

Dominion-Provincial Relations

The bill provides that the supplementary agreement will require an undertaking that the province entering into such an agreement shall continue to operate the program on the same conditions as was required under the original authority. This is for the purpose of maintaining the national standards achieved by joint programs and to ensure that a citizen does not suffer any loss of benefit when moving from a province which has not contracted out to one that has. The supplementary agreement may only modify those conditions of the original authority which are concerned with the manner in which the province is compensated for the program, and the manner in which the province submits its claims for reimbursement where reimbursement is involved.

The bill provides that a province has until October 31, 1965, to enter into an agreement to contract out of a joint program. If a province avails itself of the opportunity, it may contract out of a program effective either as of the first day of the interim period or as of a year later. For example, a province which decides to contract out of the hospital insurance program may contract out on January 1, 1965 or January 1, 1966.

For purposes of contracting out, the bill has grouped together certain programs. This grouping has been adopted to insure the maintenance of the close relationship that exists now between joint programs that have similar objectives. And it also allows meaningful tax abatements to be associated with what is called in the bill, standing programs. Old age assistance, blind persons' allowances and disabled persons' allowances, and the base load or welfare component of unemployment assistance are to constitute a single program for the purposes of this bill. The same thing is true of national health grants, disability advisory services and blind pensioners treatment programs.

Now, I should point out, Mr. Speaker, that the technical training program and health grants program, which are grouped together for contracting out purposes, are not to include all projects which are at present included in those programs. The capital assistance component of the technical and vocational training program is not subject to the provisions of this bill. The research and demonstration aspects of the health grants program also would be excluded since it is generally agreed that the government of Canada has a particular responsibility to provide leadership in the field of research. Apart from the public health research grant, which is concerned solely with research, it is estimated

that approximately 25 per cent of the expenditures made under other national health grants involve research or demonstration projects. Provision is made in the bill to allow federal and provincial authorities together to determine which projects fall into research and demonstration categories and will therefore be excluded from the contracting out arrangements.

The twofold character of the unemployment assistance program is recognized in this bill. The recipients of unemployment assistance fall into two categories, one category consists of those who are unemployed due to the vagaries of the business cycle and the other category consists of those individuals who are unemployable as well as the hard core of unemployed which persists even in a most buoyant phase of the business cycle. The first category may be classified as the non-welfare portion of unemployment assistance and the second is the welfare portion. While the expenditures constituting the non-welfare portion of unemployment assistance are subject to variations depending on the state of the economy, the welfare portion, although its magnitude varies from province to province, constitutes a relatively stable base load. Consequently, it was thought desirable to limit the contracting out to the steady or welfare portion of the unemployment assistance program and to continue the fluctuating or non-welfare portion as a continuing joint program.

It is possible to discern the twofold character of the unemployment assistance program from an observation of the expenditures under the program, but it would be difficult administratively to allocate each recipient of unemployment assistance into the aforementioned categories. In order to avoid this difficulty, it was considered advisable to define the welfare portion of unemployment assistance in dollar terms. The welfare portion is defined as equivalent to the value of two equalized abatement points. The expenditure by a province above this level constitutes the non-welfare or continuing joint portion of the unemployment assistance program.

Now, the decision to equate the welfare portion to the value of two abatement points arose from an observation of Ontario expenditures under the joint program. In that highly industrialized province, the base load appeared to approximate \$20 million annually, which was equivalent in value to a 2 per cent abatement of the individual income tax. The amount of the basic federal income tax that is to be abated in respect of each program is

[Mr. Gordon.]