

FEDERAL-PROVINCIAL ARRANGEMENTS

Of all the responsibilities of the Minister of Finance in this coming year, I believe the most important are those relating to the new financial arrangements required with the provincial governments to replace those expiring early next year. Profound changes have been taking place in federal-provincial relations in recent years, partly the product of the growing activity and financial burdens of the provincial governments and partly the product of Canada's search for a new harmony between the French and English speaking parts of our nation. In so far as it lies within my power, we will approach the task of improving our arrangements and relations with the provinces with a full recognition of the responsibilities of the provincial governments and of the role that they can and should play under our constitution and traditions. At the same time, I proceed from the assumption that the Government of Canada must be in a position to lead and to play a unifying role in our federation, as well as to discharge the responsibilities placed upon the federal authority by our constitution.

There are three central problems to be dealt with in federal-provincial arrangements. One is what has come to be known as tax-sharing. It would be premature to discuss this before we receive the report of our Royal Commission on Taxation and before Ontario and Quebec receive the reports from theirs. It is already evident, however, that the plans of the Government of Canada require expenditures on a scale that will not decline in proportion to our gross national product even though we succeed in sustaining a satisfactory rate of economic growth. On the other hand, if recent trends continue, the requirements of the provincial governments and the municipalities for revenue are likely to increase as a proportion of the gross national product. Under these circumstances the search for an equitable and economically efficient sharing of the various tax fields is not likely to be easy.

The second problem is related to the first. We already have a system of equalization grants to assist the less-favoured provinces to provide a reasonable standard of basic services. The formula used in determining these grants has evolved over the past 25 years, beginning with the wartime tax rental agreements. We are engaged now in re-examining it and look forward to discussions with

the provinces to see whether, on the basis of sound principles, we can develop a more equitable arrangement that will take into account a wider concept of fiscal capacity.

Our third problem is to work out a policy and understanding concerning what we now call shared-cost programmes — basically the payment of federal grants to provincial government programmes have been developed over the past 30-odd years. Individually, each one has, no doubt, been useful and has been a means by which the Government and Parliament of Canada have been able to encourage and assist the provinces to develop important programmes. Though these programmes have usually related to subjects within provincial jurisdiction, they have been directed to purposes that were national in their importance.

Taken all together, however, these shared-cost programmes now cover a significant proportion of the activities and expenditures of provincial governments. So important have they become in total, that some provincial governments are now concerned over the degree to which their activities are influenced and guided by federal action and by conditions attached by Parliament or the Federal Government to the use of monies paid over to them. Some provinces feel this concern more than others; the Province of Quebec in particular, has felt that the proliferation of such programmes has led to an intrusion by the Government of Canada into responsibilities that are rightfully those of the provinces. It was this position which led to the contracting-out legislation of last year. It is this position of the Government of Quebec that Premier Lesage has recently reiterated.

I am one of those who believes that the Government of Canada has a responsibility to provide national leadership, not only by exercising its own powers, but also by encouraging provincial governments to develop programmes of national importance. I believe this to be consistent with the spirit of the constitution, and necessary if Canadians are to achieve their national purposes. Such leadership, however, can only be effective if it is combined with respect for provincial responsibilities and judgment on matters within their jurisdiction. We must ensure that the instruments are available by which the Federal Government can promote national objectives without pre-empting provincial responsibilities....

\*\*\*

...the vessels to supply it are being built by the Canadian Tuna Corporation (1965) Limited a subsidiary of Atlantic Sugar Refineries Company Limited. The total cost of the plant and equipment will be approximately \$2,500,000 and tenders have been called for the construction of three combination trawler purse-seiner tuna vessels which will cost about \$2 million.