

*Federal-Provincial Fiscal Arrangements Act*

way, that is what it means. Over the years there were several reports from the Economic Council of Canada which suggested the way to cure high unemployment areas of Canada is provincial Governments using their own fiscal maneuverability at those times of the year to try to get more people employed. The Government of Newfoundland has the least fiscal maneuverability of any province in Canada. In fact, it only has 60 per cent of the fiscal maneuverability of the national average. What this Bill will do is cut for those five years \$187.7 million from the Newfoundland provincial treasury. There are unpaved roads in Newfoundland. The federal Government is saying to the Province of Newfoundland: "We are going to chop the money we are going to give you so you will have to leave your roads unpaved unless you sacrifice in other areas". The water systems which are needed will perhaps have to wait now because the Government believes that the province should be kicking in more of its own money. Therefore, the money has to come from the capital expenditure areas of the Newfoundland Government.

● (1330)

Basically, the Government is saying to the poorer provinces of Canada: "We are going to cut more from you. You have either to increase your taxes or reduce services in those departments, or you have to shift your financial burden from one department to another and give up something that is already in existence". The problem with that argument is that when we examine Newfoundland, which has the least fiscal manoeuvrability, we find that it has the least number of programs from which it can shift money. In other words, under the Canada Assistance Plan, which includes welfare, daycare centres and the like, it can be seen that a rich province which has a high fiscal manoeuvrability is able to fund those programs.

One wonders why there are no daycare centres in Newfoundland. It is the only province in Canada which has no agreement with respect to daycare centres. The reason given by the Government of Newfoundland for this is that it does not have the money—the 50 per cent—to put in to the pot in order to sign a daycare agreement. Thus how rich a provincial Treasury is determines what social programs there will be and what type of services will be available for the people of Newfoundland, or for the people of any other province.

The Bill before us hits the poorest provinces the worst. For the federal Government to be instituting this measure, and not giving these provinces an opportunity to really have the matter examined and voice their opinions, is a black mark on the Government's record. As I mentioned at the beginning of my remarks, I cannot understand why the provincial Government of Newfoundland is taking this measure lying down. It was only a couple of years ago when the Liberal Government was in federally that the Government of Newfoundland was calling press conferences daily. Members of the Government were wearing black armbands, carrying around coffins, declaring days of mourning, and giving everyone in the province a holiday. Where are they now? The Premier of the province has

gone into hibernation for the summer. He has not said a single syllable with respect to this particular Bill. Why? Because the Tories are in power in Ottawa, and one does not object to the Minister of Finance if one is a member of a Tory provincial Government. So the Newfoundland Government is seen as it should be seen in the right context. It is playing the political game. In this instance it is giving up the concerns it had expressed over the years with previous Governments as far as health care and higher education is concerned in the Province of Newfoundland.

**The Acting Speaker (Mr. Charest):** Are there questions or comments? The Hon. Member for Laval-des-Rapides (Mr. Garneau).

**Mr. Garneau:** Mr. Speaker, I would like to congratulate my colleague from Gander—Twillingate—

**Mr. Wilson (Etobicoke Centre):** For what?

**Mr. Garneau:**—for his excellent speech. He very precisely described what the situation will be in his province as a result of the decisions made by the Minister of Finance (Mr. Wilson) with respect to cutting the deficit and transferring the burden on to the backs of the provinces. I wish to congratulate him for giving to the House the point of view of the people of Newfoundland. I would also like him to elaborate further with respect to the possibility that the people of Newfoundland will have to suffer a cut in services.

The Hon. Member has said that the fiscal plan is so tight that he cannot imagine any tax increase being imposed, since there is no room for one. Does the Hon. Member think that the people of the province will have to suffer a cut in services?

**Mr. Baker:** Mr. Speaker, I suggest that the Government of Newfoundland will not opt for any of the options it put forward in its Green Paper in January. If the Minister of Finance was bad enough to go ahead with this Bill and if the Government of Canada would be so crude as to go ahead with his measures then the Government of Newfoundland very clearly spelled out its reaction. It has said that it would have to go to privatization, including premiums, user fees and extra billing. The second option is with respect to expenditure cuts and services reductions. Third, it would have to undertake deficit financing, and fourth, tax increases. The Green Paper states: "No options are particularly attractive".

Knowing the Government of Newfoundland, which has been in place for some time, I think since 1971 or 1972, and having watched it over the years, this is what I predict it will do as a result of this Bill; it will shift its money from one expenditure pattern to another. In other words, it will have to decrease what it would normally spend on major capital expenditure programs, and there are only two which work on a continuous basis and for which there is no cost recovery from the federal Treasury. When one looks to its expenditure programs one sees that those programs are water and sewer services and road paving.