

*Federal-Provincial Relations*

development, and this problem is far from being solved; on the contrary, it might very well be the cause of a large proportion of the unemployment that is continuing to plague the economy of Canada and Quebec.

With regard to this problem, which, if it is not a new one, is at least more present than ever before, we only have one question to ask: which, of the federal government or the provincial governments can best find the solution? And our answer is: the two sectors of government can take part in its solution—but it is an undeniable fact that the provinces have a great part to play in this regard.

The reason for this is very simple. Under the Canadian Constitution, the important elements of economic growth and the development of the wealth of the soil, which are but one aspect of the question, fall within the jurisdiction of the provinces. The latter actually control the greater number of factors through which a true development policy can come and can have a chance of success. The provinces are also in a position to influence the rate of their own industrial progress by their actions in the location of secondary industries, by laying out roads and communications to facilitate access to basic resources and by their absolute jurisdiction over municipal structures. Furthermore, they can participate directly in investments for the development of resources and the establishing of industries in places where economic conditions make it desirable. In other words, the provinces are better placed than the central government to initiate a policy of economic development, because they are closer to the particular problems of their people and the regions that make up their territory.

Thus spoke the Quebec premier in 1963. On the other hand, what did the New Brunswick premier, also a Liberal, Mr. Robichaud, have to say? I quote:

The Government of New Brunswick has at no time willingly accepted the terms of the Federal-Provincial Tax Rental Agreement currently in effect. This agreement has been a major step *backward* in the efforts being made to recognize the economic differences between the provinces.

The financial capacity of the provinces, necessary to provide essential services on an equal basis to the citizens of the whole country, has been seriously handicapped by those agreements. New Brunswick will insist during confederation that those agreements now in effect be renegotiated so that they may reflect more accurately the financial requirements of the provinces.

Mr. Speaker, while we attended those conferences as observers and that all seemed to be going just fine, as we say, that everybody seemed to agree, one could hear liberal premiers say that they were opposed to federal government initiatives in the fields under provincial jurisdiction.

Let us refer now to the Victoria federal-provincial conference. What were the premiers saying? We want more money.

Here is how Premier Robarts of Ontario voiced his thoughts:

Let me tell you how we visualize this in Ontario: If we cannot obtain a better share of tax revenues, and if we refuse to overtax our citizens and our industries, we will have to regress in our present programs. Among others, I will mention more specifically education, health, transportation, energy development, resource development, housing, urban renewal, and pollution.

It was then the turn of Mr. Jean-Jacques Bertrand, the then premier of Quebec, to complain of the interference and omnipresence of Ottawa—and I quote:

The present federal government, helped by a tax-sharing system of which it can never be said enough that it is unfair and goes against the legitimate freedom of provinces, discovers areas of responsibility for itself everywhere—in educational radio and television, cultural affairs, urban affairs, offshore mineral resources, securities trade, post-secondary education, university research, water, air and earth pollution, highway transportation, foreign relations even with regard to education or other provincial

matters, community development, and even civil law, through the estate tax.

It looks as if, to the federal government, provincial governments are at most administrative divisions of a wealthy, omnipotent, ruling central power.

What was then the reply of Canada's Prime Minister? Here it is:

The second issue of concern to us is spending power. This phrase as such does not appear in the text of the constitution, but we all know that spending power is a prerogative not only of the federal government, but of the provinces as well.

The federal government has used its spending power in connection with programs such as hospitalization insurance, welfare—under the Canada Assistance Plan—medicare, health programs, and several others which I mentioned yesterday. It is this spending power which has allowed for the introduction of such programs through the federal government.

It was for the premier of British Columbia, Mr. Bennett, to bring the debate back to its true proportions. And this is what he had to say:

• (1540)

It is not the spending power which is primarily at stake, but the power of taxation, the power of obtaining income from taxes. If there is money in the government chest, they will spend it even in areas of activities outside their jurisdiction: such is the problem that is eating away the confederation.

This problem has not arisen a century ago; it dates back to World War I. Mr. Thomas White, the then Minister of Finance, ventured for the first time into the income tax field. This did not occur 100 years ago.

He declared then that it was a provincial and not a federal prerogative which would be reviewed when the war ended. During World War II, the federal government laid claim to this whole area of taxation. In the intervening years after the war, Canada has experienced the greatest development in its history and tax income has considerably increased. Instead of surrendering this field of taxation to its rightful owners, the provinces, federal authorities have continued to replenish their chest. They went on exercising this provincial authority, which is the reason why we are now faced with so many problems with Quebec. British Columbia shares Quebec's position in this respect. This is the root of our constitutional difficulties and that is what we should brace ourselves to deal with.

This is where the central government has been guilty of excesses and this is the source of all our difficulties. Provincial governments cannot be certain of any income when the federal administration exercises this power: even municipal property tax is not safe anymore. Excluding the federal government, no province, municipality or city has any jurisdiction over any tax basis. Listen to this: Sir Thomas White states that it is a provincial area of taxation, but the federal government would not desist.

This is the root of the ill and, as premier of the province of British Columbia, I suggest that we should remove this aspect from the taxing powers held by the federal government.

Mr. Speaker, we realize that the premier of British Columbia has made no bones about it and that he was able to deal with the situation.

And as the Social Credit Party of Canada always strived to make constructive criticism, that is by making alternative proposals, I shall quote from a resolution passed by our national council, in April 1971, on our constitutional positions.

Paragraphs 3 and 4 read as follows:

3. However, the Social Credit Party of Canada believes that we must go beyond the present status quo which does not satisfy anybody and grant to provinces the power to be themselves, to develop and flourish according to their needs and aspirations.