

at variance with established practice. By way of illustration, it proposes that the Chairman of the PAC be a Member of the Opposition, that no Ministers serve on PACs and that legislative Auditors be themselves audited by auditors from outside government; currently at least one or two Canadian jurisdictions operate in precisely the opposite manner.

Although the authors have done solid work in setting the foundations, it is well to recognize the scope of the report and the sorts of topics it refrains from considering. The analysis and the recommendations are largely limited to matters structural: the organization, powers and procedures of PACs and the legislative framework necessary for an independent, effective Auditor. The report does not come to grips with such crucial problems as how to mute partisanship in PACs and how to motivate elected Members to do the tough and typically politically unrewarding work necessary for a strong PAC.

Someone else can confront these questions: Kelly and Hanson have served parliamentarians well in their soundly argued, well written prescription for improving accountability.

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**FISCAL FEDERALISM IN CANADA, REPORT OF THE PARLIAMENTARY TASK FORCE ON FEDERAL-PROVINCIAL FISCAL ARRANGEMENTS, Ottawa, Supply and Services Canada, 1981, 230 pages.**

On February 5, 1981, in anticipation of renegotiating the five-year fiscal arrangements scheduled to expire at the beginning of 1982, the federal government established a parliamentary task

force with an Order of Reference to: "Examine the programs authorized by the Federal-Provincial Fiscal Arrangements and Established Programs Financing Act, 1977, focussing in particular on fiscal equalization, the tax collection agreements, the Canada Assistance Plan, and Established Program Financing; and that this examination take place within the context of the Government's Expenditure Plan as set out in the October 28, 1980 Budget." The task force released its report on August 31, 1981. To understand the nature and scope of the analyses and recommendations contained in the report, it is necessary to review briefly the political and economic context in which the provinces and the federal government are preparing to renegotiate the fiscal arrangements.

In October 1980, the federal Minister of Finance announced the government's intention to make cutbacks of \$1.5 billion in fiscal transfers to the provinces. The government felt that these cutbacks were necessary in view of the increasing budgetary deficits in past years. It should be noted that fiscal transfers to the provinces account for nearly 20 per cent of the federal budget, namely \$19 billion for 1980-81. Moreover, the financing of health insurance, social assistance and post-secondary education programs, calculated on a per capita basis, results in significant fiscal transfers to provinces which, because of oil revenues, accumulate considerable budgetary surpluses. The fiscal dualism between rich and poor provinces and the threat of a long-term structural fiscal imbalance between the revenue capacities and the expenditure responsibilities of the federal government are good reasons for leading the federal government to demand a renegotiation of fiscal agreements involving a restructuring of fiscal transfers to the provinces.

The provincial governments, with the exception of Alberta, British Columbia and Saskatchewan, are all faced with increasing budgetary deficits, and several of them are beginning to cut back drastically on social spending. They hope that fiscal negotiations will result in increases in federal transfers

which have grown at a slower rate than federal and provincial budgets and inflation. In addition, some provinces are demanding that the federal government withdraw from certain programs a move which would be compensated for by a transfer of tax points.

The conclusions of the report are a midway point between the expectations of the federal government and those of the provinces. The Task Force rejects outright the notion of a structural federal deficit and believes that the federal government must maintain fiscal transfers at an adequate level, bearing in mind the welfare of the population, an equitable redistribution of wealth and the respect of provincial autonomy. Conversely, the Task Force rejects the provinces' suggestion that the federal government withdraw from the financing of certain provincial programs, financing which it would like to see accompanied by increased federal monitoring in some cases to ensure the scrupulous respect of national standards, fiscal harmonization and economic co-ordination.

Having thus stated the basic principles, the task force examines successively the five major areas involving fiscal arrangements, namely the health system, post-secondary education, social assistance, equalization, fiscal harmonization and economic co-ordination.

The authors of the report believe that the health system in Canada would be jeopardized by a reduction in the current aggregate level of federal support. Certain provinces could be tempted to seek private funding or to reduce services. Moreover, the Task Force concluded that in the aggregate, federal government funding for health programs is adequate, but recommends that the federal government establish clear national program conditions in order to ensure increased control. Thus, a province which would deviate from the program conditions could be deprived of a share of federal transfers. Furthermore, the Task Force recommends greater harmonization of health services across the country and criticizes the current trends of extra billing and the

opting out of physicians from the public health system. Finally, the report recommends that health programs place more emphasis on the preventive rather than the curative aspect of modern medicine.

With respect to post-secondary education, the Task Force reaffirms the exclusive jurisdiction of a province in this area, but hastens to add that given its national economic role and its role as protector of equal opportunity for all Canadians, the federal government is justified in becoming involved in this area. Furthermore, the report recommends that the federal government continue to assume responsibility for these aggregate financing agreements respecting post-secondary education, with the provinces maintaining, however, control over program content and management.

With respect to the Canada Assistance Plan, the Task Force believes that the federal government has a constitutional responsibility for income redistribution and benefit programs (family allowances, unemployment insurance, disability allowances, etc.). The Task Force maintains that there should be no reduction in the overall fiscal commitment for social programs, but suggests that alternate solutions to social assistance, such as work incentives, income supplementation, tax credits and improved training and employment opportunities be examined. Furthermore, the Task Force recommends

closer federal monitoring of provincially administered social programs.

The Canadian equalization system has the unconditional support of the Task Force. The members limit themselves to suggesting a few minor improvements to the system such as the inclusion of municipal property taxes in the equalization calculation formula and the refinement of census-taking methods. The Task Force believes that in the future, oil revenues should be considered in the equalization formula, in accordance with certain principles: only that portion of oil revenues used for budgetary purposes should be considered and only in so far as they serve to finance normal provincial services. Furthermore, there should continue to be some kind of ceiling which limits total equalization that may be paid out on account of resource revenues, or else the runaway increases in equalization payments would unduly tax the federal treasury.

Finally, with respect to fiscal harmonization and economic co-ordination, the Task Force proposes the continuation of the 1976-78 collection agreements, subject to a few minor changes, the goal being a federal-provincial agreement on a code of tax conduct which would prohibit any form of fiscal discrimination or favoritism.

The report is a comprehensive document on fiscal federalism in Canada. In view of the complexity of the

subject, it makes for difficult reading for the uninitiated and a greater effort to draft the report in layman's terms would have ensured greater distribution. However, we must in all fairness applaud the work of the Task Force members. They accomplished a monumental task, in spite of having to meet a very tight schedule. We must congratulate the authors for displaying independence by interpreting in their own way the mandate given to them by the government and for refusing outright to conduct their study within the framework of government budget cuts. However, this independent-minded approach could backfire. The federal government does not appear to be very receptive to the recommendations in the report. Does this mean that unless they reflect the general policy of the government, parliamentary task forces have very little chance of having their recommendations approved? Is the role these task forces play merely that of legitimizing government action? While the experience of working on these task forces seems extremely valuable and stimulating for parliamentarians who not so long ago complained of playing a marginal role in the formulation of policies, it will take a few more years to assess their true political impact.

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