

Federal Transfers to Provinces

financing. For the first three years of that program its growth rate was further enhanced by transitional levelling-up payments. This explains why, by singling out established programs financing and using data only from its early years, inflated claims could be made by the federal government as to the share of established programs which it was funding. However, those same arrangements cut the 1972 revenue guarantee in half and sharply reduced growth in equalization, so that when all transfers are taken into account the picture changes sharply.

● (1740)

Between 1971-1972 and 1976-1977, total cash and tax transfers to the provinces for programs affected by the Federal-Provincial Fiscal Arrangements 1977 Act and Established Programs Financing Act, 1977, rose by 33.4 percent in real terms. Between 1976-1977 and 1981-1982, they rose by 9.3 per cent in real terms. As a result, total federal cash transfers as a percentage of provincial local revenues fell from 18.9 per cent in 1978 to 17.5 per cent in 1981. As a percentage of provincial local expenditures, they fell from 19.2 per cent to 18.1 per cent. In other words, the federal government is now paying for a smaller share of total provincial local expenditures and accounting for a smaller share of provincial local revenues than it did when block funding came in.

Clearly, that has been a further constraint on top of the slow economic growth in recent years to provinces wishing to expand services. Let me make it clear I am not absolving the provinces of responsibility for the restraint which they have imposed on health care and post-secondary education. Even when the factors I have mentioned are taken into account, some of them have been clearly far less generous than they should have been. I have no reservation about making that statement. But I would say to hon. members opposite that those governments have to account to their oppositions and to their electorates for any negligence on their part for the spending decisions they have taken. I am also saying that much of the responsibility also rests on the federal government, not only because it has been less generous in the past in its funding of these programs but also because of its inability to maintain a healthy and viable economy in this country, which has had such a tremendous impact on the whole question of federal transfers.

If the Minister of Finance goes ahead with what he is proposing now, the federal government will deserve even more of the blame for the inadequate funding of these services and for the erosion of national standards which unfortunately will surely come about. That will be the result of what he now proposes.

Our approach to this issue is constructive. We do not intend to obstruct this legislation. We are prepared to support the new equalization formula and all its other provisions after a reasonable period of examination in committee. But for that part of the legislation we cannot support—the reduction of the government's obligation to post-secondary education and to

health care in this country—we are proposing through our amendments a viable alternative which we believe to be fair to both levels of government and, most important, fair to the programs involved.

The votes of members opposite on that amendment will tell us if they are truly concerned for those programs or if their only concern is that the programs are costing the federal treasury too much money.

After examining the probable consequences of a reduction in the federal obligation to support health and post-secondary education through its cash transfers to the provinces, the Economic Council of Canada, in its submission to the parliamentary task force on the federal-provincial fiscal arrangements concluded with this statement:

In our view there does not seem to be any principle that supports such an outcome.

That is what the Economic Council of Canada said when it recommended strongly against the removal of the revenue guarantee and the reduction of funding for post-secondary education and health care services in this country. It is our conclusion as well. If the bill is not amended to postpone that regressive and reprehensible step while real negotiations on health care and post-secondary education take place, despite all the other provisions in the bill—some of which I have mentioned are good—we will be forced to vote against it when the time comes for a vote.

I hope, however, that there will be a real outbreak of common sense on the government benches and that members opposite will accept the amendment we will be putting forward so that Canadians everywhere will not be faced with a situation where a federal Liberal government unilaterally decides that the standards of health care and post-secondary education in this great country will be reduced because of measures such as this bill.

Mr. Fred McCain (Carleton-Charlotte): Mr. Speaker, I wish to compliment my colleague, the hon. member for Kingston and the Islands (Miss MacDonald) for a very in depth and proper consideration of the problems which the provinces of Canada are presently facing. The statistical backup of the situation as it exists is real and undeniable and should be considered by all of those who have followed the lead of the Prime Minister (Mr. Trudeau) and his cabinet in every proposition that has been made to Canada.

Mr. Hnatyshyn: With one or two exceptions.

Mr. McCain: The exception are so minimal that they have not made much of a contribution to Canada. They have amounted to lip service only and they have not really been there when the votes are counted.

I want to read an excerpt from a speech delivered by the then member for Don Valley. It is reported on page 2125 of *Hansard* for May 7, 1974. It reads:

Not only are individuals being badly hurt, but we are reaching a stage in this country where many of our institutions, many of the things that are fundamental for the wellbeing of the country are beginning to break down and be destroyed.