

*Government Orders*

are close to final, that is to say subject to little revision. This will provide more certainty on payments for both the federal government and the provinces.

• (1105)

Now let me go into some details of the bill.

[*Translation*]

First, equalization will be renewed for the next five years. Given the commitment to maintain the structure of the formula, this will give more stability to the provinces receiving equalization payments.

Second, the level of the five provinces, namely Quebec, Ontario, Manitoba, Saskatchewan and British Columbia, whose provincial fiscal capacity is being raised will be maintained.

Third, as I said earlier, the ceiling based on the 1992-93 fiscal year will stay in place.

[*English*]

Fourth, the program floors will remain unchanged. The floors provide protection to provinces against large year to year declines in equalization.

Fifth, certain tax base changes to update the measurement of the provinces' fiscal capacity will be introduced. This is essential to maintain the integrity of the program.

Sixth, the legislation will contain a means to alleviate excessive reductions in equalization for provinces with specific and exceptionally large proportions of the tax base for certain natural resources. This will remove a longstanding irritant to the provinces on this so-called tax back issue.

Finally it is important to note the base for the ceiling will be adjusted so that the provinces can benefit from the tax base updates and tax back even if the ceiling applies.

In closing, passage of this bill will have beneficial effects for Canadians and the provincial governments, providing essential services to them. It will provide for the next five years a stable funding regime for equalization. It will provide substantial support for the less wealthy provinces, underscoring the priority the government puts on equalization. It maintains the fairness and equity of the program and it is fiscally responsible. It is fully consistent with the government's deficit target.

I commend the bill for the consideration of the House. I hope with co-operation from all sides we can obtain second reading of the bill promptly this day so that it can be studied in detail in the standing committee.

[*Translation*]

**The Deputy Speaker:** I wish to inform the House that because of the ministerial statement, Government Orders will be extended by 39 minutes, pursuant to Standing Order 33(2)(b).

**Mr. Yvan Loubier (Saint-Hyacinthe—Bagot):** Mr. Speaker, I am pleased to share with you the Bloc Québécois's opinion on Bill C-3, to renew the Canadian equalization program.

First of all, we cannot properly appreciate this bill and its impact and propose amendments to it and deletions from it without considering equalization among the other kinds of transfers made by the Government of Canada to the provinces. Besides equalization, these federal transfers are established programs financing, which is the federal contribution to provincial health and post-secondary education programs, and shared cost programs, of which the Canada Assistance Plan is the most important.

Nor is it desirable to analyze this bill without looking at the reason behind equalization, which was entrenched in the 1982 Constitution, a Constitution that Quebec has not approved, by the way. By reviewing these two aspects of federal transfers, we will be able to demonstrate clearly that from the time ceilings were imposed in 1982, this equalization program no longer meets the objectives for which it was established. An examination of the other transfers will complete our analysis and show the need for a complete review of federal transfers. It will show the bankruptcy of fiscal federalism as designed on the basis of the Rowell-Sirois report of 1941, which I had an opportunity to analyze in my youth at university.

The spirit of the Rowell-Sirois report is mocked by the doings of this government and the previous one. For example, transfers help provinces which need them least. Is it any surprise that the gap between rich and poor provinces has been growing in the last ten years or so?

• (1110)

Indeed a close examination of the way federal transfers work reveals that since the mid-eighties transfers have increased more rapidly in the well-to-do provinces, namely Ontario, Alberta and British Columbia, than in the poor provinces, which should logically be the ones benefitting from such transfers. For example, between 1984 and 1991, total federal transfers have, on average, increased by 6.9 per cent per year for Ontario, and by 3.1 per cent only for Quebec. And Quebec is considered a not so well-to-do province.

Why do we have this situation, which I find absurd? Simply because of the very nature of federal programs, because of the federal withdrawal and, more specifically, because of the failure of Canadian fiscal federalism.

Let us take a closer look at the situation; let us examine each program, one at a time, starting with equalization. As the hon. member opposite said, the purpose of federal equalization is to reduce disparities between provincial governments regarding their ability to collect taxes and to impose taxes on their