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(HANSARD)

Tuesday, February 1, 1994

Speaker: The Honourable Gilbert Parent

HOUSE OF COMMONS

Tuesday, February 1, 1994

The House met at 10 a.m.

Prayers

ROUTINE PROCEEDINGS

[Translation]

INTERPARLIAMENTARY DELEGATIONS

Mr. Don Boudria (Glengarry—Prescott—Russell): Mr. Speaker, in accordance with Standing Order 34, I have the honour to present, in both official languages, the report from the Canadian Branch of the International Association of French-Speaking Parliamentarians concerning the 10th session of the Assemblée régionale for America meeting held in Lafayette, Louisiana, from September 15 to 19, 1993.

* * *

(1005)

COMMITTEES OF THE HOUSE

PROCEDURE AND HOUSE AFFAIRS

Mr. Peter Milliken (Parliamentary Secretary to Government House Leader): Mr. Speaker, I have the honour to present, in accordance with Standing Orders 104 and 114, the first report of the Standing Committee on Procedure and House Affairs concerning the Standing Committees' membership list.

[English]

I should advise the House that this report is of the permanent members of the committees and not of associate members as required by the standing orders.

If the House gives its consent I intend to move concurrence in the report later this day.

The Speaker: Is there unanimous consent?

Some hon. members: Agreed.

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CONSUMER PACKAGING AND LABELLING ACT

Mr. Tom Wappel (Scarborough West) moved for leave to introduce Bill C-204, an act to amend the Consumer Packaging and Labelling Act (nutritional value of food).

He said: Mr. Speaker, the purpose of this bill is to amend the Consumer Packaging and Labelling Act to provide that foods sold to consumers across Canada have certain nutritional information stated on the label, including the vitamin content, carbohydrate content, the fat content and the caloric amount per portion. This information is very common in the United States but is voluntary in Canada. This bill would make it mandatory.

(Motions deemed adopted, bill read the first time and printed.)

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CRIMINAL CODE

Mr. Tom Wappel (Scarborough West) moved for leave to introduce Bill C-205, an act to amend the Criminal Code (human being).

He said: Mr. Speaker, the purpose of this bill is to add a definition of the term human being to the Criminal Code. The purpose of that definition is to focus the debate on the vexing issue of abortion and the question that has heretofore not been addressed, whether society wishes to extend protection to the unborn child.

(Motions deemed adopted, bill read the first time and printed.)

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WITNESS PROTECTION ACT

Mr. Tom Wappel (Scarborough West) moved for leave to introduce Bill C-206, an act to provide for the relocation and protection of witnesses.

He said: Mr. Speaker, thousands upon thousands of people have signed petitions asking this House to set up a witness protection program that has been mandated and is the responsibility of this House through the minister in charge. That currently is not the practice.

There are ad hoc witness protection plans across the country run by various police forces, including the RCMP. This bill proposes to formalize the arrangement and have it administered by the federal government.

I urge the Solicitor General and the Minister of Justice to proceed with the witness relocation plan immediately.

(Motions deemed adopted, bill read the first time and printed.)

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(1010)

AUDITOR GENERAL ACT

Mr. Jean-Robert Gauthier (Ottawa—Vanier) moved for leave to introduce Bill C-207, an act to amend the Auditor General Act (reports).

He said: Mr. Speaker, the purpose of this bill is to allow the Auditor General to table reports of his work regularly so that parliamentarians and the people of Canada will have knowledge of what he is looking at in terms of the efficiencies and effectiveness of programs of government.

Currently the government gets one report a year because the law forbids the Auditor General from tabling more than one report. It is a huge brick and becomes a media event for about a day and a half and then everybody forgets about it.

It would be in the interest of good administration to allow the Auditor General to table reports whenever he or she feels they are appropriate.

(Motions deemed adopted, bill read the first time and printed.)

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COMMITTEES OF THE HOUSE

PROCEDURE AND HOUSE AFFAIRS

Mr. Peter Milliken (Parliamentary Secretary to Leader of the Government in the House of Commons): Mr. Speaker, if the House gives its consent, and I believe that consent is forthcoming, I move that the first report of the Standing Committee on Procedure and House Affairs presented to the House earlier this day be concurred in.

I might add, Mr. Speaker, that I think you might find consent to dispense with the reading of the report.

The Speaker: Is there agreement to dispense with the reading of the report?

Some hon. members: Agreed.

(Motion agreed to.)

* * *

PETITIONS

YOUNG OFFENDERS ACT

Mr. Rex Crawford (Kent): I rise under Standing Order 36 to present a petition on behalf of my constituents. It is signed by 16,516 people calling for dramatic changes to the current Young Offenders Act.

An 18-year-old resident, Roy Asselstine Jr., was the victim of gang violence by young offenders. When they appeared in court they showed no respect for the judge or any remorse for what they had done to this innocent young chap.

This petition calls on Parliament to revise the Young Offenders Act by lowering the age limit to allow prosecution to fit the seriousness of the crime. I am proud to add my name to it.

The petitioners did this under duress. They should be congratulated because there are several young gangs in the city of Chatham and they were threatened. Almost single-handedly they collected over 16,000 names on the petition. I am hoping members will call our office and I will send the petition to them if they care to circulate it in their ridings.

The Young Offenders Act must be amended. In its present form it is a joke.

(1015)

OFFICIAL LANGUAGES

Ms. Val Meredith (Surrey—White Rock—South Langley): Mr. Speaker, I have been requested to present this petition on behalf of signatories from B.C. to Manitoba, requesting that the government hold a referendum on the question of accepting or rejecting two official languages.

* * *

[Translation]

QUESTIONS ON THE ORDER PAPER

Mr. Peter Milliken (Parliamentary Secretary to Government House Leader): Mr. Speaker, I move that all questions stand.

Mr. Speaker: Does the House agree?

Some hon. members: Agreed.

GOVERNMENT ORDERS

[Translation]

PRE-BUDGET CONSULTATIONS

Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec) moved:

That this House take note of ideas and suggestions expressed in the House, at pre-Budget regional conferences and elsewhere with regard to the forthcoming Budget, especially with respect to increased economic growth, the creation of jobs and the reduction of the deficit.

He said: Mr. Speaker, the purpose of today's debate is to give members of this House the opportunity to express their opinion on the Budget.

[English]

This is an historic day. This debate is the first of its kind. In the past members of Parliament were not part of the budget making process. Budgets were tabled here. They were debated upon here and they were voted upon here, but there was little opportunity for members of Parliament to influence the content of those budgets. On all sides of the House the focus was on scoring points for the party, not for the country.

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We believe that process was deeply flawed. Wisdom—and I know this will come as a great surprise to the House—is not confined to finance ministers. The issue before us is clear. How can we expect Canadians to understand or to accept hard choices if they are not part of the process of choice?

How can we in the House as parliamentarians expect Canadians to trust us if we do not trust ourselves? The people of Canada deserve to be brought into the budget making process and the Parliament of Canada must begin to play a larger role.

[*Translation*]

Unfortunately, there was not enough time to have the House Standing Committee on Finance take part in this year's budget preparation. Things will be different next year when House committees will have a central role and very real influence.

Today's debate, the first of its kind in Canadian history, is proof of the government's intentions. It follows a process started in last November, at the University of Montreal. Since then, we have held a public meeting with 38 of Canada's most distinguished economists. Critics for the Bloc and the Reform Party were present, I may add.

We have published several new documents informing Canadians on this country's economic state. Four independent research institutes organized conferences in Halifax, Montreal, Toronto and Calgary where representatives from all sectors of society studied the issues to which we, as members of this House, will be confronted in this year's and next year's budgets. The public process will be broadened for the 1995 budget preparation.

[*English*]

There are several conclusions that we can draw on from the consultation process this country has begun. First, one has to have been heartened by the degree to which Canadians were willing to put self-interest aside and discuss issues together to look for practical, real solutions to the challenges we face.

(1020)

Second, it is clear that the priorities of Canadians are jobs and economic growth, that they want the deficit brought down but not as an end in itself. They believe that as long as deficits are too high unemployment will remain too high.

Third, there is a profound sense that the status quo simply will not do and that if we continue on our current path then that would be a road to nowhere.

Fourth, there is a desire on the part of Canadians for a budget that embodies a game plan, a strategic outlook in which the various budgetary measures that are to be taken can be judged as to their effectiveness.

Fifth, there is a clear sense that the choice we face as a country is not between jobs or the deficit but that there is an urgent need to focus on both. There is a belief that we will never solve the deficit until we develop sustained and strong growth. At the same time Canadians understand that the growing debt itself is an impediment to that growth. To attack the deficit without encouraging growth would be foolish. To attempt to spur growth and jobs as if the debt and deficit did not matter would simply be futile.

[*Translation*]

Mr. Speaker, the stakes are much higher than mere details of the budget. We aim not only to trim government but to rethink its entire role. Today, we have a golden opportunity to change our way of doing things, not for financial reasons but for reasons of common sense.

[*English*]

As a government we have already begun a variety of processes designed to bring deep and dramatic reform to government, to the way we operate, and to our policies and programs in a wide range of areas. The actions that were taken by the whip in terms of cutting down the costs of this place are a beginning and simply a kernel in the approach we want to take to the frugality of the way in which we generate taxpayers' money.

Yesterday in the House the minister of human resources laid before the people of Canada the beginnings of deep-seated reform in areas within his jurisdiction. If today was an historic day then surely yesterday was one as well. I congratulate my colleague because he really does bespeak for modern liberalism.

There will be more initiatives in the weeks and months ahead. That is why we have made it clear from the very beginning that the 1994 budget should be seen as a first step, the first stage in a two-stage process culminating in the 1995 budget.

