

Federal-Provincial Fiscal Arrangements

of British Columbia, which gets nothing for the first six years, will get a cumulative increase of \$200 million. The remaining eight provinces of Canada will get no increase at all for the first nine years. In the last year the amounts of money will be negligible: Newfoundland, \$1 million; Prince Edward Island, \$200,000; Nova Scotia, \$1.9 million; New Brunswick, \$1.3 million; Quebec, \$10.4 million; Manitoba, \$1.7 million; Saskatchewan, \$1.7 million; Alberta, \$1.6 million.

Outside of Ontario and British Columbia, the other provinces in the first nine years, according to the government's own figures, get no increase. I submit that this is equalization in reverse. The two provinces with the highest per capita income will get more money, and Ontario will get more money every year. The poorer provinces will get nothing by way of an increase in the first nine years. I submit there is something seriously wrong with this system of tax points. It can only lead to continual aggravation of the disparities which now exist between the wealthy and the poorer regions of Canada.

This scuttling of the 50-50 cost-sharing arrangement, replacing it with tax points and cash grants, leaves all the risks to the provinces. Under the 50-50 sharing program they knew that if they spent \$1 million the federal government would match it with \$1 million. Now they are entirely dependent upon what the tax points allocated to them will bring in. Therefore, any decline in the gross national product will affect them adversely.

Every member knows that the amount of sickness in the country, the number of people who have to be taken care of through welfare, and the number of old people who have to be given custodial care, does not go down because the gross national product has gone down. If any government is in a position to take the risk of a drop in the gross national product, it is the federal government. It has some responsibility in that situation. However, the provinces will have to bear the burden of increased costs at a time of economic recession, the very time when the revenues they receive to meet adverse economic conditions will be declining.

Under the proposals in this legislation there will be very little for new programs: the amount available is negligible. The provinces will receive one-half of a tax point equalized to the national average, plus an equivalent amount in cash. This is estimated to give the provinces between \$200 million and \$400 million over the next five years, despite the fact that the Minister of National Health and Welfare in 1973 offered the provinces \$600 million over the following five years.

● (1610)

My hon. friend from Winnipeg North Centre (Mr. Knowles) has already explained what this change in financial arrangements will mean in the field of adult care. Whereas under the Canada Assistance Plan costs have been shared 50-50, the provinces are now going to get eight tax points, and for the purpose of providing adult care, \$20 a head. What will be the result of that? Look at the discrepancies. British Columbia, an additional \$23 million; Ontario, an additional \$50 million; Alberta, an additional \$19 million. Prince Edward

[Mr. Douglas (Nanaimo-Cowichan-The Islands).]

Island will lose \$2 million; Saskatchewan will gain \$2 million; Manitoba will gain \$800,000. But next year the amount will decline. Is it any wonder that the Saskatchewan minister of finance, according to a report in the *Globe and Mail* this morning, said:

The federal decision to change the method of cost-sharing is a cruel blow to the aged and handicapped in Saskatchewan. Where we had hoped to provide a significantly enriched level of service, we now will find it extremely difficult to do so, given the loss of federal cost-sharing dollars.

He went on to say:

The \$20 per capita will barely cover our losses under the Canada Assistance Plan in the first year. In future years we will actually receive less money. And with less federal money we are expected to increase the range of low-cost health services in the provinces.

I do not think any hon. member who looks carefully at this situation could fail to agree that in times of economic adversity the responsibility of the provinces increases. This legislation makes it almost certain that provincial revenues will decline at the precise time when economic adversity makes itself most felt. I want to suggest to the government that the least it could do when this obnoxious legislation goes to the committee would be to average the tax points for the cost-sharing programs to the highest province, in order to remove the disparities which are inherent in this bill. Levelling the tax points to the highest province would remove some of the disparities. Moreover, it would not leave the provinces to take all the risks, and it might provide some funds for developing new programs.

I might point out that this is the position taken by the provinces themselves. I have in my hand a copy of a speech which was delivered at the conference of finance ministers on December 6 and 7, 1976. It was made by the hon. Merv Leitch, the provincial treasurer of Alberta, on behalf of all the provinces. I underline that fact. This was one of the few occasions at a federal-provincial conference when one spokesman was able to present the views of all the provincial representatives. I will read just one paragraph of what he had to say on behalf of all the provinces.

It is essential to our proposal that these tax points be equalized to the level of the highest yielding province. The proposed equalized tax point transfer is viewed as having a very special purpose. It would permit all provinces to benefit equally from the increasing yield of the tax points. At the same time, it would provide all provinces with the potential to achieve the same standard of per capita program expenditure. As the Prime Minister stated last June: "There should be greater equality in per capita terms among the provinces with regard to the amount of federal funds they receive under the programs." This is a federal principle that all provinces endorse. We are not prepared, however, to accept any disparity. It would be illogical to equalize to the national average if the number of points to be transferred were calculated with reference to the province with the highest per capita yield. More importantly, it would be inequitable because it would lead to wide divergences in the per capita value of the total federal contribution.

He went on to say:

We emphasize that we are not seeking equalization to the top for general equalization.

In other words, the provinces were not asking for general equalization financing. They were urging that in this cost-sharing program the tax points allotted to the provinces should be equalized to the highest province in order that there might be no disparities and in order that the per capita benefits to the