

*Adjournment Debate*FEDERAL-PROVINCIAL FISCAL ARRANGEMENTS—
CALCULATION OF PROVINCIAL REVENUES. (B) REQUEST THAT
MINISTER REVIEW FORMULA

Mr. Tom McMillan (Hillsborough): Mr. Speaker, during Oral Question Period on January 29, I put two questions to the Minister of Finance (Mr. MacEachen). In my first question I wanted the minister to confirm or deny a front-page, *Toronto Star* story which reported revised Department of Finance calculations that provincial revenues for health, post-secondary education and other vital services will be slashed on a net basis by \$4.5 billion over the next five years. That estimate is twice the size of the reduction projected in the minister's budget of November 12.

In reply to my first question, the minister claimed not to have seen the *Toronto Star* article to which I had referred and declined to comment on the figures contained in it. But he said that the proposals in his budget would significantly improve the fiscal position of provinces during the course of the next five years. These were the words he more or less used. I am appalled that the minister would hold to the position that his budget will not reduce provincial revenues but will actually increase them. The minister is either deceiving himself or is misleading the people of Canada about the true impact of his proposals. My own assessment conforms with that of syndicated columnist Richard Gwyn who wrote the following in *The Ottawa Citizen* just before Christmas:

● (2200)

MacEachen doesn't know what he's doing.

Certainly in the area of fiscal transfers, the minister has already admitted to making a multimillion-dollar error in calculating the impact of his budget on provincial revenues.

On budget night, November 12, 1981, the minister stated that the net cutbacks in federal grants for such services as medicare and post-secondary education would be \$1.9 billion. The ink had hardly dried on the budget documents when the minister was compelled to confess on November 23, just 11 days later, that the Department of Finance had underestimated the net cutbacks by \$660 million. Accordingly, the relevant projection was revised upwards to \$2.6 billion. Now we discover after a colossal mistake has already been made and admitted, that the real loss in provincial revenues will be nearly twice that amount, that is twice the revised figure of \$2.6 billion. The provinces will receive \$4.5 billion less than they would have received under the current formula.

The government's fiscal plans are as fraught with potential catastrophe as they are the product of sheer incompetence. Not in the last half century have we seen a more shoddy exercise in public policymaking in this country.

What we have here is a government hellbent on starving the provinces of revenue badly needed to provide essential services to their people at a time when we have the worst and the deepest recession since the great depression of the 1930s.

If allowed to go unchecked, those cuts will force many parts of Canada to live with a substantially reduced quality of health care and education. The provinces will be strong-armed into

compromising the quality the range and the availability of health services, all the way from elective surgery to hospital beds to highly trained medical and nursing staffs. The universities, for their part, will be forced both to cut or truncate important academic and training programs and to hike tuition fees.

As a maritimer, I am shattered by the implications of what the government is intending to do. The large and wealthy provinces, like Alberta and Ontario, may well be able to absorb the extra costs of medicare and higher education. But the smaller and less advantaged provinces, such as my own, Prince Edward Island, would be crippled under the weight of the added burden. The consequence will be a return to the era when the level of essential services varied widely and wildly from province to province depending on the tax resources of the place in question. Gone will be the practice which we in Canada have come to take for granted of providing a basic level of social services all the way from the Atlantic to the Pacific, regardless of a province's size or its access to tax revenue.

The November 12 budget may well mark the end of the concept that all Canadians, no matter where they live, should have access to a minimum level of social services funded by both levels of government in a spirit of partnership and co-operation. That a fellow maritimer in the person of the Minister of Finance should be the man to herald the new era brings great sorrow to my heart.

● (2205)

Mr. John Evans (Parliamentary Secretary to Deputy Prime Minister and Minister of Finance): Mr. Speaker, the *Toronto Star* article to which the hon. member's question refers, indicates a \$4.5 billion cutback in transfers to the provinces. It is not my intention to engage in debate over these numbers. However, a net reduction in federal transfers to provinces under EPF of about \$4.5 billion over the coming five years would be consistent with the long-standing position taken by the Minister of Finance (Mr. MacEachen).

In his October, 1980, budget the minister indicated that the federal government expected to achieve net savings in the social affairs envelope beginning in 1982-83. The budget noted these savings were expected to include reductions in federal transfers to provinces in areas coming under provincial jurisdiction. In response to a question in the House on February 25, 1981, the minister further indicated that he would like to achieve savings of \$500 million in 1982-83, and \$1 billion in 1983-84 in respect of transfers to provinces within the social affairs envelope.

In terms of the budget, the \$1 billion saving in 1983-84 is to be on a continuing basis and therefore represents about \$4.5 billion over five years. This reduction was never hidden or obscured in public statements. Indeed, the minister stated this in his November, 1981 budget paper entitled "Fiscal Arrangements in the Eighties—Proposals of the Government of Canada."