

Federal-Provincial Fiscal Arrangements

the job better than the federal authority, that they understand the local conditions better than the central authority in Ottawa, and they are prepared to make the most vigorous fight for their own autonomy in these matters.

The hon. member for Waterloo, for whom I have the greatest respect and affection, says that if necessary we can find a way around the constitution. There are many people who have tried to find a way even to amend the constitution itself which may have seemed a relatively simple thing, but so far the difficulties have not been overcome.

There is no simple way in which we can grapple with this problem of uniform standards across Canada by the federal authority moving into certain areas and operating its own programs. This difficulty was faced in a much more oblique way by the Leader of the Opposition when he spoke in this chamber yesterday. He has been a premier of a have-not province. He recognizes that the need for equalization payments in the fiscal arrangements is absolutely essential to Nova Scotia, among others. Indeed over a third of the provincial revenues of that province come from equalization payments, which are the heart of the bill before us.

If we cannot provide the means for the broad range of services, the infrastructures, the social facilities that are provided through shared cost arrangements, if we cannot provide them through federally operated programs, then the only means by which this can be done is through the device of equalization. Equalization, at a cost of something like \$1 billion is, as I said, an essential and key part of the measure before us. Indeed, it is expected that the equalization amount in future years will rise to \$1½ billion, so if we are to deal with this through the means of equalization then we cannot make further concessions in the tax points without destroying the tax system itself.

• (1600)

The Conservative party has considerable strength in the province of Ontario and its Premier is a vigorous opponent of this. Oh yes, he pays certain lip service to equalization but his provincial treasurer makes the most vigorous case for increased tax room, for increased assignment of federal taxing authority, for turning over the results of tax levied at the federal level. The leader of the Opposition said it was too bad we did not take account of that great study which was undertaken about 1967 and which indicated that provincial and municipal expenditures would rise and the federal government would have a surplus in the years ahead. He did not say what should be done about it because the simple fact is that there is no further elbow room that can be given by the federal authority, in its income tax, to the provinces.

In a previous House I had the opportunity of listening to the predecessor of the present Minister of Finance announce that 75 per cent of succession duties would be given to the provinces. At that time I made a mental note that before succession duties were changed there would have to be a federal-provincial conference. Three out of four dollars collected were not going to federal coffers but to provincial coffers. I wondered how long a federal government would stay in the succession duty field under that system. I was very pleased to see that under the tax reform legislation adopted by this House, arrangements

[Mr. Francis.]

were made which bring a different approach to this problem. We have taxed capital gains on the basis set out by the act and the federal government is withdrawing from the succession duty field.

Meanwhile, as part of the transitional arrangements, there is a certain stability of revenues which will go to the provinces due to the fact that the federal government will continue, at the request of the provinces, to collect succession duties until such time as the yield under the capital gains reaches a level of revenue yield which will be satisfactory to them. At least we have come back to a more rational system. The yield on capital gains is part and parcel of the role of income tax. We no longer have the recession on the tax front which threatened to destroy not only the power of the federal government to act in its own fiscal capacity in handling the responsibilities it has, but threatened to erode the heart of equalization itself and the tax structure.

I am pleased and proud to support the measure before us today. It does not break great new ground, but it gives certain assurances to the provinces that their revenues will be maintained. The Leader of the Opposition said that all of these should have been co-ordinated, the tax reform measure and fiscal agreements with the provinces, and that we have given the provinces an excuse to delay for another ten years. Goodness knows, however, we had enough difficulty trying to put through the measures which have been enacted. The Leader of the Official Opposition does not offer any alternative. He is caught by the dilemma of his own party with the chief and most vigorous spokesman on the provincial level demanding more and more concessions in tax yield. As a man who knows the problem of the have-not provinces, he knows equalization is the heart of their stability, their borrowing capacity and their ability to maintain social services. He knows there is no alternative but to do what the measure before the House suggests. He, therefore, condemns the government for not having undertaken new studies and not having made certain predictions, knowing full well that there are no alternatives before this House but to adopt the measures proposed in the name of the Minister of Finance.

Mr. Gordon Ritchie (Dauphin): Mr. Speaker, in speaking on this bill, C-8, I should like to point out that it really does not change anything, that it has merely patched up what has been in effect for the past five years. It will not make much, if any, improvement in fiscal relations between the provincial and federal governments, something which I think will have to be looked at before too long. Even five years ago there was general agreement that these relations should be over-hauled.

It is too bad that at the constitutional conference in Victoria greater results were not achieved in the field of fiscal matters. I think it was at this conference that the Prime Minister (Mr. Trudeau) hoped to bring a new constitution to Canada but he seems not to understand that the main stumbling block to constitution change lies in the fiscal field. The growth of health, welfare and education expenditures by the provinces has tipped the British North America Act out of balance and a fresh approach to the fiscal problems is required.