Let us consider the surplus Quebec gets from the Canada Assistance Plan and the supposed surplus from equalization payments, since there are losses and shortfalls in that area, and let us compare them with the losses Quebec incurs because of unfair distribution of federal funds in terms of productive investments, that is to say federal investments in, for instance, research and development. In the past 30 years, Quebec has been receiving between 13 and 18 per cent of all federal R and D funding, both intra and extramuros. Let us figure what this loss of revenue means, not so much in accounting terms, but in terms of lost opportunities.

What would the situation be today in Quebec if it were not for this unfair distribution of R and D transfer payments? Would Quebec be one of the have–not provinces now, supposedly being helped by a sham of an equalization system, or would it be able to have sufficient tax revenues, just like Ontario does? For the last 30 years, Ontario has been receiving around 50 per cent of all federal funding. And you would have us believe that it has nothing to do with a weaker economy in Quebec?

Having said this, we will do our best to defeat or amend Bill C–3 when it goes to the finance committee, and as I mentioned a little bit earlier, we will fight against the continued capping of equalization payments. We will strive to bring about changes to help our Canadian friends to take better advantage of a system that might have been excellent at the start but which now borders on the absurd.

The Deputy Speaker: Since there are no questions or comments following what the spokesman for the Official Opposition said, I recognize the Reform Party. The hon. member for Calgary West.

• (1135)

[*English*]

Mr. Stephen Harper (Calgary West): Mr. Speaker, I rise to lead off our party's contribution to this debate on amendments to the Federal–Provincial Fiscal Arrangements and Federal Post–Secondary Education and Health Contributions Act. In Bill C–3 we are discussing amendments or renewal of the equalization program.

As I understand it this bill does several things. The parliamentary secretary alluded to these and I will repeat them. It renews the current equalization program to the end of fiscal 1999. It retains the GDP ceiling on equalization transfers. It makes some changes to tax base calculations in the formula tax base updates. It provides relief on tax back of some unique resource capacities in certain provinces.

Under this bill equalization payments are projected to grow from $8.4 billion this year to about $10.4 billion by the end of the century. That will be an annual growth rate of about 5 per cent per year. It includes about 2 per cent additional growth that is being added by the measures in the bill. Because of the cost of the program, rather than the particulars of the formula or some of the elements of the bill, our finance committee within the Reform caucus has recommended to Reform MPs that they oppose this bill at second reading.

During the past election our party campaigned—and I have made reference to this several times—on the need to undertake a dramatic program of expenditure reduction to get us on the path to long run financial sustainability of all our most valuable programs. It was the zero in three plan to balance the budget within the life of this Parliament.

In that plan we have projected and continue to maintain that spending at the national level is at least 15 per cent above our long run ability to sustain it. We have attempted to examine categories of spending and we will continue to do so, including spending on social programs and within that transfer programs to the provinces.

The zero in three program proposed relatively small cuts in these areas. That was the feedback we received through consultation with the public. In fact we had proposed only reducing federal transfers to the provinces by about 5 per cent of the total from this level of government or about $1.5 billion. Another way to put it would be about 1 per cent of provincial tax revenues.

Let me review what we are talking about in this particular envelope of spending. I am quoting from a recent publication of the Department of Finance. It states that in fiscal year 1992–93 this category of spending would include such things as established programs financing in the health care field, $8.3 billion; the equalization program discussed in this bill, $7.4 billion; Canada Assistance Plan transfers, $6.7 billion; established programs financing transfers for post–secondary education, $2.9 billion; and various other transfers, the so–called minor transfers.

Things become minor when they are less than $1 billion. That includes significant transfers to territorial governments, all of which total according to the documents roughly $28 billion that fiscal year. That does not include tax point transfers which add considerably to the total. We are talking about one–quarter of all program spending and more than that if we take into account the tax points.

• (1140)

As I indicated, people did not want to target the area of social programs and transfers generally for reductions. However given that these are now two–thirds of all current spending, it is hard to avoid some kind of action in these areas.

In developing our program we found that what people wanted to preserve most strongly were the funds dedicated specifically to the maintenance of health and post–secondary education programs. The public felt there was some room to reduce