

Statements by Ministers

and applied it to the provinces which would have been penalized by a correction that was unacceptable.

Mr. Speaker, the Minister of Finance has announced that he will refund \$270 million. Clearly, if I understood him right, this will not affect equalization payments. Established program financing is also affected by population changes, but the Minister did not mention it in his statement, so that the provinces may lose between \$170 million and \$175 million because of this population change which may prove to be wrong when the next decade census comes around.

I therefore urge the Minister of Finance to consider this other aspect very closely, namely the losses likely to be incurred by the provinces because of this mid-term census which will affect the financing of Government activities, especially in the context of Bill C-96 which had cut nearly \$8 billion in the payments which the Federal Government should have normally made to the provinces within the next five or six years for the financing of post-secondary education, health care and Medicare.

In addition, Mr. Speaker, the Minister talks about \$270 million, but the Government of Canada is saving much more than that with this complex demographic assessment, for the Minister only takes into account losses incurred during the two previous years. If current provincial losses were added in fiscal year 1987-88 as well as other provincial losses due to that demographic variation incurred in health and hospitalization programs as well as in post-secondary education programs, the federal gain and provincial loss would exceed \$600 million.

The Minister of Finance has decided to hand back \$270 million. Following that operation, he still has a rather interesting net profit.

Coming back to the problem which I have raised in the House, I would suggest to him that he could perhaps correct the discrimination suffered by Quebec in previous years.

Finally, Mr. Speaker . . . you are indicating that I have only a few seconds left but I would like to remind the Minister of Finance (Mr. Wilson) that transferring part of the federal deficit to the provinces, as he has done with Bill C-96 and with an operation which has enabled him to realize a net profit of some \$370 to \$400, due to a demographic variation, will not help him to solve the problem of public indebtedness in Canada. He is merely transferring it to the neighbours, and I mean the Finance Ministers of all our Canadian provinces.

● (1530)

[English]

Mr. Mike Cassidy (Ottawa Centre): Mr. Speaker, when the Government came to power it talked about national reconciliation as being one of the major objectives of the new Government. The announcement now that, despite the opposition of the provinces and the failure of consultation with regard to equalization with the provinces, the Government is going forward with this particular project represents a major failure

in its efforts, if it still believes in it, to seek national reconciliation and, in particular, to ensure justice for the poorer provinces and regions of the country.

In 1982 equalization equalled 1.3 per cent of the GNP of Canada. It will be equal to about 1 per cent now and that proportion will tend to decline over time with these proposals.

[Translation]

We welcome the Government's decision not to recover equalization overpayments for the last two years. However, provinces like the province of Quebec will suffer in the future, as the Hon. Member for Laval-des-Rapides (Mr. Garneau) commented, because of the reduction, and the tax problem, the problem in terms of lack of economic potential compared with the rest of the country will continue to exist. We are therefore not happy at all with this proposal.

Mr. Speaker, I could also mention that the Government said it does not intend to recover equalization overpayments for the last two years, but in return, it is asking the province of Quebec and the other provinces to abandon their attempts to claim supplementary payments. The federal Government's decisions in the past have given them no reason to be optimistic. For Quebec, we are talking about \$97 million for fiscal 1985-86. Their request for this amount was turned down, and today, to be "excused" from recovery of overpayments, they have to give up their claims.

[English]

I remind the House that last fall the Minister of Finance (Mr. Wilson) quite specifically indicated that the additional amounts coming from the technical changes in equalization, which amount to \$175 million, would be added on in a year. He said that publicly and to the press. We now note with regret that he has spread that over a period of two years. We are particularly concerned that the Government has failed to address the fundamental weaknesses and inequities with regard to equalization and the equalization formula. The provinces have been cut in respect of the Established Programs Financing Act. We have learned from interviews as recently as today that the Government intends to abandon completely its program of regional economic development. It will speak of industrial development which will go to the regions which have, and less and less will be done for the have-not regions. They will be left to hang in the wind.

On equalization the Government pushed through what it wanted to do in the absence of an accord with the provinces and has held to the five-province standard which, by any stretch of the imagination, is now inadequate. I have reminded the House on several occasions that in seven provinces of Canada, despite five years of economic recovery, the unemployment rate is higher today than it was in 1981-82. The Premier of Newfoundland says that his province may face bankruptcy in two years if effective action is not taken to help the province establish a more sound economic and fiscal base. Newfoundland has a sales tax of 11 or 12 per cent. The sales taxes in Prince Edward Island and New Brunswick are