

Oral Questions

and another one is being organized for July. I think it was a very novel and useful initiative on my part to consult the ministers of finance of all the provinces.

I took the liberty, at that time, of saying to the minister of finance of Alberta that because of the special circumstances in Alberta we were offering tax incentives for the development of heavy oil: we were moving in the area of tax incentives for the development of oil. That is something that applies to the western provinces. There is a lot of money in those projects from the federal government and, of course, that benefits the economy of Alberta. In fact, already the situation there in terms of taxes is the best in Canada.

● (1422)

CO-OPERATIVE FEDERALISM IN TAX FIELD

Mr. Edward Broadbent (Oshawa-Whitby): Mr. Speaker, the minister's arguments may go over well in the Liberal caucus, but they convince no one else: I hope he realizes that.

Some hon. Members: Hear, hear!

An hon. Member: There is trouble there, too.

An hon. Member: Ask Serge Joyal.

Mr. Broadbent: They are not even unanimous in the Liberal caucus, I understand, these days. I ask the Prime Minister, who has written quite a bit on the subject of federalism, especially on the notion of co-operative federalism, would he not agree that in any federal system it is wrong for a federal government to attempt a form of blackmail with a provincial government by offering a direct tax cut to citizens of that province, after the fact, unless the provincial government in question takes a course of action which has been insisted upon by the federal government and which is clearly within the jurisdictional authority of the province? If so, how can the Prime Minister possibly justify the incredible approach that is being taken on this issue vis-à-vis the province of Quebec?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, generally taken, the statement made by the Leader of the New Democratic Party is one indeed with which I can agree, that the federal government should not use its leverage over taxes to force the provinces to do a certain thing. In this particular case, the Minister of Finance consulted the provinces, all ten of them, over a period of three weeks and asked them if they would do a certain thing provided we cut our taxes—this is not in provincial jurisdiction—and gave them tax room.

Nine provinces said, "Yes, we will go along with that." The tenth province gave no answer. We had to have a budget; the date was fixed. The minister made his budget statement. It was only after the statement was made that one province said, "We don't go along; you are trying to blackmail us." The Minister of Finance said, "We are not trying to blackmail you; we are offering you tax room." The provinces, as long as I have been around, since 1965, have been constantly asking for tax room. The Minister of Finance offered them tax room.

Mr. Broadbent: In the sales tax area.

[Mr. Chretien.]

Mr. Trudeau: In direct personal income tax. The Minister of Finance is proposing that we cut the personal income tax of all Canadians. Alberta is a special case.

Some hon. Members: Oh, oh!

An hon. Member: Special status.

An hon. Member: Talk to Jack Horner about that.

Mr. Hnatyshyn: Nobody understands Alberta!

An hon. Member: How do you like that, Jack Horner?

Some hon. Members: Oh, oh!

Mr. Trudeau: Mr. Speaker, I do not see why hon. members are seemingly dissatisfied because I say that Alberta is a special case. It is obvious: it has no sales tax. Therefore, the proposition that we are making cannot apply to Alberta, and that is why the Minister of Finance has special provisions in his budget for the Alberta situation. But we are talking of provinces where there is a sales tax, Mr. Speaker.

The Minister of Finance made a certain proposal and said, "You, the provinces, will have the resources to carry out this proposal. We are going to give you tax room." He has not, as the Leader of the New Democratic Party suggests, given money to Quebeckers in any different sense than he has given money to Ontarians, to Manitobans, to British Columbians, to Nova Scotians—

An hon. Member: Sure he has.

Mr. Speaker: Order, please. We can see that on both sides it would have been unduly restrictive for me to suggest that the question put by the hon. member suggesting blackmail is an argumentative one. I did not want to do that, but obviously it has invited a rather long and prolix answer. It is only fair to stick to informational questions and answers.

● (1427)

Mr. Broadbent: To use parliamentary language, Mr. Speaker, the Prime Minister was just misleading the House. Does he, as Prime Minister, not know that when the Minister of Finance discussed the proposals with his equivalents in the provinces, and indeed when he introduced the budget here in the House, he proposed in that context, vis-à-vis the sales tax we are talking about, a reduction or compensation of federal payment in the sales tax domain by way of a cut which varied from region to region and province to province if, I would add, they took equivalent action in the sales tax field? If so, will he agree that what he is now doing is confusing the issue when talking about a proposal made by the federal government to cut income tax to leave room for the provinces, made in an entirely different context from the one in which the sales tax was originally proposed?

Mr. Trudeau: Mr. Speaker, I am afraid there is a misunderstanding on the part of the hon. member as to what the Minister of Finance is proposing. The Leader of the New