

Two Canadas: the Devolution Debate  
The Hon. John Savage  
Premier of Nova Scotia

The Empire Club, Toronto  
Tuesday, October 15, 1996

News addicts and television watchers here, may recall seeing Rex Murphy's foray into the Canadian identity jungle last month. Ponderously titled, "Searching for a Sense of Country," it was one of those earnest probes into our national psyche. The intrepid Rex emerged from the tangled brush with such a grab bag of ideas, comments, and opinions that even *he* had difficulty bundling the unruly lot into an intelligible conclusion.

Rex was left asking himself, "*is the chase worth the quarry?*" ...and responding, "*there is a core here of attitude, temperament, a special mix of history and experience - even in our clumsy and sometimes reckless politics - that is finally recognizably our own and worth keeping.*"

Frankly, I don't think Canada is nearly as impenetrable as the media and other national hand-wringers maintain. As with most nations, our identity is entwined with our sense of family. --- Canada, after all, *is* a family.

To be asked what it means to be part of that national ménage is not much different from being asked what it is to be a Jones, a Murphy... or a Savage. These questions are fundamentally unanswerable although, if pressed, we resort to the same well worn and inadequate touchstones - membership by birth or adoption, traits and heritage different from the neighbours', geographic location, socio-economic standing, and expectations.

And that brings me to my theme, Two Canadas: the Devolution Debate. What I have in mind here are not the uneasy relations between Quebec and the rest of the country, or even the contentious issues that beset aboriginal-non native dealings. I'm referring to the Canada that has and the Canada that has not.

I'm convinced if we ignore these two Canadas today, we do so at our peril. Further, I believe fairness is the only acceptable way to deal with this family situation. Otherwise we risk turning it into one of those latent dysfunctions that will eventually cause disquiet.

You'll recall we heard a great deal about this topic in the '60s and '70s under the heading "economic disparity." As transfer payments and policies to encourage regional economic development took root, the phrase faded from prominence in our national political lexicon. With its retreat seems to have gone a certain appreciation of its dynamic, at least as far as the have provinces - Ontario, Alberta and British Columbia - are concerned.

That realization has grown with increasing regularity in the current discussions on the devolution of some federal activities and programs to the provinces. I'm talking here about federal involvement in matters of exclusive provincial jurisdiction, as outlined in our constitution - matters related to health care, education and social welfare responsibilities.

Most recently, the Two Canadas asserted themselves in August at the First Ministers' Meeting when, as Newfoundland Premier Brian Tobin so succinctly put it, "*Courchene was thrown from the train.*"

While not on the official agenda, Professor Thomas Courchene's controversial paper on re-balancing federal-provincial social responsibilities gave us a defining moment. For the first time Nova Scotia and five other have-not provinces voiced a resounding and harmonious "no" to an option which obviously has some appeal to Canada's rich provinces. We said "no" to the Courchene scenario in which Ottawa would completely get out of social programs like health care and turn its cash transfers into equalized tax points for the provinces.

The fact that Have-Canada, particularly Ontario and Alberta, would even bring Courchene's provocative paper along as a non agenda item is troubling. It suggests the richer members of our Canadian family are out of touch with their poorer relations; that Ontario and Alberta don't fully appreciate the implications of what Courchene is suggesting, and that perhaps Nova Scotia has been remiss in not providing more enlightenment on the subject.

The plain truth is Nova Scotia can't afford to let Ottawa vacate the social welfare field because, on its own, our province doesn't have the money to bankroll a takeover. Ontario, Alberta and British Columbia do. Consequently we still see a role for the federal government in developing national standards, provided they are achieved in consensus with the provinces. From past experience we know how unilateral action by the federal government in these matters can undermine provincial priorities by diverting our comparatively modest resources from our objectives.

It should be remembered that if every have-not province paid full fare for its social programs, this country's existing disparities would be greatly magnified. The result - more discord, bickering and resentment - would undermine our need for greater co-operation, so vital today for our national well-being. As our east-west economic links slacken to take advantage of the continental north-south pull, it's generally agreed we must maintain social bonds, like medicare, which Canadians recognize as national family traits - as entitlements of citizenship and unifying features of this country.

But this shouldn't mean Canadians in richer provinces should have substantially better social programs than those in poorer provinces -- unless of course you want two classes of citizenship in this country. I'm certain Canadians won't buy that. And if they did Have-Canada, let me tell you, would end up regretting it. Imagine the strain on Ontario's financial resources if Canadians from provinces like Nova Scotia started flocking here for better medicare or enriched social services!