Unfortunately the deficit outlook for 1993-94 remains as was set out in my November speech, that is to say in the \$44 billion to \$46 billion range. A view exists in some quarters that the deficit for the following year, that is the year for which we are budgeting, 1994-95, could fall below \$40 billion by itself without any direct fiscal action. That view unfortunately is not valid.

It is true that part of the increase in the deficit for this year is due to one-time influences.

*Government Orders**[Translation]*

However, according to a number of factors, it is also clear that the reduction of the deficit will evidently be limited in 1994–95 if no direct fiscal measures are taken.

First, in 1994, the growth of the economy will probably come in large part from better corporate profits. There is little chance however of this growth translating into an equivalent growth of federal revenues.

(1025)

The low earnings registered by corporations during the last few years have allowed them to accumulate considerable losses which they will be able to apply to their income tax payable this year.

Secondly, the erosion of some tax bases is continuing, especially in the area of tobacco for example.

[English]

Third, the growth in personal income taxes for this year is likely to be weak. This is due to the unacceptably high level of unemployment and slow income growth.

Fourth, the effect of disinflation on the government's revenues is substantial.

Fifth, many of the savings assumed in the 1993 April budget were never secured through legislation.

Finally many cost pressures must be faced, such as the support for the east coast fisheries, that were never provided for in the last Conservative budget. This is very important because the fisheries is only one example. Not only were the revenue projections in that April budget wrong, but the expenditure projections which any government must have a handle on were unrealistic as well.

For members on this side of the House—and I know members on the other side of the House feel the same way because I heard the leader of the Reform Party and the leader of the Bloc Québécois talk about it—it is crucial if as parliamentarians we are to regain the confidence of the Canadian people that, whether we are in government or in opposition, we not be afraid to lay in front of the Canadian people the facts and be judged by them. The days of phoney accounting, of illusion, must be over. I know it is something all members on this side of the House support.

I will be clear. Without further action the deficit for 1994–95 will be significantly above \$40 billion. To get the deficit on track so that it will drop to a level of 3 per cent of GDP by 1996–97 immediate action is necessary. That action must not consist of overly optimistic growth projections or accounting sleight of hand as was done too many times in the past.

[Translation]

For the purposes of forecasting, we will follow the advice of our main economic experts. We will be conservative in our estimates and will not indulge in wishful thinking.

[English]

We have clear priorities: to create jobs, to increase economic growth, and to help those who are truly in need. The debt and deficit problems of our country present severe difficulties and severe obstacles in the way of meeting these priorities. They keep interest rates too high. They drain off our country's income to foreigners and they force us to keep our tax rates up.

The question is: How do we get the deficit down? Let me frame the challenge. There are those who blame the public service. They are wrong. We could let every public servant go. We could discharge every soldier. We could board up every government building. We could shut the whole show down and we would still have a deficit.

There are those who blame the poor. They are wrong. We could abandon all the major programs we have in place to help the elderly, to help those who are unemployed, to help those who are in need, and the deficit would still be with us.

I would hope no one in the House today would argue that the deficit should be brought down on the backs of those who are most in need. If they did I would simply point out, as my colleague the Minister of Human Resources Development pointed out yesterday, that not only is slash and burn morally wrong economically it will not work.

(1030)

What this country needs is something that it has been deprived of for too long. We need a long term solid growth strategy to bring the deficit down, to put Canadians back to work, to restructure our industrial base so that we can face the competition that lies outside our borders. What we need is a growth strategy that is creative, compassionate and constructive. As a government that is what we intend to put in place.

The budget this year will have real cuts but it will also set in train important processes to reform the most fundamental programs of the federal government. That takes time and requires consultation but make no mistake, that reform will take place.

[Translation]

I am sure all members of this House agree with our objectives of economic growth, job creation, compassion and deficit reduction. What we need today is an in-depth debate to help us determine the manner in which, together, we can attain these goals.

*Government Orders**[English]*

In the debate today the easiest priority for any one of us on either side of the House to put forward is one's own. The most obvious area in which to ask for more spending is one's own. The most obvious area to ask for cuts is in somebody else's backyard.

This debate is about a national budget, not a personal budget. It is about tradeoffs and the balance that we need as a nation. If today there are ideas for more spending then we need to hear today where that money is going to come from. If there are proposals for cuts then we need to know the effect of those on jobs and on Canadians most in need.

If there are those who argue against changes in taxation then we need to know from them if they feel that the existing list of tax exemptions is fair. We have asked Canadians across the land to consider the tradeoffs. It is now up to this House to do that very thing as well.

This country needs a budget that speaks to the needs of all Canadians. This government intends to provide that and I know that the debate we are about to have in this House will contribute a great deal to that effort.

The Deputy Speaker: Under our rules there are no questions or comments after the Minister of Finance's speech.

[Translation]

Hon. Lucien Bouchard (Leader of the Opposition): Mr. Speaker, here we are in the last phase just before the tabling of the federal budget for the 1994-95 fiscal year which, as everyone knows, begins on April 1.

Few budgets have been as eagerly awaited as this one. The new government has had a chance to distinguish itself from the government that the voters judged so harshly in the last elections. It is the new government's responsibility to tackle with conviction and fairness the complex problems facing Canada that can be seen in our poor economic situation and the crisis situation in government finances.

The number of real jobs that have been created is still negligible. There are not even enough new jobs to absorb the newcomers onto the job market, and 40 per cent of the jobs lost through the recession have not been made up. The Canadian economy is still performing well below its potential.

The indications of the crisis in government funds are now so well known there is no point in dwelling on them further. Suffice it to say that the federal debt has reached a critical point. The federal government has been borrowing money for a long time to pay its grocery bills, and then to pay the interest on those loans.

From 1985 to 1993, when the ratio of the debt to GDP in Canada increased by 82 per cent, that ratio increased by only 21 per cent on average in OECD countries. The net federal debt is increasing so quickly that it has now surpassed 70 per cent of GDP, up from 46.4 per cent in 1985.

(1035)

What is more, every year one third of federal revenue goes to paying the interest on the debt. The situation would be less critical if the government was going into debt in order to invest in capital projects. According to the 1993-94 Main Estimates, the government's capital expenditures represent only 4.16 per cent of total gross program expenditures.

In addition, 53 per cent of that amount goes to the Department of National Defence alone. A burden of this size weighs heavily on the strength of the economic recovery, primarily by exerting undue influence on medium- and long-term interest rates. We must quickly reduce this burden by a considerable amount, and at the same time we must be careful not to shatter this fragile recovery.

According to the Prime Minister, the size of the federal debt is not so spectacular when compared with the debts in European countries. Perhaps he should take a second look, and not compare apples with oranges. Canada's total public debt is the highest debt of all G-7 countries, after Italy's. And the federal debt is the largest part of Canada's total debt.

Therefore, the government cannot choose to solve only one of these two problems, either the debt or the sluggish recovery, and leave the other issue unresolved. The two issues have to be tackled at the same time, or any success that comes about will be only short-lived.

Since last October 25, speculation has been rife about the government's plans for public finances, that they will reduce spending, or go even more deeply into taxpayers' pockets. Nothing has yet been decided and uncertainty prevails.

Although the throne speech gave nothing away in this regard, it does appear that reducing the deficit through taxation is at the very top of the government's list of priorities. Job creation seems to have been relegated to second place, along with the elimination of useless expenditures, the ones that inspired the Liberal leader to such impassioned and repetitive speeches during the election campaign.

Yes, there is still the infrastructure works program, the one that is clearly inadequate. Let's look more closely at this program. The federal government's contribution will amount to \$2 billion over two years.

The increase in unemployment insurance premiums that came into effect at the beginning of 1994 raised an additional amount of \$800 million per year. Anyone can rob Peter to pay Paul. It is not necessary to have a government that says it has experience to do it.

All analysts are unanimous in making objections to increasing taxes on the payroll. This is just what the government has decided to do with unemployment insurance. One can ask whether the government really wants to see this recovery that everyone is waiting for. Everything points to the fact that, apart from its program to repair municipal infrastructures, this government has decided to do nothing but gaze in open-eyed wonder at its little red book. The government is making a religion out of its electoral creed, to which it believes it owes its

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election. Propaganda has never been so effective, since even the government, the author of the red book, believes in it.

Recycled as the throne speech, the red book is still providing fodder for the Prime Minister's speeches, and the Minister of Finance is still taking delight in it. Again yesterday, I saw a government minister religiously brandishing the booklet in this very House. The worst is yet to come, since in a few weeks we are very likely to see it reappear sumptuously adorned as a budget speech. In other words, the government's job creation program is the same as the one we saw from the Liberal Party during the election campaign: nothing but words and the incantation: jobs, jobs, jobs. And as for the rest, they are counting on a hypothetical recovery that is likely to happen of its own accord. This is an irresponsible gamble on a better future, as well as being an ominous memory lapse about the causes of the deficit.

[*English*]

It is not necessary to remind hon. members that boosting the economy means less unemployment, less welfare and higher tax revenues. Thus it contributes in two ways to lowering the burden related to the public deficit.

For example, if we had the same number of jobs we had before the last recession, the expected deficit for 1993-94 would be well below the figure announced by the Minister of Finance, which is artificially inflated for obvious reasons. That target is quite modest.

With normal expansion in the number of jobs over the past three years, we could have avoided the sudden deterioration in the budgetary situation of the federal government and the provinces.

(1040)

[*Translation*]

When the recession began, the federal deficit was \$29 billion; today the Minister of Finance puts it at \$45 billion. The main cause of the increase is an unexpected drop in revenue.

During the first seven months of the current fiscal year, revenues were down 5.7 per cent from the same period the previous year. This drop is disturbing, because it occurred despite a slight improvement in the economy.

The deficit now represents 6.2 per cent of GDP, a proportion twice that of the American debt, which is 3 per cent of GDP according to the OECD. A 1993 study by the IMF says that even if the economy were performing at full capacity, Canada's governments would have a deficit on the order of 3.5 per cent of

GDP, with forecasts of 2 per cent for 1998. So there is also a very serious structural problem here.

