

Federal-Provincial Fiscal Arrangements

through the equalization payment program. This program assures all Canadians of a reasonable level of vital public services, without forcing them to pay much higher tax rates than the national average. It attempts to reduce as much as possible regional disparities throughout the country and it will continue to do so as an efficient means of preserving national unity. Financial stability will also be maintained through methodical arrangements concerning the sharing of fiscal areas, the revenue stabilization program, and the guaranteed personal income tax revenues.

Before considering certain provisions of the bill, Mr. Speaker, I would like to say that in spite of the understandable differences of opinion that exist between the various provinces as well as between the provinces and the federal government, the fact remains that the parties can come together to work with a view to improving the lot of all Canadians. Recently, some seemed to doubt that possibility. The result of the November 15 election particularly brought some to believe that Canadians could no longer live and co-operate as Canadians.

The election of a separatist government in Quebec led to two opposed reactions within English-speaking Canada; I do not approve either one of them. The first had overtones of hostility, and the second was marked by indifference. Those attitudes are both shallow and baffling, shallow because they represent opinions that no intelligent being would want to defend after thinking about it, and baffling because they reflect a profound lack of understanding of the legitimate aspirations of many French Canadians. Not only hostility incompatible with the democratic process of this country but it also serves the interests of certain extremist elements in Quebec. Likewise, indifference to the election of the separatist government shows that people do not know where the interest of Canadians lies.

The separation of Quebec will not miraculously solve the problems that gave rise to the separatist movement. The problems will persist and might become unsolvable. The means to solve those problems and put an end to the differences that exist between French and English Canadians are already present in our federation. This bill is an excellent example of the means made available to us and the agreements that can be made between various levels of government.

I also noted that the bill gives the provinces greater freedom and flexibility in taxation. However, it should not be forgotten that freedom, flexibility and responsibility go together. Through the years, the provinces have asked for a large part of the taxation resources to be able to finance the programs for which they are responsible and that they want to adjust to the objectives of their own policies. The new arrangements concerning the financing of shared cost programs allow for a large part to meet that request. However, it means that the provinces will have to accept more and more responsibility for their action and the control of their spending. Indeed they are more in a position to do so. So they will be more accountable to their own voters. That is the very principle of fiscal responsibility.

Mr. Speaker, I would like to call it one o'clock.

[Mr. Macdonald (Rosedale).]

Mr. Deputy Speaker: It being one o'clock, I now leave the chair until two o'clock.

At one o'clock the House took recess.

[English]

AFTER RECESS

The House resumed at 2 p.m.

Mr. Macdonald (Rosedale): Mr. Speaker, if I could turn from my general introduction to the basic provisions of the bill, I think it might be simplest for me to deal with each of the ten parts in turn. Part I of the bill provides for a new equalization formula which is to be applicable for a period of five years commencing April 1, 1977. It will replace the present one which expires on March 1, 1977. The purpose of equalization remains unchanged; that is to say, to make it possible for all provinces to enjoy reasonable standards of basic public services without having to resort to levels of taxation above the national average. Equalization remains among the most important of all federal programs, and the fact that the programs have become well established should not let anyone forget its very great significance.

Hon. members will recall that seven provinces presently receive equalization payments: the four Atlantic provinces, Quebec, Manitoba and Saskatchewan. These are the provinces whose capacity to raise revenues from their own sources is below the national average. The concept of fiscal capacity is a simple one but one that poses great technical problems. How it is dealt with is set out in the bill.

It is estimated that equalization payments of about \$2.5 billion will be made to the provinces in the fiscal year 1977-78. In per capita terms, that will be distributed as follows: Newfoundland, \$479; Prince Edward Island, \$577; Nova Scotia, \$416; New Brunswick, \$394; Quebec, \$200; Manitoba, \$194; Saskatchewan, \$41. These figures reflect the relative fiscal capacity of the provinces to raise revenues from their own sources. Ontario, Alberta and British Columbia do not receive equalization payments because their fiscal capacity is above the national average.

The new equalization formula proposed in the bill differs from the one presently in effect in essentially four ways. First, revenues to be equalized have been reclassified and redefined to reflect in a better way what the provinces are now taxing. In effect, the representative tax system upon which the program is based has been updated. Among other things, this enables the equalization formula to give separate recognition to certain revenues which have become increasingly important in recent years.

Second, the treatment of national resource revenues has been changed. Commencing with 1974-75, provincial revenues from natural resources have been only partly included in equalization in order to avoid a sudden and unwarranted large jump in the cost to Canadian taxpayers of the equalization program. It is proposed to continue to limit the resource