

Government Orders

so people work there eleven to eleven and a half months a year. They do what all smart Newfoundlanders do: they take two weeks off at Christmas and have a party and then go right back at it in January. That was the unemployment rate.

It has changed considerably since then. There is a factor that the downturn in the fishery has caused problems for us. The opportunity, to respond to his question, is to crank the fishery back up.

In closing, I am sure I will rile my friends from Quebec but this is not the intention. If we were getting the economic value for hydro power we would not be one of those seven provinces today. We would be in the other column. We would not be getting any equalization payments, thank you very much, at all. If we were getting the economic value for our resource, Churchill Falls Power, we would not be needing one cent of equalization from the federal government.

The opportunities are somewhat constrained by some of the political realities at the moment.

[Translation]

Mr. Pierre Brien (Témiscamingue): Mr. Speaker, Bill C-3, an act to amend the federal-provincial fiscal arrangements and more precisely the equalization system in place, is not a very exciting subject. If invited to give a lecture somewhere, one would certainly choose another topic to grab the public's attention.

However, even if it represents a somewhat boring task, we must have debates like this one, especially in this House. Today we must examine closely the bill on equalization payments. Of course there are precise measures we must look at because they come to term at the beginning of April, but equalization is a measure which is part of the complete transfer program.

Members will know that transfers are crucial for the provinces. These payments represent a very important part of their revenues, a share which has decreased over the recent years, particularly in Quebec we look at the province's situation as a whole.

We examine the equalization system today, but soon, next year, there will be other obligations, we will have to examine other transfers, particularly as regards established programs financing. Even if it looks like transfers are being increased in that area, we must be very careful and follow closely any future developments. We cannot have this debate and disregard the present state of government finances. The finance minister cannot but take it into account when reviewing transfer payments to the provinces. It is probably his main concern, which explains his drifting away from the initial objectives of the equalization system.

• (1225)

We do not want to disregard the present state of government finance, however, we cannot ask others to make choices for us. In the past few years, it has been a concern and a trend which could very well continue.

Let us not forget that, during the election campaign, it was very difficult to pinpoint the position of the Liberal Party in this respect. The position of the Conservative Party was much clearer: transfer payments to the provinces would be cut. Among the Liberal ranks, they did not talk a lot about that; they skirted the issue and talked instead about the infrastructure program; they kept on pointing at the infrastructure program as a means of creating jobs, but we never got to the bottom of things regarding what the Liberal Party really intended to do with the whole issue of transfer payments to the provinces.

At the very beginning of their mandate, they came out with the first part of their plan, saying: "Look, we are not going to cut transfer payments to the provinces," since it appears that we are going to have a 5 per cent increase in equalization payments this year. And they gave us projections. But we have to be careful regarding this 5 per cent, especially compared with the objectives of the equalization system; I will get back to that later on.

Let us look at what transfer payments comprise. They are made up of four parts, for a total of \$40.5 billion a year in federal expenditures.

First, there is established programs financing, mainly in the education and health care fields; it is a very important part. Then, there is the Canada Assistance Plan, which deals more with social assistance, and accounts for around \$7.8 billion; it is indeed a lot of money. The third part is the equalization payments which total approximately \$8 billion. There is also cost-shared program financing which is one of the central elements, with \$12 billion.

There has been much pulling out in this regard in the last few years. What causes a major problem is that the government attaches so-called common objectives to these shared costs and then pulls out, leaving the provinces to shoulder the burden of these programs by themselves or to pay the political price when they are axed.

It is not always easy to explain this to taxpayers who, understandably, cannot follow closely what goes on every day. But we recently went through a gradual transfer that started here and ended up with the municipalities. It is not easy for a mayor or a city councillor to explain that budget cuts in federal transfers to provinces led provincial governments to make more difficult choices that ended up in the municipalities' court. It is obvious that, from a political standpoint, efforts are being made to soften the blow.