Three years after the recession technically ended, the deficit has reached, according to our calculations, about \$41 billion—that is, if one eschews accounting fictions (which are so dear to the Minister) and includes the impact of lower interest rates on debt-servicing charges. The Minister of Finance has not done either of these things, despite his commitment to greater transparency in setting out budgetary parameters. He obviously finds it more appealing to announce a reduction of the deficit from \$45 billion to—say—\$37 billion rather than a much less dramatic reduction from \$41 billion to \$37 billion. It is a numbers game.

I want to ask the Minister today if he stands by the projected deficit for the current fiscal year that he announced at the end of last November.

Debt servicing constitutes the largest budget item: \$39.5 billion in 1992-93. Given the wide gap between short-term and long-term interest rates—almost 3.5 percentage points—is there a strategy at work? One may well wonder. Does the Department of Finance have a strategy for taking advantage of falling short-term interest rates by continually shortening the average term of government securities? Since at the present time there are no inflationary pressures in Canada or the United States, where the most recent data demonstrates a further drop in inflation rates, the question is worth asking.

Last year in Canada the domestic inflation rate—which does not include imported products—was not even 1 per cent. Under the circumstances, is it reasonable to continue, for example, paying 7.1 per cent on 30-year borrowings? When you have a debt of \$507 billion, the difference between a borrowing cost of 5 per cent and a borrowing cost of 6 per cent represents more than \$5 billion. How many home owners are there in Canada just now who would opt for a 10-year mortgage at 8.5 per cent? Very few.

Fiscal equity demands that certain tax shelters be closed, but the Minister of Finance is now trying to give this idea a broader meaning, so that it can include the notion of expanding the tax base. But eliminating this or that deduction used by a significant proportion of the population means by definition increasing the tax burden on those taxpayers, who belong very largely to the middle class. In other words, it amounts to increasing their taxes. The Minister of Finance talks about transparency, but he does not want to call a spade a spade. He would be happier if nobody noticed his little manoeuvre and he could pull a fast one on us, as they say.

The Minister should be warned against two temptations: that of retroactive measures and that of unequal treatment of taxpayers according to their conditions of employment.

The very notion of a retroactive measure strikes at the heart of a society governed by the rule of law, and we are such a society. Citizens are rightly outraged by the arbitrariness of power when the government changes the rules in mid-game to suit itself. Outrage was certainly the reaction in Quebec when the government brought in a retroactive surtax in its last budget.

As far as RRSPs are concerned, and they are very much at issue just now, workers who do not have the advantage of benefitting from a pension fund must be treated on the same footing as those who do.

It is really rather odd that the government is contemplating additional taxes affecting large numbers of people while at the same time complaining about the growing scale of the underground economy, which is causing tax losses for it. And at a time when the Canadian and Quebec governments finally seem to have seen sense as far as tobacco taxes are concerned, we must hope, as I said two weeks ago in this House, to see a rapid and energetic decision. Let us face facts: our governments have let the situation fester.

(1045)

Deciding to lower tobacco taxes will not prevent governments in the slightest from continuing and even stepping up their fight against tobacco use. In the medium term, tobacco consumption depends on more than price. The proof is there: American taxes on tobacco are much lower than ours and yet Americans smoke less than Canadians. Moreover, when they buy smuggled cigarettes smokers cease to contribute to paying for the health-care costs than tobacco taxes help to underwrite.

[English]

There is a simple way to achieve greater fiscal equity. It consists of putting into effect the recommendations contained in the latest report of the Auditor General. We have to attack the level of expenditures and we have to do it with determination.

First of all, we have to deal with the most widespread problem causing the greatest unfairness, the problem of fiscal expenditure.

In 1987, as the economist Léo-Paul Lauzon reminds us, 90,000 companies made profits without paying a cent in taxes. According to the Auditor General, Canadian companies invested \$90 billion abroad of which \$16.1 billion went to tax havens. In such cases the revenues are only taxed abroad at the accommodating rates prevailing in those countries. The amounts mentioned only reflect the investments which are declared because many of those companies are not obliged to

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produce information statements. In this way, each year hundreds of millions of dollars escape taxes.

It is obviously quite essential that all corporations must be subject to a minimum level of taxation.

[Translation]

But, in the field of tax inequity, I repeat, the prize goes to family trusts. Analyst Claude Picher of *La Presse* writes about them in a recent article describing the formula, which—and I quote—“allows taxpayers to set up a trust and include in it securities whose yield is tax-exempt as long as it remains in the trust, which, under present provisions, can be practically indefinitely”. As we know, this system was set up by the Liberals, and prolonged by the Conservatives. They have been passing the buck, from one government to the next. I continue the quotation: “The trust must be set up according to a complex and costly procedure, which makes such trusts much less affordable, unless you happen to have a fortune”. A trust, then, of course, intended for rich families. I have inserted a few personal comments into the quotation. I feel that people will be able to distinguish between the cold comments by analyst Picher and the ones I have added.

In an article in the January 29, 1994 issue of *La Presse*, the same economist considers, and I quote: “that it is credible that the tax provisions for family trusts represent a shortfall of \$340 million annually”. And these are conservative figures, since it is the government’s responsibility to unveil the true dimensions of this flagrant injustice and eliminate this unseemly shelter once and for all. The Minister, who has access to information about this issue, knows this: he knows the exact extent of this scandal. As a result, he is under considerable pressure: his knowledge of this issue is certainly strengthening his desire to right a wrong and put back into the public coffers hundreds of millions of dollars each year that would provide relief for the taxes he is preparing to impose on the middle class.

We must also expect substantial reductions in federal expenditures, traditional expenditures. But—not so fast!—not by charging ahead and arbitrarily slashing 5% across the board. Because of its role as initiator of the budget crisis, the federal government must first set an example; it must clean up its own act. Since this government was elected, the federal government has been preparing to take shots at easy targets: social programs, people who have no lobby, no union, no representation, no party, no voice. They are easy targets; they are the ones at whom the government has been taking shots since yesterday. And, a year from now, we shall see the results. It is also easy to target transfers to the provinces; from the federal point of view, the provinces are like chicks surrounding a mother hen. But there is no announcement about its own waste or its own ponderous bureaucracy.

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(1050)

We have not heard any speeches about that. We have not heard one Minister admit guilt or declare an intention to cut the bureaucratic machinery down to size. Nothing. Once again, we are bracing for the culpable connivance that made the federal government one of the causes of our present deficit.

The evidence is accumulating. Yesterday, it was the Minister of Human Resources Development putting forward his fantasy plan for improving the quality and range of health and social services by cutting related expenditures. A vicious circle. We shall see how he manages.

Where transfers to the provinces are concerned, aside from the equalization payments, the federal government's decision will be made public in three weeks, as part of the budget. But where federal government expenditures are concerned, nothing. No announced speech, only vague phrases for media consumption. And any reference to federal timetables is cloaked in confusion.

For example, the Minister of Finance repeated several times that his first budget, the actual budget, the one that is coming up, apparently would not be the real thing. What is this upcoming budget going to be? The budget of another country? The budget of another organization? No, apparently it is not going to be the real budget. The 1995-96 budget, next year's budget, is going to be the real thing; that is where a reform of social programs could be included. That is where we could see how these programs would be delivered by the two levels of government.

We cannot see any need for such lengthy delays in a field like labour and occupational issues, occupational training. These issues have been dragging on for years, and what Quebec is asking for is both known and endorsed by all players from all sectors in society in Quebec.

But, according to the Minister for Human Resources Development and his colleague responsible for federal-provincial relations, we must wait not one year, but two, to ascertain what the federal government will deign to bestow. At least that is what he was saying until yesterday morning; then he presented us with a timetable covering approximately 12 months. Perhaps he realized the confusion his former statement had created.

Does this mean that the Minister of Finance is locked into an unrealistic timetable? Or does it mean that the right hand does not know what the left hand is doing? Or, instead, a rather clumsy plan to postpone any meaningful streamlining of the federal bureaucracy, and not give English-speaking Canada the unpleasant impression that the Quebec sovereigntists were right to point to fat in the federal bureaucracy?

Any old excuse seems valid to put off the time when they will have to look in the mirror.

But we all know that there is fat in the vast federal body. Exactly how much? That is a carefully guarded secret that we cannot rely on people inside to reveal. There must be a careful, detailed examination of all internal expenditures by the various departments. An in-house operation would not be credible. We have only to watch what the Auditor General says about, for example, one very specific expenditure to see the gaps between the federal bureaucracy's perceptions and outside analyses.

I quote a passage from page 25 of the 1993 Main Points; the Auditor General writes: "For 1990-91, we estimate that the total cost of operating the Administrative Flight Service—that is, the VIP Fleet—was about \$54 million." Fifty-four million dollars. In Part III of its Estimates, the Department disclosed total costs of approximately \$27.5 million. Outside estimate: \$54 million; in-house estimate: \$27.5 million. One single item, twice as expensive.

We therefore repeat our demand that a multi-party parliamentary committee of the House of Commons be created, whose mandate would be to go through all the government's operating budgets. If the government party is serious in wanting to reduce the deficit in a way that is meaningful but fair, it must immediately attack pointless government expenditures and the many overlapping areas of responsibility that result from systematic intrusion by the federal government into areas of provincial jurisdiction. The Official Opposition is prepared to co-operate in this job of cleaning up federal finances.

In the field of labour, the Government of Quebec estimates at \$250 million the annual waste inherent in overlapping areas of federal and Quebec responsibilities in Quebec. Against all common sense, the government is resigning itself to letting this overlap last at least another two years, thus entailing an additional loss of \$500 million. Can we still afford such inertia?

