

Federal Transfers to Provinces

I hasten to point out that while we in the Atlantic provinces are particularly disadvantaged in that respect, all provinces are affected. I ask myself what is gained by the efforts of the federal government to lower its deficit at the expense of post-secondary education. What is gained by the federal government's efforts to reduce deficits at the expense of any of the major areas in the social development envelope? All the government is doing is transferring its own deficit to the provinces. That is what I call Mickey Mouse economics, Mr. Speaker.

The total public debt is what is important in controlling inflation. It is not important whether the debt is at the federal level, the provincial level or the municipal level. It is the total public debt that fuels and inflames inflation. Transferring public debt from one level of government to the other accomplishes absolutely nothing. It is a cosmetic act. Already, because of the federal and provincial retrenchment of financing for post-secondary education, class sizes have had to be increased, library hours at universities and community colleges have had to be cut, research equipment has become increasingly obsolete and many programs have had to be eliminated or truncated. In Ontario, serious consideration is being given to at least the possibility of closing down four universities and four community colleges. That action may never happen. Yet the very fact that it is being considered reflects the extent of the problem.

Mr. LeBlanc: Scare tactics—that is what it is.

Mr. McMillan: Every department, from engineering to liberal arts, is affected; none is insulated. In the process, the quality of education is being allowed to suffer.

One of the things that particularly concerns me is the question of accessibility. Cuts will make it impossible for a large number of children from middle and lower-income families to go to our colleges and universities. Already, a disproportionate number of students from poorer families is excluded from higher education. New funding arrangements given expression in Bill C-97 will make the situation worse. Universities will be forced to increase fees, perhaps massively. There is a direct link between tuition and accessibility, Mr. Speaker. The Stanford Research Institute established that link beyond a shadow of a doubt in 1975. In the Atlantic provinces most families fall in the lower-income category. In Prince Edward Island, the average family income is only about \$18,000 per year. If the provinces, because of cutbacks at the federal level, are forced to reduce funding to universities, and if the universities, in turn, are forced to increase tuition fees, the burden will fall most heavily on the poorer people of the country.

● (2030)

I want to conclude on a note about equalization. I am convinced that, however bad the situation is because of established programs financing arrangements being planned, sunshine will not be shed on the situation due to proposed equalization provisions. Since 1967-68, payments have been

based on a national average of fiscal capacity among provinces. Excluded from the calculations was half the revenue from non-renewable resources; excluded as well were all municipal taxes. Any province which fell below a national level so defined was given an equalization payment. The November budget proposed that a substantial change be made in the old formula; payments were to be made on the basis of the Ontario standard. I argued vehemently in the House against the Ontario standard because the Conference Board, for example, had projected that Ontario in the years to come would have the slowest rates of growth of any province. To hitch the wagon of the have-not provinces to Ontario's star would jeopardize, in all likelihood, the sources of revenue of the provinces under equalization.

I welcome the fact that the minister saw the light and abandoned the Ontario standard. Now with a new formula based on a five-provinces average, he has introduced the capacity of five provinces to raise revenue. The new formula includes all revenue from natural resources and municipal taxes. It excludes Alberta and all Atlantic provinces from the five-province average. The new formula provides for a modification, namely, a ceiling and a floor. Both are helpful. I commend the minister for including them. But I believe that the total effect will be potentially disastrous for provinces like my own, and especially Newfoundland and Nova Scotia because as oil and gas revenues in those provinces come on stream their equalization payments will be reduced correspondingly. That provision amounts to virtually a 100 per cent tax on resource revenue. It cannot help but build into the system a disincentive for the have-not provinces to become self-reliant.

At first blush Prince Edward Island stands to gain. We do not have resource revenues or many municipalities. The inclusion of revenue from those sources has the tendency of defining Prince Edward Island as poorer than would otherwise be the case and therefore to strengthen its position in terms of receiving payments under equalization. The statistics also look encouraging. For example, in 1981-82 we will get \$103 million; in 1982-83 we will get \$124 million; in 1983-84 we will get \$140 million. By 1986-87, Prince Edward Island will receive \$189 million.

The statistics do not tell the entire story, however. The problem is that Prince Edward Island, the other Atlantic provinces, Manitoba and Quebec have become too dependent upon transfer payments because the government does not realize the value of helping them to become self-reliant. Instead of giving provinces an opportunity to develop their manufacturing sector, they have been weaned on transfer payments. I think the figures bear this out. Total federal transfers to governments, to persons and to businesses in Prince Edward Island will represent 51 per cent of the island's gross domestic product in 1981-82. By contrast, for all Canada total federal transfers will represent only 13 per cent of gross domestic product in the same year. Prince Edward Island receives the highest per capita equalization payments of any