

Federal Transfers to Provinces

estimates and dominion-provincial agreements under consideration in this House. There have been few, if any, years in the history of the provinces when they could less afford to have a decline in their income. Yet they are going to have a decline, because the economy is down; and the federal government is going to save \$5.7 billion of its own expenses in reduction in grants, if I remember correctly the figure which was quoted by the member for Kingston and the Islands.

So they are caught in a double squeeze, with prices rising in every aspect. What is their position? The position is, among others, that they will have to borrow 20 per cent more in the 1982-83 year than they had to borrow in 1981-82. That is their position.

Part of the cause, according to this article in the newspaper, quoting a firm's current provincial finance letter, is as follows:

The significant increase has been caused by the recession and problems over revenue-sharing with the federal government. The estimated figure for next year is 40 per cent more than the cash requirements in fiscal 1980-81.

That is a lot of money. So we are going to shortchange them instead of giving them the assistance they need. It states further:

The economic slump increases provincial funding needs by putting upward pressure on social assistance spending, while cutting into tax revenue from hardpressed individuals and corporations.

To quote again:

But in fiscal 1981-82, the Canadian market provided only \$1.15 billion or just more than 10 per cent of the total requirements. By contrast, the U.S. market provided the equivalent of \$4 billion, while the Eurodollar market chipped in another \$1.5 billion.

This means, Mr. Speaker, that the provinces have been put in the hazardous position of borrowing in foreign currencies at an uncertain time in our economy. Yet they are compelled to take the risk of exchange losses and compelled to go into the foreign market because the Canadian market cannot supply the money from provincial borrowings. That, of course, means that we have somewhere between half or three-quarters of a billion dollars in extra outflow of Canadian money in interest payments on that debt. So what we are doing is just rubbing salt into the economic wounds of Canada both at the federal and the provincial level. We are putting ourselves further and further away from any possibility of a balance of payments and we are using the provinces as our goats in this area. That is what we are doing and that is the climate in which we are doing it, and it is wrong.

This budget was brought in at a time when Statistics Canada complained. You always have to be very careful of what you quote in this House, because they sometimes think it is not authentic. But I guess hon. members opposite like Statistics Canada. So let me quote the following:

Six days before the budget was introduced, Statistics Canada repeated its warning that the "market slowdown in activity could develop into a recession during the coming months. The sharp decline in indicators of economic activity has already led firms to cut production, and layoffs had become widespread."

The Conference Board of Canada said:

Next year holds a bleak prospect for the Canadian economy and for households in particular . . . Continuing double digit inflation, interest rates, increasing unemployment, declining business investment and the weakness in the United States all combine to rule out the possibility of a quick turnaround in the pace of economic activity!

That is the climate in which the Government of Canada wants to reduce its payments to the provinces upon good faith contracts made as much as 20 to 25 years ago. Mr. Speaker, this is not acceptable.

Business bankruptcies in 1981 were 22 per cent higher than in 1980. Farm bankruptcies were 18 per cent higher than in 1980 and 109 per cent higher than in 1979. The inflation rate in January was 11.4 per cent and 12.5 per cent; the annual average rate of inflation in 1981 was the largest annual rate in 33 years. Gasoline prices have risen 75 cents a gallon since this government came into power. In the face of all this, we are asking the provinces to take less and we are including education amongst those areas of cutback.

This is being done to the provinces, and to the Atlantic provinces in particular, at a time when virtually every service is costing them more than it had hitherto, in a catch-up process to try to reach the level of payment that is given to doctors, nurses, technicians, etc., in other parts of Canada, such as Ontario, Alberta, British Columbia, Saskatchewan. The pressure upon those governments to recognize those standards of pay which have been given or granted in other provinces is telling now on the budget of every province in Atlantic Canada. That is the time when we are going to cut them back. Mr. Speaker, the timing could not be worse.

Mr. Wilson: Hear, hear!

Mr. McCain: To save a paltry \$5.7 million over the next five years we are going to run those provinces through the economic meatchopper. Where are they going to get that money? Every source of revenue in those provinces is down. The revenue from the gasoline tax is down; the revenue from the income tax is down; the revenue from corporate tax is down; and the revenue from private income tax is down. We are going to step on them when that revenue is down. We are going to grind them in the dirt. How, Mr. Speaker, how can this government have that little conscience?

Welfare payments in the province of New Brunswick are really reaching the point where the minister of social services has put before the committee considering that budget, an estimate, and he has openly stated that he has absolutely no certainty that it is within 20 per cent of what he may require, if the economy continues to go as it is.

We have backed off at the federal level from responsibility for unemployment insurance. We have transferred that expense to the maritime provinces in the form of welfare, social assistance, and it is becoming a backbreaking load. What tax can they increase? The burden of taxation on a per capita basis is about as high as the public can stand in that area, regardless of which province you come from. At what point in time do you reach diminishing returns. We know what happened in the province of Quebec, when it imposed an exorbitant gasoline tax, in an effort to come closer to balancing the budget. We know what happened there; they had to back off. At what point in time do you break the back of the economy in that area? That is the question at which I think the provincial premiers are taking a long, hard look. This is happening in the province of New Brunswick at a time when