(1055)

The federal government's attitude in this matter looks a lot like the attitude the Soviets had during the Cold War in their negotiations with the Americans. What we have we keep; what you have is negotiable.

The Prime Minister made us smile the other day when he said that Quebec would lose out if the federal government withdrew from this sector. Since Quebec receives as a whole from the federal government barely the equivalent of what it contributes to it, every time the government withdraws from a sector, there must be, in all logic and in all fairness, a compensation or even a transfer of tax points equivalent to the federal expenses in question.

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If this were not the case, it would just be another way for the federal government to unload a part of its deficit on the provinces. And one wonders if this reaction on the part of the Prime Minister does not in fact foreshadow unilateral withdrawals by the federal government from certain sectors that it now considers less important, leaving it up to the provinces to pick up the pieces and make up for the loss.

It would be as if the provinces were to tell their hospitals: "We are withdrawing from the health sector. You will just have to find the money elsewhere". It would be an outrageous move on the part of the federal government, but quite in keeping with the system. In this system, there is a senior government and all the others have to adapt to its moods and priorities. In the last budget speech, for example, Ottawa unilaterally ended its financial contribution to the development of new social housing.

Therefore the impact the next budget will have on provincial finances is not necessarily limited to the issue of transfer payments. There are three major federal transfer payment programs: Established Programs Financing, equalization and the Canada Assistance Plan. The three programs do not necessarily evolve in the same way.

Moreover, the federal government includes in these transfers not only payments in cash, but also the proceeds of the tax points transferred to the provinces through agreements on shared-cost programs. It is a way for the federal government to look better. But it has no direct control on what these taxes yield and it cannot take back unilaterally the tax points. It only controls the cash transfers, whose evolution constitutes the real test of federal equity in this matter.

In the case of Quebec, this test is blindingly clear. In the past decade, the federal government's program expenses increased by 53 per cent while the transfers to Quebec went from 6,250 to 7,624 million dollars, which represents an increase of 22 per cent, the lowest of all the provinces. But one must go beyond these absolute, raw figures to see what all this represents in constant dollars and per capita. When inflation and population growth in Quebec are factored in, you get a greater than 20 per cent decrease for the decade 1983-1993. Such is the true picture of federal transfers to Quebec, a greater than 20 per cent decrease in the past decade.

A portion of these transfers goes to health care, a sector where needs are closely linked with age. Because of the rapidly-growing population of seniors, the needs increase automatically year after year and the provincial finances must cover them entirely. And there are people who claim in all earnestness that certain provinces, including Quebec, have not sufficiently contributed to solving the federal government's fiscal problems. In fact, Quebec has already contributed more than its share.

[English]

Therefore Quebec has already paid a heavy price on the expenditure slashing fronts. It is time now for the feds to leave most of the provinces alone and to start taking the medicare they have been prescribing to some of the provinces, particularly Quebec.

At the bare minimum transfer payments to the provinces should hold steady in constant dollars on a per capita basis. Provinces that have been singled out in recent years should regain a little of what they have lost.

For some time now the Minister of Finance has been hinting that it will be necessary to cast the fiscal net in a wider fashion. If the minister wants to close tax shelters that benefit the happy few, so much the better. However if he is looking for some convenient way of raising new taxes on the middle class he should not count on our co-operation. Taxes are already high enough.

The Minister of Human Resources Development has been hinting at the necessity of curtailing the safety net, as if those who need it were to blame for the economic mess we are in.

(1100)

If they are looking for wasteful spending they should be looking at home. There is still a lot of fat in the federal government, not only at the higher levels with all those useless trips, those public relations contracts and so forth, but also in the inner workings of all the departments, especially those that duplicate what other ones are already doing either in Ottawa or in the provincial capitals.

Oh yes, the federal government agrees on paper that these parallel bureaucracies should be streamlined. But where is the agenda, the strategic plan, the incontrovertible proof that something is going to happen soon that will put the federal government on the same diet as the ordinary citizen or business person? Now is the time to act. But it seems that anything is a pretext for procrastinating.

As a matter of fact, overlapping between federal and provincial departments is embedded in the system to an astonishing degree. The Bélanger-Campeau commission in Quebec has arrived at the conclusion that the overlapping costs Quebecers a couple of billion dollars a year—only Quebecers. How about the rest of Canada? This being the case it is very difficult to believe that one could not trim a couple of billion dollars rather rapidly off the imposing coast to coast federal machinery of government. The same could be said of definitive efforts.

Although the economic upturn is quite tepid it should still be a couple of billion dollars in additional federal revenues. Retail sales are on the move and the housing sector should do better this year than last year.

If the federal deficit is really heading south it will bode well for interest rates. We must not forget that a single percentage point drop in interest rates, and long term rates are still too high,

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means \$8 billion more annually in the pockets and in the cash register of the country. This will have a substantially more significant impact than the government's infrastructure program.

However one cannot rely exclusively on the consumer. One must address the structural crisis in the economy. If we want to stiffen the backbone of our industrial firms we must invest more in research and development. We must also help the conversion of the defence industry to civilian uses.

In short, the next federal budget should provide sensible answers to real questions and not repeat the mistakes of past projects.

[*Translation*]

In closing, we are well aware of the difficulty of the task assigned to the Minister of Finance. His budget must attack on several fronts: it must provide incentives to create jobs, reduce public expenditures, bring about tax equity, and eliminate overlap. Many battles loom, and we recognize that not one of them is easy. But there must be action on all these fronts simultaneously, and such action must be properly balanced. That is the only way of giving people hope again and giving rise to a spirit of solidarity; only these things can make recovery possible.

Aside from these thoughts that we submit for the consideration of the Minister, kindly allow me to express one pressing concern: concern about the plan to reform the present system of social programs. I come back to this point again today in order to call for vigilance over the reductions this exercise will not fail to have on the social programs we have acquired since 1928.

The government says it has no intention of tearing the social safety net. But in order to reassure its objective ally, the Reform Party, on this issue, it has not neglected to state that one of the purposes of this operation is to reduce the costs of social services. How can we believe that a reduction in resources allocated to this sector will not automatically bring about a reduction in services? Whatever the case, if the Minister of Finance wants to give as many reassurances as possible about the government's real intentions, he must at least give a clear signal in his budget. Not another flight of oratory, not another promise, cross his heart and hope to die! No, Mr. Speaker. He must maintain at its present level in constant dollars, and taking changing needs into account, the federal government's contributions to funding provincial health and social programs, by means of transfer payments to the provinces.

(1105)

I have a great mistrust of cosmetic expressions that claim to maintain. Sure, the level of transfers to the provinces will be maintained. I can already hear a budget speech: "Mr. Speaker, I announce to the nation that we shall maintain the level of transfers to the provinces," when what is meant is really a freeze. That would be hypocrisy. That is why it must be clear,

that is why the signal to come from the Minister of Finance—if he is serious when he suggests that he may maintain transfers to the provinces—must be very clear that the transfers to the provinces are being maintained at their present level in constant dollars, and taking rising needs into account. That is what we mean by a clear signal from the Minister.

We want the government to know, right now, that no one will fall for magic tricks that would consist in reducing its contributions and, like Pontius Pilate, forcing the provinces to do its dirty work.

We shall blame the federal government just as much for hitting the disadvantaged indirectly, using the provinces as intermediaries, as if it did the job directly.

Some hon. members: Hear, hear.

The Speaker: According to our rules, there are no questions or comments after these remarks.

[*English*]

I will recognize the leader of the Reform Party, but beforehand the member for Calgary North has a point of order.

Mrs. Ablonczy: Mr. Speaker, I would like to advise that following the debate on this motion by the leader of the Reform Party, the hon. member for Calgary Southwest, speakers for the Reform Party will be dividing their speaking time into 10 minutes for speaking and five minutes for questions and comments.

Mr. Preston Manning (Calgary Southwest): Mr. Speaker, I first of all wish to thank the Prime Minister and the finance minister for providing this opportunity for the pre-budget debate in the House.

Second, I want to underscore the importance of this first budget of the new administration to the overall economic, social and political well-being of the country. As all hon. members know, the federal debt is in excess of \$500 billion. The projected deficit for 1994-95 is in the vicinity of \$44 billion to \$46 billion.

The single most important thing that this government can do in its first term of office is to bring federal spending under control. Of course the primary instrument for doing that is going to be the budget which the minister brings to this House in a couple of weeks.

Reformers have a number of specific suggestions to make with respect to controlling federal spending, suggestions which have been market tested in the public arena, including in the federal election. However there are three additional contributions that I would like to bring to this pre-budget discussion.

The first is an overview of our consultations with the public on the issue of public spending, consultations which have been going on since March of last year and which have involved thousands more people than have been involved in the minister's pre-budget consultations.

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The second is a summary of conclusions drawn from these consultations, conclusions which we believe will be useful to the minister in preparing his budget and in endeavouring to determine what the spending priorities should be of the 35th Parliament.

The third contribution I want to make is a brief commentary on the prospects of a full-blown tax revolt in this country if the government seeks to solve its fiscal problems by tax increases rather than spending cuts.

In making these remarks I will endeavour to be brief, it having been my experience that politicians who cannot practise economy in speech are rarely able to practise economy in anything else.

Early in 1993 Reformers engaged in an extensive consultation with our members, with knowledgeable resource persons and with the public on the subject of federal spending.

(1110)

We asked over 100,000 Canadians by way of a mail survey whether they believed the federal government should deal with the deficit and debt problem through spending cuts or tax increases. We asked them to give us their views on what the spending priorities of the next Parliament should be. In particular, we asked in what areas the federal government should maintain or increase its current level of spending and we asked in what areas the federal government should reduce or eliminate spending in order to preserve financial support for higher priority items.

With this background data we developed a list of about \$20 billion worth of spending reductions which we felt could be implemented in a three-year period if the federal government sought and obtained a mandate from the public to do so.

