

Federal Transfers to Provinces

Because some provinces act like spoiled children, that is no excuse for the federal government to join them in their childishness. In spite of the provinces, the great majority of Canadians would like the federal government to provide leadership within a framework of co-operative federalism.

Looking at this bill, New Democrats oppose its unilateral action of imposing a new equalization formula on the provinces. I think all Canadians join in the basic support of the principles of equalization. Equalization payments to poorer provinces ensure that all Canadians have access to a basic standard of services without people in those provinces having to pay a disproportionately high rate of tax. But all Canadians have not yet agreed on the precise formula for calculating these payments. Because the federal and provincial governments have not yet agreed on a formula, the federal government has decided to act unilaterally.

First, the federal government proposed a formula that was entirely based on conditions in Ontario. Because this was clearly unacceptable to the provinces, the government has now proposed a formula based on five provinces. This formula has been proposed so recently that the provinces have not yet had time to determine all of its implications. But the proposal appears to be particularly unfair to the province of Manitoba. Over the next five years there will be an over-all increase in Manitoba of 9 per cent during the tenure of the agreement while other provinces will get between 11 per cent and 13 per cent. The people of Manitoba are very concerned about this. Other provinces are not yet aware of all the implications the formula has for them. Surely, given a consensus that all Canadians have about the desirability of equalization payments, it would make sense for the federal government to be patient in establishing a new formula.

We suggest that the government extend the present formula until a new formula, agreeable to all parties concerned, can be found. This could meet the March 31 deadline and give all parties time to negotiate. We emphasize and reiterate that preemptive unilateral action on the part of the federal government does not help.

Our most serious concern with this bill is the provisions in it that eliminate revenue guarantee compensation. The Minister of Finance (Mr. MacEachen) when introducing the bill on Monday anticipated our concern when he said "It will be argued in the House that, by removing the revenue guarantee, we are undermining our support for post-secondary education and health". That is exactly what the federal government is doing. I suspect the Minister of Finance will realize this when he seriously considers the implications of what he is doing.

The Minister of Finance maintains publicly that no cutback is involved. But however we want to argue about the meaning of words, the fact remains that over the next five years the provinces will receive less money. The reduction of transfer moneys to British Columbia means that the province of British Columbia will receive \$93.8 million less in 1982-1983 than it would otherwise. It will receive \$107.2 million less in 1983-1984 than it would otherwise.

• (1620)

Over the next five years of the agreement the elimination of the revenue guarantee compensation will mean that the provinces will receive \$5.7 billion less than they would have were the compensation still in place. In the double-speak of the Minister of Finance, this may not be a cutback, but it certainly looks like one to me and, I suspect, to most Canadians.

It is true that over the past several months the provinces and the federal government have played an elaborate game with these funds. The federal government in its propaganda lumped these funds with federal funding for health and higher education. The provinces in turn, wanting as much latitude as possible, denied that these moneys were in any way tied to health services and education. Now, Mr. Speaker, we seem to have reached half-time and the teams have changed ends. The federal government now claims that the revenue guarantee was never intended to be part of the contribution to health care or education.

The parliamentary task force on fiscal arrangements made a lengthy study of this question and I think its report, "Fiscal Federalism in Canada", puts the whole question into perspective. On page 12 the task force concludes that:

—by virtue of the internal allocation established by the federal government, fiscal transfers associated with the revenue guarantee must now be considered part of the health care package and/or post-secondary education transfers and should therefore be allocated, in the renewed EPF arrangements, to health and/or post-secondary education, in proportions to be negotiated.

Regardless of the game being played by the two levels of government, we need to recognize that eliminating revenue guarantee compensation will seriously affect provincial revenues. This in turn will have a serious effect on national standards of health care and opportunities for higher education. New Democrats have always insisted on the primacy of health care for all Canadians and we oppose any measures resulting in a lessening of those standards.

Taken by itself the cut in funding would have an eroding effect on our medicare system. It would be part of the slow but steady wearing away of a system which was the crowning achievement of an earlier Parliament. The present Minister of Finance was responsible in an earlier—and for him I presume a happier—day for piloting medicare legislation through this House. Many speakers have pointed to the rather sad irony involved in that same minister now introducing a bill which will help to erode our health care system.

Time and again the parliamentary task force was told there was no certainty that the provinces would be able to or would want to pick up the slack caused by this lack of revenue. For the provinces the decrease in revenue leaves them with three possibilities: to increase taxes or premiums to pay for these services, a regressive measure because it puts an increased burden on poor people. British Columbia this past month has had a 30 per cent increase in its medicare premiums. Second, they can cut back their health care services. They can introduce user fees and double billing, of which we are seeing examples in different parts of Canada. Third, the provinces can rearrange their priorities and cut back in other areas.