

*Income Tax Act*

sales taxes, each Quebec taxpayer will receive a rebate on 1977 federal personal income tax. The federal government is doing this to provide Quebec residents with compensation to bear the cost of the sales tax on all items for which the tax has not been reduced by two points for six months by the Quebec government. The \$40 million we have offered to the Quebec government for a two-point reduction over six months on the selected items is worth up to \$15 per taxpayer. This leaves about \$186 million—or up to \$85 per Quebec taxpayer—outstanding from the federal offer. Thus, the amount of the rebate for each Quebec taxpayer will be \$85 or the amount of federal income tax payable, whichever is less.

Once the bill has been passed, Revenue Canada will process rebates from the computer record of Quebec taxpayers who filed returns on their 1977 income. Rebates will be sent out later this year while the retail sales tax cuts still are in effect in the other provinces. Of course, if to straighten things out, this reimbursement to the Quebec taxpayers could be geared to a tax increase which the Quebec government might decide to impose then I am prepared to discuss it.

Mr. Speaker, I have been discussing the matter with the provinces since March 23. On that day I called Mr. Parizeau and Mr. McKeough on the telephone to find out what they thought of the proposal. We had already discussed it previously in October and January. Then, on Friday, March 24, I discussed the matter again with Mr. Parizeau on the telephone and since he himself had problems with the federal government, he asked me to help him settle them. I immediately called my officials in an effort to help him in another area; it was quite a difficult situation for Quebec since it was the end of the fiscal year. These things do not come out but they happen just the same, Mr. Speaker.

On Monday, March 27, my deputy minister, Mr. Shoyama, contacted all the provincial deputy ministers, except Mr. Collins from Alberta who was not available. He explained the proposal to them and they discussed their intentions in general terms. No one can say that all the deputy ministers were not informed. On Tuesday, March 28, I got in touch with every single minister of finance and on Wednesday 29th, I went West where I met the minister of finance of British Columbia, Mr. Wolfe, Mr. Smishek and Mr. Craik. On that very day I spoke on the telephone with the minister of finance of Alberta. When I came back to Ottawa, I spoke again on several occasions with Mr. Parizeau and Mr. McKeough. Several times I put a call through which sometimes was not even returned. It does not really matter; I am a patient and very humble man.

I still kept on trying in an effort to get a consensus. On Saturday, April 1 and on Sunday, April 2, the officials of all the provinces were called and told: Come and see us here in Ottawa; there will be a meeting on Monday, April 3. All of them, including Quebec and Alberta, sent representatives. The proposal was discussed, hypothetically, all day; changes were

[Mr. Chrétien.]

made to accommodate the requests made by some of the provinces; telephone conversations went on throughout the week.

When, at the request of the ministers of finance of British Columbia and Saskatchewan I made certain changes, I myself took the initiative of calling the other ministers of finance to tell them: Those provinces would like such and such a solution; do you agree with it? They answered: We see no objection to it. If you want to do that for those provinces, go ahead, Mr. Chrétien. Throughout that debate, that is, during almost three weeks of intensive consultations, at no time did the province of Quebec mention selective cuts. At no time did they make suggestions, either Mr. Parizeau himself or the officials. Mr. Speaker, what I did was quite simply try to be a little innovative because, as I said at the beginning of my speech, the taxation base of the federal government is constantly shrinking. The possibility of the central government influencing the economy is being reduced accordingly. And it is in that spirit following the conference of the first ministers, who were urging consultation, that I took a big chance to try and reflect the spirit of the first ministers' conference.

I took the initiative at the very great risk of being blamed in this House—and I was blamed in this House—for having talked about the budget with people who are not members of the Canadian cabinet. Mr. Speaker, I took that chance which could have been fatal, but I wanted to try to be innovative and convince the provinces to do in their jurisdictions, with my help, what could be best. I acted in extremely good faith. What I am proposing at this time, Mr. Speaker, is quite simple. I do not want to penalize Quebec residents who pay taxes at the federal and provincial levels because the government of Quebec did not want to follow me as another provincial government might have taken in good faith an extremely important initiative. On top of that, in all my conversations with the ministers of finance, Mr. Speaker, I did not talk only about the sales tax. I consulted them on the monetary and fiscal policy of the government. I consulted them on the effect of the Canadian dollar on their economies, on the effect of the fall of the Canadian dollar on exports, on the effect of their internal financing because very often, having borrowed on the U.S. market, they must pay in U.S. dollars and that adds to their budgetary burden.

I did that in trying to develop a new mechanism which is essential in this country. If I made a mistake, Mr. Speaker, it is in believing in federalism, in believing that it was possible to speak in good faith with finance ministers and try in speaking to the finance ministers to develop a consensus beyond partisan considerations. I knew full well, Mr. Speaker, that there were only two governments at this time with the same political stripes as mine and that I was taking political risks but when you believe in an institution such as Canada you take chances to try and develop an acceptable economic policy, and instead of relying exclusively on the constitution as is so easy to do, we