

formulas from which to choose. Each formula contained variations in the treatment of the different forms of provincial taxes, and each of them was pretty adverse to the interests of the provinces and their people. For one thing, Mr. Speaker, the formula that would probably be adopted, formula B, equalizes all revenues from oil, gas, metallic and non-metallic minerals to the extent of 50 per cent but places an additional limit in that equalization payments in respect of all resource revenues may not exceed one-third of total equalization payments.

● (1520)

When the federal government put a limit on the equalization of oil and gas revenues it was to be a temporary measure to allow the federal government to adjust to the rapid increase in provincial government revenues from this source. However, given the increase in the importance of non-renewable resource revenues to the provinces—in 1969-1970, resource revenues accounted for 13 per cent to 16 per cent of total equalization and by 1973-1974 this had jumped to 23 per cent to 25 per cent—the federal government decided that a permanent limit was needed.

All the provinces with revenue from non-renewable resources are pleased with the first cap on the formula as it will help reduce some equalization losses. However, the second change poses some dangers. If resource revenues continue to grow in importance—they are now around 29 per cent of equalization payments—the 33.3 per cent ceiling could be reached very quickly and the provinces could start losing potential equalization payments.

It is obvious that the provinces resent this unilateral decision on the part of the federal government. They look upon it, quite correctly, as an invasion in a field of taxation which from the time of confederation has been almost exclusively a provincial preserve. They feel, and I think quite rightly, that their need for financing and their ability to tax is very much less than the federal government's, and that the federal government had no right to put that restriction on it. I think the more we look at the principles contained in the bill, the more we realize the federal government is continuing the policies which have been with us since the Prime Minister (Mr. Trudeau) took office. The federal government feels that because of its constitutional power, and particularly because of its power to tax, it has the complete right to decide unilaterally what shall be the preserve and rights of the federal government and what shall be the rights of provincial governments. We do not believe that in a federal system any federal government, regardless of the party in power, has that right. We do not believe it has that right legally. We do not believe it can be good for federalism and for an efficient and fair division between the federal government and the provinces for the federal government to arrogate for itself those rights.

We believe federalism can only work if the provinces and the federal government are joined in a real partnership in which the rights and the responsibilities of all levels of government are dealt with on a fair and equitable basis. We see no sign that this government has changed that aggressive, unilat-

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eral power which it has arrogated unto itself. We believe the course it has been following, and continues to follow, is detrimental to real federalism. We believe it will lead the provinces to rebel and will encourage those people in the province of Quebec who really want a separate state to continue at a greater rate to advocate that policy. We believe it is detrimental to the good and to the welfare of the people of Canada. It is for that reason we believe that members of parliament, regardless of party, ought to vote against the bill.

Some hon. Members: Hear, hear!

Hon. John Roberts (Secretary of State): Mr. Speaker, I must say how delighted I am, particularly with the salutations of my good friend the hon. member for Edmonton Centre (Mr. Paproski). I am pleased to be able to enter the debate, which I will do very briefly, because it gives me an opportunity to explain to the House some of the recent developments in the relationships between the provinces and the federal government on the matter of education. I do not feel it would be useful for me to elaborate on the details of the provisions of the established programs financing legislation which has been explained by the government. That information is readily available. I should like to say at the outset, however, that in my view the new act contains a number of improvements over the old Fiscal Arrangements Act both from the point of view of this government and the provincial governments.

First, the provinces will be able to predict revenues from the federal government much more accurately. Second, provincial governments will have considerably more freedom with regard to how they choose to spend the federal contribution to post-secondary education. They will no longer be tied to a dollar for dollar cost-sharing arrangement, but will be free to establish their own priorities in educational spending without affecting the size of the federal contribution. Third, there will be no more need for the complex and often irritating system of auditing eligible operating expenditures at post-secondary institutions. This should increase the speed of settling accounts between the two levels of government. There are other advantages. I am happy that the new arrangements will have the result of distributing the federal contribution more equitably among provinces than was the case under the old Fiscal Arrangements Act.

I think the move toward an equalized per capita cash entitlement based upon provincial population is good and it should assist those provinces which formerly, on per capita terms, received significantly less than the national average. I should point out that because of the transfer of increased tax room to provinces those provinces with a high tax yield, particularly from personal income tax, will reap the benefit of relatively higher value in tax points.

I should like particularly to tell the House of the change which has taken place over the last few months in the relationship between the provinces and the federal government in matters of education. I am sure many members recall that when the subject of bringing forward the established programs financing arrangements was broached by the Prime Minister