

**Mr. George Baker (Gander-Twillingate):** Mr. Speaker, I have a few words to say about the subject under debate today, the Budget presented recently by the Minister of Finance (Mr. Lalonde). It is basically a good Budget, from three stand-points. First, there were no new tax increases; second, it contained additional benefits for those Canadians who need them most, namely, our elderly; third, and perhaps most important, it retains a Liberal attitude of not bowing to Conservative pressures to cut existing programs.

● (1250)

Let me deal briefly, Mr. Speaker, with a couple of major areas of conflict, general misunderstanding and, I believe, political confusion as far as my part of this country is concerned. The first fallacy, pontificated daily over and over by certain provincial governments and certain Members opposite, is that the federal Government has and is still cutting back on cost-share programs and direct transfers to provinces like Newfoundland. That is the first fallacy.

Let me take an appropriate example of the province with the highest unemployment, Newfoundland. This year, 1984, we will see the largest amount of federal transfers to the Government of Newfoundland. Transfer payments to the Government of Newfoundland will increase this year by some \$100 million, as was the case last year. Equalization payments and transfer payments have been growing by leaps and bounds. It becomes an interesting formula and somewhat of an enigma if you listen to the provincial politicians who claim that just the opposite is true. For example, each time the price of oil went up over the last few years, provinces like Newfoundland received increased equalization payments. One dollar a barrel amounted to something like \$20 million added in equalization at the end of the year.

As far as I am concerned, Mr. Speaker, upon examining this entire formula on equalization, I believe it can be termed logically to a certain degree as taxation by the back door. One never hears the Newfoundland Government, or any other government of what we would call an economically depressed province, criticize the increases in the price of oil and gas for that very simple reason. There seems to be a social pact between all governments on this issue which I, personally, Mr. Speaker, strongly disagree with.

If we look at the established programs funding, or the formula of general increases under the Canada Assistance Plan, the same steady increase has been seen over the years. But how disguised and politically shifty that formula has become. For example, Mr. Speaker, the great debate in Newfoundland today concerns the cost of operating hospitals and homes for the elderly. A commission studying the question of homes for the elderly has just presented a report. I witnessed recently the presentation of a brief to a standing committee in Ottawa by the provincial minister of health for the Newfoundland Government. The brief said that the federal transfers for hospitals and homes for the elderly had decreased to 37 per cent of the total provincial budget in those areas. However, as was pointed out in the committee, the actual figures showed

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that 53 per cent of the entire hospital budget of the Newfoundland Government, and a full 60 per cent of the operating costs of senior citizens' homes, nursing homes and homes for chronic care, came from the federal Government.

The question I asked at the time, Mr. Speaker, was why the confusion? It was discovered that these transfers were made directly to the provincial Department of Finance and went into the consolidated revenue fund. The provincial minister of health could therefore say he did not see the money for hospital costs and the provincial minister of social services, who runs senior citizen and nursing homes, could say he did not see 60 per cent of his budget coming from the federal Government.

The fact is, Mr. Speaker, that the most regressive piece of legislation ever passed in this House was when we decided to give each provincial government block funding; in other words, one big cheque to cover all matters involving cash transfers to provincial governments. The provincial governments receive the money and spend it as general revenue. The big lie comes in, Mr. Speaker, when they say, as the provincial minister of social services said recently: "The Government of Newfoundland has to totally finance the operation of senior citizens' homes". These transfers to the provincial treasury are for specific purposes and to make up for revenues which a poor province cannot receive. However, it is downright dishonest not to recognize that these cash transfers are being made and obviously are not being spent in the intended areas.

The provincial governments want to protect this block funding principle because it leaves them with more manoeuvrability. However, in my opinion, Mr. Speaker, that federal money, making up over half of the costs of running hospitals in Newfoundland, should be transferred directly to the provincial department of health, not to the provincial finance department, and federal funds earmarked specifically for the operation of homes for senior citizens, nursing homes and chronic care homes should go directly to the provincial department of social services and not to the provincial department of finance.

I would like to say a few words now, Mr. Speaker, about jobs and direct job creation as it relates to the federal Government, this Budget and unemployment. The Province of Newfoundland which I represent is going through the worst economic time in our history. Nothing is opening. Everything is closing down.

**Mr. Dionne (Northumberland-Miramichi):** Except Mr. Peckford's mouth.

**Mr. Baker:** My hon. friend says except the Premier's mouth. I must admit it would be some source of revenue if we were to tax each speech he makes.

Our three major industries in the Province of Newfoundland, forestry, mining and the fisheries, are in desperate straits. Paper mills are closing down. Mines are closing down. Fish plants are going bankrupt all over the province. That is the scene in Newfoundland today. What does the provincial government do in this state of desperation? It throws up its hands and says: "There is nothing we can do". But there is