

*Federal-Provincial Fiscal Arrangements***GOVERNMENT ORDERS**

[English]

**FEDERAL-PROVINCIAL FISCAL ARRANGEMENTS
AND ESTABLISHED PROGRAMS FINANCING ACT,
1977**MEASURE FOR MAKING CERTAIN FISCAL PAYMENTS AND OF
ESTABLISHED PROGRAMS FINANCING CONTRIBUTIONS TO
PROVINCES, ETC.

The House resumed, from Friday, February 18, consideration of the motion of Mr. Macdonald (Rosedale) that Bill C-37, to provide for the making of certain fiscal payments and of established programs financing contributions to provinces, to provide for payments in respect of certain provincial taxes and fees, and to make consequential and related amendments, be read the second time and referred to the Standing Committee on Finance, Trade and Economic Affairs.

● (1510)

Miss Flora MacDonald (Kingston and the Islands): Mr. Speaker, the legislation before us is entitled the Federal-Provincial Fiscal Arrangements and Established Programs Financing Act, 1977. But we should not be deceived by that description. For the bill which bears this convoluted label—a label which surely could only capture the imagination of actuaries and chartered accountants—in reality constitutes the latest in a series of major fiscal overhauls to our federal system. Legislation of such importance and such complexity as Bill C-37, coming as it does at this critical time in our nation's history, demands of each of us the most careful and responsible analysis. In so doing, we should recognize the interdependence of all parts of this bill when discussing its over-all impact.

What is not useful at this time is a distorted interpretation of the bill for partisan purposes, twisting it out of shape to demonstrate either that it is a panacea for the ills of confederation, or that it is an unmitigated disaster. We were treated to that kind of interpretation of the arrangements before us by the Prime Minister (Mr. Trudeau) immediately following the first ministers' conference last December. We were treated to the same kind of irresponsible analysis by the hon. member for Oshawa-Whitby (Mr. Broadbent) last Friday when he chose to ignore everything in the bill but the impact of the transfer of tax points to the provinces. Such selectivity in the reading of this legislation is hardly conducive to the strengthening of federalism, particularly at a time when partisan considerations must be subordinate to the cause of national unity.

As I said, this bill is an important one. We should give it the same attention that we would expect to give to a package of constitutional amendments or the major policies enunciated by the Minister of Finance (Mr. Macdonald) in his budget. The measures incorporated in this bill are an integral part of the framework under which Canada will be governed in the next five years. Moreover, in dollar terms we are talking about a fiscal transfer to the provinces during the next fiscal year in

[Mr. Penner.]

excess of \$8 billion, or, to put it another way, a sum roughly equal to the 1965 federal budget.

What is even more important than the breathtaking sums of money involved is the fact that this bill represents federalism at work. It is a product of some ten months of difficult and often acrimonious negotiations between the federal government and the provincial governments. One would have wished that less acrimony had developed. As I will later explain, I am convinced that much of it was needless. It could have been avoided by a more astute and sensitive approach on the part of the Prime Minister and the Minister of Finance. But putting that aside for a moment, the bill does represent a consensus which all parties involved in the negotiations concluded they could live with. It does continue to provide funding for four vital national programs: revenue equalization, hospital insurance, medicare, and post-secondary education. It preserves our national taxation system. It continues the representative tax approach to revenue equalization and it embodies elements of the equalization principle in its provisions for financing so-called established programs. These features will commend it to all fair-minded Canadians.

Mr. Speaker, while I have expressed in this chamber on earlier occasions my concern about the erosion of parliament's power through the proliferation of federal-provincial conferences, nevertheless I recognize the principle that what a federal-provincial conference has joined together, parliament should not capriciously rend asunder. We believe that Bill C-37 contains sufficient merit to enable that principle to be applied to it.

Certainly, when I recall the original proposals of the Minister of Finance to his provincial colleagues last April, I am only too well aware that the outcome could have been much worse. Indeed, had the minister stuck to the guns he unveiled in that speech, had he insisted on doing away with the representative tax system and destroying the whole concept of revenue equalization by tying it to the growth of the GNP, we would have had before us today a settlement arbitrarily imposed on the provinces, rather than one they were able to accept with a greater or lesser degree of reluctance.

My colleagues and I do have reservations about the bill. We see in it errors both of commission and omission, and we want to make it very clear at the outset that if we find injustices and inequities arising from this agreement—as could well be the case—we fully reserve the right to enter into new negotiations with the provinces as provided for in the bill. This legislation involves elements of experimentation: elements which may work hardships or prove to be impractical. Since that possibility exists, a significant factor in our decision to support this bill is the fact that it is limited to a term of five years.

Having said that, let me spell out the reservations that we have as to the substance of the bill. We are concerned that the projections as to what the provinces will receive from the tax points transfer and in cash payments under the established programs financing arrangements are based on a single set of arbitrary assumptions about the rates of inflation, real economic growth and tax yields during the next five years. If a