

Equalization Payments to Provinces

by them in order to raise the necessary revenues to produce a reasonable standard of services.

Mr. Lewis: I appreciate the fact that provinces like Ontario and British Columbia would not likely benefit any more than they do now, but would it not follow that the other provinces which are in dire need of added revenue, because of their tax capacities certainly would receive more money? If there is an additional amount of \$200 million someone must get that money. So this \$200 million obviously would go to those provinces and in turn to their municipalities for the general improvement of their social and educational services.

I believe I understood what the minister said when he stated that if the provinces were to take over more of the municipal costs and thereby increase their taxes there would be a certain situation. I am not quite sure, however, that the situation would help the have-not provinces. If they increased their share of municipal costs and their tax revenues the result would be that they would receive less equalization and not more. If a have-not province which now receives an equalization grant were to take over some of the expenses of the municipalities and increase its tax level to deal with this, then of course its equalization grant would drop rather than increase.

Mr. Sharp: It would go up. This is a very important point. Perhaps I ought to underline it again. The great virtue of the new system of equalization payments being introduced now is that it will be objective and automatic. It will take into account the taxes imposed by the provinces and the taxable capacity of each of the provinces in relation to the whole country. Therefore if the provinces as a whole, or any of them, decide to raise the present level of taxation this would affect the national average and would result in more being paid to the provinces which imposed taxes additional to what they are raising from their own taxpayers.

Mr. Lewis: Mr. Chairman, I do not intend to continue this much further—

The Acting Chairman (Mr. Richard): Order. Unless the hon. member for York South wishes to ask only a short question, the hon. member for Kamloops wishes to speak and I think he should be given the opportunity.

Mr. Fulton: Mr. Chairman, if the hon. member for York South wishes to complete a certain point I would be glad to wait.

Mr. Lewis: I am grateful to the hon. member. This is not the first time the minister has made mathematical assertions which with the greatest of respect I suggest have no validity. The minister knows perfectly well that if Newfoundland or Prince Edward Island should raise their provincial taxes as a result of taking over municipal costs, the effect on the national average would be almost nil. When you have a small community with a small revenue, what effect would that have on the national average? A province like Ontario, Quebec, or at least British Columbia or Alberta, would have to be involved in order that the national average would be affected in any degree which would be of value to anybody. If we have in mind the four Atlantic provinces which have a relatively small revenue in relation to the total on which the national average is based, obviously an increase which would fall within their reach would have almost no effect on the national average. I suggest that the minister's answer on this point just does not hold water.

• (12:30 p.m.)

Mr. Fulton: Mr. Chairman, I should like to ask the minister what discussions if any have been held and what discussions are contemplated with the provinces with a view to assisting the provinces to relieve the municipalities from the increasing burden of taxation for education. The provinces get assistance under this bill in respect of the cost of post-secondary education; and what I should like to know is whether, if a province assumes an increasing or extra share of the cost, thereby relieving the municipalities of that amount, it will get higher assistance from the federal government. Because surely this would encourage the provinces to take over that burden, and I feel strongly that the only way we are going to get an ultimate settlement in respect of the cost of education—the only way we are going to get the level of education brought within the means of our people—is through this kind of assistance. The more this cost is loaded directly on the municipal taxpayer, the property owner, the less able is this country to provide the kind of educational program this country increasingly needs.

Will the minister indicate what discussions have been held or are contemplated with the provinces with a view to working out a system under which, if a province assumes an extra cost in relation to education thereby relieving the municipalities, the province will be assisted by the federal government or the