

*Federal Transfers to Provinces*

Part VIII of the fiscal arrangements act authorizes the federal government to enter into reciprocal taxation agreements with provinces whereby provinces pay the federal manufacturers' sales tax and the federal government makes payments in respect of sales taxes, gasoline taxes and motor vehicle licence fees as if it were taxable. The bill provides for a few amendments to relevant sections of the act. The government continues to hope that in the interest of tax harmonization, the other four provinces will eventually enter into similar agreements.

The bill also provides for the transfer to oil producing provinces of their share of the federal revenues which accrued from the oil export charge from November 1, 1980, to January 31, 1982. It was originally intended that the provinces' share of export charge revenue, estimated to be approximately \$450 million for the above 14-month period, would be transferred under authority contained in the energy security bill, that this transfer would be effective before March 31, 1982, and that 50 per cent of the revenues transferred would be equalized in 1981-82, as is done for other provincial revenues for non-renewable resources. However, it is now evident that sharing payments could not be made under this authority until the 1982-83 fiscal year.

The province of Saskatchewan has asked that some method be found to allow it to receive its share of the oil export charge before March 31, 1982. This is a reasonable request given that the revenues have actually accrued and are being held by the federal government pending the passage of legislation to authorize the sharing. It is in the light of these considerations that we have decided to include in this bill a special provision authorizing the Minister of Energy, Mines and Resources (Mr. Lalonde) to transfer the provincial share of the federal export charge that has accrued in respect of oil produced in Manitoba, Saskatchewan and Alberta from November 1, 1980, to January 31, 1982. The relevant provisions are in Part 11 of the bill.

The bill also authorizes the government to make payments to certain provinces equal to the amount of recoveries under the fiscal equalization program for the 1980-81, and 1981-82 fiscal years attributable to the June, 1981, population census.

It is very important to observe that preliminary data recently issued by Statistics Canada indicate that the estimated population of certain provinces is significantly lower in each of the two years mentioned than the pre-census population estimates used in computing equalization payments for those years. Because population is a key factor in determining a province's equalization entitlement, the equalization payments to all provinces must be recalculated on the basis of census estimates. This means that rather sizeable amounts would normally have to be recovered from provinces whose share of total census population is lower than that used in the pre-census estimates.

These recoveries are quite substantial. They certainly could create very serious problems for the five affected provinces whose fiscal capacity is below average. The fact of the matter is that, based on the revised population data issued by Statistics Canada, for the last two years the five provinces would

have had to pay back to the federal treasury an amount of \$217 million. I believe it ranges from \$70 million in the case of Newfoundland to the amount of \$30 million for the province of Manitoba, except for a lesser amount for the province of Prince Edward Island, with Nova Scotia and New Brunswick falling between Newfoundland and Manitoba. Certainly in the case of these provinces, the requirement to pay, which is in the law, would be very serious. As I recollect the figures, \$70 million for the province of Newfoundland would be more than serious.

• (1610)

Therefore, following representations from the four Atlantic provinces and Manitoba, the government has agreed to make special payments which would fully offset the recovery of these post-census population adjustments from provinces applying for equalization in 1982-83. This is provided for in Part II of the bill. The payments would be determined by calculating a province's final entitlement to equalization for each of the two years mentioned, with pre-census population substituted for post-census population, and then deducting the amount obtained from the province's final equalization entitlement, which would continue to be based upon census population.

On this particular point I had detailed negotiations with the Premier of New Brunswick and the minister of finance of Newfoundland, as well as some discussions with the ministers from Nova Scotia, Prince Edward Island and Manitoba. I am pleased that I have been given the authority by cabinet to include in the bill a provision that would waive the recovery of these amounts which were owing to the Government of Canada from the equalization receiving provinces.

I believe it is evident from what I have been saying that, since the tabling of the proposals in November, the government has gone a considerable way toward meeting the concerns expressed by the provinces. This is illustrated by the fact that four of the six provinces which will receive equalization have expressed their support for the new equalization formula provided for in the bill. Adoption of this legislation will make it possible for the federal government to contribute an estimated \$105 billion for equalization, health care and post-secondary education over the next five years. That \$105 billion speaks volumes about the strong role which the Government of Canada will continue to play in providing to Canadians the services that they need and deserve.

I know that members of the House of Commons are equally determined to ensure that equalization is maintained and strengthened. I know they are equally concerned that our support for post-secondary education and health is maintained and strengthened. I believe the sums provided for in the bill will carry out these commitments which we all share, and I hope the House will be able to give this bill careful study, but study that will not prevent the recipient provinces from receiving their payments at the appropriate time.

**Some hon. Members:** Hear, hear!

**Mr. Don Blenkarn (Mississauga South):** Mr. Speaker, before I get into my remarks I want to draw your attention to