You'll recall British Columbia caught a preview of that nightmare not long ago, when Albertans on pared-down social assistance headed to the west coast where the benefits were more generous. The result wasn't pretty - for either province.

Population migrations of this kind upset the economic balance. People should move to take advantage of jobs and economic opportunity, not social benefits. That only stands to reason because we need tax revenue from jobs and economic activity to sustain social programs.

Disparity, as we all know, already exists between Ontario and Nova Scotia. Last year your annual average unemployment rate was less than 9 per cent, ours was slightly over 12 per cent. Weekly average earnings last year were estimated to be 25 per cent higher in Ontario than Nova Scotia. And annual personal disposable income for Ontario residents exceeded the Nova Scotian figure by more than \$3,000.

As a result our social programs in Nova Scotia aren't exactly like yours here in Ontario. They aren't as rich. But they're comparable and equitable. And we've been able to keep them that way because of a system of federal equalization payments which have been coupled with cash transfers for social programs, containing in-built equalization factors.

Ontario argues these equalization factors should be scrapped from our social programs and integrated into the formula for equalization payments. We can't go along with that idea; we'd be financial losers in the formula's renegotiation and we know it. Courchene's scenario, turning cash transfers into equalized tax points, falls far short of the mark too. Our social programs would suffer. They couldn't be sustained in an equitable way with Ontario's programs, Alberta's or British Columbia's.

Further, Ontario is captivated by the notion that it should get 100 cents back in benefits for every dollar it puts into the kitty for national social programs. If we adopt that kind of attitude, we won't have to worry about the consequences of a Canada without Quebec; we'll already be well on the way to disintegration.

Moreover the idea just doesn't make sense from the standpoints of functionality or fairness. Consider how the principle would work in employment insurance! Nova Scotia, where unemployment is high, would collect disproportionately smaller benefits compared to provinces where unemployment was low.

Let me put it to you this way: if you were living in a sparsely populated hurricane belt, would you be satisfied if your insurance agent offered you hurricane insurance with benefits tied only to the premiums collected in your immediate area? Of course not!

We understand Ontario's frustration at seeing money go out of the province at a time when it could use the dollars at home. But Ontario is part of a national family in which the members have a long-standing tradition of taking care of one another in the name of the common good.

Some fallacies, unstated but widely assumed, can get in the way of a proper debate on this subject.

Among these misconceptions are the notions that Nova Scotia doesn't pull its financial weight in the Canadian family; that we aren't much of a factor in the central Canadian economy; and that continued help from Have Canada will merely perpetuate our dependence.

These ideas are simply false! We are pulling our financial weight. Federal taxes collected in Nova Scotia as a proportion of personal income were the highest in Canada in 1993. We are much less dependent on federal spending than we once were. Federal expenditures on goods and services in Nova Scotia experienced the fastest decline in *all* of Canada from 1980 to 1994. At the same time federal revenues from our province have soared.

In 1980 net expenditure - that is all the money Ottawa sent to Nova Scotia minus all the money we sent back - was 41 per cent of Nova Scotia's gross domestic product or GDP. Then, because we began to get less and send more to Ottawa, the net expenditure figure dropped to just under 19 per cent in 1994. That's more than a 50 per cent drop in this dependence measurement in less than a decade-and-a-half. This data, of course, doesn't reflect the substantial hits we took in the 1995 and 1996 federal budgets. Those factors are expected to send this measurement of dependence plummeting even further.

It isn't true either to say we aren't economically important to central Canada. It may interest you to know, that Statistics Canada recently released an analysis of interprovincial trade which, while based on 1990 data, revealed some intriguing trade patterns. Nova Scotia's interprovincial imports were worth \$6.5 billion, nearly twice as much as our exports.

Slightly over half the value of those imports came from Ontario. Quebec was next in line at 24 per cent and the Atlantic region stood third at 18 per cent. By comparison, 42 per cent of our exports stayed in Atlantic Canada with the remainder split closely between Ontario and Quebec. We're an important market to central Canada. Our biggest import item was automobiles. Now tell me that isn't important to the Ontario economy!

