

*Equalization Payments to Provinces*

of funds is the question of need in the provinces. I appreciate that that, of course, is reflected to some extent in the provincial tax structure, but not necessarily so. You may easily have a provincial régime that does not meet need and does not impose taxes which it ought to have imposed in order to meet certain social needs. The result is that it will keep its level of revenue low and get more out of this arrangement. Whether that is a good thing for Canada is a different story, but my major aim in speaking—and this is not in criticism of the minister—is to ask whether this was considered at all, or whether any studies are being initiated to deal with it.

The major problem I see in all these proposals is that municipal revenues and taxes are ignored. When you had a comparison at one time of only three sources of revenue and gave them the weight for equalization purposes, and later only two sources of revenue, you were of course in a sense being arbitrarily selective as to the basis of your comparison. But the moment you go to all the sources of revenue in a province and submit them to a national average, I respectfully suggest you are not dealing with the whole problem when you do not include in that consideration the needs of the municipalities and the revenues which they have to raise.

I repeat that if you take only a few sources of revenue you are making an arbitrary decision and the rest is not counted; but the moment you try to erect a structure on a basis which pretends to include, and is intended to include the total revenues of each of the provinces, geared to the total average of all the provinces for the purposes of equalization to bring everybody up to that average, then if you ignore the increased cost of welfare, education and all the other activities which the municipalities have to perform you are ignoring a very important part of the taxes raised in this country.

I am particularly concerned about that, as I am sure are all other members, because as the result of our constitutional arrangements and for other reasons the municipalities are limited almost entirely to perhaps the worst kind of tax, the tax on the home owner, which is unrelated to need, which is ungraduated, and which in most cases is a very great hardship on the lower income people.

I do not know if the minister and his advisers have considered whether it is possible to take municipal revenues into account and get the municipal picture as part of the total picture we are comparing. If they have not, I would like to ask whether some studies will

be made in that direction. I do not think I misunderstand the situation in Canada in this case, and I do think it is an important matter about which to be concerned.

**Mr. Sharp:** Mr. Chairman, I can assure the hon. member for York South that the government did look very carefully at alternatives including the equalization of municipal revenues as well as provincial revenues. For the information of the committee, the cost of averaging all municipal revenues on the same formula that we use to equalize provincial revenues would be approximately an additional \$200 million for the year 1966-67, which was the year to which we applied our formula.

However, we decided, at least for the time being, that this would be going a very long way, apart altogether from the additional revenues we would have to raise for this purpose, because in fact the provinces themselves do not equalize the positions of their municipalities. For the federal government to move ahead of the provinces in this respect seems to me to be of rather doubtful wisdom. The time may come when the principle of the equalization of municipal revenues should be considered, but I should think it would be for the provinces to take much greater initiative in this direction before the federal government did so.

**Mr. Lewis:** If that is the reason then I could not protest more strongly. Each time there is a desirable national goal, desirable from every social consideration, the federal government takes refuge, when it can, by saying "It would be too bad if we went ahead of the provinces." Why is it too bad? In a federal country what is the purpose of a federal authority if not to give some leadership to the country? If we are merely the sum of ten provinces then we do not need all this elaborate stuff that we have got in the federal government and federal parliament. We should take the responsibility of giving leadership, of indicating a road which is desirable to follow.

Because the minister has more staff at his beck and call than I have, he knows more than I do about this subject, but the fact is that some equalization does take place in some of the provinces, and the fact is that inequality of municipal burdens is one of the most difficult problems in Canada today. The undesirability and the inequity of most municipal taxes are one of the most serious problems facing the ordinary people of