

recovery of a portion of the tax transfer, and the second relates to the extended health care services proposal made to the provinces by the Minister of National Health and Welfare (Mr. Lalonde). The need to make a recovery arises because while the tax transfer will become effective on January 1, the established programs financing arrangements will not come into effect until April 1. At the last federal-provincial finance ministers meeting I proposed that this "overcompensation" be recovered from the provinces by means of a reduction of amounts otherwise payable over the next three fiscal years. The provinces argued that this would be unfair since there is a delay between collections by the federal government and payments to the provinces. The bill provides for a compromise solution by specifying that only one-half of the "overcompensation" in the first three months will be recovered by means of a reduction in amounts otherwise payable. This recovery will be made over the following two years. I feel that this compromise is more than fair.

The second issue has to do with the proposal of the Minister of National Health and Welfare to finance certain new health programs, as well as certain services now cost-shared under the Canada Assistance Plan, by means of an equal per capita cash grant of \$20. These services are referred to as the extended health care program. The Minister of National Health and Welfare has informed me that the provinces generally agree with this proposal, and I understand he is communicating today with provincial health ministers to confirm that we are proceeding with it. This program which is provided for in the bill has the advantages of terminating all open-ended cost-sharing arrangements in the health care field and of making it easier for the provinces to provide less costly but equally effective services across the whole spectrum of our exemplary health care system.

[Translation]

Mr. Speaker, the arrangements concerning established programs financing are an important step in the evolution and the decentralization of federal-provincial fiscal interdependencies in Canada. These arrangements will enable the provinces to enjoy greater autonomy in administering their own programs and will eliminate a source of tension and deception among the federal and provincial governments. According to the federal government, decisions concerning federal budget related expenditures will no longer be made in provincial capitals and both levels of government will be better able to plan their own business. The provinces will have greater control over their programs and will have to accept greater responsibility for the control of their costs.

Mr. Speaker, I should note here that the bill provides that any amendment proposed to Part VI of the new act, which will effectively reduce the right of a province, can be implemented only after a three year notice, unless of course the province involved accepts the amendment. Moreover, it provides that no notice will be given for at least two years. This provision ensures the provinces of stable and long term financing.

Mr. Speaker, I would now like to speak about Part VII of the bill, which replaces the Established Programs (Interim

Federal-Provincial Fiscal Arrangements

Arrangements) Act. This act, which was passed in 1965, provided for the special arrangements with Quebec and allowed opting out of certain programs. In the mid-sixties, the federal government suggested to the provinces that they agree to finance certain cost-shared programs in exchange for federal tax abatements. Quebec was the only province to take advantage of the federal government offer. At the present time, Quebec receives a special abatement of 24 personal income tax points, including three for youth allowances, five for the special welfare program and 16 for hospital insurance.

[English]

Mr. Broadbent: Is that special status?

Mr. Macdonald (Rosedale): Mr. Speaker, the hon. member is familiar with the arrangements. He, of course, was not in the House at the time that was put through. I cannot recall whether his colleagues, under the leadership of the hon. member for Nanaimo-Cowichan-The Islands (Mr. Douglas), supported that or not. I rather expect they did at that time.

Mr. Broadbent: Now would you answer the question?

Mr. Macdonald (Rosedale): Mr. Speaker, I am not sure whether the hon. member is for, or against, it. If he is advocating that we should make a change in these arrangements, perhaps we will hear from him in his speech to that effect.

[Translation]

As I have noted, Quebec was the only province to take advantage of the federal government offer.

The amount of revenues apportioned to Quebec is used to reduce the cash payments that the federal government should otherwise pay to the province. By reducing the equalization payments we get back from Quebec the three point value of the youth allowance program. The five point value allocated to the welfare program, which includes the Canada Assistance Plan, and the 16 point value under programs for hospital care is used to neutralize the transfers which would otherwise be required for these programs. Quebec does not enjoy more or fewer advantages than the other provinces with these fiscal arrangements. The only difference lies in the way the federal government makes its contribution.

These new fiscal arrangements will allow us to reduce the special reduction to take into account a reduction in federal taxation of 9.143 per cent. Therefore, the special reduction of 24 points for Quebec taxpayers will be reduced by 9.143 and will be fixed at 14.857. The situation will remain the same before and after the reduction in federal taxation. The remaining 14.857 points, amounting to 16.5 per cent of the new reduced basis and the present 24 points of the reduction will be reduced to 16.5 points. Out of the 16.5 points, 3 will be allocated to the youth programs, 5 to the special social welfare program and the 8.5 remaining points will be allocated to established programs. The final balance of the financial situation of the government of Quebec will remain therefore the same compared with that of other provinces.