

*Dominion-Provincial Relations*

hon. member says he reads the words of the Prime Minister, but he always goes on to put his own interpretation on them. I say it is not the correct interpretation, but the hon. member goes on doing it and will go on doing so, I suppose, as long as he is a member of this house. We, for our part, will go on correcting that interpretation as long as we are here.

The Prime Minister was talking about the principle of equalization. The government has taken a firm position in relation to the principle of equalization, and this bill provides a more effective formula for meeting the problems of equalization and fulfilling the government's views in recognizing the principle of equalization. Surely the principle of equalization is the principle that it is proper to draw on federal resources to seek to bring about the strengthening of the fiscal position of those provinces which by reason of geography and less plentiful natural resource development are in a weaker fiscal position than other provinces.

Now, it happens that the formula applicable from 1957 to 1962 under the Federal-Provincial Tax-Sharing Arrangements Act proposed to meet the problem of equalization by equalizing the yields from the three tax sources to the average of the two provinces with the highest yield. But there is nothing sacrosanct or immutable about that. That was not a question of principle. That was the particular method or formula which was applied. Those who heard the words of the Prime Minister on July 25, 1960 did not interpret them as meaning that the government was committed to the particular formula or method which was written into the Federal-Provincial Tax-Sharing Arrangements Act.

As a matter of fact the hon. member is altogether wrong in the interpretation he put on this subject, because the matter continued to be discussed at the conference and members of the conference asked for a revision of that formula. Of course they were asking for it in terms which would favour them. Naturally they wanted to see the formula changed so there would be equalization based on the province with the highest yield, not on the average of two or more.

I think I am safe in saying, then, that nobody placed on the statement of the Prime Minister the interpretation which the hon. member for Bonavista-Twillingate insists on putting on it at every opportunity. We could argue this subject until kingdom come, but as long as he is in this house the hon. member will go on putting his interpretation on the words of the Prime Minister and, as I say, as long as I am here I shall put the correct

interpretation upon them and say that the hon. member is misinterpreting what the Prime Minister said.

As we have pointed out on several occasions, the formula which this bill proposes as a means of giving effect to the principle of equalization is a much improved formula, a formula which goes much further to meet the problems of the provinces which are in the weakest fiscal position. It will do very much better work in that respect than the formula written into the bill of 1956. It does this in two ways—

**Mr. Pickersgill:** Would the minister permit a question? He said, if I understood him correctly, that the formula was designed to help the provinces in the weakest financial position. In view of the fact that the total additional outlay is \$18 million and Ontario gets an advantage of \$18 million, does the minister mean that he thinks Ontario is in the weakest position?

**Mr. Fleming (Eglinton):** The hon. member is not dealing with the matter of equalization now. He is talking about total payments. I am talking about equalization. The hon. member knows perfectly well that Ontario derives no equalization payment under this legislation. It derived none under the legislation of 1956, and it does not qualify under the bill now before us. So the hon. member is simply drawing red herrings across the trail. That is typical. He puts his own definition on his own terms and then argues from that, regardless of what the facts are or of what the legislation says.

I was pointing out to the committee before the hon. member's latest intervention that the equalization formula in this bill will serve the principle of equalization more effectively in two respects. We are dealing now with equalization to the national average instead of to the level of the top two provinces. This change means that the bulk of the equalization benefit goes to the provinces which are in the greatest need. It is not disbursed so widely in terms of the number of provinces, but that money will be distributed in those provinces whose revenues are below the national average; there will be a concentration of it among the provinces which are in the greatest fiscal need. This was not the case under the formula in the earlier legislation.

The other change which has been made in aid of the principle of equalization is that now we are equalizing not merely in terms of the yield from the three standard taxes, but we are equalizing in terms of this yield plus 50 per cent of the yield from resource revenues. That latter element is of great importance. Why the principle of equalization