

GOVERNMENT ORDERS

[English]

FEDERAL-PROVINCIAL FISCAL ARRANGEMENTS AND FEDERAL POST-SECONDARY EDUCATION AND HEALTH CONTRIBUTIONS ACT, 1977

MEASURE TO AMEND

Hon. Tom Hockin (for the Minister of Finance) moved that Bill C-44, an Act to amend the Federal-Provincial Fiscal Arrangements and Federal Post-Secondary Education and Health Contributions Act, 1977, be read the second time and referred to a legislative committee.

He said: Mr. Speaker, I rise in support of Bill C-44, an Act to amend the Federal-Provincial Fiscal Arrangements and Federal Post-Secondary Education and Health Contributions Act.

[Translation]

Mr. Speaker, Hon. Members remember the statement made by the Minister of Finance (Mr. Wilson) when he introduced this Bill last week.

[English]

This statement sets out very clearly the main purpose of the Bill. It is to provide strong financial support to the lower income provinces by renewing the equalization program. I say "strong financial support" because that is what renewal of the equalization program means.

Under this Bill total equalization entitlements are expected to grow substantially in the years ahead. They should grow from about \$5.3 billion in 1986-87 to about \$5.6 billion in 1987-88 and about \$5.9 billion in 1988-89. This means estimated increases of about \$300 million each year, or over 5 per cent growth annually.

• (1130)

As the Minister of Finance (Mr. Wilson) indicated in his statement, this Bill will also provide for the net forgiveness of about \$270 million owed to the federal Government under equalization as a result of the 1986 census.

[Translation]

In short, Madam Speaker, this Bill is aimed at giving low revenue provinces the financial assistance they need. This Bill shows the federal Government's clear intention to give them that assistance.

[English]

I will briefly underline the significance the Government attaches to the provision of equalization. As the Minister of Finance said in his statement, there are few federal programs as important as equalization. It is part of the fabric of this country. Indeed, the provision of equalization has become so accepted in this country that a commitment to the principle of making these payments is now included in the Constitution.

Federal-Provincial Fiscal Arrangements

The unconditional cash transfers which the federal Government provides to the low income provinces under equalization are funds which they can use as they choose to help provide public services. They are unconditional cash transfers.

This assistance is provided on the basis of the relative strength of provincial economies *vis-à-vis* one another. Lower income provinces with relatively stronger economies are in a position to finance services more directly themselves. Those which are not as well off relatively speaking have more need for federal assistance.

[Translation]

Naturally the Atlantic provinces benefit more from this kind of federal Government assistance. However the assistance is important as well to Quebec and Manitoba, and more recently to Saskatchewan.

Madam Speaker, our Government is fully aware that equalization payments are an important aspect of the financial structure of low revenue provinces.

[English]

That is why the federal Government has acted repeatedly to increase equalization payments despite its own financial difficulties. We did this two years ago when we provided \$285 million in special payments outside the regular program. There was no obligation to do this. We are doing it now by renewing the equalization program. This renewal includes some adjustments being implemented over two years which will contribute to the enhanced growth of total payments. We are also doing it through the net forgiveness of amounts owed to the federal Government under equalization as a result of the 1986 census. It is worthwhile to remind the House of the net forgiveness of these amounts which was announced last week.

As the statement of the Minister of Finance indicates, the forgiveness of equalization overpayments arising from the 1986 census is not something the Government is compelled to do. These overpayments are part of the normal process of adjustments to payments, both up and down, which take place on an ongoing basis. The Government is taking this step because it wants to be helpful. It recognizes and understands the cash flow and financial difficulties faced by the provinces receiving equalization.

[Translation]

Our decision will help the Atlantic provinces, Quebec and Saskatchewan, and will lighten their tax burden.

[English]

Manitoba is not affected by this provision because it does not owe the federal Government money under equalization as a result of the census. Instead, Manitoba will automatically receive a further \$15 million.

[Translation]

Madam Speaker, this Bill also reorganizes the system designed to set minimum and maximum equalization pay-