

Government Orders

(Motions deemed adopted, bill read the first time and printed.)

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PETITIONS

THE SENATE

Mrs. Jane Stewart (Brant): Mr. Speaker, I would like to present a petition on behalf of some constituents from the riding of Brant encouraging the government to look at the role and responsibilities of the Senate.

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QUESTIONS ON THE ORDER PAPER

Mr. Peter Milliken (Parliamentary Secretary to Leader of the Government in the House of Commons): Mr. Speaker, I would ask that all questions be allowed to stand.

The Deputy Speaker: Shall all questions stand?

Some hon. members: Agreed.

GOVERNMENT ORDERS

[English]

FEDERAL-PROVINCIAL FISCAL ARRANGEMENTS AND FEDERAL POST-SECONDARY EDUCATION AND HEALTH CONTRIBUTIONS ACT

Hon. Fernand Robichaud (for the Minister of Finance) moved that Bill C-3, an act to amend the Federal-Provincial Fiscal Arrangements and Federal Post-Secondary Education and Health Contributions Act, be read the second time and referred to a committee.

Mr. Peter Milliken (Parliamentary Secretary to Leader of the Government in the House of Commons): Mr. Speaker, I am pleased to have the opportunity to debate Bill C-3 at second reading. It amends the Federal-Provincial Fiscal Arrangements Act and Federal Post-Secondary Education and Health Contributions Act.

• (1100)

[Translation]

Bill C-3 is centred on the renewal of the equalization program, which is in fact the cornerstone of fiscal federalism in Canada. The objective of equalization, whose principle is enshrined in the Canadian Constitution, is to enable provincial governments to offer to the Canadian people fairly comparable public service levels at fairly comparable tax levels.

[English]

Equalization has a long tradition. It was established as a program in 1957. Even here the wartime and post-war tax rental

agreements implicitly equalized provincial revenues. Indeed in 1867 higher statutory subsidies were paid to Nova Scotia and New Brunswick than Ontario and Quebec in recognition of their disproportionate loss of customs duties and excise taxes upon entry into Confederation.

Because equalization is paid only to the less wealthy provinces, it is the most progressive of the major federal transfers to the provinces. In 1994-95 it is anticipated that the government will provide about \$8.5 billion in equalization to receiving provinces. This means that a provincial government along with its local governments that levies average rates of tax will have per capita revenues of \$5,000 from taxes and equalization to fund public services.

However as we all know the context for this year's renewal of equalization is unprecedented. The federal government's fiscal situation is worse today than in 1992 and much worse than in 1987 and 1982, previous times of equalization renewal.

In our deliberations on renewing equalization we have balanced the need to be fiscally responsible with the singular role of equalization in underpinning the unique sense of Canadian sharing.

[Translation]

I think the bill is moving in that direction. It calls for an increase in equalization payments of 5.5 per cent a year for the next five years. It also provides for several changes to the tax base in order to update and improve the measurement of provincial tax capacity, which is essential to maintain the equity of the program. For the provinces these tax base updates will translate into gains of about \$165 million next year and some \$900 million in the next five years.

In addition, the government has promised the provinces not to amend this formula in the next five years. The provinces will then be able to plan their budgets in a stable climate.

[English]

Clearly the renewal package has to be affordable. This is why we have retained a ceiling on equalization, one that will be effective in providing protection to the federal government's ability to finance the program. The ceiling limits the cumulative growth in equalization to no more than the growth of the economy from a base year. This means for example if the economy grows 5 per cent from the base in the first year, equalization can grow no more than 5 per cent. If in the second year the economy grows a further 5 per cent, the cumulative or total two-year growth of equalization is 10 per cent.

The year 1992-93 has been retained as the base. It is a year of relatively modest equalization payout. Unlike previous equalization renewals where the first year of the term was not subject to a ceiling constraint and in fact set the base year, we have put a limit on the payout for the first year. In current fiscal circumstances it is simply not appropriate to have an open-ended first year. Having 1992-93 as the base year uses a year where the data