Nor is it correct to suggest help from Have Canada is merely perpetuating a syndrome of dependence. Our province lost close to 5,000 federal jobs in the last five years, far more in percentage terms than any other part of the country. In fact 16 per cent of all federal cuts in Canada since 1990 have been absorbed by Nova Scotia. We estimate that the cumulative effect of federal cuts to Nova Scotia will top \$2.5 billion by the turn of the century.

The burden of picking up the slack has fallen to our private sector and it has risen to the challenge. A good example is this past August when the public sector was found with 8,000 fewer jobs compared to the same month last year. While public sector employment fell, private sector employment was up by 6,000.

As a provincial government we've been responsible. We've aggressively slashed our spending to cope with a deficit which...at more than a half a billion dollars a year.... was out of control when we came to power in 1993. We balanced our operating budget this year - 12 months sooner than we originally anticipated. We've brought in legislation to outlaw deficits in future years and we've targeted our net direct debt for demolition. Suffice it to say if we could get rid of our net direct debt, now an estimated \$8.43 billion, we'd be a self-sufficient province. We're working on it!

Beyond that, we're doing what we can to help our private sector expand and generate economic activity. And there are signs our strategy is working. As of January this year we had the lowest unemployment rate and the highest job growth in Atlantic Canada. In July only five major centres in Canada had a lower unemployment rate than Halifax.

More encouraging, our economic future holds signs of new wealth. If current plans come to fruition about 30 per cent of Canada's oil and gas production will come from the east coast within the next five years. I'm thinking of the combined effect of Hibernia and Terra Nova off Newfoundland and Sable gas off Nova Scotia. These projects represent a big potential plus not only for the Atlantic region, but for our national economy. Canada could expect to realize more income from energy exports and experience less reliance on imported fuel.

The Sable gas project has a value of at least \$3 billion. The consortium developing the project...led by Mobil Oil...will make a final decision on the project about a year from now. A joint federal-provincial review panel is up and running and has started the public hearing process.

My government obviously has a great deal of interest in the project. We have made it very clear that Nova Scotians must receive maximum benefits from our offshore resource or the gas will stay in the ground.

While we wait for the Sable consortium to give the final go-ahead to the project, there is controversy over two competing proposals for the pipeline which will carry the gas to markets in the United States. One group wants to ship the gas directly to the United States through Nova Scotia and New Brunswick. The other proposal would see the gas go through Quebec before heading south of the border.

Unfortunately, the routing of the pipeline has become a political issue because of the Quebec government's interest in the project. I have said repeatedly the decision is best left up to the National Energy Board. Ottawa now agrees. But that's where the debate should stop. I would argue that it is inappropriate for any one in the federal government to comment further...to argue the merits or demerits of either pipeline proposal.

Let's let the regulatory agency do its work and keep us politicians away.

I reiterate, Nova Scotians must receive maximum benefits from our offshore resource in terms of jobs.

We anticipate that the Sable offshore project will play a significant part in our desire to reach greater economic independence. In the meantime, we remain vigilant in our efforts to ensure that any changes to existing federal-provincial fiscal arrangements don't penalize any one part of the country.

Ontario, with a government centred in one of Canada's richest cities, doesn't argue about the principle or the need to equalize services in the province's less affluent north. The Ontario government strives to make its services as uniform and accessible as it can for all provincial residents. Federal transfer payments simply allow Ottawa to perform that same function on a nation-wide basis.

...In all these matters, I am again reminded of Rex Murphy's exploration of our Canadian identity. One of the people he talked to was Harry Hayward, a volunteer with the Brandon War Museum. He was quite critical of Canadians and said, "*I think... we've become very self-centred and selfish, since probably the '60s. It's me, me, me -- and we're not worried about anybody. I'm not worried about you; I'm worried about me.*"

Well that's how it can appear at times, because we all come to the family table as individuals with our own pressing concerns. Only through the give and take of discussion do we begin to perceive the family welfare as greater than our own.

Mr. Hayward seemed to sense this. He said, "*... I think we're a great country. We have a great history. We've done a lot of difficult jobs together.*" Mr. Hayward remains concerned about our future but he says, "*I'm a typical Canadian. Ah well, I guess it'll get sorted out somehow.*"

...Such blind faith is characteristic of Canadians. It's an indication that our national family ties are more real, deep and abiding than we care to admit -- even to television personalities. And it's in this spirit that I too believe we'll get these issues sorted out. Moreover I'm convinced the outcome will be guided by mutual good will and fairness. It's the Canadian way.

\*\*\*\*\*