

*Income Tax*

deductibility or the taxability of the grant? There are some rich people in Nova Scotia and Prince Edward Island. Why did the minister not maintain the principle of its being taxable and simply increase the grant to maintain consistency for our provinces?

● (2102)

**Mr. Chrétien:** I tend to agree with the hon. member. The two programs were designed in different contexts. Today we are debating an aspect of one of the programs. The second grant was made taxable. It was felt that it would be more just if the people with some means receiving that grant were to pay tax back to the government. However, the poor would not pay any taxes at all. Perhaps we should have gone to \$1,000 for P.E.I. and Nova Scotia and taxed it, but it was not designed at the same time or under the same circumstances. I recognize that the hon. member has a point, but there is nothing I can do.

We are debating these programs at the same time. One program has been going on for a few years, and the other one is a new scheme. From the experience of having a grant taxable we felt it would be more just in order to cope with the two personal positions. However, I have to admit candidly that the programs were designed at different times, and sometimes we are faced with some difficult situations like the one we have here. I cannot withdraw anything I have said. They were designed at different times for different purposes.

**Mr. Benjamin:** Mr. Chairman, I have been listening carefully, and I must confess that I have some sympathy for those who support the amendment, but I also have some sympathy for the Minister of Finance. At the outset I want to say, as the minister himself has said, that he might be ignorant, but he is not stupid. This minister is a nice fellow, but he would not be so stupid as to bring in a program which would benefit the only two Liberal provinces left in Canada. I believe him. I do not believe the hon. member for Selkirk, or any other accusations or intimations. I believe the minister when he says that the two programs were set up in two different contexts.

I would like to ask the minister a question. If the programs for the people in Nova Scotia and Prince Edward Island are equitable and fair, regardless of the different contexts surely they are equitable and fair for the people of all the other provinces? The programs have an excellent principle. We support the programs 100 per cent. The amendment only suggests that they apply evenly all across the country.

When the minister responds I would also like him to tell us how he calculates the \$560 million. That is very important, because we were hit with \$580 million the other day.

When the minister spoke about imported oil I understood him to say—I certainly got the impression—that all of a sudden it was just Prince Edward Island and Nova Scotia which relied heavily on imported oil. The minister and everybody else knows that that is the case in all five eastern provinces.

[Mr. Whiteway.]

**Mr. Chrétien:** Mr. Chairman, with the hon. member's permission I would like to clarify this right away. I said that they were more dependent because there was an element in their internal economies which made them more dependent on oil. They need oil for heating their homes, running their cars and so on, but in Nova Scotia and P.E.I. the production of electricity is dependent on imported oil, and when the price of imported oil was increased those provinces were hit hardest. That is why we tried to design a program to help them in a different way. Perhaps we should have used another vehicle, but that was the vehicle chosen at that time. There are statistics to prove that there was a need.

The other eastern provinces are also dependent on imported oil, but because of the use of oil in the production of electricity, Nova Scotia and P.E.I. have more dependence.

**Mr. Benjamin:** I thank the minister for that response. I think he is correct, except that while all five eastern provinces rely on imported oil—and not just for the generation of electricity—I would like the minister to have his officials look at the costs for home owners in Quebec, New Brunswick and Newfoundland as well as for those in Nova Scotia and P.E.I. In the former three provinces there are a larger number of homes to heat.

This matter has to do with home insulation and whether the cost of it can be deducted for income tax purposes, but the cost of the generation of electricity in Nova Scotia and P.E.I. is not the only consideration. There are people who may have to heat their homes with electricity, and the minister's argument is perfectly valid in that regard, but there are people who have to heat their homes with oil, and the majority of them live in Quebec, New Brunswick and Newfoundland. These people suffer the same kind of handicap as power companies which have to create electricity from oil.

**Mr. Chrétien:** Mr. Chairman, I just want to repeat that we have chosen a vehicle to help the people of Nova Scotia and Prince Edward Island because the increase in the cost of oil caused a large increase in the price of electricity over a short period of time. At that time we tried to find a mechanism to help home owners. It could have been in the form of grants, but some said that we should also give an incentive to people to insulate their homes at the same time. We designed a program like that. It was not in relation to the fact that houses were heated with oil, because that is the case in Quebec and elsewhere. It was a vehicle to reimburse those who were affected not just by the increased cost of heating homes but also by the increased cost of electricity. We used that vehicle.

There are people who ask why we have done this just for Nova Scotia and Prince Edward Island and why not for the rest of the land. We designed another program which was less generous. It amounts to grants of \$350 of which part is taxable for those who pay taxes, so part of that will come back to the government. The departmental advisers examined the question of who would apply for these grants. They have made calculations. If a person is in the highest income bracket, he will return more than half of his grant to the government in taxes.