

Federal-Provincial Fiscal Arrangements

Conference and, previously, during the Finance Ministers' Meeting.

He went on to say that he thought the timetable for the introduction of these measures was totally inadequate. Actually, the Premier of Alberta asked for consideration to be given to only a one-year extension of the existing fiscal arrangement while the federal government involves itself with the implementation of its tax measures so as to provide reasonable time to debate these issues and evaluate the impact of federal tax measures. This did not occur, Mr. Speaker.

Hon. Darcy McKeough of Ontario suggested, in a brief to that same meeting, that the current state of financial and economic relations between the federal and provincial governments makes it clear that it is time to reconstruct these relations. A very complex system has evolved which is patchy in design, capricious in detail, uncertain in ultimate benefits and unrealistic for the seventies. This system is characterized by a sharing of tax fields which bears no relation to spending responsibilities; supplementary equalization payments with uneven benefits; cost-sharing in major provincial functions involving a great variety of formulae and regulations; a heterogeneous tax structure; large federal programs with strongly regionalized impact and dubious long-run economic benefits; and cumbersome federal loan and grant programs to reduce unemployment.

He went on to say that the federal government had failed to enter into discussions on the tax structure when that tax structure was being developed. Once the tax reform decisions were made, and Bill C-259 of the previous sessions which embodied those decisions had been passed, the federal government ought to have opened up discussion on this problem in an attempt to reach a better agreement so that all parties could have co-operated in reaching a solution.

It has been well recorded, Mr. Speaker, that the heaviest burden regarding major public problems and expenditure priorities lies at the provincial and municipal level, while the federal government has the largest share of available revenues. With increasing urbanization and pollution, the problem of the municipal and provincial governments will be strongly accentuated. One must remember that taxing powers are more heavily weighted in favour of the federal government. We ask, what will this fundamental imbalance do to our federal system? I suggest that it is likely that it will be extremely difficult to contain total tax levels within desirable limits. It is obvious, if one studies tax-sharing principles in this country and the new income tax system, that our system will encourage independent tax action and interprovincial tax differences. Also, it will reduce the provincial share of income and wealth taxation, leave the onus on the provinces to fill an equity gap in wealth taxation and assume primary responsibility to determine the ultimate tax level of resource industries, leave the onus on the fiscally weaker level of government to contain tax levels, and force provinces to increase the income tax after three years to compensate for discontinued revenue guarantees.

I should like to mention something the Minister of Finance referred to, namely, the problem involving health and welfare and the problem of exerting some control in this field with a view to bringing equal levels of benefits to

all citizens across Canada. In the health insurance field, the contribution to the provinces under the Hospital Services and Diagnostic Services Act has risen from \$734 million, the contribution of 1970-71, to an estimated \$950 million for 1972-73. Medicare contributions have risen from \$400 million in 1970-71 to \$660 million, the current level. The increase has been substantial over two years.

May I now talk about the serious problem involving cost-sharing arrangements between the federal and provincial governments. The system of cost-sharing is most elaborate. Obviously, the provincial governments have the most pressing and costly responsibilities, while the federal government has a greater revenue generating capacity. It is true that many of the cost-sharing programs were initiated with a view to obtaining national standards of service and portability of benefits. In many cases the provinces were forced into these costly programs at the insistence of the federal government because the federal government chose to use its surplus revenue capacity to invent large programs in areas under provincial jurisdiction.

• (1620)

An analysis of shared-cost programs certainly indicates they are very difficult to control and administer. They are outside the normal process of control at both the federal and provincial levels. There are a great variety of formulae and regulations. The formula for hospitalization insurance, the largest, is the population eligible for hospitalization times 25 per cent of the average national cost per capita, plus 25 per cent of the average provincial cost per capita. That formula alone has a very different impact on the various provinces.

In many cases the federal government is now attempting to get out of these shared-cost programs which are forced on the provinces or at least limit its commitments by reducing the established shared-cost formula. According to this communiqué from the federal-provincial conference in Ottawa on November 15 to 17, the federal government advanced proposals which provided for increases in future federal contributions to provincial health programs, tied to the growth of the gross national product supplemented by a special fund of \$640 million to be paid to the provinces over a five year period to assist them in improving their system of health care. It was the aim of the federal government that the new proposal would be designed to give more flexibility to the provincial governments in restraining costs and improving the overall effectiveness of the program.

It is noted that the percentage of the gross national product devoted to health care in Canada is the highest in the world. Unless steps are taken to improve the delivery system, the relative share of national care will have to grow even further to the detriment of the capacity of individuals to meet their needs. While I agree we must have some means of controlling health costs within our country, this is not the time for the federal government to throw in the sponge and opt out of the cost-sharing field until suitable alternatives have been found.

What is the problem? The essential problem in hospitalization and medicare is a lack of standards. Probably it is very difficult to arrive at these standards because health care is very desirable. No matter how much money is

[Mr. Ritchie.]