

The Budget—Mr. Herbert

Mr. Hal Herbert (Vaudreuil): Mr. Speaker, my remarks on the budget presented in the House last week by the Minister of Finance (Mr. MacEachen) will concentrate on fiscal transfer payments to provincial and municipal treasuries and also to groups and individuals. Particular emphasis will be placed on the extent to which the province of Quebec and all Quebecois directly benefit from federal funding paid from the taxes of Canadians in all provinces.

First, I have a couple of general observations. The Minister of Finance can certainly be said to be following a policy of moderate fiscal restraint. Faced with the possibility of a downturn in the economy and the obvious need to reduce the government's deficit, it was difficult to introduce new spending programs. To have undertaken an expansionary budget when inflation is so strong would have been irresponsible. Inflation is the key obstacle to achieving sustained improvement in growth, employment and living standards. A reduction in the deficit will relieve some of the pressure on monetary policy and interest rates and will create a climate conducive to lowering inflationary expectations.

Nevertheless, many Canadians are facing real hardship caused by high interest rates, inflation and unemployment. Those hardest hit have been home buyers, farmers and small businesses. Budgetary measures to alleviate hardship have been targeted at these groups.

For most taxpayers the federal tax will be reduced. Those who have been enjoying tax breaks and preferences will no longer be able to escape paying taxes as they have in the past. All Canadians will be treated equally. This is just and fair.

Members of Parliament have been receiving representations from groups expressing their fears that a cut in federal fiscal transfer payments to the provinces would result in cuts in the amounts that the provinces provide for various programs such as hospital and health care, social services and post-secondary education. It has always been my point of view that, even though these programs are administered exclusively by the provincial governments, a major part of the necessary funding should come from the federal treasury. I will be explaining later why I believe in this approach.

However, I saw no logical reason for a continuation of the revenue guarantee payments that were started in 1972 and I expressed this opinion to the Minister of Finance in an open letter in August of this year. The elimination of this payment, now contained in the budget, will reduce spending next year on this item alone by over \$800 million.

Let me hasten to add that this does not mean less revenue for the provinces. As a result of the closing of the tax loopholes, the nine provinces which tie their personal tax system to the federal collection will receive additional revenues from personal income tax.

Mr. Jacques Parizeau, the Quebec Minister of Finance, has long maintained that the federal tax loopholes should be closed. If Mr. Parizeau now follows the federal example, with which course of action he is already in agreement, then Quebec's provincial personal tax revenues will also increase,

thus counterbalancing the ending of the revenue guarantee payments. While the federal government will realize savings of \$915 million in 1982-1983, provincial and territorial revenues will increase by \$1,084 million over the same period as a result of tax changes proposed in the budget.

I also suggested in my letter to the Minister of Finance that the present method of calculating equalization payments to the less wealthy provinces be revised. The system is antiquated and inequitable. Now the method is to be changed.

A vast number of programs that are exclusively the responsibility of the provinces are financed by huge federal transfer payments that put tens of billions of dollars into provincial treasuries. In every province, block funding or per capita payments are the cornerstone of support for health care, medicare and hospitals. In the case of post-secondary education, our universities receive well over half the moneys they spend from the transfer of federal funds. In other programs, tens of millions of dollars are transferred to the provinces to provide subsidies for projects ranging from public transportation to financial support for sewer and water works.

The Canadian government has provided three-quarters of the total of government grants for hundreds of municipal projects. For example, in the constituency of Vaudreuil, a large arena at St. Polycarpe and magnificent municipal libraries at Pierrefonds and Ile Bizard have been built thanks to federal funding.

Rent subsidies for low-cost housing are shared by the federal and provincial governments, and in many of these projects the federal government has provided all or most of the financing or has provided a guarantee for the mortgage. In many cases the mortgage was provided at extremely low or subsidized interest terms.

A variety of other programs, for example, contributions for the development of provincial historical sites, have resulted in transfers into provincial treasuries with no requirement that they be detailed in provincial accounts, and accordingly with no accountability and almost no visibility. Federal transfers of funds are certainly not made exclusively into provincial treasuries. Municipalities receive considerable sums from the federal treasury in lieu of taxes. While almost all municipalities have a federal institution, such as a post office, many receive a financial benefit that is certainly far in excess of the cost of any services received in return. This is particularly true in the constituency of Vaudreuil at Ste. Anne de Bellevue, where the magnificent veterans' hospital is located, and at Rigaud, where there is a huge national revenue complex.

While mentioning these federal complexes, we should not forget the direct benefits the local communities derive from this practical decentralization of the federal presence. The number of federal departments represented is certainly not limited to the post office, veterans affairs and national revenue. Again, in Vaudreuil it includes such variety as a fisheries research station, a Parks Canada national historic site and federal offices of other government departments. All contribute directly to municipal revenues, provide employment and help to stimulate the provincial economy.