

Federal-Provincial Fiscal Arrangements Act

revenues which they experience as a result of being below average in capacity to raise revenues. The program thus insures that each province is in a position to provide its residents with reasonable standards of public services without having to resort to levels of taxation which are above the national average. In the current fiscal year, equalization payments to the seven provinces receiving these payments—that is, all provinces except Ontario, British Columbia and Alberta—will reach about \$1.3 billion.

[*English*]

On February 19, 1973, I announced in my budget address that the government intended to broaden the equalization formula to include, in the revenue to be equalized, local government taxes for school purposes. My concern at the time was that the seven lower-income provinces, because of their lower tax capacity, were not in a position to benefit to the same extent as the higher-income provinces from the stimulating effect of the tax cuts introduced at that time. I felt that some additional assistance to these slower-growth and lower-income provinces was justified. The present bill fulfils that undertaking.

Specifically, the amendment I am proposing provides for the inclusion among the revenues to be equalized those that are raised by local government for school purposes. By extending in this manner the kinds of revenues to which equalization applies, I estimate the total value of grants paid to the recipient provinces will increase by about \$175 million in the current fiscal year. I might indicate the way in which this amount will be distributed among the recipient provinces: Newfoundland, \$24.1 million; Prince Edward Island, \$4.6 million; Nova Scotia, \$22.4 million; New Brunswick, \$20.5 million; Quebec, \$72.2 million; Manitoba, \$10 million and Saskatchewan, \$20.9 million.

The grants are unconditional and the provinces are, therefore, free to use them as they see fit. In my budget address I expressed the hope that this additional income to the provinces would be used to ease the burden on property taxpayers and tenants. I am pleased to see that several provinces have found it possible to provide relief to their taxpayers in various ways, including tax reductions and reductions in budgetary deficits.

This increase in grants will bring the total amount paid in equalization to about \$1.5 billion. On a per capita basis the amount to be distributed to each of the seven receiving provinces in 1973-74 will be approximately as follows: Newfoundland, \$311 per capita; Prince Edward Island, \$299 per capita; New Brunswick, \$230 per capita; Nova Scotia, \$217 per capita; Saskatchewan, \$128 per capita; Quebec, \$117 per capita and Manitoba, \$96 per capita. The lowest income provinces, Newfoundland and Prince Edward Island, will receive the highest per capita payments. Quebec and Manitoba, which are only slightly below the national average in revenue raising capacity, will receive the lowest per capita payments. I believe all members will agree that this is as it should be.

[*Translation*]

We are now reaching a position in Canada where our assistance to the provinces through the equalization program permits the lower-income provinces to achieve levels of expenditures on public services provided by provincial

[Mr. Turner (Ottawa-Carleton).]

and local governments almost equal to the national average, on a per capita basis.

For fiscal year 1972-73 the national average expenditure per capita on provincial and local government services was about \$1,092. In the seven lower-income provinces receiving equalization payments the per capita expenditure was about \$1,070. With the higher equalization payments I am now proposing, the average for the seven recipient provinces should approach the national average even more closely. I should point out, Mr. Speaker, that this result is being achieved as well because of the efforts of recipient provinces themselves. If the relative tax burden imposed on individual taxpayers in each of the provinces is compared it can be seen, for the most part, that taxpayers in the lower-income provinces carry a relatively greater tax load. Thus it is both through our program of equalization grants as well as through their own efforts that the lower-income provinces are approaching levels of expenditures on public services equal to the national average. Our expanded equalization program will clearly be a more powerful weapon in combatting the effects of regional disparities in income and represents a further significant move toward the achievement of a regionally balanced fiscal policy.

● (1250)

[*English*]

Hon. members may ask why the federal government does not go all the way and equalize all local government revenues, those for general municipal purposes as well as school purposes. There are several reasons for this. First, as I noted above, the gap in per capita expenditures between the higher and lower income provinces has now been largely closed. Second, local government expenditures for non-school purposes tend to be related to the degree of urbanization. In provinces where the degree of urbanization is greatest costs tend to be higher. I need only mention such costs as those associated with public transportation and environmental protection. To this extent the need to equalize expenditures is not as relevant. Third, where financial problems associated with urban development do arise it seems to me it would be preferable to deal with them through selective and specifically designed programs which would be available to all the urbanized parts of Canada. The equalization program would not lend itself to solving problems associated with urbanization because the three higher income provinces, Ontario, Alberta and British Columbia, where about 60 per cent of our total metropolitan population lives, would not benefit.

I want to turn, now, to a second change embodied in the amendments before the House, the extension of the current arrangements for financing post secondary education. Perhaps I might recall the background to this proposal. Part IV of the Fiscal Arrangements Act provides for federal contributions to the provinces for post secondary education for the fiscal years 1972-3 and 1973-4. Under these arrangements the federal government, for all provinces but Newfoundland, Prince Edward Island and New Brunswick, bears one half of the provinces' post secondary education operative costs. For the three Atlantic provinces the federal contribution, which was originally based on a \$15 per capita grant, is escalated by the year over year