

The task will be to free Newfoundland from its dependency on transfer payments and to make it self-supporting. If a deal can be made on the offshore, we will have taken a giant step toward that goal. I only wish the negotiations that are going on now had started two years ago, as I and others had urged. If this had happened, we would now be much closer to the creation of real dollars from resource development, and discussions of equalization payments would have been far less important. However, they are still important today, and this budget makes new proposals for federal-provincial transfers.

First of all, let me repeat that there will be no cuts in funding for education and health. There will be a loss to Newfoundland of \$19.5 million in the coming year as a result of the discontinuation of the revenue guarantee compensation. However, the province stands to gain \$11.7 million as a result of budget tax changes. If we subtract, we get a net loss of \$7.8 million. However, all this is separate and apart from equalization payments.

We are proposing an improved equalization formula with a more comprehensive measure of fiscal capacity and an Ontario standard. When all elements—

**Mr. Blenkarn:** Not a Canadian standard, an Ontario standard! An Upper Canada standard is what you want! Is that right?

**Mr. Rompkey:** Mr. Speaker, if the—

**Mr. Blenkarn:** Not the Canadian standard!

**Mr. Rompkey:** If the hon. member wants to make speeches on subjects which are close to his heart, including native people in this country, let him rise at the appropriate time.

**Mr. Blenkarn:** I will.

**Mr. Rompkey:** But all of this is separate and apart from equalization payments. We are proposing an improved equalization formula. When all of the elements of transfer payments are taken into account, including the new equalization formula, the cash flow to Newfoundland will increase by \$70 million. For the year 1983-84, the cash flow is expected to increase by over \$100 million. That is the real story. The bottom line is that when all forms of transfer payments are taken into account, Newfoundland will gain \$70 million over the next year and \$100 million the year after.

Newfoundland does not want to exist forever on transfer and equalization grants. We want to be equal partners in confederation, contributing and not taking. The government of Newfoundland has maintained this position, and I concur. That is why we are anxious to get on with megaprojects which can help Newfoundland grow. That is why we are offering 100 per cent of provincial type revenues on the offshore. That is why we created the Lower Churchill Development Corporation and put \$200 million aside as our share of the equity in the Lower

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Churchill project. That is why we are devising ways and means to encourage the building of drill rigs and supply ships in Newfoundland. That is why we are proposing that \$178 million per year be spent on transportation to bring the various modes up to standard. We now have \$60 million ready to be spent from the ministry of transport budget in Newfoundland on roads, on airstrips and on ferry terminals. However, we cannot spend it because we cannot get an agreement with the province of Newfoundland.

Many economists and boards are forecasting that Newfoundland will lead all of Canada in growth in the coming year, and in view of our great resource potential, I have no doubt that that is true. The best way to develop the economy of Newfoundland would be for both governments jointly to seize opportunities for resource development, rather than continuing dependence on transfer payments.

The Government of Canada stands ready to build a new Newfoundland and Labrador which is not dependent. However, until such time as it is economically independent, we intend to see that it is treated with equity and fairness.

That leads me to measures in this budget which will concern me as Minister of Revenue. Fairness and equity in the tax system require that Canadians of equal incomes pay the same amount of tax and that those with higher incomes pay a greater proportion of their incomes in tax. In the past decade or so, a number of special tax preferences have developed in the tax system which allow some Canadians to reduce their share of the tax burden below what is paid by those on lower incomes. By eliminating many of those tax preferences, we can broaden the tax base and lower the tax rates, generally. Full indexing has been retained for the year 1982, and this ensures that taxpayers will not be pushed into higher tax brackets by the simple fact of inflation. It has helped to maintain the equity of the tax system by preventing the erosion of the real value of the basic tax deductions and exemptions.

The budget proposes, effective January 1, 1982, to repeal the general averaging provision of the Income Tax Act and delete the deduction for the purchase of income-averaging annuity contracts. It also proposes to end opportunities now available for individuals and corporations to defer income tax on capital gains by claiming reserves. A new forward-averaging provision will be made available to individuals, effective—

**Mr. Blenkarn:** Totally indecent!

**Mr. Rompkey:** —for the 1982 taxation year. However, it will not be available to corporations or trusts. This provision will permit taxpayers with large increases of income in any year to average the increases out over future years when they anticipate being in a lower tax bracket.

**Mr. Blenkarn:** Providing they pay interest in advance.