

education were introduced in 1967. The jointly financed medical care insurance program was established in 1968. Until 1977, transfer payments for these programs were made under cost-sharing arrangements. Federal transfers were based on provincial Government expenditures, on medical care hospital insurance and on operating costs of post-secondary education institutions. The federal share was roughly 50 per cent overall, with variations from province to province, depending on the specific sharing form for each program.

In 1977, the financial arrangements for these established programs were changed so that the federal share was no longer determined by provincial expenditures, rather it was determined by federal per capita transfers for health and post-secondary education in a base year, escalated by the rate of growth of the Gross National Product per capita and each province's population. Thus, the current EPF arrangements involve a block fund which provinces allocate to their health and post-secondary education programs as they see fit.

The Bill providing for these payments was introduced by the Hon. Donald Macdonald, Minister of Finance at the time. During the negotiations, Mr. Macdonald stated that the federal Government believed it was essential that equalization payments grow at a rate within the ability of taxpayers to finance.

● (2030)

In a speech introducing the Bill in the House, he stated, "Much of the discussion and debate over the past year and a half stemmed from obvious differences in opinion. We at the federal level believe that the national Government must preserve enough fiscal resources to redistribute income to persons and regions, to stabilize the economy and to continue to help finance the services Canadians in all parts of the country need and deserve". I would suggest that those statements by Mr. Macdonald, a Liberal Minister of Finance 10 years ago, are even more true today.

I have some budgetary information comparing the fiscal positions of the provincial Governments with that of the federal Government. For the most recent year available, 1985, the provinces and territories, in total, had gross general revenue of \$93.3 billion and gross general expenditure of \$95.8 billion, for a net deficit of \$2.5 billion. Total combined expenditures of the provinces then were almost exactly equal to those of the federal Government. If, however, we consider the \$20 billion that is directly transferred to the provinces, we can see that in fact the provincial government expenditures are substantially larger than those of the federal Government.

We are often led to believe that the provinces are the poor cousins of the federal Government; but while, in fact, their numbers are individually less, their total fiscal impact and expenditures are substantially greater. In view of this, and in view of the tenacity with which the federal Government is not only controlling but also reducing the levels of government expenditure, it would seem only reasonable that all partners in Canadian society be asked to contribute.

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Hon. Members of the House must understand that we are not talking about cuts here. As I pointed out, they will continue to grow at a substantial rate. Additionally, the provinces will derive significant revenue increases in future years due to the measures contained in the last two federal Budgets and as tax revenues rise along with a healthy and growing economy.

I know that even members of the Opposition are beginning to recognize the seriousness of the deficit. I note that the Hon. Member for Cochrane—Superior (Mr. Penner) is in the House. It was only a month or so ago that he, a member of the Liberal Party, spoke of the seriousness of the deficit and the serious financial situation of the federal Government. He suggested that the Liberal Party should consider redefining the principle of universality in order to save money on costly social programs. With the adoption of this new policy position by the Liberal Party, I am sure its members will be eager to support the Bill.

In conclusion, I would like to say that to date, we have had considerable success in reducing the deficit and slowing the rate of increase of the national debt. However, there is much work left to be done. The deficit remains the greatest threat to our economic recovery, to job creation and to investor and consumer confidence. The deficit remains a serious problem and one we must address with every means at our disposal. Bill C-96 is one more measure that the Government is taking to deal with the problem, and it deserves the support of all Hon. Members.

Some Hon. Members: Hear, hear!

[*Translation*]

The Acting Speaker (Mr. Charest): Questions or comments. The Hon. Member for Outremont (Mrs. Pépin).

Mrs. Pépin: Mr. Speaker, I would like to ask my Conservative colleague whether he agrees with what the Minister of Finance (Mr. Wilson) had to say on March 23, 1982, when he was finance critic: "The only sign it shows of cutting spending is shifting the burden of the established programs funding on to the provincial governments. The provinces are now moving into a deficit position, a position which will make it more difficult for them to finance this shift in spending. This is true particularly in Ontario and in the eastern provinces which do not have the substantial energy revenues of most of the western provinces. That is not co-operative federalism. That is predatory federalism, and it will not and cannot work in this country."

This is what the Minister of Finance stated in 1982. He went on:

"Taking the action of unilaterally cutting the financing, which the government is now proposing, and then having some discussions with the provinces, surely puts the cart before the horse. We should be reversing this procedure." Such were the remarks the Minister of Finance was directing at the Liberal Government at the time he was the Official Opposition's