

new inflationary spiral, a cyclical boom, or continued recession should be our lot during those years, the fiscal resources available to the provinces could be dramatically greater or less than what was anticipated. Such fluctuations could make the results of these financial arrangements either equitable or inequitable. For that reason, alternative projections based on a wide range of possible economic trends should have been available for consideration during the bargaining. Had that occurred, a more informed judgment could have been made by all concerned as to the impact of the arrangements in economic circumstances other than the reasonably stable one used in compiling the single projection the minister felt obliged to provide to the provinces.

One of the main purposes of the newly established programs financing arrangements is to give the provinces more flexibility by substituting a block grant of tax points and cash payments for the previous cost-sharing arrangements which made federal funds available only for specified items of expenditures. But the established programs financing arrangements do not stand alone; they are part of a total package. The flexibility these arrangements promised is restricted by a number of factors pertaining to the bill. It is restricted, first of all, by the federal government's withdrawal from the revenue guarantee program; a withdrawal for which only partial compensation is provided to the provinces. The net result of that step will be a reduction of approximately \$450 million in unconditional grants available to the provinces this year.

I know it is the contention of hon. members opposite that the revenue guarantee was never intended to go beyond the present fiscal year. But anyone who has taken the time to look into the subject with a reasonable degree of objectivity knows that the provinces were led to believe that the revenue guarantee program would continue in some form. That assurance was given them by the former minister of finance who is now waiting in some board room for the call to salvage the wreck of the Liberal party. The value of the revenue guarantee program to the provinces was further diminished by an arbitrary change in the method of calculating the payments.

● (1520)

Now, after renegeing on their implied commitment to the provinces and arbitrarily changing the rules of the commitment to which they were legally bound, hon. members on your right, Mr. Speaker, came forward last week and tried to pass off this dubious conduct as part of their restraint program. Moreover, not content with that particular shell-game, they tried to represent tax point transfers to the provinces, which will replace part of the existing cash payments under the new scheme of the established programs financing, as yet another cut in government spending.

I cannot understand, when a real effort has been made in some areas genuinely to restrain government spending, why the President of the Treasury Board (Mr. Andras) would needlessly cast doubt on the credibility of his accomplishment by making the ludicrous claim that these bookkeeping adjustments represent real belt-tightening. In this instance, as in so

many others, the government seems determined to be its own worst enemy.

As I have said, the withdrawal of the revenue guarantee payments imposed considerable restrictions on provincial flexibility. The ability of the provinces to reorder priorities while maintaining adequate levels of services is further constrained by the fact that the cash portion of the fiscal transfer for established programs will escalate at a rate equal to the growth in per capital gross national product. The principle that the proportion of GNP spent on these programs should remain constant has a degree of merit, but this method of implementing it has the potential, I suggest, in a prolonged period of lean economic growth, of putting considerable pressure on the provinces to cut back on services, or, at best, freeze them at unacceptably low levels. There is scope, of course, for savings by substituting low-cost alternatives for expensive services such as acute hospital care. But that scope is limited. Capable management of the national economy would be the most effective means to deal with that problem, but that kind of management is something we have notably lacked under this administration, particularly since the last election.

That is why I point this out as a danger area which may have to be dealt with by renegotiation in order to ensure that the flexibility acquired in theory is rendered practicable by adequate financing. These danger areas are very real. In December, the Prime Minister, by ignoring the impact of the withdrawal of the revenue guarantee payments, tried to create the impression that the over-all agreement was more than generous to the provinces. On Friday, instead of addressing himself to the real problems of the bill the hon. member for Oshawa-Whitby attempted to show that it was a disaster for the poorer provinces by ignoring the mitigating effects of the levelling up and transitional cash payments under the established programs financing arrangements—payments that will counteract the advantage to the richer provinces of the tax transfer. Both the Prime Minister and the hon. member for Oshawa-Whitby were, I suggest, less than honest in their presentations.

There is another danger inherent in this bill which I draw to the attention of the House. It is most unclear from the legislation what sort of conditions are going to be imposed on the provinces if they are to receive their cash grants. I note that there are going to be agreements under the hospital insurance act and the medicare act similar to those now in effect, but there is, nonetheless, sufficient latitude in the new arrangements that could eventually result in a situation where services would deteriorate in some parts of the country. At committee stage we shall be insisting on clarification of these conditions and on some guarantee from the federal government that the national standards already attained will continue.

Let me digress for a moment, Mr. Speaker, to make the comment that the GNP escalator seems to me to be a somewhat gratuitous piece of paternalism on the part of the federal government, especially in light of the fact that since 1971 federal transfers to the provinces have declined, as a percent-