

Manitoba and for Saskatchewan which recently became eligible for these payments.

[*Translation*]

In keeping with our constitutional obligation, this Government has respected a firm financial commitment with respect to equalization, and we did so despite the financial restraints dictated by our own situation.

[*English*]

Accordingly, the legislation I am tabling calls for the renewal of the present Equalization Program. This is expected to result in substantial growth in payments in the years ahead. This growth will be further enhanced as a result of improvement to the program's revenue measures to be phased in over the next two years. Total equalization entitlements under a renewed program are expected to increase to about \$5.6 billion in 1987-88, and to about \$5.9 billion in 1988-89. This means anticipated annual increases of about \$300 million each year, or over 5 per cent annually.

• (1520)

This legislation, which will also extend and update other parts of the Fiscal Arrangements Act, was preceded by an extensive process of consultation with provinces which began in the spring of 1985. As Members may be aware, the preliminary 1986 consensus released in January indicates that some provinces, the Atlantic provinces, Quebec and Saskatchewan, have been overpaid by about \$270 million in equalization payments for the past two fiscal years. By law, the federal Government would expect to collect this amount next year as part of the normal process of adjustments to payments, both up and down, which takes place on an ongoing basis as a result of changes to data. The long-established rules are clear. If changes in data mean the federal Government owes provinces money, we pay the full amount. If they mean provinces owe the federal Government money, we recover. It is important that transfer payments continue to be based on the latest population data if the system is to remain fair and accurate. We cannot ignore the new census. However, we are conscious of the difficult financial situation of the lower-income provinces. We would like to do what we can to help, bearing in mind the federal Government's own financial problems.

Therefore the legislation also provides for forgiveness, on a net basis, of amounts owed to the federal Government under equalization in respect of the last two fiscal years as a result of the census. That is to say, the amounts due the federal Government as a result of the census will be forgiven to the extent that they exceed future increases in equalization entitlements, for those same two fiscal years, which may arise as a result of changes in other financial and economic data relevant to the equalization formula.

Our action respecting these recoveries is not something we have to do. There is no obligation on us, legal or otherwise, to forgive amounts owed to us. We are taking this step because we want to be helpful and because we understand the difficult

circumstances faced by the provinces receiving equalization. We know how important federal support is to them. We are determined to provide that support within the limits our own difficult fiscal circumstances allow.

The actions I have announced today are part of a pattern of strong support which this Government has been providing to the lower-income provinces through equalization over the past two and a half years. Our concern and support began with the provision of supplementary assistance in 1985 amounting to \$285 million. It is continuing with renewal and enhancement of the present equalization program. It is reflected in the forgiveness proposal I have just outlined for equalization overpayments owed to the federal Government as a result of new census data.

[*Translation*]

I would suggest that the considerably increased funding stemming from our proposals bear witness to the federal Government's respect for the equalization principle.

[*English*]

I know Parliament will want to consider the fiscal arrangements legislation carefully. I know it will also bear in mind that authority to provide equalization payments expires March 31, 1987, and that our collective interest is in ensuring that these vital payments to the less wealthy provinces continue uninterrupted.

[*Translation*]

Mr. Raymond Garneau (Laval-des-Rapides): Mr. Speaker, eight days ago, more specifically on March 3rd, in this House I directed a question to the Minister of Finance (Mr. Wilson) in which I said in part:

As a result of the 1986 mid-decade census, the Federal Government will recuperate a windfall gain of nearly \$600 million from its equalization payments to the provinces, and for post-secondary education and health care.

Therefore, I raised this important issue which comes up as a result of the mid-term census and creates for the administration of provincial public affairs a problem which is sometimes positive and sometimes negative.

In the announcement he made today the Minister of Finance is doing is what had been done in 1981-82 by the Liberal Government of the time. The present Minister is following exactly the same route making it possible for the provinces to benefit from variations in their equalization budget as a result of the census. The problems resulting from the mid-term census are always difficult because that particular census carried out every five years lacks the precision of the others. Following the decade census, quite often we realize that a population readjustment is closer to the estimates, thereby creating serious problems.

The Minister of Finance, therefore, has met the expectations of the provinces and, following a suggestion of the Liberal Opposition, he has implemented the same program which had been followed in 1981-82 by the previous Liberal Government