

province, that increase of one dollar would only increase the obligation for equalization by seven cents. In other words, there is a levering up because of the relatively small population of the province of Alberta, and that levering up affects the whole equalization process.

The problem, of course, is that the federal government's revenue does not come, or has not come until this stage, from natural resources. The provinces' and the federal government's revenue has come from the traditional sources of personal income tax, corporate tax, customs duties, sales tax, and the like. In fact, the province of Ontario contributes 43 per cent of the tax revenue that the federal government has. That 43 per cent winds up being revenue used to equalize. As the revenue in western Canada available to provincial parties increases, the demand on the federal treasury increases and, consequently, the demands that are placed on the province of Ontario.

Indeed, sir, if you analyse the tax base you find that of federal revenues, 29 per cent comes from western Canada, that is, the four western provinces; 28 per cent of federal revenues comes from the five eastern provinces, including the province of Quebec; and 43 per cent comes from Ontario. The huge increases in provincial revenues in the west do not cost the west, in terms of equalization, anything like they have cost Ontario.

The result is that the province of Ontario, probably not being as altruistic as one would think, is saying, "Look it, don't give us equalization, because if you do—if this bill does not go through—the real burden on the people of Ontario will be even greater." And so, whereas the province of Ontario, as I said at the beginning of my remarks, might well be entitled over the total period of this bill, and to March 31, 1982, as a result of an increase in oil and gas prices, to as much as \$2 billion, it is prepared to forgo that. I think that is a very important thing, that the people of Canada should know that the province of Ontario is prepared to forgo revenue that it would get in equalization. The point of the matter, of course, is that the system is wrong, as the minister says, and this is just a patch-up bill.

What we would really be happy to see is a new bill, because there is a solution. A solution would be to change what you equalize. There is absolutely no reason why we should follow the existing equalization pattern. There is no reason why we are not equalizing on the basis of gross domestic product. There is also no reason why the federal government should attempt to equalize oil and gas revenue when the federal government has no access, or up until now has no access, indeed, constitutionally, has no access, to oil and gas revenues. The federal government has no right to royalties on Crown-owned land. The federal government has no right to rents on Crown-owned land. That is constitutionally not proper. There is no reason then why the federal government should attempt to equalize that type of revenue; it should be equalized separately. It should be equalized by an agreement between the provinces setting up a separate provincial fund to equalize, in some fashion, the fact that some provinces have massive natural resources, and that they do not need to pass that

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equalization money through the federal government. Indeed, the federal government has no right, sir, to say, "Because we have to have equalization we have the constitutional right to seize resources, seize revenues that are really provincial, because we are going to spread some of them out to the provinces."

**Some hon. Members:** Hear, hear!

**Mr. Blenkarn:** One of the reasons why people are opposed to the entrenchment of equalization in the constitution is that they view that entrenchment of equalization in the constitution as perhaps a method by which the federal government could seize what is really provincial resource assets, resource revenue, and use that seizure as an excuse for equalization, or use equalization as an excuse for seizure.

What we have to do is go along with the suggestion, without confrontation, but in a sense of compromise, to have the provinces between themselves equalized with their own revenue—the excessive revenue that accrues to some provinces by virtue of their ownership of resources—and have the federal government only equalize that which the federal government receives to equalize.

**An. hon. Member:** Hear, hear!

**Mr. Blenkarn:** Sir, we have a problem in the country. Our problem is that one of our provinces is almost a Kuwait. The revenues in the province of Alberta have been such as to almost knock the spots off Canada. Alberta has provincial and local government services that are among the best in Canada. It has no sales tax, no gasoline tax, no residential property tax for school purposes, and by far the lowest individual corporate income tax rates. In its 1979 budget it retired all municipal debt. It is almost a Kuwait. It still has a billion dollars of possible surplus, and its Heritage Fund is increasing, and increasing, and increasing. It is almost a Kuwait.

One of the grave dangers to our confederation is that one part of Canada may become so exceptionally wealthy that it is able to supply services to its inhabitants far in excess of what any other part of Canada can supply, is able to have tax rates far lower, or, indeed, no taxes. Indeed, there was a proposal that Alberta abolish all corporate taxes. There is no doubt about it, that with the revenues that were not diverted to the Heritage Fund, they could abolish all taxes in the province of Alberta and rely on oil revenues. The situation is a matter which must cause great concern to a government which should be trying to keep a country together.

● (1650)

I refer to the Economic Council of Canada report of last year entitled "Two Cheers for the Eighties". One of the great cheer problems for the 1980s is the issue of development and taxes. At page 57 of this report we find:

The issues this development raises are political rather than economic, although the way in which they are resolved will have a bearing on the nature of economic management in the country. The federal government is in a poor position to continue to play its major role in economic management, equalization of