

of Quebec alone in the traditional sectors such as clothing and so on, as mentioned in the Quebec National Assembly? Did you explain that to the other ministers of finance during your negotiations?

**Mr. Chrétien:** Mr. Speaker, it is obvious that a 3 per cent reduction of the sales tax on textiles, clothing and footwear would be a great help to the Quebec industry. But never did the government of Quebec make a proposal similar to that of the hon. member. If during our negotiations the Quebec government had wanted us to give more compensation to the so-called soft sector, we could have made the same offer to the other provinces and it would have been up to them to accept it or reject it. British Columbia and Saskatchewan preferred a 2 per cent income tax reduction over nine months instead of 3 per cent over six months. We made the necessary adjustments. I said: Very well, I will talk to the other provinces. I made the same offer to all the provinces but only Saskatchewan and British Columbia accepted it.

But at no time during the three weeks of negotiations did the Quebec government specifically mention the textile, footwear and clothing industries.

● (1442)

[English]

REQUEST FOR WITHDRAWAL OF SALES TAX MEASURE

**Mr. Heward Grafftey (Brome-Missisquoi):** Mr. Speaker, it is with regret that I put my final question to the right hon. Prime Minister. Many times in the past the Prime Minister has criticized the government of Quebec for acting as though separatism was already a *fait accompli*. Now we have in this sales tax business one policy for Quebec and one for the rest of Canada: that is clear.

In view of the reaction the Prime Minister has received from the rest of Canada, can he explain why he is already treating Quebec as though separatism was already a *fait accompli*; and because of the reaction he has received from all of Canada, will he now withdraw this stupidity?

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

**Right Hon. P. E. Trudeau (Prime Minister):** Mr. Speaker, the hon. member suggests that there is one policy for Quebec and one policy for the other provinces. I must point out to him that in so far as the application of their sales taxes is concerned, this is true. The province of Quebec chose to have a special scheme for its sales tax which, by the admission of the government of Quebec, would help not the Canadian common market but producers in the province of Quebec. In that sense, it is a separatist government, to use the hon. member's phrase, which has chosen to serve itself apart from the rest of the country.

In so far as the Minister of Finance is concerned, he offered to all provinces which had sales taxes exactly the same thing, and he is doing in all provinces exactly the same thing. He is making tax room by abating the federal income tax so that the

provinces can increase their income taxes and occupy that tax room. In this sense, the minister is transferring money from the federal treasury, which gets its money from the payer of direct income taxes, to the provincial treasuries, which get their money from payers of income taxes.

I wish hon. members opposite would understand that we are not treating Quebec differently. We are treating Quebec in exactly the same way as we are treating the province of Ontario: we are giving it tax room so that the provincial government can use that tax room to cut sales taxes. In the cases of the other provinces, they have cut them according to the scheme discussed among themselves. In the case of Quebec, the sales tax has been cut in a different manner which seems to destroy the idea of a national common market and which seems to favour only jobs in the province of Quebec. This is the difference.

**Mr. Clark:** That is nonsense, and you know it.

REASON MANITOBA NOT ALLOWED TO USE TAX REVENUE FOR  
JOB CREATION

**Mr. Jake Epp (Provencher):** Mr. Speaker, I direct my question to the Minister of Finance. I would like to have the unexplainable explained, because the provinces are not being treated equally. On the one hand there are no strings attached and, on the other hand, there are very specific strings attached. What the government is doing is giving federal revenue to eight provinces on the strict condition that they accept the government's sales tax program, while one province gets money with no strings attached.

Under the present proposal, the Quebec government can use the so-called tax room for whatever purpose it chooses. Can the minister explain to me why the province of Manitoba was forbidden by the minister from using its own provincial tax money for direct job creation, when the minister says here today that the flexibility which was granted was granted to all provinces?

**Hon. Jean Chrétien (Minister of Finance):** Mr. Speaker, the proposition I made to the province of Manitoba was exactly the same as the proposition I made to the other provinces. I suggested that Manitoba cut its sales tax by 3 per cent for six months and that I would compensate two of those three percentage points. That proposition was accepted.

Like many other provinces, Manitoba asked me to do something else. I spoke to all ministers of finance and tried to reach a consensus. When I learned that Saskatchewan and British Columbia wanted to have a special proposition, I called the other ministers of finance and made that proposition to them. They all said that I could make that special deal with B.C. and Saskatchewan, but that it was of no interest to them. The scheme was agreed upon and known about before I introduced my budget. But during the course of the discussions many people made all sorts of suggestions and I was not able to get agreement from the other ministers.