

Federal-Provincial Fiscal Arrangements

phased in, the budget papers that were tabled at that time made no mention of any change for the fiscal year 1986-87. Therefore, while the provinces, the universities, doctors and nurses were upset that this money would be lost in the future, they had no reason to believe that it would happen in 1986 and 1987. They thought they had time to convince the Minister of Finance, the Minister of National Health and Welfare (Mr. Epp), and the Secretary of State (Mr. Crombie) to persuade the Government that a \$2 billion per year cut by the year 1990—\$6.9 billion over a five-year period—was insane. That was not to be.

Late one evening, toward the end of the Finance Ministers' summer meeting in which they talked about a number of concerns, the Minister of Finance commented that in 1986 and 1987 the provinces would not receive the \$400 million they had anticipated.

He said that the money for post-secondary education and health care services provided for by the law would be taken away. This represented another kick from the Minister of Finance when the provinces' ability to provide services as a result of the November Budget was already diminished. The Minister took that money sooner than he should have been allowed had the current provisions been allowed to expire on March 31, 1987.

When that legislation was brought before the House of Commons we were told not to be concerned. The Government indicated that it would remove \$2 billion from Established Programs Financing by the fiscal year 1990-91, starting with \$400 million and escalating it on an ongoing basis. We were told not to be concerned that the old formula was changing because the provinces would still receive a little more money each year, which would cover the cost of inflation. However, the federal Government ignored the fact that the cost of hospitalization, medicare services, and the cost of education was increasing at a greater rate than inflation. That increase is understandable because more services can be provided now than was the case ten years ago. Furthermore, we have an aging population that needs, wants, and deserves proper medical services. Therefore, as a result of an aging population and new technology and new drugs, medical costs were increasing at approximately 9 per cent or 10 per cent. Obviously, the change in the Established Programs Financing made it harder for the provinces to provide adequate medicare services.

It is somewhat ironic that a New Democrat would quote the Canadian Medical Association, but it predicted to the committee of the House studying this legislation that if the cut-back in the funding formula on Established Programs Financing was allowed, a two-tier medical service in this country would result. The richer provinces would provide one service while the less wealthy provinces would provide a lesser service. The Canadian Medical Association recognized what would happen.

The Government has given us many assurances, including an assurance by the Minister of National Health and Welfare

who spoke in St. John's and explained that there are no problems. He said the difficulties would be resolved once the Government has had discussions with the provinces about equalization. I refer the House to comments made by the Minister of National Health and Welfare that appear in *The Evening Telegram* on Tuesday, June 17, 1986. I will not quote the Minister but he said, in effect: "Do not worry, we will look after it". June 17, 1986, was less than a year ago. So the provinces do not like the legislation being passed by the House of Commons. They feel betrayed by the federal Government and they have a right to feel betrayed.

● (1230)

When the Conservatives were in opposition and when the Hon. Allan MacEachen brought down his Budgets and his legislation on this very matter, the present Ministers of Finance, National Health and Welfare, Communications and other Ministers, each rose in this House and said how terrible it was what the Government was doing to the provinces. They said what it was doing was creating a cut-back in very essential services. They said: "We would not do that". But lo and behold, 1984 comes and goes, Members switch sides of the House, we have new Ministers, and the Ministers I just mentioned are now the ones responsible for instituting a further set of cuts. They do not call them "cuts" any longer, it is a gradual increase, but it is not the increase which should have taken place.

After June of 1986, the provinces took the word of the Minister of National Health and Welfare and had every reason to believe there was going to be an equalization formula put in place which would help the poorer provinces to be compensated for the fact they were not receiving as much money for EPF as they would have, had the Established Programs Financing legislation been allowed to continue under the old formula. But what happened is yet another round of meetings with Ministers of Finance and other Ministers from the provincial Governments and the federal Government getting together and not being able to agree on what was happening. It is ironic that we in this House got into a great debate, and we almost came to it again today, about what the federal Minister of Finance promised to the provincial Governments.

I quote again what the Hon. Member for Laval-des-Rapides (Mr. Garneau) said in this House, that the Minister of Finance on the CBC *National* on December 17, 1986, said he believes that an augmentation of \$175 million in a year, close to \$5 million in a five-year period, is a very major increase in that program. He said they were not able to get a consensus so they will go back to the drawing-boards and look at some proposals, but the parameters are still there. He said the provinces would be getting \$175 million additionally in a one-year period. The provinces did not think that was enough. After losing \$400 million in one year as a result of changes to the EPF legislation, \$175 million more in equalization did not look that good, so we had the provincial Ministers of Finance, after consulting with provincial Ministers of Health and other