

universities for natural science and engineering, to research councils, to the Social Sciences and Humanities Research Council, and to the Medical Research Council. We make capital grants for a whole series of matters that are within the jurisdiction of the provinces, and those matters are all transfers. In the year 1980-81, which is really the last year for which I have figures, those grants amounted to well over \$2 billion.

We are now told that the change in this Act is a bloodthirsty attack on the provinces, "a bloodthirsty attack". What kind of a bloodthirsty attack is it? It is a reduction in the total amount of a transfer by a portion of the anticipated increase in Gross National Product, by reducing any real increase of GNP by 2 per cent, provided that does not affect inflation. So, if there is inflation, and we do not have any growth at all, the provinces get all the inflation and all the growth in the economy, except for 2 per cent. Now, this is a "bloodthirsty attack", yet.

Well, Sir, I want to demonstrate today that, far from a bloodthirsty attack, it is a very sensible Bill, a very conservative Bill, one that would indicate that the Government really understands the needs, the requirements, of the provincial Governments.

In 1981, there was a full study by a special parliamentary committee which issued a report called *Fiscal Federalism in Canada*, and it was tabled in August of that year. The report analysed all of the fiscal arrangements between the provinces and the federal Government, and the federal Government's capacity to make payments and the provincial Governments' capacity to raise revenue at that time. The task force report concluded that there did not exist, at that time, any long-term structural mismatch between the federal Government and the provinces and that the current arrangements were appropriate. But that was before we had a Government that ran up, in a four-year period, the national debt of this country of over \$120 billion, and that was before we had to use 27 per cent of the revenue collected in this country to pay interest, and that was before we had a massive recession, brought about in part by a national energy problem and in part by the Budget of November of 1981 that just tore the country apart, ripped apart its economy, and ripped apart the receipts of the Government. That was before we had a situation in which deficits, had we not turned the corner when we took over in 1984, would have exceeded well over \$40 billion in that year. There is now a situation of financial mismatch.

I point out that the provincial Governments are all able, on a national accounts basis, to balance their books without going to outside markets to borrow money. They have all borrowed the money they need from provincial pension plans and from the Canada Pension Plan and they are not required to go out in the market, like the federal Government is, to beg and borrow and issue T bill accounts and do whatever is necessary to squeeze from the markets every last nickel and dime. Indeed, the deficit of the Province of Ontario are down. The deficit of the Province of Quebec is down. The deficit of every province in the country, in fact, is down this year, with the exception of

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the Province of Alberta. And I really cry for it! It does not even have a retail sales tax. It has the fiscal capacity to be without debt and it has a Heritage Fund. So it continues to put money into its Heritage Fund, that is why it shows a bookkeeping deficit. Well, is that not just terrible?

**Mr. Rompkey:** And they vote for you guys. God knows why, but they do.

**Mr. Blenkarn:** So what we have is a situation that started in 1981. Since then, the fiscal situation of the country has dramatically changed. We now have a fiscal mismatch that we did not have in 1981. In 1981, we were looking at the history prior to 1980, really, in terms of the financial activity and records that we could examine. We are now looking at the records and projections we must examine that result from an unconscionable burden of debt foisted on this country by the previous Government, and that the Liberals should filibuster the Bill without realizing the fiscal imbalance they created by their past activities indicates their lack of competence and the reason they are in opposition.

● (1740)

Let us get down to exactly what we are really talking about. This year, the reduction in the possible increase in EPF transfers to all provinces is \$318 million. Next year, it will be \$681 million. The total transfer this year is \$16.729 billion. Next year it will be \$17.7 billion. That amounts to an increase of \$1 billion. And we hear members of the Opposition saying that this is ripping apart Confederation and destroying things.

Let us go back to look at their financial position. When we took power we had to do some things that we did not want to do. We did not want to increase taxes. But we had to be responsible because of the debts imposed on this country by past mismanagement. One of the things we had to do was to change the indexation on personal exemptions and on transfers for help for children. Those were tax increases which are progressive. In effect, if there is inflation, and there is, they increase revenue and reduce allowances from taxable income.

The provinces use the federal government tax base on which to raise their revenues. Almost all of the provinces collect 54 per cent of the federal government tax revenue collected. So if the federal Government collects one dollar of federal tax, then the average province collects 54 cents in provincial tax. The effect of the changes on personal income tax in the May 1985 Budget for the year 1985-86 was to increase provincial revenue by \$80 million. For the year 1986-87, their revenues will be increased by \$250 million as a result of that one fiscal measure alone.

I would like to go on. We have made some changes with respect to business taxes. We just eliminated the scientific research tax credit. That will increase provincial revenues drastically, since no longer will they be sharing in that tax credit type promotion. We have also changed the inventory allowance. No longer will corporations be entitled to automatic inventory allowances from taxable income. No longer will