This deficit reduction program was unveiled to the media and the public in three stages in the spring of 1993. On March 29 in Toronto we unveiled proposals for saving between \$9 billion and \$10 billion through the reform of federal transfers to individuals and provinces with the emphasis on reform of transfers to individuals. On April 13, 1993 in Vancouver we unveiled further proposals for achieving savings of \$4 billion to \$5 billion through reductions in transfers and subsidies to the private sector. On April 22 here in Ottawa we unveiled proposals for achieving savings of between \$5 billion to \$6 billion through the reform of the operations programs and structures of the federal government itself.

I would be pleased to table these papers describing these proposals for the consideration of the finance minister and hon. members, even though some of the figures are slightly dated. All of these papers, I might add, were made available to the previous government, although I am not sure that they survived the great shredding which occurred after October 25.

We organized all these proposals into a 45-minute slide show suitable for presentation to public audiences and town hall meetings. The first public showing of this presentation was made on budget day, April 26, 1993 to an audience of over 1,000 people in Calgary. We subsequently made this presentation, the whole theme on how you come to grips with federal spending, available to almost 200 Reform spokespersons across the country. As a result, it was shown to thousands more people across the country at dozens and dozens of town hall meetings, followed in most cases by a question and answer period.

In addition, we prepared a broad sheet containing the same information on proposals to cut federal spending and distributed over 2.5 million copies door to door prior to the federal election.

This is a description of what a populist party calls intensive and sustained public consultation on an important issue.

Now for the conclusions relevant to the minister. What conclusions did we arrive at through this public consultation that would be of relevance to the minister in preparing his current budget? Let me list four:

First, there is an enormous interest in the subject of federal spending and taxation at the grassroots level in this country. There is a great thirst for relevant information and a genuine desire on the part of ordinary people to contribute to a solution to this problem.

Second, it is false in our judgment to say that the public is only interested in spending cuts if they are made at someone else's expense. Time and time again we have heard Canadians say, and many of these are Canadians in dire circumstances, that they are still personally prepared to make some sacrifices. All they ask is that the sacrifices be distributed fairly, in particular that those with political or economic clout do not manage to get themselves exempted.

Third, it is possible to generate in our judgment substantial informed sustainable public support for spending reductions, if one goes after it and if one can hold out genuine tax relief as the light at the end of the tunnel.

(1115)

Fourth and finally, these in our judgment are the spending priorities the Canadian people want this Parliament and the minister to pursue in 1994-95.

First, maintain federal transfers in support of health care at present levels or better. Second, maintain or even increase federal support for higher education and labour force training. Third, preserve federal support at current levels for the heart of the pension system, the veteran's pension, the guaranteed income supplement and old age security for households below the national average household income. Leave RRSP contribution levels alone.

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Fourth, maintain or increase federal support for environmental conservation, although many people feel that the effectiveness of federal spending in this area could be vastly improved. Fifth, maintain or increase federal support for the administration of justice.

If these really are the spending priorities of the Canadian people, and we remain open to suggestions from other members concerning this whole subject of priorities, spending on virtually everything else the federal government does should be decreased in order to reduce the deficit and to maintain the ability of the federal government to finance its activities in these high priority areas.

Just to comment on my third contribution on the prospects of a tax revolt, what prospects does the federal government face if it does not respond to the public desire to cut spending but instead chooses to raise even higher the total tax load carried by Canadians? The fiscal and economic consequences of such an action are many and well known. Increasing the tax burden will contribute to the growth of the underground economy, the exodus of job creating private capital in entrepreneurs, the further erosion of social services as more and more dollars go to servicing the debt and the reduction of international competitiveness.

What this House must also consider are the political consequences of increased taxation. In particular, the prospects of unleashing a full blown, bottom up tax revolt, the like of which this country has never seen. Let me speak particularly of the potential for a tax revolt in British Columbia and Alberta, where the majority of our Reform MPs come from and where we have a vast network of grassroots context. Let other MPs from other provinces give the finance minister their frank and honest assessment of the prospects of a tax revolt among their own constituents if his budget imposes a higher tax load upon those constituents.

On Vancouver Island, for example, there are probably more retired Canadians and more RRSP participants per capita than anywhere else in Canada. All the MPs on that island with the exception of the Minister of National Revenue from Victoria are Reform MPs who campaigned hard on the spending reduction program that I have outlined.

Many of their constituents are people who have provided their own retirement safety nets through RRSPs, in many cases because they did not have access to public sector or company plans and in many cases because of their declining faith in the Canada Pension Plan and the government's capacity to finance OAS in the future.

If the finance minister's budget contains even a hint of reducing the capacity of these people and their children to care for their own retirement needs, the minister will unleash a torrent of protest from these RRSP contributors and recipients

focused on the Minister of National Revenue's office in Victoria which will reverberate across the country and make the GST protest of the 1980s look like a Sunday school picnic.

In the province of Alberta, as the minister well knows, there remains a deep mistrust of Liberal taxation policy, particularly among people in the energy sector. The four government MPs from Edmonton won their seats by a combined plurality of less than 3,500 votes, three of them by less than 300 votes, the Minister of Natural Resources by a plurality of less than a dozen votes.

Their capacities to represent their constituent's interests are very much still in the balance and on trial.

(1120)

Rumours have persisted for weeks, to the point at which they are now considered more than rumours, that the finance minister is considering imposing a carbon tax on the producers and consumers of fossil fuels. This tax would no doubt be presented as an environmental measure, but since it will not apply to the nuclear waste outputs of Ontario Hydro nuclear plants or to hectares flooded by hydro electric companies like Quebec Hydro, it will have a particularly onerous and discriminatory effect on Alberta's petroleum, coal and utility sectors. It will be seen in Alberta, rightly or wrongly, as the present government's equivalent of the hated petroleum and gas revenue tax that was the cornerstone of the national energy program.

If the minister's budget were to contain such a measure it would completely undermine the position of the minister of natural resources in his home province. It will provoke an ugly confrontation with the Government of Alberta at a time when the Prime Minister says he wants a new era of federal-provincial co-operation and it will damage the economy of one of only two remaining provinces that are still making net positive contributions to equalization.

It has been said that this administration has rarely met an interest group it did not like, but there is emerging in this country an interest group which none of us can afford to disregard. It is the forgotten interest of the last 30 years, the interest that pays the bills. It is the interest of the long suffering Canadian taxpayer whose motto has become enough is enough. It is an interest that is finding its voice and its capacity for action through dozens of organizations, conferences and publications dedicated to protecting that interest from merciless, continuous, never ending exploitation by high spending governments.

In conclusion, to the taxpayers of this country, to whom all of us are ultimately accountable, we say that your voice has been heard by many of us in this House. If it takes a full blown tax revolt employing every legal means conceivable to convince the government that taxpayers have had enough, that tax revolt will find an ally and a command post within this House among Reform MPs and other MPs who came here to cut spending.

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Our advice to the finance minister and the government as they finalize their 1994–95 budget is eight words: cut spending, do it fairly, do it now.

As our substantive contribution to restoring the financial health of the federal government and the financial health of the Canadian economy, we will lay on the table the \$20 billion in proposed spending cuts which we have discussed extensively with the public. Take them, modify them and improve them but do not ignore them.

The Deputy Speaker: Members will be aware that under the present rules of the House it would strongly appear that the member who just spoke is subject to 10 minutes questions and comments if members are inclined to raise them. However, perhaps they do not wish to speak after the leader of a party has just spoken. I take it the member for Yukon would like to make questions or comments.

Hon. Audrey McLaughlin (Yukon): Mr. Speaker, I would like to thank the member for Calgary Southwest for his comments. While there are many comments I would like to make, I would like to focus on one aspect.

I think there is no question that all of us in this House agree that the debt and the deficit are a problem for Canadians. The question is how to address that in a fair and balanced way.

I am going to speak to one issue that the member for Calgary Southwest raised and that is the question of taxes. I agree that the middle class has been absolutely overburdened with taxes. We have a situation now in which individual Canadians are paying far more in taxes than they did in the past while corporations, for example, are paying far less.

(1125)

The member for Calgary Southwest talks about a tax revolt. I find it revolting that while people cannot put food on the table we have the rich and privileged in this country who can shelter their money in a private trust. I find it revolting that while there are Canadians in this country who are working every day and all members of the family are working and cannot make ends meet that we have 90,000 corporations that are still not paying a cent of tax. I find it revolting that while there are people who cannot make ends meet for their children, while there is 18 to 20 per cent youth unemployment in this country that we still have many people in this country using tax shelters and they are the rich and they are the corporations and we must address that tax in equity.

No one is talking about putting a further tax on the already overburdened middle class but we have a group in this country not contributing its full share.

I want to ask the member for Calgary Southwest if he does not believe that we need to shift the burden from the individual, from the middle class, to make sure that those who are privileged and wealthy in our society are paying their fair share. I would like to ask the member if he agree for example that in RRSPs there should be a provision, as there is now, that allows that Canadians are having investment in foreign countries through those contributions rather than in this country where we need to develop business and jobs.

Mr. Manning: I thank the member for her question. The short answer to her general question is yes we believe in greater equity in the tax system and if the member would examine the middle part of the presentation which I discussed she will see that we are calling for a reduction of \$4 billion to \$5 billion in federal transfers to the private sector through subsidies and through tax concessions.

The only cautionary words that I would add to my answer to the member is that we do have to be conscious, because we are an exporting country, that if our total tax burden on our businesses exceeds that of their competitors then we simply drive them out of business, create higher unemployment and kill jobs.

The greatest illustration of this at the current time is in the province of Ontario if you stand at the border and interview these companies that are leaving southern Ontario for the United States, even for up state New York which used to be one of the highest cost areas of doing business in the world, and ask them why they are leaving they give you a very short answer. They show you their tax position in southern Ontario, they show you their tax position in up state New York and then they ask how they can continue to do business under those conditions.

