

Oral Questions

Mr. Baldwin: You are up the creek without a paddle.

Mr. Trudeau: The hon. member has not substantiated his allegations on Air Canada. But I must point out to him that I was denied entry to the United States in the middle fifties. I attempted to paddle to Cuba in 1961 or 1962. Therefore, the CIA is wrong again, if that is where the hon. member gets his information.

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[Translation]

FINANCE

SUGGESTED MEETING WITH QUEBEC PREMIER ON
REIMBURSEMENT OF SALES TAX

Mr. Roch La Salle (Joliette): Mr. Speaker, I should like to put a question to the Prime Minister.

He said a while ago that he already had discussions with other premiers and that perhaps communications were smoother than they are now. I remember quite well, for example, the case of universities when the premier and prime minister at the time had succeeded in finding a solution to a deadlock, and the Prime Minister knows exactly what I mean.

Under the circumstances, in the present conflict and in view of the deadlock between the two levels of governments, would the Prime Minister who is responsible for the administration of Canada be prepared, considering the failure of negotiations by his Minister of Finance, to initiate and arrange a meeting with the Quebec premier to endeavour to find a fair solution for his government as well as for the Quebec government?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, the Minister of Finance has just answered that question. He tried to arrange such a meeting when he phoned to the Quebec minister of finance on the day he introduced his bill, that is last week or the week before, and he has yet to receive a reply.

SALES TAX—INQUIRY AS TO FORM OF PAYMENT OF \$40 MILLION
TO QUEBEC

Mr. Roch La Salle (Joliette): Mr. Speaker, the Prime Minister is certainly aware that the Minister of Finance is finding it increasingly difficult to go on with those negotiations. Such was the reason that prompted my question, because many Canadians in my view are concerned, and rightly so, that the minister may not assume responsibility for those negotiations. My supplementary, however, is for the Minister of Finance. Many Canadians I am sure would like to know exactly where the Minister of Finance will find those \$40 million he indicated he will be paying the province of Quebec? Under what form and from which account will they be paid to Quebec?

Hon. Jean Chrétien (Minister of Finance): Mr. Speaker, in the legislation that has been put forward, there is provision for the Canadian government, in addition to making fiscal room for the other provinces, to provide compensation because under the agreement entered into with the provinces calling for a 3 per cent sales tax cut over six months, we cannot beforehand determine the exact amount of revenue that will be lost by each province in the process. There is provision in the bill before the House that, if they lose more than the \$100 we have recognized as being the normal rate for the tax cut at this point, payments could be made, and we would be using the same provision for the \$40 million.

Mr. La Salle: Mr. Speaker, I have a supplementary.

In interviews with the *Gazette* during the weekend, the leader of the Liberal party of Quebec stated about the sales tax that Quebec has just applied its normal jurisdiction by refusing the conditions imposed by the federal government. In the face of such a statement, could the Minister of Finance think a little further and recognize that he made an enormous error, and withdraw his proposal to meet the wish expressed by the leader of the Liberal party of Quebec on this matter?

Mr. Chrétien: Mr. Speaker, in the circumstances, we offered to withdraw from a taxation field to ensure that the taxpayers in Quebec will not suffer because no agreement can be reached between the provincial government and myself. We do so according to the formula used in 1959 by the universities and in 1965 on the general agreements on the withdrawal of the federal government from some activities. So we follow the tradition which has been applauded in Quebec as being the most normal means in the absence of an agreement between the federal government and the province, namely the withdrawal from a taxation field, and if Quebec wants to increase its taxes, it can always do so because it is its own field.

● (1442)

SALES TAX—INQUIRY WHETHER GOVERNMENT PREPARED TO
REIMBURSE QUEBEC \$186 MILLION

Mr. Heward Grafftey (Brome-Missisquoi): Mr. Speaker, I have a question for the right hon. Prime Minister.

In view of the declaration of Mr. Ryan, the Liberal party leader in Quebec, that the recent inflexibility of the federal government as concerns the sales tax proposal has greatly encouraged separatism in Quebec, I would like to ask the right hon. Prime Minister if he is now prepared to change his policy of reimbursement for Quebec taxpayers and to negotiate directly with the province of Quebec to give the province the \$186 million?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, since I have not seen Mr. Ryan's statement, I cannot comment on it, but as concerns the suggestion of the hon. member, I would like to say that he is suggesting that the money be paid