

*Equalization Payments to Provinces*

these costs. I must stress, however, that it is the province which determines upon the allocation of these funds, and it will have to do so in the light of both the operating and capital requirements of post-secondary institutions. The funds transferred are calculated in relation to operating expenditures, but are intended for use in both the operating and capital areas.

In addition to the percentage formula, the government is advancing an alternative formula for calculation—a per capita calculation—for the simple reason that in some provinces the expenditures on post-secondary education have not grown at the same rate, and if the 50 per cent formula were to be applied these provinces would lose substantially, compared with what they had previously been receiving. Additional help was provided to these provinces, then, through a per capita payment.

These points highlight the essentials of the proposal. Reference made in the resolution now before the committee to “adjustment payments” relates to one aspect of the total transfers under this plan.

The first transfers will be effected in three ways. First, the government is proposing to abate four personal income tax points and one corporate income tax point to allow provinces to secure additional revenues without a corresponding increase in the burden of taxation on provincial taxpayers. A bill to amend the Income Tax Act has just been passed by this house and will provide for these abatements.

Second, an increase in the equalization payment is proposed, as the Minister of Finance has just indicated. The increase will relate to the increases in provincial income tax revenue attributable to the tax abatement.

Third, a cash transfer termed the “post-secondary education adjustment payment” will be made to make up the difference between the value of the tax abatement and equalization transfers and the greater of, in each province, 50 per cent of operating expenditures, or \$15 per capita.

In detailing how the adjustment payment is to be calculated and on what conditions it may be paid to the provinces it has been necessary, of course, to formulate certain definitions of what, for the purposes of the plan, constitutes post-secondary education and what may comprise admissible operating expenditures.

[Miss LaMarsh.]

Perhaps a few words on these two difficult questions may be helpful, Mr. Chairman.

In connection with the definition of post-secondary education, it was necessary to indicate the academic level in each province we shall take as marking the transition from secondary to post-secondary education. Our solution to this problem, which is made so difficult through the considerable variances in practice from one province to another, is to stipulate that post-secondary educational programs are those requiring for entrance at least the equivalent of the academic level of junior matriculation. This has been discussed with the provinces, and agreement has been reached on the equity of the proposal.

With regard to operating expenditure, perhaps I need only explain that we have made every effort to follow in our definition those terms of expenditures which are regarded as operating by educational institutions, and we have attempted to secure a definition which so far as possible takes account of practices current in institutions across the country. The guiding principle in drawing the necessary definitions was the need to propose arrangements that would be equitable among all provinces, and this, we feel, has been achieved.

Mr. Chairman, I am sure I need not impress on the house either the crucial importance of this matter to the future of our country or the very difficult and complex problems posed in trying to deal with it. Having regard to these various factors, the government believes firmly that the proposals I have outlined meet the situation in the fairest and fullest way possible.

May I in conclusion, Mr. Chairman, call it ten o'clock?

**Mr. Douglas:** Do I take it the minister has concluded her remarks? Or does she intend to continue tomorrow?

**Miss LaMarsh:** I was concluding, unless there is something I think of overnight.

**Mr. Douglas:** I wanted to ask the minister whether we could have some comparative figures, in the form of a table if possible, setting out a comparison of the revenues paid to provinces under the present plan, \$5 per head of the population, and the payments which will be made under the new proposal of tax abatement in each province, in lieu of the adjustment grant.