My answer to the general question of the member is yes but with a cautionary note about driving business out by excessive taxation levels.

[*Translation*]

Mr. Eugène Bellemare (Carleton–Gloucester): Mr. Speaker, I would like to congratulate the Member for Calgary Southwest on his speech. I would like to ask him a question about RRSPs.

I personally feel that RRSPs allow us to prepare for our old age, and the better we are prepared for our old age, the less we will be a burden on Canadian society, when the time comes to pay annuities to senior citizens.

It is a program that I really like and that is really close to my heart, which I have not yet had the chance to use, however, but I

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encourage Canadians to take advantage of it. I hope that the government will continue along this road, and I am not saying that I know any of the Finance Minister's secrets. We are allowed to use the RRSP program to purchase a home. I feel that, at our age, we should also be able to use our RRSPs to help our children buy a home.

(1130)

I would like to hear the views of the hon. member for Calgary Southwest on this plan, which is called the RRSP Home Buyer's Plan. Do you think there is something positive in this idea, and do you think it should be renewed in the next budget?

The Deputy Speaker: Order! Before I recognize the member and he answers the question, I would like to ask the hon. member for Carleton—Gloucester to address his remarks to the Chair in future. I recognize the hon. member for Calgary Southwest, if he would like to reply.

[English]

Mr. Manning: Mr. Speaker, I thank the member for his question.

My response is this. Like the hon. member I support the RRSP program in principle, partly because of the reasons the member gives and also because it has enabled many Canadians who have no other way of providing adequate retirement safety nets for themselves to do so.

Second, I believe that using RRSP funds to support the home buyer's program is useful and helpful and should be sustained, not be cut back. I would urge members to put that view before the Minister of Finance.

Mr. Dennis J. Mills (Parliamentary Secretary to Minister of Industry): Mr. Speaker, I noticed in the answer of the leader of the Reform Party to another member that he thought preferences in the existing tax act that sheltered companies in the export business should be maintained. At least that is what I thought he said.

Does that mean he has shifted his campaign position? At that time the central thrust of the Reform Party was a tax design that basically eliminated most of the tax preferences in the act. If the member wants to have preferences for export companies that might take away from his notion of a flat tax.

Mr. Manning: Mr. Speaker, I thank the member for his question.

I did not mean to imply that I was seeking special tax preference for exporting companies. I was just cautioning that if we put the total tax burden on Canadian companies, particularly exporters, at higher levels than that of the companies in countries we are competing with, we end up driving them out of business.

Our major recommendation in the materials we wish to table with respect to reducing special treatment for companies is mainly in reducing the use of tax concessions as a regional development tool. That is the argument we have used all along.

Before I sit down, may I formally table these documents? I ask permission to do so.

The Deputy Speaker: There have been discussions about that point. I believe the Reform Party leader realizes he has to get unanimous consent to table the documents.

Is there unanimous consent among the members that the leader be allowed to table his document?

Some hon. members: Agreed.

Mr. Mills (Broadview—Greenwood): Mr. Speaker, I have a short supplementary.

I want to understand this clearly. The hon. member would maintain all preferences that exist for corporations within the act right now with what exceptions? Could the member please clarify that?

Mr. Manning: Mr. Speaker, I would not maintain all preferences.

(1135)

The details of our program call for reductions and tax concessions to business of about \$1.5 billion over a three-year period. These are unspecified, although we have had discussions on what they might be. The number one candidate on our list would be to stop using tax concessions as a regional development tool under regional development programs. That is the only specific which is contained in that material.

The Deputy Speaker: A point of order, the Parliamentary Secretary to the Minister of Finance.

Mr. Walker: Mr. Speaker, I believe there is unanimous consent in the House for continuing the debate over the lunch hour from one o'clock until two o'clock.

The Deputy Speaker: Is that agreed?

Some hon. members: Agreed.

Mr. Walker: Mr. Speaker, on this side of the House we will now have speeches of 10 minutes and 5 minutes questions and comments.

Mr. John Godfrey (Don Valley West): Mr. Speaker, my first duty in this my first speech is to thank the people of Don Valley West in Toronto who put me here and to try to keep my faith with them. My second duty is to thank my family who helped me to be here as well.

Mr. Speaker, during the election campaign if you asked the people of Don Valley West what they wanted, they would give the same answer that all Canadians gave, which is two different things. They want these two things simultaneously. These two things can be found in our famous red book on page 111.

At the top of page 111 in Table 1 we talk about savings from cuts to Conservative programs, so Canadians do want spending cuts. At the bottom of page 111 we talk about economic growth and job creation. That is what I really want to talk about today.

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When the Minister of Finance met late last year with various economists in Ottawa, when he talked to the various consultative groups across Canada, he heard a lot about the top of page 111, cuts to spending. As the leader of the Reform Party has just shown us, we are going to be hearing a lot more during this debate about cuts to government programs.

What the Minister of Finance has heard less about in his consultations with both the professionals and with ordinary Canadians is about the bottom of page 111: economic growth, primary wealth creation and jobs, jobs, jobs.

The Minister of Finance has a difficult role. He has to be both Dr. Jekyll and Mr. Hyde. He has to be nasty cop, but he also has to be nice cop. It is to his nicer nature that I wish to appeal today. That is why my remarks are going to focus on the bottom of page 111.

The most important single thing this budget can do is to create an atmosphere of hope, an atmosphere of experimentation, renewal and excitement for Canadians.

An economy is not simply a series of statistics and numbers. It is a psychological state. An economy will grow if people feel good about themselves and their country. If they feel good they will take risks; they will change jobs; they will start businesses; they will grow businesses; they will buy houses; they will buy cars; they will buy appliances.

The Conference Board of Canada last week noted the incredible boom in business and consumer confidence since the election. Business confidence went up 10 per cent; consumer confidence, 13 per cent in the last quarter of 1993. It is interesting to note that the same phenomenon took place in the United States after the election of President Clinton.

Thus it is crucial that our first budget keep that mood of confidence going. An optimistic mood will translate into economic growth and job creation. Too much emphasis on cuts to government spending will destroy consumer and business confidence. What the minister has to do with his split personality is to walk the narrow line between cutting spending and investing in the future.

(1140)

I would ask the Minister of Finance to remember the spirit of another government which came in, in another era, in another country, the spirit of the new deal of Franklin Roosevelt in 1933. That spirit has been characterized as bold, persistent experimentation.

The red book mentions such experimentation under the headings of investing in people, equality under the law and culture. But the most challenging and economically stimulating and exciting experimentation must take place in the area of research and technology, specifically involving venture capital, in-

creased research and development, the Canadian technology network and the engineering program.

Canada needs to create a national system of innovation or what the finance minister has called a long-term growth strategy. As the red book notes: "The crucial role of the federal government in such an innovation system is to work with the private sector to identify strategic opportunities for the future, then to redirect its existing resources toward fulfilment of those opportunities". This approach has been called in other jurisdictions the Quebec Incorporated approach or in our own, the Team Canada approach.

The point is that smaller societies like ours have to pull all their national resources off the shelf if they are going to compete as a team, if they are going to compete internationally. What happens when we do not? We have too many examples of where we have failed to do what we ought to have done: the case of Connaught Bio-sciences being bought by a French owned company, the case of Lumonics being bought by a Japanese company.

What happens when we get it right? History provides examples of that too. When Canada competed as an industrial team in World War II we built such extraordinary facilities as a major shipbuilding operation in Quebec, a major producer of artificial rubber at the Polymer plant in Sarnia.

The experiments we undertake will require new configurations of business and finance, new partnerships of the public and private sector. We need to create new business structures to realize these strategic opportunities. What some have called innovative business enterprises look perhaps to us more like Japanese Keiretsu or German banking groups or Swedish industrial groups than normal Canadian business organizations. Words like networks, consortia and virtual corporations can best describe these new entities.

What are some of these strategic opportunities? They abound. Their primary definition is that they are things which no one enterprise can undertake by itself and can only be undertaken collectively. In Ontario, for example, with our extraordinary base in auto production and auto parts, should we not be a leading jurisdiction in the production of green cars? Should we not corner part of that advanced environment market, whether it is in the fuel area or in the disposal area?

The previous Conservative government did something very good when it produced CANARIE, that extraordinary consortium to build the electronic highway, a consortium which defies all the rules of business. It includes traditional competitors like Unitel and Stentor and brings in provincial and federal governments, universities and research centres. CANARIE is a virtual corporation dedicated to a huge task which cannot be done by a single entity.

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In health care we have the same opportunities. We have an enormous biomedical base and no receptor capacity in industry. In Alberta there is a consortium of small companies which is coming together to build housing in Japan. They are creating a new kind of business entity. That is the sort of experimentation we need.

[*Translation*]

In Quebec, 13 industrial clusters were established by the Minister of Industry, Gérald Tremblay. But one question must be asked: if an industrial cluster performs well, within Quebec, would it be possible for it to perform even better on the Canadian level? A cluster in the petrochemical industry, for example, or the aerospace industry. In summary, we need a social plan for the whole of Canada, using Quebec's model as a starting point.

(1145)

[*English*]

In short, Canada needs a budget which shows that cutting spending, investing in experimentation and innovation must be simultaneous events, not sequential.

Canada's economic problems are as much a function of slow economic growth as they are of excessive government spending. Let us make sure that both the spending problem and the slow growth problem get equal attention in this budget.

[*Translation*]

Mr. Benoît Tremblay (Rosemont): Mr. Speaker, I appreciate greatly the interest shown by my colleague from Don Valley West for the Quebec model. I would like to elaborate a bit on what he said particularly on development strategies.

Because Quebec has a strategy in certain sectors, our colleague from Don Valley West says: "Listen, if a development strategy is good for Quebec, would it not be good for Canada as a whole?"

