• (1750)

A tax increase is a tax increase no matter what you choose to call it. No sleight-of-hand, no amount of chicanery can change that. Canadians know what a tax increase is. After all, they have seen over 30 of them since this government came to power a little over five years ago.

The loss of revenue for the provinces due to Bill C-69 will total $1 billion in this fiscal year, $1.8 billion in 1991-92, and $8.4 billion over the next five years. This is a significant loss of revenue for the provinces no matter how you rationalize it. What options are left to the provinces? The number one option would be to increase their borrowing to offset the losses in transfer payments in order to maintain the current programs. The second option is to raise taxes, thereby offsetting the previously mentioned federal cut-backs. They could reduce programs so that they would not have use either option one or two, or they could combine the above in such a manner as to reduce the pain to a minimum.

Of the four specific areas mentioned in Bill C-69, the most serious blow to provincial budgets is the two-year freeze on EPF funding. Under the EPF, the federal government provides equal per capita financial assistance to all provinces through the transfer of tax points and cash payouts. This transfer was designed to assist provinces in carrying out their responsibilities with regard to health care and post-secondary education.

Since the freeze on EPF transfers affects primarily health care and post-secondary education, we are faced with three serious questions. Will the provinces be forced to make hospitals, schools and universities absorb the federal cuts? Will the sick and disabled have to suffer for this government's mismanagement of the economy? Third, will students be burdened by increased tuition fees?

Education is supposed to be high on the government's priority list. It is supposed to be the base on which we build our competence which will allow us to participate in the developing global marketplace. The government pays lip service on this on the one hand and on the other adopts a policy which runs directly opposite.

Health and education are vital services. These are the services that will suffer most as a result of the implementation of Bill C-69. This is the third time since 1986 that the Conservatives have decreased contributions to financing for post-secondary education and health care. Once again the government is ignoring the concerns of Canadians. Recent polls show that 88 per cent of Canadians oppose curbing federal-provincial transfers for health care and higher education.

It seems clear that the implementation of Bill C-69 will affect some provinces more than others. By making the maximum 5 per cent annual growth of CAP contributions apply only to the so-called richer provinces of Ontario, Alberta and B.C., the government is probably trying to give the impression that it is helping the lower-income provinces and penalizing the wealthier provinces, thus effecting a more equitable distribution of the national wealth. But this is not so.

It is a false and misleading impression. First, it is the EPF, not the CAP, which constitutes the largest transfer program to provinces. In the case of the Atlantic region the greatest proportion of federal support is now actually in the form of equalization payments. For example, P.E.I. received a total of $298 million in federal transfers during the year 1988-89-90. Of the $298 million, only $23 million was contributed under the CAP program whereas $98 million was transferred under the EPF and the remaining $195 million was in the form of equalization payments.

I will return to a discussion of equalization payments a little later. As far as Bill C-69 is concerned, P.E.I. as well as the other Atlantic provinces, will be most affected by the cuts in the EPF. The fact that these provinces are exempted from the amendments to the CAP is important, but not nearly as important as the severity of the EPF cuts. Second, we must remember that some provinces have traditionally had to rely more heavily on federal transfer payments than have other provinces. According to a study compiled by the Toronto-Dominion Bank, federal government payments represent a much higher percentage of total revenue for the Atlantic provinces than they do for Ontario.

For example in the fiscal year 1989-90, federal transfer payments accounted for 46.7 per cent of total provincial revenues in P.E.I., but only 13.6 per cent in Ontario. In fact, P.E.I. relies the most heavily on federal transfer payments, followed by Newfoundland, Nova Scotia and New Brunswick.