territory, so that they can provide uniform services among them, such as regular public services. This capacity is measured by using various provincial and municipal taxes. And, as the document prepared by the federal Department of Finance says, equalization payments are calculated by using a formula established in the federal legislation. First, revenues which each province could draw from a typical, and therefore theoretical, tax base are calculated. Then, the overall ability of each province, on a per capita basis, to draw revenues from these sources is compared to a "representative standard", which is based on the fiscal capacity of the five provinces—this standard is currently estimated at $4,800 per capita, or roughly $5,000. If the total per capita capacity of a province is below that standard, federal equalization payments are used to bring revenues to that standard, so as to standardize the ability to provide public services.

In theory, based on this calculation, the average fiscal capacity of the seven poorest provinces should be more similar after making equalization payments to enable those provinces to provide comparable public services. In fact however, this is not the case at all.

Since 1988–89, because of the ceilings set, payments made to provinces do not enable them to reach that representative standard. According to the terms of these ceiling provisions, equalization entitlements of all the beneficiary provinces can no longer increase more rapidly than the economy, as measured by the gross national product. The ceiling for equalization was used twice in recent years: once in 1988–89, and again in 1990–91, in the middle of a recession that hit hard the economy of Canadian provinces, and especially that of Quebec.

During those two periods, this ceiling translated into a loss of revenue of more than $2.9 billion for the beneficiary provinces. I might add that Quebec, because of its distinctive features, especially from a demographic point of view, absorbed more than 60 per cent of that loss, including $1.8 billion for 1992–93 alone.

Mr. Speaker, you will remember, as will the members who are here, that this situation is what triggered the famous retroactive tax of the previous Minister of Finance in Quebec, the late Gérard D. Lévesque. So, by extending this ceiling on equalization, the federal government is once again putting Canadian provinces in a difficult position.

Moreover, this ceiling reduced the transfers that provinces should have received to maintain their fiscal capacity standard, so much so in fact that this capacity currently varies by as much as 12 per cent between have and have–not provinces. That finding is not mine, nor that of my colleagues from the Bloc Quebecois. This statement was made by a great federalist from Quebec, the present Minister of Finance of that province, Mr. Bourbeau, who, when it was announced that the equalization agreement was being extended, made some veiled criticisms, since a great federalist does not lash out at one of his colleagues, but he nevertheless criticized the government for extending the application of this ceiling.

• (1115)

This ceiling deals a blow to fiscal federalism as well as the Rowell–Sirois principles. Equalization has not been reaching the federative goal set originally, especially since the end of the Second World War.

Let us now examine established programs financing, another main element of the federal transfer program. Established programs financing represent the federal health and post–secondary education contributions to the provinces. Yet, the federal withdrawal from this area has been quite obvious. Since 1982, the federal government has been gradually opting out of established programs financing. For example, in 1990–91, basic contribution per capita was frozen to the 1989–90 level for fiscal years 1990–91 to 1994–95.

This freeze and the equal per capita cuts arising from this overall reduction program hit the have–not provinces more harshly. Again, not only is equalization not aiming for the goals originally set when the system was created, but even the other transfer programs are not as fair to the have–not provinces as they are to the have provinces.

In fact, since the average income of taxpayers is lower in the have–not provinces than in the rich provinces, the poorer provinces are less able to levy taxes even after equalization, with a current difference of 12 per cent, as we saw earlier.

Thus the have–not provinces must raise their tax rate more than the others to be able to maintain the health care and post–secondary education they offer their own people through the established programs financing.

The situation gets even worse when the equalization ceiling is reached as is the case since 1988–89, that is, when needs exceed the nominal GNP growth. Indeed, the additional revenues levied by the provinces do not bring additional equalization and the poorer provinces must make a greater effort than the others to levy even one dollar more per capita. In Quebec, for example, the loss in revenues resulting from all the changes made to the established programs financing since 1982 amounts to $1.8 billion for fiscal year 1993–94.

Since established programs financing provides for equal per capita transfers, another kind of unfairness has developed over the years in that 59 per cent of the funds are handed to the three richest provinces in Canada. As we have seen earlier, all of the transfer programs were originally meant to help the have–not provinces.