In some cases, I say yes. For example, for years we have had a proposal for a high-speed train between Quebec City and Windsor. We are anxious for the government to move on that because these technologies are important for the future and would benefit both Quebec and Ontario.

In other sectors, it is unfortunately not the case. That is not unfortunate, in a way, since the sectors we choose cannot always be the same. A good example is nuclear energy. The federal government has spent on nuclear energy hundreds of millions of dollars which have essentially benefitted Ontario.

Quebec has enough hydroelectricity for years to come and it has never really been interested in investing in nuclear energy.

But, through the federal government, Quebec taxpayers have been forced to spend on nuclear research those hundreds of millions of dollars which now essentially benefit Ontario, which moreover competes with us on the New York market.

Then I say: "Listen, if it is true in an international context—in any case, Quebec like the rest of Canada is increasingly becoming an economic region of North America—we can no longer implement projects for Canada, with economic and competitive implications, without taking into consideration the whole of North America".

It is obvious that a region like Montreal is in direct competition as much with Boston and New York as with Toronto and other cities and can therefore also probably conclude joint ventures with them. The political structure is losing importance on the international scene. We must each invest in projects, in sectors that are important for our future.

We can have joint projects with Ontario because we have mutual interests. But we have diverging interests in other sectors, where both Quebec and Ontario will have to find other partners in the world.

Mr. Godfrey: Mr. Speaker, I want to thank the hon. member for his question.

It is extremely interesting, but in a way it is the paradox of Quebec, if I may quote the hon. member's leader. In other words, if it makes sense to have industrial clusters at the Quebec level, why not at the Canadian level? Because we control our own territory we can create a tax atmosphere that is not the same as that in New York but that could be the same everywhere in Canada.

What I have always admired most about Quebec over the past 30 years is the willingness to experiment that has found new funding formulas. The Caisse de dépôt et de placement, for example.

I agree that if the high-speed train makes transportation sense, if it is not just a luxury, then yes, it is exactly the type of joint experimental project we should be trying out. We have to take advantage of the fact that we are after all a common market.

Lastly, if we are going to create clusters, we have to concede that in some cases—atomic energy, for example—it makes sense to have the headquarters in Ontario. In the case of the aerospace industry, on the other hand, the headquarters should be in Montreal, with a branch plant, for instance De Havilland, in Ontario. The trick is to have networks all over the country that can benefit from all the resources. That's what we did not have during the unfortunate business of Connaught BioSciences Inc., where there were the resources, in Quebec as a matter of fact, both technical and financial, and we missed the boat.

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(1150)

[English]

Hon. Audrey McLaughlin (Yukon): Mr. Speaker, I congratulate the member for Don Valley West on his maiden speech. I guess we all know that there are not many maidens left here. I would say that his comments were very perceptive and bear paying close attention to.

Certainly coming from a rural northern area one of the crucial problems we have is access to capital. During the election I know his party spoke about an investment fund for small and medium sized businesses. The New Democratic Party presented a very comprehensive proposal for a national investment fund wherein we could utilize both public pension funds and private funds to help entrepreneurs. There are many in the country and many young people who now want to start their own business. They may indeed be very small enterprises.

As well as the industrial strategy to which the member referred, could he give his views on the necessity to ensure that we can get capital to small businesses in all areas of the country, rural as well as urban?

Mr. Godfrey: Mr. Speaker, I thank the hon. member for Yukon.

We talk specifically in the red book about new kinds of funds called expert funds based on the model of MDS Capital, a health care outfit, and investing on the basis of its expertise. That is the kind of new model we need wherever businesses find themselves, whether they are in small or large communities.

What makes the difference is a fund that understands the nature of business and is prepared to put equity into it as well as lend money to it. That will also have an effect on the way banks conduct their businesses in the future.

Mr. Nick Discepola (Vaudreuil): Mr. Speaker, I congratulate the Minister of Finance on his initiative in making the budget preparation an open and consultative process that allows Canadians from coast to coast the opportunity to be heard and, more important, the opportunity to be consulted prior to the adoption of the budget. I hope it is reflective of the way future budgets will be prepared by all ministers of finance.

I was considering what I would do if I were minister of finance. I would ask myself the questions: How did we get into this mess in the first place and, more important, how are we going to get out of it? Canadians from every walk of life know full well that the state of the economic mess that has been collectively created must be addressed.

My first recommendation to the minister is to tell Canadians the exact state of the Canadian economy. Canadians have a right to know the state of their fiscal house.

[Translation]

The people of Canada and of Quebec know vigorous action is needed. Greater Montreal, which used to be a prosperous city, has been hard hit economically. Many plants have closed their doors. The unemployment rate, especially among young people, has reached unacceptable levels, and the percentage of families living below the poverty line is climbing steadily.

It is high time we got back to basics. We have to learn to live within our means, to respect every dollar that is earned and do more with much less.

Our government's aims and objectives are well known. We want to encourage economic growth and job creation, we want to protect those who cannot protect themselves and above all we want to reduce the deficit.

How to tackle the challenge? It is important not to go in for stop-gap, temporary solutions. On the contrary: our approach must be balanced, rapid and complete. And above all we must take care not to hurt the burgeoning economic recovery.

(1155)

We must launch an unwavering attack on the deficit, all the while balancing our revenue sources, carefully reducing our expenditures and bolstering the economy so as to increase the growth now anticipated to reach 3 to 4 per cent.

[English]

Balancing these elements demands that Canadians undertake a thoughtful evaluation of the expectations of government. In turn government must be politically brave. We must be frugal and the mismanagement of public funds must be halted. We must go after every single dollar of savings, and duplications of services must be eliminated.

What must be the priority of the Minister of Finance? In my humble opinion the only priority is one of jobs, jobs, jobs. Government alone cannot create jobs. It must however generate and foster an environment under which the private sector can grow in order to better create those desperately needed jobs.

Government must develop a climate fostering competitive advantage. All the while it must maintain a healthy social environment.

I believe our government is on the right track with the recent signing of the NAFTA and the GATT. Canada is now well poised squarely within the new global marketplace, offering opportunities that will allow business and industry to take advantage of the new international markets.

These agreements are a good start, but I ask the Minister of Finance to live up to the government's commitment to assisting small and medium sized business. Time and time again small business has created 85 per cent of new jobs. The time has finally come to act. If the Minister of Finance wants those desperately needed jobs then the government must give those

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900,000 entrepreneurs access to desperately needed capital. The requirement for personal guarantees for small business loans must be removed immediately.

[*Translation*]

The riding of Vaudreuil, which I have the privilege of representing, is composed of both rural and urban areas. The main activities of the rural part of my riding centre on corn, dairy farms and poultry breeding.

Grain producers in Vaudreuil have taken the initiative of setting up an ethanol fuel producing plant that will be financed by the business community as well as the producers themselves. Besides being a clean and environmentally friendly fuel, ethanol will assist in increasing corn production in the region, helping by the same token farmers in my riding who are in dire straits.

Such a factory would give direct full-time employment to 300 people, and its construction would create 600 jobs. The only impediment is the fuel tax, which would have to be eliminated if ethanol is to become an economical alternative to gas for automobiles.

It is very easy to increase the taxpayer's fiscal burden. But I would like to warn the Minister of Finance against the lure of easy money and urge him not to increase income tax for Canadian men and women, as they are already paying the highest taxes in the industrialized world. A report published in November 1993 by the OECD shows Canada's unenviable position among the Group of Seven; for the last three years, Canadian families have known the highest income tax increase as well as the sharpest decrease in net income.

The Minister of Finance must, therefore, look elsewhere for new revenues. Or else, and this is quite feasible, he could reduce expenditures in different fields, by restructuring the machinery of government and the way in which services are delivered.

In my opinion, the first thing to do is demand that each department justify its budget. A reward system evaluating the performance of administrators in each department should be set up. We could then estimate the savings and costs linked to the new guidelines, as well as the amount of red tape required.

We must put a stop immediately to the spending spree that several departments embark on when March 31 looms near, at the end of every fiscal year. However, let us reward thrifty administrators and penalize big spenders!

We must approach governmental services in a new way, which does not mean that government should relinquish its role or give up delivering services which Canadian men and women have come to expect from it.

(1200)

Better co-operation between the three levels of government—federal, provincial and municipal—would eliminate all the waste caused by the duplication of services. The idea is not to take away any power, but to identify clearly the level of government best qualified to manage an area of jurisdiction in the most economically efficient way, with the full co-operation of the other levels of government.

By eliminating bureaucratic duplications and overlappings, we would save money at all levels. First, individuals and businesses would have to deal with less levels of government, thereby reducing their administrative costs. Second, doing away with some costly departments would mean immediate savings for taxpayers and governments alike. Third, co-operation between the federal and provincial levels of government would increase the efficiency of services provided and produce economies of scale which would entail enormous potential savings without jeopardizing the quality of those services.

[*English*]

Other areas I would urge the Minister of Finance to look at would be in the reassessment of all government assets: tracts of land, buildings, commercially competitive enterprises and other assets that are no longer central to the needs of restructured government.

I encourage the Minister of Finance to introduce debts bonds in which Canadians could participate, knowing that every dollar they invest would go directly to reducing the debt. With domestic borrowing interest payments will flow back into the Canadian economy thus allowing the government to reduce its external debt and retain better control of its own economy.

Another idea I would propose would be the tax lottery on gambling and winnings. I am sure every Canadian would be in agreement. Speaking of lottery, why not implement a Canadian debt lottery? It may encourage participation from Canadians who normally do not participate in lotteries. The proceeds thereof could be split between the Canadian and provincial debts based on an equitable formula.

In conclusion, economic and fiscal renewal in Canada will not be an easy task but it is far from impossible. Realistic options exist for new approaches to debt management, the administration of government and the framework it sets for economic growth. All we need is the political will and Canadians will follow.

