

FEDERAL-PROVINCIAL RELATIONS

PROPOSALS FOR COST-SHARING—CONSULTATION WITH PROVINCES

Mr. T. C. Douglas (Nanaimo-Cowichan-The Islands): Mr. Speaker, may I direct my question to the Minister of Finance? In view of current reports that the federal government proposes opting out of existing federal-provincial cost-sharing arrangements for hospital insurance, medicare and post-secondary education by imposing a ceiling on increased costs and in lieu thereof granting the provinces half tax points and half cash, may I ask the minister this question: Can the minister confirm whether such proposals have been placed before the provinces and what is the nature of their response with respect to their acceptability?

Hon. Donald S. Macdonald (Minister of Finance): Mr. Speaker, the proposals with regard to a change in that part of the fiscal arrangements were put before the provinces some months ago at the federal-provincial meeting and there have been discussions since that time. It would not be accurate to say we are opting out of the funding of these programs. What we have proposed in response to requests from the provincial governments is that we could bring to an end the process of cost-sharing by which the federal government is put in the position of auditing provincial expenses and that we could make available to the provinces equivalent sums of money to that made available in the year 1975 but subject to escalation of the gross national product.

As to the question of the manner in which this should be done, whether it should be a transfer of all tax points as requested by some of the provinces or continue to be a totally cash payment as requested by others is obviously a matter upon which there is no single provincial agreement. We will be going to the provinces to talk about a number of possible compromises on this to try to meet a part at least of the two contending points of view that have been put to us.

Mr. Douglas (Nanaimo-Cowichan-The Islands): Mr. Speaker, since any change to tax points will adversely affect the economically disadvantaged provinces even more than the others, and since some of the provinces have stated that the change in the formula for the revenue guarantee will require them to increase their provincial income taxes which will have serious consequences for the economy of the poorer regions of Canada, is the federal government prepared to reconsider its cost-sharing proposals and the provincial revenue guarantee formula in favour of proposals designed to assist the provincial governments rather than hamstringing them?

Mr. Macdonald (Rosedale): Mr. Speaker, the hon. member's analysis is not correct. Indeed, the calculation we have made is that over any period of time the proposal would produce a greater transfer of financial resources for provincial programs than would be available under a continuation of the existing program. I go back to the point I made. There have been extensive provincial representations over the years that we should transfer the taxation responsibility to the provinces.

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We are prepared to a degree at this point that where a province is responsible for the major spending, it should also be responsible for a major part of funding of that program. However, we recognize that in the case of the less well to do provinces a continued federal cash payment will have to be made. What we are seeking to do in an act of compromise is to meet all of the competing claims that the provinces have put on the federal government.

EFFECT OF FEDERAL PROPOSALS ON COST-SHARING—GOVERNMENT ACTION

Mr. T. C. Douglas (Nanaimo-Cowichan-The Islands): Mr. Speaker, I wish to direct my supplementary question to the Prime Minister. In view of the fact that tax points will bring greater benefits to the wealthier provinces and since the Prime Minister has stated that he wants a unified and indivisible nation, a sentiment with which we heartily concur, may I ask him if he is not aware that the financial changes his government is advancing will only further aggravate federal-provincial tensions and will tend to alienate even further the economically disadvantaged provinces, such as Quebec and the Atlantic provinces, at the very time when our federal system needs to be strengthened rather than weakened by unnecessary discord?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, I disagree with the statement of the hon. gentleman and I disagree with the premise of his question when he says that this proposition will not be in the direction desired by some of the less advantaged provinces. I can give him one clear example, that of the province of Quebec which has always asked for tax points rather than cash. It seems to me that demolishes his thesis pretty neatly.

Some hon. Members: Hear, hear!

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THE CANADIAN ECONOMY

REQUEST FOR MINISTERIAL STATEMENT ON ECONOMIC SITUATION—GOVERNMENT POSITION

Hon. Robert L. Stanfield (Halifax): Mr. Speaker, I wish to ask the Minister of Finance a question arising out of what he has described as a rather disappointing performance of the economy compared to his budgetary expectations. As I understand it, the minister has indicated that he does not intend to present a budget at this time, probably not until the spring. In view of the serious consequences of the slow rate of growth, and in light of other difficulties which confront the country as far as Quebec is concerned, would the minister be prepared to make a comprehensive statement on the economic situation as he sees it and the stance taken by the government within the next week or so?