

Federal-Provincial Fiscal Arrangements

mouth-Halifax East, who rose at the beginning of the question period, and the hon. member for Algoma. We should try to keep that in mind if we are to give all hon. members the opportunity of asking questions, or at least to give more hon. members the opportunity of asking questions during the question period. The matter raised by the hon. member for Regina East might be raised again, and I will try to give him an opportunity to do so during the question period tomorrow.

GOVERNMENT ORDERS**FEDERAL-PROVINCIAL FISCAL ARRANGEMENTS ACT,
1972****AUTHORIZATION OF FISCAL PAYMENTS TO AND TAX
COLLECTION AGREEMENTS WITH PROVINCES**

Hon. John N. Turner (Minister of Finance) moved that Bill C-8, to authorize the making of certain fiscal payments to provinces, to authorize the entry into tax collection agreements with provinces, and to amend the Established Programs (Interim Arrangements) Act, be read the second time and referred to the Standing Committee on Finance, Trade and Economic Affairs.

He said: Mr. Speaker, the bill now before the House is the cornerstone in the structure of federal-provincial fiscal relationships in Canada. It is the key to effective co-operation in income tax policy across the country. It defines the mechanism for the sharing of revenues from this all important tax field. It provides for equalization transfers beginning at \$1 billion a year. It gives real meaning, through these equalization transfers, as well as real substance to our ideals of national unity in a federal state. It contributes to stable economic growth by protecting all the provinces, whether those provinces be rich or poor, against the adverse effects of a sharp reduction in provincial revenues. It brings the aid of the broad federal taxing power to help the provinces in one of their most significant responsibilities, namely the financing of higher or post-secondary education.

More generally, it sets out the interrelated pattern of fiscal arrangements which support a high average standard of public services for all Canadians, no matter the province in which they live. Added to that, the bill, I believe, provides the flexibility necessary to adapt national objectives to regional and local conditions. For all these reasons I feel confident that the bill, after a thorough debate, will commend itself to the House.

Because of the division of powers under the British North America Act and the great differences in wealth among the provinces, the debate about federal-provincial relations is as old as this country. One hundred and five years ago Sir John A. Macdonald and his colleagues thought that they had worked out a satisfactory and binding financial arrangement under the terms of the British North America Act. They thought that this arrangement would underpin the new Canada. Almost before the constitutional ink was dry, financial pressure upon certain of the new provinces forced fiscal readjustment. Indeed, as early as 1873 special federal grants, which were the fore-

[Mr. Speaker.]

runner of today's equalization grants, were already being paid to the governments of Nova Scotia, New Brunswick, Prince Edward Island and British Columbia.

Subsequently, for 60 years the pattern of federal-provincial financial terms continued to evolve from decade to decade, from royal commission to royal commission, from conference to conference, from one ad hoc "final settlement", so-called, to another. But the misery, the widespread suffering of the great depression of the thirties, followed by the challenges of the second world war, brought about revolutionary changes in thinking about public finance in a federal state like Canada.

The landmark 1940 report of the Rowell-Sirois commission advanced at least three central concepts which have governed a great deal of thinking on federal-provincial fiscal relations since that time. The first was that the federal government has an over-riding financial role in the pursuit of national growth and stability. The second was that fair standards of public services and taxation in all regions of the country are vital to our national unity. And thirdly, that co-ordination in tax policy between the central government and the provinces is essential in a modern industrial state. The wartime tax rental agreements, forged in response to the urgent demands of war finance, provided the framework for putting these concepts into practice.

[Translation]

The fiscal provisions of the present bill are the outcome of these initial discussions. They are also the climax of 25 years of change, since the end of the war, in the course of which both theory and application of these concepts have been adapted to Canada in the 70's.

The provisions are particularly based on the concepts of fiscal independence and fiscal responsibility for each of our eleven sovereign governments. In this regard, they aim at a balance between centralization and decentralization of public finances in Canada. They therefore fully respect constitutional rights of provinces in the area of direct income tax. However, they also provide an efficient framework within which the two levels of government can co-operate on matters of policy and fiscal administration.

What is just as important is that they provide a basic financial framework within which national standards for essential public services in all regions of the country can be ensured.

[English]

Our success in developing an effective system of inter-governmental tax and fiscal relationships have attracted the attention of students of public finance from many other federal countries. For example, I refer to a recent report issued by the United States advisory commission on intergovernmental relations. This commission, composed of members of the federal, state and local governments and private citizens, reporting directly to the United States, comment in their report as follows:

Canada's tax sharing approach has gone a long way in redressing the general revenue imbalance within the Canadian federation. One of the tests for ascertaining the relative fiscal and political strength of the partners in a federal system is to observe how they share the intergovernmental revenue pie over time. Using the "revenue pie" test, the performance of the provinces is truly impressive. Between 1957 and 1969, the provincial share of all revenue collections rose from 18 to 33 per cent; the federal