

*Federal Transfers to Provinces*

advantage of the opportunity between 1972 and 1977 and asked for a further extension.

Under the circumstances, I suggest there is absolutely no logic and can be no logic to the continuation of the revenue guarantee. I say publicly and openly that as far as I am concerned, it should be discontinued in its entirety. I am very pleased that the Minister of Finance has seen it that way. I have previously supported him, as I did after the budget speech, in the discontinuance of that particular program.

This bill is going to transfer \$105 billion to the provinces in the next five years under the two major programs I will be talking about in more detail in a little while: fiscal equalization and established programs financing. It is a 72 per cent increase over the amount of \$61 billion which has been transferred in the past five-year period. These totals do not include many other major fiscal transfer payments from the federal treasury such as, for example, the Canada Assistance Plan.

The bill provides a new equalization formula to help financially disadvantaged provinces such as my province of Quebec. It continues the government's very strong support for health and post-secondary education. I shall be making remarks on both the health program and the post-secondary education program in a few moments.

The critical issue on fiscal arrangements is the re-establishment of the political and financial balance within the federation. This involves the financial balance between the federal government and the provinces and the financial balance among provinces. Since 1975, the federal government has more than quadrupled the amount of tax room made available to provinces in the personal income tax field, particularly by means of tax transfers, enabling the provinces to finance expenditures in the areas of health and education.

The significant development of the past few years has been the decline in the financial position of the federal government. This is indicated among other things by the size of its deficit and has reached the point where its freedom to initiate policies and programs is severely limited, even when the national interest is at stake. At the same time, the over-all deficit of provincial governments has built into a surplus.

The seven provinces without oil and gas revenues continue to have deficits, but these, with the exception of Quebec, have been relatively stable compared with the federal deficit. As far as the interprovincial balance is concerned, the enormous increase in provincial natural resource revenues has so far accrued almost entirely to three provinces. The spread between the fiscal capacity of Alberta and the other provinces is now well in excess of any gap which existed in the past between rich and poor provinces. Alberta's fiscal capacity prior to federal transfers is virtually double that of all other provinces and about four times that of the Atlantic provinces. These disparities between Alberta and other provinces are not significantly taking account of intergovernmental transfers.

While there are numerous considerations which determine the political leverage of any government within a federal

system, it is clear that fiscal strength is one of them. To avoid competition between the two orders of government, it is necessary that the balance which exists in the fiscal and political situations of the two orders of government be capable of gradual adaptation to reflect shifts in the other social and economic circumstances. One of the means of ensuring this is periodically to review fiscal arrangements, as we are doing.

Transfers to provinces account for approximately 20 per cent of total federal expenditures. Between 1961 and 1981, the federal share of total government revenues declined while the provincial and municipal share increased. The change in the federal government's position, when intergovernmental transfers are taken into account and federal transfers to provinces are deducted from federal revenues and considered as provincial revenues, is striking.

The federal share of total revenues, which was 50 per cent in 1961, dropped to 38 per cent in 1981. One can see that the provinces now spend the largest share of public moneys raised in Canada. It is abundantly apparent that Canada is one of the most fiscally decentralized countries in the western world.

*[Translation]*

Mr. Speaker, I often get angry when I hear ministers from the government of my province, the province of Quebec, complain about transfer payments made by the federal government to the provinces. Last Friday, in a question to the President of the Treasury Board (Mr. Johnston), I said, and I quote:

—for the equalization program alone during the current fiscal year had increased by some \$400 million, from \$1.7 billion to \$2.1 billion—

I asked the question because when I travelled across this country last spring, the figure given for the equalization program was \$3.4 billion for all provinces receiving funds under the program, including \$1.7 billion for the province of Quebec. A month ago, I saw the revised figures, and I asked the Minister of Finance whether it was true that the amount had now been raised to a total of \$2.1 billion, and I received a letter confirming this. Yes, I did. It means that since last spring, for April, May and June, the amount earmarked for the province of Quebec under the equalization program was increased by a total of \$400 million. So I wonder why the province's ministers and premier keep complaining that they are getting less from the federal government.

I also mentioned the fact that in addition, the supplementary estimates of the President of the Treasury Board show \$124 million for the Canada Assistance Plan. That means additional expenditures, and I am sure that the province of Quebec will get probably one quarter or one third of that amount.

When I look at these figures, I see that between April 1 of this year and March 31 of next year, Quebec will be getting another \$5.5 billion out of the two programs we are discussing this evening, and this funding is to go up to nearly \$9 billion by 1986-87, so that again, I fail to understand why there are complaints from the province of Quebec.