

Federal-Provincial Fiscal Arrangements

and I mean the "national rate". It will still be possible to grant individual provinces increases in excess of 15 per cent as long as the overall federal contribution to the provinces as a whole does not exceed the 15 per cent ceiling. However, if during one of those two years, the authorized expenses of post-secondary education institutions were to boost the overall national federal contribution over 15 per cent, the provinces with an increase rate above 15 per cent would have their payments reduced in proportion to the excess amount which the payments made to them would have contributed to create.

Clause 24 of the bill is a statement of conditions applicable to the 15 per cent ceiling. Clause 26 deals with the implementation, by the Finance Minister, of the federal revenue reduction relating to post-secondary education. As for the remainder of Part VI of the bill, it is identical to Part II of the 1967 act.

Under the circumstances, I think that the proposed amendments offer a reasonable procedure enabling us to take into account a transitional period during the next two years which seems to me to be fair for all parties concerned, while being reassuring as regards the ceiling on total federal expenditures. Therefore, I hope that hon. members will give favourable attention to that bill.

With leave of the House, I would like to table the figures outlining the application of the 1967 agreements during the years for which comprehensive results are available to the government.

• (1630)

[English]

Mr. Deputy Speaker: Order, please. Does the Secretary of State (Mr. Pelletier) have consent to table the documents to which he has referred?

Some hon. Members: Agreed.

Mr. Barnett: On a point of order, Mr. Speaker. If the documents are not too lengthy, I wonder whether there might be agreement to have them attached to today's *Hansard* as an appendix so that we may be able to review them along with the minister's speech.

Mr. Deputy Speaker: I might say the documents are not lengthy. Is it the wish of the minister and hon. members that the documents tabled be appended to today's *Hansard*?

Some hon. Members: Agreed.

[Editor's note: For text of documents referred to above, see Appendix B.]

Hon. Robert L. Stanfield (Leader of the Opposition): Mr. Speaker, I must begin by agreeing with the Minister of Finance (Mr. Turner) about the importance of the subject matter of the legislation. There can be no doubt about the importance of this legislation to the provinces and the country.

The minister reviewed the history of this legislation to some extent. He went back to the prewar days when everybody was on their own, so to speak, through the wartime period when it was strictly a tax sharing proposition. Subsequently, this was discontinued and at some point not long after the war, the principle of equalization

[Mr. Pelletier.]

was introduced. My recollection is that initially the principle of equalization was based on the per capita yield from the three taxes, corporate income tax, personal income tax and succession duties, the per capita yield in these three areas in the two or three highest yield provinces. As the minister reminded us, the principle was changed in 1967 so that the concept of equalization since then takes into consideration virtually all revenues and brings each province up to the national average yield of provincial revenues from all sources. That, of course, is in per capita terms.

I am not going to indulge in a comparison with the United States. I understand that anyone in the United States would regard this as a vast improvement over any system there because there are virtually no fiscal relationships between the administration in Washington and the states. My impression is that the state governments have very little idea about what the federal administration is doing. Sometimes both levels of government operate in the same area of jurisdiction without the slightest idea what the other is doing. As Leader of the Opposition, I have to agree that in a comparison of relationships, that is fiscal and other relationships, between Washington and the states, our relationship here is happy by comparison. I think the minister will agree that by and large this is a stand-pat arrangement, except that arrangements with regard to post-secondary education are to terminate, as far as these arrangements are concerned, after a two year period.

I only want to say two things at this time about the post-secondary aspects of this bill. First, the uncertainty should be removed quickly because it is not possible to do much planning on the basis of a two year assurance. I am sure the Secretary of State (Mr. Pelletier) will agree it is imperative that whatever new arrangement is made to replace this will be satisfactory. Any government that I am in charge of following the next election will ensure that it is satisfactory.

Some hon. Members: Hear, hear!

Mr. Stanfield: It is imperative that it be worked out quickly in order to reduce the degree of uncertainty as rapidly as possible.

Second, it is imperative that there be real consultation. The Secretary of State told us something about his consultation. There was supposed to have been consultation the last time. Actually, what was worked out was improvised at the last minute. There was no real consultation prior to the current arrangements having been adopted in the first place. I stress the importance of real and meaningful consultation between those responsible in Ottawa and those responsible in the provinces for whatever scheme replaces the present arrangements with regard to financing post-secondary education in Canada, a very important topic.

As I said previously, this is basically a stand-pat arrangement. It continues the same equalization formula with the exception that the guarantee is moved up to 100 per cent from 95 per cent. We should bear in mind there are two aspects of the financial sharing arrangements of this bill. There is the regional aspect of straight sharing in the area of taxation in which both the federal and provincial governments have an equal right to tax. This began