

SECRET

October 1, 1980

MEMORANDUM TO MICHAEL KIRBY

Equalization Text

Following our meeting yesterday afternoon, I spoke to Messrs. Regan, Leblanc and De Bané as well as to Gérard Veilleux.

Gérard informed me that the British Columbia proposal is favoured by the Department of Finance because it permits the greatest flexibility. He said that such would be the view of Mr. MacEachen. Mr. Regan told me that the British Columbia draft was satisfactory to him.

Mr. Leblanc said that the principle of a commitment to the concept of equal opportunity for individual Canadians was essential to him. This principle is found in the first part of all drafts including the British Columbia proposal. As well, Mr. Leblanc does not want to exclude the possibility of making direct payments to individuals instead of provincial governments. Gérard Veilleux assures me that the British Columbia proposal does not exclude this possibility. Indeed it is precisely the reason for British Columbia's position.

Mr. De Bané made several points to me. Basically he is in accord with the British Columbia approach. However, he would like to make two additions. They would change the draft so that it would read as follows: (the new part is underlined).

- 1) Without altering the legislative authority of Parliament or of the legislature or of the rights of any of them with respect to the exercise of their legislative authority, Parliament and the legislatures, together with the Government of Canada and the governments of the provinces, are committed to


... /2

- a) promoting equal opportunities for the well-being of Canadians;
 - b) furthering economic development to reduce disparity in opportunities; and
 - c) providing essential public services of reasonable quality to all Canadians.
2. In addition to being committed to promoting equal opportunities for the well-being of Canadians, to furthering economic development to reduce disparity in opportunities and to providing essential public services of reasonable quality to all Canadians,

Parliament and the Government of Canada are committed to taking such measures as are appropriate to ensure that provinces are able to provide at reasonable costs essential public services referred to in Section (1)(c) without imposing an undue burden of provincial taxation.

Mr. De Bané's first change would highlight the obligations of the Government of Canada separately from the paragraph which describes the obligation of both levels of government. Both Gérard Veilleux and I find that this is a suggestion which would not create any difficulties other than perhaps unnecessary repetition.

His second change flows from his concern that provinces are not spending wisely the money which they are now receiving in unconditional grants. Gérard Veilleux strongly opposes this change first because it is not a constitutional matter and can be resolved by whatever formula is determined when the Fiscal Arrangements Act is renewed; second, because he fears that some provinces such as British Columbia could argue for more money for reasons of distance, freight rates etc.


Eddie Goldenberg

c.c.: R. Tassé
(dossier)