

Federal Transfers to Provinces

that was finally agreed to by the provinces. Sure they would have liked more. Sure, from the standpoint of our having to go to the federal taxpayer we would have liked to pay less. I think it was Premier Davis who said at the end of the meeting that it was as the result of a compromise between parties. The allegation was made that the final authority rested with the federal government and therefore they had to accept the fact. In a certain sense that is true, but it is also false.

For example, the arrangement with respect to the hospital program could not have been carried out by the federal government without the agreement of the provinces. This was their blocking point with respect to the established programs financing. As I said, they agreed with the principles and they are prepared to come up in this regard.

Sir, clearly there was no arrangement that revenue guarantees were separate, and all we have to do is look at the blue books for 1977, 1978 and 1979. The President of the Treasury Board (Mr. Johnston) is here and he can tell us that nowhere in the blue book last year did it say there was a transfer for revenue guarantees.

What happened was that the block fund determined in the 1976 negotiations was arbitrarily split. Roughly 68 per cent was for health concerns and 32 per cent for post-secondary education. The cash for health concerns was broken down in some fashion and the minister of health wrote a cheque. The cash for post-secondary education was broken down and the minister responsible wrote a cheque. Nowhere did it say "revenue guarantee". Nowhere did it say anything about escalating \$20 per year per capita, or whatever, for extended health care. And for the government to come along and say that somehow for all of this period of time the revenue guarantee is something else, is for the Minister of Finance (Mr. MacEachen) to say: "I have been sucking along for five years and now I want to whistle." The trouble, Sir, is that he has too many soda crackers in his mouth to whistle. He will not be believed. Nowhere in the record did he say anything about that.

The whole question of revenue guarantee was thoroughly analysed by the task force, Mr. Speaker. On page 7 of their recommendations they said:

—that the division of the EPF program transfer (that is, the total EPF transfer excluding that portion associated with termination of the revenue guarantee) be allocated to the health and post-secondary components in the proportions established in 1977.

They conclude that:

—by virtue of the internal allocation established by the federal government, fiscal transfers associated with the revenue guarantee must now be considered part of the health care package and/or post-secondary education transfers and should therefore be allocated, in the renewed EPF arrangements, to health and/or post-secondary education, in proportions to be negotiated.

Sir, that should deal with that issue. The minister should forget about that and come clean with us. If he wants to reduce money flowing to the provinces by a billion dollars, then he should come clean with the provinces and say so; but let him not confuse the subject with some spurious statement about revenue guarantees no longer being applicable and with the assertion that that revenue guarantee is in relation to the 1972 change to the Income Tax Act. That is nonsense and the minister knows it. He has admitted it is and he should not come before us now and try to con us more.

● (1650)

I want to deal next with the question of cash and tax transfers and how they work out in relation to post-secondary education and health care. The transfers under the EPF are a mixture of cash and tax points. Up until now each province received 50 per cent of its allocation in cash, and the balance of 50 per cent was made up of tax transfers plus cash. In other words, no matter how well a province did under the tax system—if it did really well, as Alberta has been doing lately—that province got all the money it got out of the tax system and 50 per cent cash. On the other hand, if a province was not doing so well—like Ontario lately—and it was not raising enough revenue through equalized tax points, it got what it raised in taxes plus enough to bring it up to 50 per cent in cash and then another 50 per cent in cash. That is how these transfers were worked out.

Under the bill the minister, as he says, follows the prescription of the task force and says we will treat it all as one; the provinces take the money they get out of the tax points, and whatever money is required to bring them up to the full EPF transfer we make up in cash so that each province is treated equally. Those provinces which have the ability to raise more money on tax points do not receive extra benefits because, after all, as the minister points out, they can afford it. I have some concerns about that in the long run. There is nothing wrong with that in the short run, but I would be concerned if in the long run the amount of federal transfers for these programs diminished to the extent that the amount of cash to some provinces became virtually nil. We might then run into some serious concerns about established programs and federal standards.

The task force spent a great deal of time dealing not with the question of whether there should be revenue guarantees but with the necessity of maintaining transfers for health care and post-secondary education. With respect to health care the task force concluded that the present block-funding arrangements should have stricter conditions and monitoring enforcement mechanisms that would provide effective mechanisms to ensure compliance with national program conditions. They say:

For this purpose, it will be necessary to establish operational program criteria, perhaps monitored by a parliamentary committee or a national health council, with federal payments conditional on compliance with program criteria, but conditional in a flexible manner—

They go on to say:

—that the Minister of National Health and Welfare report to Parliament—

The report concludes that hospital and medical care premiums should perhaps not form part of taxation, and so forth.

There are a number of recommendations in the task force report suggesting that Parliament monitor effects on health care and concerning how money transferred by this Parliament to the provinces is spent. The same generally is the case with respect to post-secondary education. In that regard we recommended that the first ministers' commitment made in 1976 with respect to consultation be honoured. We suggested that there is a federal interest in post-secondary education in terms