

Statement by Jean Lesage, Prime Minister of Québec and Minister of Finance and Federal-Provincial Affairs, on shared-cost programs, Federal-Provincial Conference, Québec, March 31, 1964 (extract).

Quebec had decided, since 1960 (July Federal-Provincial Conference), to put an end to joint programs. This stand was again expressed at the Federal-Provincial Conference of November 1963.

The joint programs in force have certainly acted as a stimulus to the economic and social growth of the country. In several cases, they have provided a substitute for provincial initiative.

However, conditional grants paid by the federal government to the provinces in connection with joint programs administered by the provincial governments present all types of difficulties. We understand that when the federal government decides to participate in such programs, it requires that certain conditions be complied with by the provinces; these very conditions give rise to several complications.

The existence of these joint programs signifies a loss of efficiency or work duplication and higher administrative costs. The provinces must have a staff whose specific task is to give accounts to Ottawa on the manner these programs are carried out. The federal government must, in turn, employ officials to make sure that the conditions which it has stipulated have been respected by the provinces. In this connection, Ottawa has often the last word on disputed points.

To this, must be added the fact that shared-cost programs are generally conceived without prior consultation with the provinces. By acting in this fashion, the central government does as if it were

a better judge than the provincial administrations of the values and the needs of the population. And yet, the provincial administrations have a far superior knowledge of the needs of their own population.

Moreover, we estimate that the provincial administrations, given sufficient financial resources, could henceforth show the same creative initiative and the same efficiency which, in certain circumstances, the federal government may have evidenced.

From an economic point of view, one must note that conditional grants linked to joint programs represent, in practice, unconditional gifts to the rich provinces. As a matter of fact, it is probable that the latter would, in any case, have provided for their populations the services rendered by joint programs. From that point on, the rich provinces can free an amount equal to the federal contributions and allot them to items of their own choosing. It is even possible that, circumstances permitting, the conditional grants would permit these provinces to maintain a lower taxation rate than that which it would otherwise have reached.

In the case of the less wealthy provinces, the opposite could take place. To benefit by federal shared-cost programs, these provinces must at times reduce other items on their budget to free funds which they need in order to pay their share of joint programs. Possible financial discrimination ensues in favour of subsidized services to the detriment of those which are not.

The constitutional problem brought up by joint programs is serious. In practice, the existence of these programs reduces the initiative of the provinces in the spheres of activity which the constitution recognizes as their own and it even distorts the order of priority which the provinces would like to establish in their own expenditures. Furthermore, most of the time, joint programs aim at assuming the cost

of undertakings which, normally, should come under provincial jurisdiction.

However, for easily understood political reasons, it is difficult for the provinces to refuse the grants linked with shared-cost programs. These grants thus become a compulsion which, for all practical purposes, places the provinces in a state of subordination vis-a-vis the central government. As a matter of fact, if some of the provinces, because of their constitutional position, do not want to submit to the conditions established by the central government, they are seriously penalized because they are

deprived of sums to which their citizens have nonetheless contributed. Above all, it is this situation which, since 1960, has forced Quebec to participate in several joint programs. However, this participation has always been for us but a makeshift solution while waiting for a satisfactory solution to this problem. We believe that the time has now come to solve this question once and for all.

Source: Government of Quebec, *Statement by the Honourable Jean Lesage, Prime Minister, Minister of Finance and of Federal-Provincial Affairs*, Federal-Provincial Conference, Quebec, March 31st, 1964, p. 64-65.