

*Federal-Provincial Fiscal Arrangements***GOVERNMENT ORDERS**

[English]

**FEDERAL-PROVINCIAL FISCAL ARRANGEMENTS  
AND ESTABLISHED PROGRAMS FINANCING ACT,  
1977**MEASURE FOR MAKING CERTAIN FISCAL PAYMENTS AND OF  
ESTABLISHED PROGRAMS FINANCING CONTRIBUTIONS TO  
PROVINCES, ETC.

**Hon. Donald S. Macdonald (Minister of Finance)** moved that Bill C-37, to provide for the making of certain fiscal payments and of established programs financing contributions to provinces, to provide for payments in respect of certain provincial taxes and fees, and to make consequential and related amendments, be read the second time and referred to the Standing Committee on Finance, Trade and Economic Affairs.

He said: Mr. Speaker, the bill now before the House encompasses a larger part of the over-all fiscal relationships between the federal government and the provinces for the next five-year period. It covers the long-standing program of equalization grants to the provinces, the income tax collection agreements with the provinces, and other aspects of our fiscal relations. It also includes new arrangements for the major shared-cost programs in the areas of public hospital services, medical care services and post-secondary education.

● (1240)

The present bill, encompassing as it does an agreement made ultimately between the first ministers at the meeting in mid-December last, is witness to several important facts about the constitutional system. First, it has been found to be possible, with the exercise of ingenuity and a considerable spirit of compromise in Canada, to bring about substantial changes in fiscal responsibilities and also in the area of government programs between the two levels of government without seeking formal amendment of the constitution.

The British North America Act in its original form contemplated just the same kind of transfer payment that we have in the bill before us today, but those provisions, such as for example sections 118 and 119 of the BNA Act, have long since been overcome by the fiscal facts of life. Right from the start of our constitution the concept of transfer payments to certain of the provinces was built into our constitutional framework, and this bill represents the latter-day evolution of those provisions.

The second fact witnessed by this measure is that over a period of time an important evolution has occurred in the relations between the federal government and the provinces, a relationship which has not been enshrined in any formal act of law either by the federal or provincial governments. I am talking, of course, of the evolution of the institution of federal-provincial conferences, many of which occur every year in the context of purely functional questions by the ministers involved but which increasingly involve meetings between the

[Mr. Speaker.]

first ministers of the 11 governments for the purpose of resolving major questions of policy which in some cases may have been discussed by ministers previously.

From the point of view of the provinces, the new fiscal arrangements provide for the transfer of a large part of national fiscal resources from the federal to the provincial governments. Pursuant to this measure, the provinces will be receiving some \$8.5 billion in fiscal transfers, about \$3 billion of it in the form of an increased share of personal income taxes and the rest in the form of cash payments. This contribution represents more than a sixth of the total federal budget. From the point of view of the ordinary citizen, the measures we are discussing constitute vital services we have come to depend on and perhaps even take for granted as Canadians. We are fortunate to have established in Canada publicly-supported programs for hospital and medical care which assure all citizens high-quality health services regardless of their ability to pay.

I am conscious, in introducing this measure to the House in the first place, of the fact that the bill is a very complex document. I regret that this is the case, but unfortunately it is unavoidable. Fiscal relationships between different levels of government are inherently complicated. Hon. members will be dismayed to see algebraic formulae and cube roots worked into the clauses of the bill. The concepts they deal with are technically complex, but they have to be incorporated into legislation. The legal phraseology has to be as accurate and precise as we can make it. We are dealing with such notions as the measurement of fiscal capacity, methods of calculating cash entitlements, escalation factors and tax rate changes. These are essential features of the new fiscal relations we are proposing, and there is no alternative to writing them into the law.

I would have to say in this regard, however—if we can take at least one consolation from this—that happily this is not a measure which in the normal course of life will have to be interpreted by the ordinary taxpayer. Rather, it reflects the highly esoteric responsibilities of that rare but hardly endangered species, the treasury tax planner. As the House knows, that is a species which survives at a particular altitude in our community, living in communion with the binomial theorem, tending carefully square and cube roots, and comprehensible only to the other groups of similar planners.

**Some hon. Members:** Hear, hear!

**Mr. Macdonald (Rosedale):** Because of the complexity of the bill I would like to take a little time to speak of its detailed provisions, and I apologize for taking more time than I would normally on a measure on second reading. I wish to do so in order to put before the House, and for the record, an overview of the document before us and some indication of the ways in which the various fiscal arrangements have changed as a result of the discussions culminating in the meeting last December 13.

As I said before, this package of fiscal measures represents the culmination of intensive federal-provincial discussion and