by provincial Governments. We have compensated them for that cost by allowing for increases in their revenue. Those increases in revenue are more than satisfactory.

I would like to give Hon. Members a few illustrations in this regard. The Province of Manitoba was here crying before the Finance Committee. I noticed that no other province was foolish enough to come in to cry.

Mr. Riis: Name the provinces that support this Bill.

Mr. Blenkarn: The Province of Manitoba, this year, has a 10.3 per cent increase in revenue, and that is truly phenomenal. That province may lose \$13 million in EPF transfers, but the transfers from the federal Government are up \$39.4 million in total.

Mr. Rompkey: But it's not going into education.