

Federal Transfers to Provinces

should continue to be that, if only for that reason. I think that was indicated quite clearly in the constitutional discussions.

However, I should point out the irony of the original idea of changing equalization to base the formula on Ontario alone, which was an earlier proposal of this government. Most of us from Ontario took that as a way of making sure that Ontario would never qualify for equalization because it would be the mid-ground. There are some of us from Ontario who think there is something to be said for that idea, because I am not sure that Ontarians are ready for the idea that Ontario may be a have-not province. Nevertheless, the new formula would appear to be the best of both worlds in that it creates a more honest balance and still leaves Ontario the opportunity to benefit should things get terribly worse in Ontario, which they may do under the policies of this government.

However, Mr. Speaker, the other part of this bill which changes the established programs financing provisions is of direct and vital importance to Ontario. I am going to take a couple of minutes to explain to those outside the House who are not familiar with what is involved. The established programs for most Canadians, are known most simply as medical support programs and the university financing provisions that the federal government enters into. Two elements of EPF in general are being changed, Mr. Speaker. The revenue guarantee component of the EPF entitlement is being eliminated; that was the provision introduced by the then minister of finance, Mr. Macdonald, in 1977, in order to get provincial approval for changes. The formula for calculating the cash proportion of the EPF entitlement is being changed. The EPF is transferred both as tax points under which the provinces get more money, and as cash payments directly from the federal government. The elimination of the revenue guarantee component of EPF reduces the level of provincial entitlements by 6 per cent to 7 per cent from what they would have been had the existing formula been continued. Moreover, until now the cash portion of EPF has consisted of three elements: basic cash, which was equal to half the entitlement; equalization payments to those provinces where the value of the tax transfer was less per capita than the national average; and a transitional payment in cash to those provinces where the value of the tax transfer plus equalization did not equal the value of the basic cash. Provinces where the combined value of the tax transfer and basic cash exceeded the entitlement level were allowed to keep the surplus.

● (2010)

Under this bill the federal government pays in cash from now on only the difference between the value of the entitlement and the value of the tax transfer. This ensures equal treatment for all provinces under EPF and does correct an inequity by which the richer the yield from a province's personal and corporate income taxes the more EPF was worth, which was, under the old provision, a kind of reverse equalization.

Together, these two changes will reduce the level of federal cash payments by about \$915 million from what it would have been in 1982-83. So much for the minister's argument that this change in EPF, and particularly the revenue guarantee, will not cost anybody anything. In fact, actual cash payments will be almost \$400 million less than in 1981-82. That is less by that amount in real dollars. The revenue guarantee termination accounts for well over 90 per cent of this decline. Moreover, by permanently lowering the base on which EPF entitlements are escalated they will save the federal government a total of \$5.7 billion over the five-year term of the fiscal arrangements. For Ontario that is extremely important because Ontario alone will experience a cut from what it would otherwise have received of nearly \$1.9 billion. So this particular change in the bill is much more important today and in the next five years to Ontario than equalization ever was.

When he was explaining this provision the minister said that in effect it was not a cut in funds for service—this is what he said earlier today—that removing the revenue guarantees simply moderated the rate of increase in 1982-83, that it was in fact offset by increases in provincial taxes as a result of the budget, that all it had the effect of doing, he said, was to mitigate the effect of eliminating the revenue guarantee, and that that is what his tax proposals would do. He cannot have it both ways. The minister attempts to say it will not cost Ontarians, for example, \$1.9 billion in lost services. The minister knows full well that \$1.9 billion will not flow, as it would have, from this capital to that capital. Someone has to pick up that bill. The minister cannot argue in good conscience that by taking the money away from the provinces there is not in fact the likelihood of a cut in services. That is what every responsible expert who has looked at these proposals, including the parliamentary task force, has determined. The all-party task force, one Liberal member of which is next to speak in the debate—and we will be waiting to see whether he supports in the House the provisions he supported as a member of the task force—in effect said it was vital not to do this.

The minister argues that the problem is solved because the tax changes in the budget which give the federal government more money will produce more money for the provinces. How can the minister try to have it both ways all the time? According to the minister, the federal government needs to make these cuts because of its general program of restraint. To the average Canadian, restraint means the government will spend less and tax less in real dollars. How can the minister therefore argue that it is not a cut, and use as his defence the fact that he is going to increase taxes and thereby increase provincial taxes?

Let us just look at the numbers and even accept the current estimate of revenues likely to accrue to the provinces in total of something over \$3.1 billion under the new budget arrangements and new taxes, which, I might point out, are down from the \$3.7 billion which was originally claimed by the minister—until the accountants got at it and said, "Well, just a minute; it is not quite that much"—and nobody is yet clear what the