

*Federal Transfers to Provinces*

**Mr. Crosby:** Come on. You had three weeks to think about this.

**Mr. Cullen:** I would like to comment on the general issue of the fiscal balance within the Canadian federation and the more specific issue of how this relates to the need for restraint by the federal government and how this need is being implemented. Some comments on these matters might be useful in view of the importance attached by members of the opposition to these matters in the debate on Bill C-97 and to their apparent lack of understanding of the relevant facts or a refusal to acknowledge them—and, of course, that is a political position which we can understand.

• (1640)

In his opening remarks yesterday the Minister of Finance (Mr. MacEachen) referred to the striking decline in the federal share of total public sectors' revenues in the past 20 years. This was criticized by some hon. members challenging the minister's use of the 20-year time span and contending that a ten-year time span from 1971 to 1981 would be better. They argued further that, using a shorter time span, the position of the federal government vis-à-vis the provinces has been improved. From this they went on to imply that the cuts in the federal transfers to the provinces are unreasonable.

I thought that at that time there was really nothing sacred about a 20-year time span. Other periods of time could be used. For example, a good case could be made for going back 25 years and starting with 1956. If we do this, we find that the decline in the share of revenue at the federal level is much more significant than that of local government. It would bring about \$60.5 billion of additional revenue into the formula in 1982-83.

When I looked at the period of 1956 to 1981, I found the federal share of total government-owned source revenues had declined from 64 per cent to 49 per cent on a national accounts basis. Its share of total revenues, after transfer payments, has declined from 61 per cent to 38 per cent. I have done the research on this particular subject, Mr. Speaker, because it is my honour to chair the Standing Committee on Finance, Trade and Economic Affairs and it seems to me that we have to have the actual figures before us, we have to understand the percentages that we are talking about to determine if, in fact, the revenues flowing to the federal government have declined. It would seem from the research and the study that I have done that most assuredly that is true.

In addition to looking at longer time spans, let us look at the shorter time spans. If we take a ten-year time span we do not find, as certain hon. members suggested, that the federal share has increased. Thus, if we compare the federal government share of total revenues from own sources between 1971 and 1981, we find that it declined from 51 per cent to 49 per cent. In the case of total revenues after transfer payments, the share remained unchanged at 38.3. While this may suggest to members that a levelling off has occurred, the fact of the matter is that a substantial portion of present federal revenues in recent years has been earmarked to pay for oil import

subsidies—which have protected consumers in all parts of Canada from high and economically-disruptive oil prices.

Federal revenues available for general expenditures are now significantly lower than that which is shown in the national economic accounts. It is, moreover, the case that federal government responsibilities have increased markedly in recent years as a consequence of its primary role among Canadian governments in responding to a succession of international shocks to the world economic system. These considerations lead me to believe that the federal government faces unprecedented demands upon its revenues to meet new types of expenditure, and that this had led to a situation of unprecedented need to restrain existing expenditures of all kinds.

The federal government has responded to this need for restraint. However, it has done so in a careful and well-balanced manner which has avoided disruption and dislocation to particular parts of the economy. Can you imagine, Mr. Speaker, if there had not been any intervention, the impact that the OPEC nations, action to quadruple the price of oil would have had on the economy of Quebec and the four Atlantic provinces? But the government saw fit and considered it appropriate enough to intervene and, as I have said, to avoid disruption and dislocation in that particular part of the economy.

Some hon. members might have us believe otherwise, but the facts are there for all to see. They argue that federal expenditures are growing uncontrollably, and that the only place where restraint is being exercised is in federal payments to provinces. Mr. Speaker, this is certainly not true. First of all, if we look at the government's total outlays on a public accounts basis, we find that they are growing more slowly than the consumer price index. Thus, in the last budget, total federal outlays were projected to increase by 11.7 per cent in 1982-83 as compared with 12.3 per cent for the CPI. Also, for the longer period from 1981-82 to 1985-86, total outlays were projected to grow at an annual rate of 10.9 per cent as compared with an annual rate of 11.2 per cent for the CPI. Also, these rates of growth are consistent with the government policy adopted in the mid-1970s that the trend growth rate in its total outlays should be held within the trend growth rate of the gross national product.

Mr. Speaker, as a member of the treasury benches at that particular time, I well remember that position being adopted by the government of the day and I am happy to say that it has met the commitment that was made, not just recently but back in the mid-1970s, to see that the rates of growth were consistent with the growth in the CPI.

Mr. Speaker, I would like to turn, finally, to one other allegation made by certain hon. members, that federal constraint is being applied in such a way as to fall almost exclusively upon the provinces. Again, this allegation is not valid. Federal restraint has not, should not, and in any case could not possibly apply evenly to all programs or to all years. If we look at the rate of growth of federal outlays from 1981-82 to 1982-83 we find that they are relatively high for public debt charges