

Interim Supply

so wished. In mentioning that fact I went on to say we would have to re-examine tax sharing, not only in the light of the changes in costs and responsibilities within our jurisdictions but also in the light of what the provinces wished to propose about shared programs. I said it was only after a thorough review of such programs that we could decide how much or how fundamentally our fiscal relationships could wisely be changed.

It was not difficult, Mr. Chairman, to convince anyone at that conference of the need for such a complete review. The differences of emphasis in the provincial statements—and I take it that hon. members have had an opportunity to look at those provincial statements—were themselves enough to show the need for much more examination and discussion on a matter which more, perhaps than any other, calls not for unilateral action but for close federal-provincial consultations. At this opening meeting I went on to discuss one aspect of federal-provincial fiscal relationships which had to be considered at this particular meeting and which seemed to us to be ready for change. That was what we referred to as equalization. We need, as I said, to take note of the extent of federal and provincial occupation of common tax fields. But on the need for a more genuine equalization applied to any given degree of provincial occupation of the shared fields there seemed to be little room for doubt. I emphasized that the federal government—and I think this view was shared in one way or another by every provincial leader—regarded the concept of equalization as making possible a more co-operative federalism. We could not, I said, have co-operative federalism at all unless all the provinces, with all their variety of size and wealth—indeed, if there was not so much variety we would not need equalization—had power to discharge their constitutional responsibility, and no tax system in a confederation such as ours would make that possible unless it embodied the concept of equalization.

There was no difference of opinion on that. We all agreed that we could not build, sustain and keep united a strong confederation from sea to sea unless we ensured that the opportunities open to Canadians in one place were not allowed to lag behind the opportunities open to Canadians in other places. Also, an attempt to make opportunities comparable in education and other provincial services would not be successful, indeed would not be possible, unless our tax system secured in some manner to the provinces comparable—not, of course, equal, because that would be impossible—revenues per capita from standard rates of taxation. Obviously, as I pointed out at the beginning and

[Mr. Pearson.]

as became very clear as the conference went on, there was room for discussion as to the formula which would best express this concept of equalization.

There were arguments for taking one type of revenue into account and not another. Indeed, an argument was put forward by one provincial premier for taking every kind of revenue into account. There were arguments as to whether equalization is best defined quite simply, "in order to bring the revenue yields up to those provinces in which, in any year, they are the highest"—I admit at once that it was the position that we had taken in opposition—or whether some slightly more elaborate formula was better because it would give more stability and certainty and perhaps do more to prevent inequities.

I said, having mentioned these points, that these were the points on which we wished to have the views of the provinces before we put forward our own proposal to the conference. I can assure the members of the committee that we did indeed hear those views. It was only after hearing those views that the federal delegation volunteered to put forward a proposal which I will come to later.

Now, Mr. Chairman, in a way, the communique which was tabled this afternoon, summarizes the results of the conference. However, perhaps I could try to put these results under certain headings, indicate very briefly what was accomplished in respect of each of those headings, and in one or two respects go into somewhat more detail.

The first question, and this occupied a good deal of attention, was the examination of the state of the Canadian economy. There was a general agreement on the need for federal-provincial consultation in the formative stages of economic policy of concern to the provinces, and this meant the long term economic objectives. In this connection, the federal-provincial ministers of trade and commerce and of industry agreed to meet shortly at the invitation of the federal Minister of Trade and Commerce.

Then, the next subject, and one that occupied most of our attention, one about which I have talked and will talk some more when I come back to it, was the question of fiscal arrangements. As hon. members know, equalization payments were altered from the national average to the average of the top two provinces and the abatement of federal estate taxes is also increased from 50 per cent to 75 per cent in favour of provincial succession duties. The effective date of these changes, Mr. Chairman, is to be April 1, 1964. The total cost to the federal treasury in 1964-65, and this arrangement is for the forthcoming year only, will be \$87.4 million.