

Fiscal Transfers to Provinces

that I could spend it that rapidly, but we are fast approaching that level of expenditure. If the government would indicate that it will withdraw clause 3 of this bill—and we appreciate the fiscal problems of the government—then we are prepared to let clause 1 and clause 2 of the bill pass. We suggest that the government, in light of the political climate of today, should not concern itself with the minor amount of money involved in clause 3 and that it immediately indicate that it will withdraw this clause from the bill.

Perhaps the government may wish to introduce that clause later, and perhaps it may be a question of discussion in dominion-provincial fiscal matters as they transpire, but it is a matter which will be used by people who are at this point—perhaps rightly, perhaps wrongly,—inflamed over the actions of this government in connection with the budget, the constitution—

Mr. McDermid: Energy.

Mr. Blenkarn:—and, as my friend has indicated, energy. It may be used by these people as another grievance which might well tear apart the fabric of the country. We are not asking for very much. The minister may wish to reflect on what I have said.

This party has always believed in equalization of provincial revenues. It is a fundamental precept of my party. Indeed, this party, under the hon. member for Yellowhead (Mr. Clark), when he took over the leadership of the party, convened a conference at Kingston at which all Conservative premiers of the day met and fully endorsed equalization. Included among those premiers was the premier of Alberta, who has clearly stood behind the principle of equalization. If it were not for the confrontational techniques of this government, there would not be near the problems which we face today with respect to energy taxation. There would be agreement.

The Progressive Conservative Party, both provincially and federally, is fully behind the principle of equalization. We have a number of concerns about the question of equalization, but I think the principle of equalization was well spelled out by the Hon. Mitchell Sharp in 1966, when as minister of finance he said equalization represents:

—one of the dividends of Canadian unity, designed as they are to enable all Canadians to enjoy an adequate level of provincial public services. Where circumstances—whether natural or man-made—have channelled a larger than average share of the nation's wealth into certain sections of the country, there should be a redistribution of that wealth so that all provinces are able to provide to their citizens a reasonably comparable level of basic services, without resorting to unduly burdensome levels of taxation.

There are several methods by which equalization could be obtained. Perhaps the easiest method is spelled out in the bill, that equalization should be on the basis of the gross provincial product divided by the number of people in the province. If a province has a better ratio than the average, that province should be deemed a have-province, and if the province has a worse relationship than the average, then that province would be deemed a have-not province. Equalization would be on the basis of equalizing the gross provincial domestic product available for provincial taxation.

Unfortunately our system of equalization is not the one which I have just mentioned. Our system has been described as a representative tax system in which some 29 items of provincial taxation are equalized. This group of 29 includes such diverse items as personal income tax available to the provinces, business tax revenues, tobacco taxes, gasoline taxes, revenues from the sale of beer as opposed to liquor, and so on. There are 29 separate items. Under the current system we try to equalize, for example in the case of personal income tax, by taking all the revenue of the province from personal income tax and multiplying it by the population of the province or the per cent of population.

For example, the province of Newfoundland has 2.43 per cent of the population of Canada. All provinces receive \$10.7 billion in revenue. Therefore, they multiply that dollar figure by 2.43 per cent. The average revenue of the province of Newfoundland would be less than the figure arrived at, therefore there would be a claim for equalization, based on equalizing that particular source of revenue. Each province is equalized on these 29 items of revenue. A plus figure or a minus figure is arrived at and the total at the bottom of the pile is determined by adding the pluses and subtracting the minuses.

For example, with regard to personal income taxes Newfoundland would be entitled to \$129,000, but since it has certain mineral revenues, water power rentals and so on, these revenues are all taken off as equalization and you add and subtract until you get \$343.8 million, which was the figure for the 1979-80 fiscal year. This applies to every province. I might point out that in the case of Ontario, if that formula were used in fiscal year 1979-80, Ontario would be receiving \$255 million. The effect of this bill is to prevent Ontario from receiving \$255 million to which it would otherwise be entitled if the system was as it is written in the act. The effect of this bill is that it takes that money away from the province of Ontario.

The problem which has developed was set out to some extent by the minister, but I would like to set it out again for the benefit of the House. There are only three provinces in this country which have any significant oil and gas revenue at the present time, and those provinces represent a relatively small portion of the population of Canada. Indeed, the population of Alberta has only 8 per cent of the population of Canada. The problem is that when you add oil and gas revenues into the pot, you wind up with a levering effect.

● (1640)

I want to explain to the House what in fact has happened. Because the province of Alberta has such a relatively small population and such a relatively large revenue from oil and gas, the province of Alberta's revenue is equalized into the totality of what is to be equalized. The effect is that as you increase the revenue from oil and gas and oil, the system would remain the same. A dollar increase in revenue in oil and gas generated in western Canada increases the federal government's responsibility to equalization by 78 cents. That is the kind of relationship you get, whereas if you had an increase in revenue in another source, say, personal income tax in a