

Federal-Provincial Fiscal Arrangements Act

deficit to the provincial level. Thus he admits that he is proceeding with a shell game. The Government is simply transferring the burden of deficit reduction from the backs of federal taxpayers on to the backs of provincial taxpayers who, in turn, will probably attempt to pass the burden on to the backs of taxpayers at the municipal level. Have Hon. Members given any thought to the consequences of reducing the level of transfer payments to the provinces? Others of my caucus colleagues will speak about the cuts and the effects they will have on post-secondary education. I will focus on a matter with which I have more familiarity, that is, the delivery of health care.

I wish to remind Members opposite that in the years 1977 to 1984—at least until we introduced the six and five program—the federal Government increased transfer payments for health care and education beyond the level of inflation. This was done despite the fact that in those years in which the economy was growing there was still a detrimental effect being felt by persons who delivered health care at the local level. I say that because what happens, even under an ideal situation in which transfer payments are increasing at a greater rate than inflation, is that the provinces choose not to pass those increases on to those who deliver post-secondary education and health care. I remind Hon. Members that the provinces at that time were ruled by Conservative Governments—perhaps that is why the situation was so widely abused. However, I will leave that for others to question me on. It seems to me that all that occurred then was that the consolidated revenues of the provincial Treasuries swelled. The increases in transfers were not passed on to the persons who delivered medicare and to the people who delivered post-secondary education in the provinces.

As a result, one does not have to go any further than to discuss with hospital administrators what the impact of the cut-backs in transfers was on the delivery of health care. I have to admit that the administrators have done a very reasonable job in the last five to six years, given the propensity of the provinces to decrease transfers for the delivery of those programs at the local level. I would venture to say that the difficulty which hospital administrators are faced with today is the following. After six years of cut-backs, almost all of the fat which was in the system in the latter part of the seventies has been removed. I know that many Members of Parliament sitting around me sat on hospital boards before their entrance into federal politics at a time in which these cut-backs were occurring. I think we all recognize the cut-backs that had to occur when administrators and hospital boards were faced with cut-backs in provincial transfers to the local level. Having now reached the stage in 1985-86 at which there is no longer any fat to be removed from the system, what do Conservative Members think will happen to the level of health care services when transfer payments will be cut back over the next five to six years to the tune of \$6 billion?

● (1620)

Let me give the House a specific example of what will happen as a result of today's legislation in the Province of Ontario. This is where the hypocrisy and cynicism begins. Under this legislation, the Government has now proposed that in fiscal year 1986-87, there will be a decrease in the transfers to the Province of Ontario of some \$114 million in this year alone. Yet in May of 1985 when the Minister of Finance tabled a Budget, he showed clearly that for the year 1986-87, the Government planned to save no money. However, the Government broke its word.

Do you know why the Government broke its word, Mr. Speaker? I submit it broke its word because something happened between the time the Minister gave the Economic Statement of November 1984 and the time he tabled the February 1986 Budget. The major occurrence that made the Government require new sources of revenue was the bail-out of the two western banks. I submit that this was the major reason the Government decided to accelerate the decrease in transfers to the provinces.

Simply put, if Conservative Members were going to live up to their word about how they were going to be such great masters of deficit control, they would have to find new sources of revenue. They simply said: "It does not really matter what we promised in the November Economic Statement or the election campaign of the summer of 1984. It does not matter because the Canadian public will forget about that by the time the 1988 election rolls around". That is why they introduced an accelerated reduction in the federal transfers for post-secondary education and medicare.

I would like to have asked Hon. Members opposite where they think the provinces are going to find the money required to make up for the decrease in transfers to their Treasuries. It does not take a genius to come to the conclusion that a provincial Treasurer will have three options. First, he could increase provincial taxes to cover the shortfall. Second, he could reduce the level of services available under established programs financing. Probably the more realistic choice, the third choice, is a hybrid one. He could increase taxes somewhat and decrease services at the same time. Let us make sure that the Canadian people understand why there will be a decrease in services. Let us not enter this debate blindly. Any Government at a provincial level will have to make one of those three choices.

I would like to read into the public record the words spoken by the Premier of Ontario when he learned of the treacherous manner in which the Government plans to reduce the size of the federal deficit. Mr. David Peterson had this to say, as reported by *Le Devoir* of November 29, 1985:

"This reduction in the funds provided the provinces will translate into a reduction in services. There will be fewer hospital beds—

The Gazette of November 29, 1985, quoted him as saying the following: