

Dominion-Provincial Relations

cent this year and will rise by one point to 19 per cent next year and 20 per cent in the final year. My letter to the provinces which has now been tabled announces that this acceleration will be increased to 3 points a year; that is, the rebate will rise next year not to 19 per cent but to 21 per cent, and in 1966 it will rise further to 24 per cent instead of 20 per cent. There will, of course, be a corresponding increase in equalization payments to the provinces, and these payments will be based on the formula proposed for this year; but the level of taxes to which the formula is applied will be bigger, of course, to the extent I have described. On the basis of current tax yields it is estimated that the increased rebate and higher equalization payments will mean next year a reduction of some \$60 million in net federal revenue which will have to be recouped from some other source of taxation.

The detailed figures that I give now are estimates subject to some revision on which work is presently in hand. However, in round figures the extra revenue and equalization payments to individual provinces will be as follows. This is for the year in which this change takes place, the next financial year: Newfoundland, \$1.5 million; Prince Edward Island, \$300,000; Nova Scotia, \$2.4 million; New Brunswick, \$2 million; Quebec, \$17.6 million; Ontario, \$21.2 million; Manitoba, \$3 million; Saskatchewan, \$3 million; Alberta, somewhat under \$4 million; and British Columbia, about \$5 million.

That, Mr. Speaker, would be the effect of the extra 2 per cent next year. The further 2 per cent the following year will, of course, have a similar and further effect. I do not need to point out that this further sacrifice of federal revenue from these fields is substantial. Indeed, added to the \$87 million for this year which we announced in November and which I have already mentioned, it means that by 1966-67 this government will have reduced its taxes, in favour of the provinces, by more than \$200 million a year. We are making that reduction because we believe it is in the interests of the Canadian people as a whole. We believe it is the way to serve the priority needs of the country, especially for education.

Some hon. Members: Hear, hear.

Mr. Pearson: Now, Mr. Speaker, I would like to turn to another subject which is dealt with in some detail in the letter which has been tabled. It is the subject of pensions. This government came to office almost a year ago with a three point pension program. We thought that the basic old age security pension should be raised to \$75 at age 70. We wanted to ensure that this pension could be

available from age 65, on a graduated basis, for those who need it before age 70. Third, we believed that there should be available, in addition to the flat rate pension, a contributory pension related to earnings and sufficient to provide a reasonable minimum of security for all Canadians, and to provide that minimum as soon as possible.

Pensions, as we know, are a field of jurisdiction shared with the provinces under our constitution. We knew as a government that we could achieve a national standard in pensions, which is obviously desirable, only with the agreement of the provinces. We also knew, however, that we could not make early progress in this matter by talking in generalities. Our predecessors, it will be remembered, had raised with the provinces the question of a further constitutional amendment which is required for a plan providing survivor benefits. The province of Quebec had replied at that time, and reasonably enough, that it would want first to know what the pension plan was; and Ontario had meantime proceeded with legislation of its own regulating private pensions. We therefore decided that the way to get progress was to provide a definite basis for discussion with the provinces. We did that last July, and public discussion of various kinds has been under way ever since.

Some hon. Members: Oh, oh.

Mr. Pearson: We could, of course, have done more of the work confidentially and secretly; "in the back room", to borrow a phrase used last week in the legislature at Queen's park by the premier of Ontario. I was glad to note from these remarks of the premier of Ontario that he shared my view that more open methods are better. They enable public opinion to be better informed on the basis of specifics rather than generalities, and public opinion to be brought more fully to bear on the eventual result.

Therefore, Mr. Speaker, I do not apologize at all for the fact that this procedure has involved several changes in the details of our proposals. The fundamentals have never changed. We have adjusted the details in a constant attempt to get the best possible pension arrangement which could work for all Canadians.

Mr. Woolliams: Trial and error.

Mr. Pearson: Better trial and error than no trial at all.

Mr. Nowlan: This is all error and no trial.

Mr. Pearson: Trial and error and eventual success is better than five years of no attempt.

[Mr. Pearson.]