coming out of the Prime Minister's (Mr. Trudeau's) office. One just has to look back to the June, 1975, budget to begin to see what I mean when I say the federal government is starting to back off from its cost sharing programs. We find since that budget that the government has put ceilings on federal contributions to cost sharing programs as part of its over-all restraint program and is forcing the provincial governments to pick up more and more of the costs of these programs.

We can trace the beginning of this to earlier than the 1975 budget. In 1972 under tax reform the provincial share of income tax growth was reduced from 28 per cent to 23.4 per cent. To make up for this the revenue guarantee formula was drawn up. It was designed to protect provincial tax revenues for the five-year period from 1972 to 1977. At the most recent finance ministers' conference back in April the federal government announced it was changing this guarantee.

The estimates projected a loss to the provinces of some $800 million to $900 million as a result of the change in the formula. In fact we find that in 1975-76, and that was the first year any funds were actually paid out, the provinces estimated how much money they would receive under the revenue guarantee and budgeted accordingly. In 1974 indexing was unilaterally introduced by the federal government. This measure cut significantly into provincial as well as federal income tax revenue.

Since June, 1975, we have seen a limit placed on the equalization of oil and gas revenues, a 15 per cent limit in the growth of federal contributions for post-secondary education, limits in this bill on medicare, withdrawals from services to treaty Indians, cutbacks in funds for police protection, and in manpower training and regional economic development.

This bill is not just one isolated example; it is part of a growing pattern of federal cutbacks in cost sharing with the provinces. Every Canadian living in each of the provinces across Canada is going to suffer in one way or another. If this bill passes, the provinces will not only lose money in the medicare field they will be losing money in other cost sharing programs as well. This will be an added pressure and burden on the provincial governments if they want to maintain medicare at the same level as it has existed in the past, because they will be required to make some choices.

The federal government is cutting back in the area of equalization payments, in manpower training, and the provinces have to make up that difference with limited revenue, especially under the new tax sharing formulae. They have to get that money from somewhere, and the temptation may well be to get it from the budgets allotted to medicare.

It is shocking to realize that at the recent finance minister's conference of 1975-76 the ten provinces lost $1 billion in potential revenue as a result of just three of the federal government's actions; limiting equalization of oil-gas revenues, indexing, and changes in the revenue guarantee formula. This figure is expected to increase to $1,250 million or $1,500 million in the years 1976-77. Any province faced with that kind of cutback in revenue will be in a precarious state.

[Mr. Symes.]

The only way the provinces can raise revenue, if the federal government is not going to provide it, is by increasing the taxes on the citizens of the provinces. That will hurt those people living in the provinces that are less wealthy than others. I think particularly of the maritime provinces, Quebec, some areas of northern Ontario, northern Manitoba and northern Saskatchewan. These provinces have a limited potential for raising revenue and they can only squeeze so much out of the people. The only alternative left to them is to cut back on the programs, and that will mean we will have gone back on those great recommendations of the Rowell-Sirois Royal Commission in the early 1940's. That commission said we must have equalization of services and standards of living for Canadians from one end of the country to the other.

If this bill passes, with the changes in revenue sharing the federal government proposed at the recent first ministers' conference, it can only lead to a balkanization of Canada, dividing it up into first, second, and third class regions, and first, second, and third class citizens. Surely that is a backward step and a negation of the whole principle of co-operative federalism which is what this country should be all about.

If the bill passes I am certain we are going to see deterrent fees levied by provinces. How else can they raise the money to meet increased costs? This will mean to the average citizen that any time he visits the doctor there will be an extra fee charged, maybe $5, or maybe $10. Everytime he gets an X-ray there will likewise be an additional fee charged. Every kind of service will have a price tag with the cost coming out of the individual's pocket, no matter what his or her ability to pay.

The beauty of the medicare system was that the revenue came from general taxation, or personal income tax which is based on the ability to pay. The deterrent fee, just like sales tax, is a negative cost not based on that principle. The deterrent fee to someone at the poverty level, with a family of four, which is about $7,600 per year, is a much more severe penalty than it is to a family with an income in the range of $15,000 to $50,000.

● (1530)

If we move to deterrent fees—and I regret to say that the provinces will probably go that way—then we are back to the stage at which we were prior to the introduction of these health care schemes, that is, health treatment based on the pocket books, not on the universal principle of equal treatment. Surely we have fought too long to go back to that situation. If the provinces do not move to deterrent fees then the only other way they can increase revenue is to increase the premiums for medicare, and that means that the annual premium will have to go up, and for certain provinces, such as Ontario which do not take medicare costs out of general income tax revenue but levy a premium on each individual or each family, which is regressive, those costs of course will go up. It will mean an added hardship to those residents in the province who have to pay increased premiums by the direct premium method at a time when inflation is continuing to rise and at the same time as people's wages are controlled by the anti-inflation program.