

*Federal-Provincial Fiscal Arrangements*

full intention to harmonize its own income tax legislation with the reformed federal act.

In response to provincial requests to share in the revenues from the tax on payouts of undistributed profits held at the end of 1971, the bill also proposes a transfer of one-fifth of these revenues to the provinces. This is roughly the same proportion as the federal government now shares with the provinces in the corporation tax field.

*[Translation]*

The other part of the bill deals with the method whereby the federal government helps the provinces to finance 50 per cent of the cost of post-secondary education in Canada. Here again, it is an extension of the program launched for the first time in 1967 and which is to be terminated on March 31 next. The support of the federal government in that area came in the form of tax point transfers as well as adjustment grants. Education is a complex area of public policy where a rapid ferment of change is assailing accepted ideas and institutions.

This is why the bill proposes that these provisions be extended only for a period of two years. During that period we look forward to intensive consultations with the provinces to determine more specifically the goals, the trend of the policies and the responsibilities of the federal government. This is a pressing problem which comes under the jurisdiction of my colleague the Secretary of State (Mr. Pelletier). I expect him to intervene during this debate to deal in depth with this important issue.

Mr. Speaker, my colleague tells me that his speech might last about ten minutes and if after my speech the leaders of the other parties would agree, instead of having the usual reply, the minister might be given the floor for ten minutes to complete the picture. It will be up to the House to decide.

*[English]*

The final part of the bill is concerned with two further questions upon which I should comment briefly. There is first a "housekeeping" section, including reference to the making of regulations. I was concerned with this question in my earlier responsibilities. The government is fully committed to the policy of limiting its own powers of regulation to the minimum. This is the burden of the Statutory Instruments Act passed by this Parliament and the burden of the review of the Scrutiny Committee to be set up in this session. It will be obvious, however, that the substance of this bill depends upon a great many technically complex definitions, measurements and calculations. Indeed, the revenue guarantee envisages the use of abstract mathematical equations. To have attempted to incorporate all of this into statutory language would have been impossible, or resulted in a completely incomprehensible bill. The provinces have also urged that technical details should be prescribed in regulations upon which they might be consulted, and it would be our intention to proceed in this way.

*[Translation]*

There is one more question which remains to be decided in the last part of the bill. It has to do with the application of the revised version of some provisions of the Established Programs (Interim Arrangements) Act. This legisla-

[Mr. Turner (Ottawa-Carleton).]

tion was passed in 1965 and included an option for a different kind of federal payments to the provinces regarding selected shared-cost social programs. Instead of a concrete federal contribution in the form of a cash grant, that legislation provided for transfer of fiscal "elbow room" to the provinces. This additional taxation field allowed provinces to levy part of the revenues needed to finance their own programs. This "non-participation formula", as it could be called, was applicable to hospitalization insurance, welfare programs and general health grants. Although all provinces had access to that offer from the federal government, only Quebec chose to take advantage of it. A similar agreement was later introduced in order to support post-secondary education in all provinces.

It is important to realize that for the seven years during which those agreements were in force, Quebec has received no less and no more federal assistance than would have been given under the traditional cost-sharing method. The provisions of this bill simply extend the validity of those arrangements for a further period of five years. They have been adjusted, however, to reflect the slight changes in the value of transferred fiscal points due to income tax reform.

*[English]*

This general question of "opting out" was discussed at some length at the federal-provincial plenary conference of last November. At that time, the federal government suggested that it was not at all clear how full financial responsibility for the shared-cost social programs, together with the necessary financial resources, could be transferred to all the provinces on a fair and lasting basis. The health and welfare programs, which were thought to be well established, have in fact been undergoing rapid change. Their form, coverage and substance have all been rapidly evolving as new ideas, new techniques, and new institutions have come to the fore. Parallel with these developments, cost control and prediction have become more difficult. Consequently any simple mechanistic transfer of financial responsibility and tax room is not likely to provide lasting and useful solutions. Instead we have been exploring alternative means by which the provinces might enjoy greater flexibility and freedom to design their own programs and fix their own priorities, but still receive fair and appropriate financial support from the Parliament of Canada.

These explorations and consultations with the provinces will continue. But they are more likely to succeed if carried out on a program by program basis. This will ensure that careful attention is paid to the special circumstances and developing prospects in each case, and that the central objectives of these basic social programs are not lost sight of in a squabble over the form of financing.

In all of these consultations, however, we must keep constantly in mind the responsibilities of the government and Parliament of Canada toward all Canadians. I have attempted in these remarks, Mr. Speaker, to convey something of the historical foundations, the broad philosophy and the main highlights of the bill. I should like to reiterate, in closing, its urgent importance to the provinces, and thus to our country and its citizens. It is a lengthy and technically difficult bill, and perhaps not one to attract widespread public attention. But as I have emphasized, it