British Columbia. Originally, this program aimed at eliminating any attempt by the provinces to nationalize for taxation reasons the public utility companies of the private sector. This was the purpose of reimbursing the income tax paid by these utilities. The federal government had also expressed at the time the hope that these reimbursements would be passed on to consumers as rate reductions. In fact, while this program was being implemented, a large number of private companies were nationalized. The only provinces where there are still some private hydro companies left are Alberta, Newfoundland and Prince Edward Island. Furthermore, it is only in Alberta that federal payments were in fact passed on directly to consumers.

When the program was created in 1947, the rate of payments was set at 50 per cent. That reached 95 per cent in 1966 when the Churchill Falls project was launched. However, despite this increase in the transfer rate, which allowed Newfoundland to receive all the income that would have accrued from the federal income tax, the province eventually nationalized these facilities.

After the government announced its intention, on September 8, 1978, of eliminating completely this transfer payment, that is of decreasing it from 95 per cent to zero, representations were made by the provinces concerned as well as by certain public utilities and some consumers. The federal government therefore decided to reconsider its proposal. This bill effects a compromise by reducing transfer payments, as of taxation year 1979 for corporations, from the present rate of 95 per cent to an initial rate of 50 per cent. So instead of dropping from 95 per cent to zero, the rate will go down to 50 per cent.

Mr. Speaker, that summarizes what I wanted to say on the main provisions of this bill. Essentially, it would bring needed changes to the present equalization formula so that it is not unduly affected by the rapid increase in oil and gas prices, and it would also effect a compromise with respect to the Public Utilities Income Tax Transfer Act. Even though these changes are proposed with a view to cutting back expenses, which is an objective all members of this House support, there are no doubt some members who believe that this reduction in transfer payments to the provinces is unjustified. But considering the level and the rate of increase of these transfers, it is absolutely impossible to slow down the rate of increase in federal expenditures without decreasing slightly the rate of increase of these payments. And it is with those goals in mind that I ask hon. members to approve this bill on second reading.

Mr. Kilgour: Mr. Speaker, would the minister allow me to put a question to him about his comments?

The Acting Speaker (Mr. Ethier): Would the hon. minister accept a question?

Mr. Bussières: Yes, Mr. Speaker.

Fiscal Transfers to Provinces

The Acting Speaker (Mr. Ethier): Very well then, the hon. member for Edmonton-Strathcona (Mr. Kilgour) has the floor.

Mr. Kilgour: Mr. Speaker, if I may, I shall ask two questions. First, does the minister approve of the nationalization of electric power companies in Alberta and, second, how much, as of now, is the federal government going to pay the Ontario government?

Mr. Bussières: Mr. Speaker, about the first question, it is a matter of opinion and if I were a member of the legislature in a province where there are private electric power companies, I could say what I thought about it. However, I do not see what purpose it would serve for me to say what I think about a purely theoretical matter that does not concern the federal jurisdiction at all. As to exact amounts, I must say I did not commit them to memory, but I can assure the hon. member that in committee I shall give him readily and in detail the exact amounts involved. I am sorry I do not have them here now.

[*English*]

Mr. Don Blenkarn (Mississauga South): Mr. Speaker, this is an omnibus bill which deals with equalization and also the Public Utilities Income Tax Transfer Act. With respect to the equalization problem, this party recognizes the government's concern. Indeed, if this bill were not passed the government's deficit would increase by at least a billion dollars, and probably by the end of 1982 by about $2 billion in total, so that equalization would be payable to the province of Ontario. In effect this bill will remove the right of equalization from the province of Ontario. The province of Ontario, for a number of reasons which I will mention later, is perhaps prepared at this time to go along with the bill.

● (1630)

The second part of the bill deals with the Public Utilities Income Tax Transfer Act. This bill particularly affects a part of our country in which there has been some concern about how the federal government is operating with regard to what might be called crushing individual rights of people, and that is the province of Alberta.

My party has suggested to the minister that if he will withdraw section 3 of the bill, we will make sure that the bill passes all three stages today. But if this section is to remain in the bill, we are concerned that the terms of the bill will be used by those who might advocate the break-up of our country, as another grievance. The amount of money involved is not that much. Our estimate is that at the very most we are talking about some $30 million spread over two years. That is an insignificant amount of money in terms of the government's budget.

Mr. McDermid: They can spend that in ten minutes.

Mr. Blenkarn: Indeed, as my friend has said, the government could spend that money in ten minutes. I am not sure