

of the higher income provinces at reasonably comparable rates of taxation. Expenditures under this program will be approximately \$1.1 billion in the present fiscal year and will likely attain \$1.5 billion by 1976-77, the last year of the current five year fiscal arrangements with the provinces.

Early this session Parliament passed this new legislation which establishes the over-all framework of fiscal relations between the federal and provincial governments over the next five year period. That act deals with a number of important matters, of which three are particularly relevant in this context. First, it is the basis for income tax sharing between the federal and provincial governments. Most importantly, it provides a basis for these two levels of government to co-ordinate their use of the personal income tax and corporation income tax fields without fixing limits or controls over the rates of tax which each level may impose, and it does this within a unified national tax system. Second, because any given level of taxation provides a greater fiscal yield in some provinces than others, the act provides for equalization payments from the federal government to provinces whose per capita revenue raising capacity is below that of the national average. Equalization payments were started specifically in 1957 and they have been progressively broadened since then. They now represent over 5 per cent of all federal revenues.

From the point of view of the receiving provinces the importance of equalization payments is evident when you know that for three provinces in 1971-72 equalization transfers were equal to between 13 per cent and 16 per cent of gross revenues. For two others the comparable figure was more than 33 per cent, and for the two poorest provinces equalization transfers were equal to 55 per cent and 66 per cent of revenues. Third, the legislation has a provision under which the federal government guarantees to make a grant to any province whose revenues fall below 100 per cent of those received in the immediately preceding year except to the extent that such a shortfall is caused by a reduction in provincial tax rates. While we hope that this will never be operative it is an important assurance against a sudden slump in revenues which might occur in a particular province. Between 1957 and 1969, provincial shares of total governmental revenue collections rose from 18 per cent to 33 per cent, whereas the federal proportion fell from 69 per cent to 52 per cent.

In addition, the federal government co-operates with the provinces in several shared cost programs, of which the largest are in the fields of health, welfare and post-secondary education. Others will deal with health and welfare, but in the case of post-secondary education the federal government transfers an amount generally equal to 50 per cent of virtually all post-secondary education operating expenditures. Last year the transfer totalled over \$870 million. This year it is expected that it will total almost \$1 billion. On a per capita basis, the amount transferred varies from one province to another, but the national average last year was \$44 per capita.

I should again refer hon. members to the record of this government during the 1963 to 1971 period. In 1963, when the government assumed office, total transfers to the provinces and municipalities were running at a level of

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\$1,169 million. By 1968 this had doubled to \$2,452 million, and by 1971 it had nearly doubled again to \$4,348 million. Mr. Speaker, does this suggest that this federal government has neglected the provinces? Does it suggest that we are insensitive to the well being and needs of their governments and of their populations?

I could cite other facts and make other points at some length. However, that is not necessary. The motion which is before us is barren and lacking in substance. It does not deserve the support of this House. I urge all hon. members to vote against it.

Mr. Melvin McQuaid (Cardigan): Mr. Speaker, my colleague, the hon. member for Fundy-Royal (Mr. Fairweather), has dealt quite exhaustively with the constitutional aspects of this motion. I propose to confine my remarks to the financial aspects so far as the provinces are concerned. I am impressed with that part of the motion which reads that the House regrets the government's:

—refusal to meet legitimate needs of Canadian provinces, mainly through not making available to them the funds required for development, economic expansion and welfare of the population.

There is a reference to the refusal of the government to meet the legitimate needs of Canadian provinces. I am inclined to support the resolution because I come from one of the provinces where the need is great, a province that actually does need help from the federal government. The mover of this motion realizes that action must be taken to reduce the growing gap between the rich and the poor provinces of Canada.

• (1650)

I should like to take this opportunity to place on the record, as clearly and succinctly as I can, the severe economic situation facing the government and the people of my province. I do so in the hope that it may foster a desire on the part of the government of Canada to do something to relieve a very distressing problem immediately. I think it is generally realized that each region of this country must be accepted as an integral part of Canada and each region should be developed according to its special needs and its potential. This matter of reducing the gap between the rich and the poor provinces is a national problem and the major responsibility for solving it must rest with the federal government. That idea has been recognized by the present Secretary of State for External Affairs (Mr. Sharp) who, in a speech on September 14, 1966, made the following statement:

Where circumstances—whether natural or man-made—have channelled a larger-than-average share of the nation's wealth into certain sections of the country, there should be a redistribution of that wealth so that all provinces are able to provide to their citizens a reasonably comparable level of basic services, without resorting to unduly burdensome levels of taxation.

I think that statement sets out the situation very clearly and conveys the idea that there is a responsibility on the federal government to see that the poorer provinces of Canada are given a chance to maintain a standard of living for their citizens comparable to that of other provinces which are better off. This principle was also recognized by the Rowell-Sirois Commission which in 1940 recommended that: