

### *Fiscal Transfers to Provinces*

provincial revenues, and the conduct of major national policies. In most areas of economic policy, achieving national objectives will require extensive provincial participation, or these objectives may never be met. There is an urgent need for more co-operation. In the longer run, the fiscal structure of the federation will have to be rebalanced and better institutional arrangements will have to be developed to cope with the challenge of interdependence between the federal and provincial governments.

That is what has to be done.

What do we have from this government? We have confrontation where we should have accommodation. We have a situation where we have Pierre and Peter fighting with each other. We have a situation where we do not get down to brass tacks. We do not make arrangements where provinces could do some sharing without the necessity of the federal government being involved. I point out to you, sir, and to the minister, that every Conservative premier agreed to equalization at the Kingston conference. There is no reason why that cannot be effected. There is no reason why we could not have an equalization bill and an equalization arrangement among provinces with respect to natural resources revenue which would solve the problem this bill is skirting around.

One concern expressed by the province of Ontario is the effect of the present equalization system. In fact in many cases there is overequalization. The reason for that is you wind up using this 29-tax item. Instead of using gross provincial product relationship to population, a study in the province of Ontario shows that this year the federal government will spend \$628 million more in equalization payments than it should spend if it used the gross provincial product system with relation to population. I ask the minister why that has not been a policy of this government.

The present system is unfair. It tends to overequalize. It tends also to create a situation where natural resource revenue must be financed and equalization paid out of other revenues. That situation cannot go on. Even though we have reduced the equalization of non-renewable resources to 50 per cent, we still wind up with that continuous problem.

One thing which bothers me about this bill is that it continues to leave the province of Saskatchewan as a have-not province even though that province can afford to set up a heritage fund. It is the only have-not province with a heritage fund. The minister says it gets only \$52 million. But it seems strange that when the province of Ontario, which has no oil to speak of, no heritage fund at all, and with a billion-dollar deficit, is prepared to come to the government and say, "Yes, we will forfeit our share to equalization," yet the equalization bill does not refer to the province of Saskatchewan, and allows Saskatchewan to continue to be treated as a have-not province. This is a ridiculous situation. When the minister introduced this bill, I would have thought that that particular concern would have been brought to his attention.

In the last few minutes I have before five o'clock, I would like to speak about the Public Utilities Income Tax Transfer Act. At the beginning of my remarks I said that we are very concerned about this portion of the bill. There are several problems with it. Aside from its possible use by those opposed to our confederation, the bill tends to make it more profitable

for a provincial government to set up a Crown corporation. Provincial Crown corporations under the British North America Act, as the minister knows, are not taxable.

When the British North America Act came into being in 1867, there was no intention that provinces should set up businesses as Crown corporations. The situation we have today is that what may have been a service originally has been treated almost as a business. For instance, we have Ontario Hydro selling hot water tanks, electric stoves, air conditioners, and whatever. Consumers' Gas Company, a private utility company, is affected by this act. It pays its corporate tax. The corporate tax money goes back to the province of Ontario and it is kept in general revenues. That corporation is not entirely a public utility. It is a merchant. It sells new gas furnaces, hot water tanks and whatever else it can sell. In my riding the corporation has a display room where it merchandises all kinds of products. In other provinces there are Crown corporations which are certainly intended to be in business. For example, the potash corporation in Saskatchewan is intended to be in business and intended to make a profit. It is not a utility. It could never be described as such and it pays no tax. This bill encourages a province to take gas and hydro companies and make them public corporations under the jurisdiction of the provinces, so they will pay no income tax at all.

The minister must look at whether we can continue having Crown corporations in Canada in business and paying no corporate tax, certainly no corporate tax to the federal government. If the provincial government wants to waive corporate tax for its own entities, that is one thing—and provincial governments can do that if they have the revenue to do it—but as far as the federal government is concerned, every time one of these companies is made a Crown corporation then the federal government's share of revenue becomes less and less.

Does the minister see any advantage in messing around with the Public Utilities Income Tax Transfer Act? All it will do is encourage provincial creation of Crown corporations on which no federal income tax will be paid. The minister may say—

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## PROCEEDINGS ON ADJOURNMENT MOTION

[*Translation*]

SUBJECT MATTER OF QUESTIONS TO BE DEBATED

**The Acting Speaker (Mr. Ethier):** Order. It is my duty, pursuant to Standing Order 40, to inform the House that the questions to be raised tonight at the time of adjournment are as follows: the hon. member for Ottawa-Vanier (Mr. Gauthier)—Public Service—Inquiry whether retirees will benefit from indexation; the hon. member for Athabasca (Mr. Shields)—National Energy Program—Alsands Project—Request for assurance of completion; the hon. member for