Fiscal Transfers to Provinces

The purpose of this bill which was rather well explained, if I may say so, by the hon. member for Calgary Centre (Mr. Andre), is to amend two statutory programs. The first one deals with the equalization payments authorized under the Federal-Provincial Fiscal Arrangements and Established Programs Financing Act, 1977, and the second with the payments made under the Public Utility Income Tax Transfer Act. It will be recalled, that the equalization program is intended to transfer enough revenue to the poorer provinces to help them provide a reasonable level of service to the public without having to impose on taxpayers levels of taxation which would be greater than their ability to pay. I would like to indicate that the equalization program is based on a province's ability to provide these services. For the purposes of the program, the revenues that each province would get through average levels of taxation, according to its own tax base, are assessed and its future revenues, in cases where the province is above average, are adjusted upwards. This is a way of ensuring that the provinces have sufficient financial resources to finance public services.

The equalization program is one of the most important programs implemented by the federal government. I want to assure the House that the government is as firmly committed as ever to this program. As the hon. member indicated, it is such an important program that it was examined during the constitutional discussions with a view to including the equalization principle in the Canadian Constitution. The fact that the amounts paid out under this program are quite considerable clearly shows the federal government's commitment to this principle.

The basis of the equalization formula is a revenue fund from which the provinces can draw. As the bill indicates, the revenues are generated by oil and natural gas and in particular they come from the sale of Crown leases and reservations on oil and natural gas lands. The reason why these two sources of revenue are removed from the revenue fund is that since 1975-76 especially there has been a very rapid increase of these oil revenues which throws off balance so to speak the fund made of these various sources of revenues.

Therefore, over a two-year period, the revenues generated by the sale of Crown leases on oil and natural gas lands will be removed for purposes of equalization. I would also like to indicate that as a result of representations made in the course of the debate on this bill, the government decided to remove clause 3 of the bill on reimbursements under the Public Utility Income Tax Transfer Act. It has repeatedly been indicated during the debate—and the hon. member for Calgary Centre has reaffirmed it—that the financial consequences of this bill would be limited but that they would affect especially the province of Alberta. I should like to point out that it would also affect Newfoundland and Prince Edward Island. Many organizations, consumer groups, Members of Parliament, even the Minister of State for Economic Development, Senator Olson, and my hon. colleague, the Minister of Employment and Immigration (Mr. Axworthy), have strongly argued that this provision should be withdrawn from the bill. Therefore, I am pleased to inform the House that as a result of those representations the government will drop Clause 3 from this bill.

● (1610)

Apparently we will have to proceed in the following manner: when the bill reaches Committee of the Whole and the Chair calls Clause 3, the government will vote against it.

That change will not affect the two other provisions of the bill dealing with equalization payments namely the revenue and the average personal income for the three years on the basis of which no fiscal equalization payment may be paid to a province.

We also heard the leader of the government in the House suggest that a task force be set up to study the 1977 act on fiscal transfers, as well as the Canadian welfare system and equalization program. I have a feeling that the task force could come up with interesting suggestions before we renegotiate those various programs with the provinces. I am confident the hon. members who are appointed to the force will work constructively and positively in an effort to help the government—through those programs—to communicate better with the provinces.

I should like, in closing, to thank very briefly the House leaders of the opposition parties, as well as the critics of those parties, the government House leader, the hon. member for Calgary Centre and the hon. member for Broadview-Greenwood (Mr. Rae), for their co-operation which resulted in a speedy passage of the bill this afternoon.

I think this week could be declared parliamentary efficiency week since we completed study of the income tax bill yesterday and we shall proceed with third reading of Bill C-24 within a matter of minutes. Therefore, I thank all the hon. members for their co-operation.

Motion agreed to, bill read the second time and the House went into committee thereon—Mr. Ethier in the chair.

Clauses 1 and 2 agreed to.

[*English*]

The Deputy Chairman: Shall Clause 3 carry?

Some hon. Members: Agreed.

Some hon. Members: No.

Clause 3 negatived: Yeas, 9; nays, 47.

Title agreed to.

Bill reported.

The Acting Speaker (Mr. Ethier): When shall the bill be read the third time?

Some hon. Members: Now.