Mr. Jake E. Hoepfner (Lisgar—Marquette): Mr. Speaker, I congratulate the hon. member on his excellent speech. I share his concern in the farming industry.

I was wondering whether he would like to comment on what his thoughts would be in resolving some of the management—

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labour problems we seem continually to have in the grain industry. This issue has bugged and hurt farmers for years. What are the member's feelings on that?

Mr. Discepola: Mr. Speaker, as I mentioned before about 60 per cent of my riding is rural. During the campaign I had the opportunity to meet with many dairy producers as well as grain producers. I must admit it rarely surfaced during my campaign. Many dairy producers are quite satisfied with the supply management system and it works very well.

With regard to grain producers they are desperately in need of other sources of prospects for development products. The main project we have in mind, not only for the area of Vaudreuil, is a task force on ethanol development as was mentioned yesterday in the House. I think that would benefit Canadians, especially those in rural areas.

I have not experienced the management problem but I thank the hon. member for the question anyway. If he has any ideas I would not mind discussing them with him.

Mr. Dennis J. Mills (Parliamentary Secretary to Minister of Industry): Mr. Speaker, I too compliment the member on his remarks, especially the portion of his speech that dealt with the necessity of us getting more access to capital for small business.

(1205)

Would the member take the remaining minute or so to give us some of his ideas that we might consider implementing so that we could be much more aggressive in that area?

Mr. Discepola: Mr. Speaker, I thank the member for his question. Being in small business myself, having founded a small business in 1976, I had the misfortune of having to deal with financial institutions.

I have talked to many small business people. Every single one of them without a doubt—and the majority has seven or eight employees or less—is prepared to hire one or two employees if given access to capital. Instead of investing and putting their hard earned life savings on the line, they would like to invest through proper access to business loans to introduce new projects they have in mind.

If we could encourage small businesses to take the initiative on their own to put forth projects they have had on the backburner for many years, we would go a long way toward creating the jobs desperately needed in the country.

[*Translation*]

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot): Mr. Speaker, I want to thank the Minister of Finance for this opportunity to outline our expectations with regard to the forthcoming budget, away from the media scrums we saw during the past month and certainly a change from Question Period, where the minister has made a habit of leaving questions unanswered.

In this debate, the Bloc Québécois maintains that to carry out a tax reform that is fair, effective and sustainable and to avoid drastic cuts in public spending and, especially, in social programs, the Minister of Finance will have to do very shortly what we have been asking him to do all along, and that is set up a special parliamentary committee to examine federal spending and the federal tax system.

It is really too bad that so far, the minister has failed to respond to requests in this respect from the Bloc Québécois. In this House, the words transparency, democracy, co-operation and responsibility are often mentioned, but acting according to these principles is another story altogether.

Everyone here is aware of the pitiful state of our public finances. Everyone is convinced that appropriate steps must be taken to turn the situation around.

The federal debt, as a number of colleagues mentioned earlier, recently rose to a record \$507 billion.

The situation has deteriorated since the recession. The deficit has risen from \$31 billion in 1991 to \$45 billion in 1994. The Canadian government's operating deficit is now 6.2 per cent of GDP or, according to the OECD, twice that of the United States.

The government's performance in terms of the deficit and the state of its finances in general is mainly due to an unexpected drop in tax revenue.

This drop is very disturbing, because it occurred despite a measure of economic growth. There is necessarily a connection between lower tax revenues and the growth of the so-called underground economy.

The disastrous state of our public finances cannot be allowed to continue, because generally speaking, it restricts the government's ability to deal with the real problems, and especially unemployment. The deficit alone drains domestic savings and increases Canadian borrowing abroad. In fact, between 1983 and 1992, the proportion of the federal debt owed to non-residents more than doubled. Of all G-7 countries, Canada has the highest foreign debt. The state of its finances undermines Canada's credibility and is harmful to investment, because of the risk premium which is a factor in raising Canada's interest rates.

The prime cause of the disastrous state of our finances is the state of the economy. We are just coming out of a very long recession, one of the longest and worst since the depression in 1929. Economic recovery is slow to get off the ground and is in fact much slower than in 1982.

This recession which we all deplore is due, first and foremost, to the dogmatic policies of the Bank of Canada, which caused a substantial spread between short-term real interest rates in Canada and those prevailing in the United States at the time. Mr. Speaker, when will the members on the other side of this House understand that the real rate in Canada, the only one that matters to investors, has slipped by more than 6 per cent compared to the US rate. Under the circumstances, how are we supposed to

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attract investors and keep our Canadian investors on the domestic market? The situation is unacceptable!

(1210)

Because of this policy, and primarily because of the previous government's policy, we entered into the recession during the first quarter of 1990, that is before everyone else. The ensuing downturn in the world economy exacerbated the situation in Quebec and in Canada.

When we examine the situation, we note that since April 1992, Quebec has recovered a scant 25 per cent of the jobs lost during the recession, whereas in the rest of Canada, the figure is considerably higher, namely 60 per cent. The unemployment rate remains unacceptably high. It hovers at roughly 13 per cent, and at 11.2 per cent for Canada. These unacceptable levels hide the real tragedy faced by hundreds of thousands of Quebecers and Canadians.

We have been waiting a long time for the recovery, the one which according to economists' figures, has been under way for nearly two years now. The recession and the slow recovery, coupled with the underutilization of Canada's output potential, have contributed to a decline in government revenues. According to a study by the International Monetary Fund, of all G-7 countries, Canada's deficit is the most sensitive to the state of the economy. Furthermore, as the leader of the Opposition mentioned this morning in his excellent speech, still according to an International Monetary Fund study, even if the Canadian economy had achieved its full potential in 1993, we would still continue to rack up in the coming years deficits in the order of 3.5 per cent of GDP. Therefore, what we are also facing is a structural problem in Canada.

This problem is related to the nature of the federal system, and to its chronic, historic inability to adjust to new social and economic realities. I can give several examples of how the nature of the system is responsible for the anemic recovery. First, in view of the poor distribution of powers and federal encroachment upon provincial areas of jurisdiction, the system leads to program duplication and overlap, resulting in an inability to achieve the very aims for which the programs were created. It is estimated that duplication costs Quebec roughly \$2 to 3 billion per year.

Here is a second example of how the system contributes to an anemic recovery. Because of the nature of the system and the natural tendency to centralize everything, the two levels of government compete with each other to see who can provide the most, not the best, services. We have seen this happen in many areas such as manpower training, regional development and transportation, a field with which I was associated in the past.

Under this system, the rule never changes. The federal government must have the highest profile, the Canadian flag must nudge out all provincial flags, including Quebec's. The result is inefficiency, duplication and encroachment on areas of provincial jurisdiction.

My hon. colleagues opposite persist in brandishing their red book each time we raise a concern or point to economic inertia. However, the facts speak for themselves. Our system is outmoded and in decline.

Third, the federal system results in a lack of cohesion and policy integration, thus impeding a healthy recovery with respect to jobs, economic growth and consequently, tax revenues. We cannot emphasize too strongly the problem of integrating the various components of income security, manpower training and labour market integration or the need to decentralize for the sake of efficiency and subsidiarity, needs which are very clearly understood in Europe, particularly with Maastricht.

Not only is this system inflexible and inadequate in terms of generating a steady economic recovery and adequate fiscal revenues, it has lost any sense of priority, thanks to those who have kept it running for decades, often the same people who today sit in this Liberal government. In a world in constant upheaval, certain priorities are inescapable.

The legacy of federalism in the area of R and D funding and training is one good example.

(1215)

Canada spends the least on research and development, 1.4 per cent of GDP, compared to 3.1 per cent in Japan and 2.8 per cent in the United States. It is outrageous that we have not made a priority, historically, of such a key sector as research and development.

The federal R and D legacy for Quebec is even worse, since over the past 30 years Quebec has only received between 12 and 18 per cent of R and D spending, while Ontario got over 50 per cent. It is not surprising, then, that Quebec is not getting its share in the economic recovery. Historically, Quebec has been weakened because the structural benefits related to R and D have not taken place there, and the federal government has contributed to that problem.

At the same time, Canada has turned in a notably poor performance in training and business training. Nevertheless, R and D and manpower training are the keys to meeting the challenges of globalization, to a sustainable recovery, jobs, and adequate tax revenues. That is self-evident. It is not surprising, given the poor performance of the system, that in only two years Canada had slipped from fifth to eleventh place among industrialized countries on the competitiveness scale of the World Competitiveness Report in 1992.

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It is not surprising either that according to the same report for 1993, Canada's future prospects ranked 20th out of 22. We see Quebecers and Canadians losing faith in political institutions. In a world of constant change, we cannot simply mark time indefinitely.

Faced with all that, this whole mess, and faced with a government that gives people no hope, except constitutional conferences, now economic conferences, conferences on human resources, conferences that will drag on and on with no solution, we have a better idea of why those who have been left behind and those who have been crushed and strangled by Canada's tax system, namely the middle-income people, are cynical about politicians.

We had better understand their feeling of revolt, their feeling of powerlessness and their frustration at not being able to make a real choice except once every four years and at having the wool pulled over their eyes in the meantime. We have a better understanding, even if we do not agree with them, of the reasons many of them are forced to turn to the underground economy, to the black market, thus cutting into government revenues and worsening the state of the government's finances.

The problem of contraband cigarettes is only an expression of a much more serious situation than those who claim to govern us would admit. It is simply an expression of a widespread disillusionment and even disregard felt by Quebecers and Canadians.

Quebecers will soon choose what they think will be a more promising way to the future than what the present system offers. When Quebec becomes sovereign, of course it will take charge of its destiny and Quebecers will be accountable to themselves and to History; it will also be an ideal opportunity for Canadians to redefine themselves, to create institutions that reflect who they are, with a strong central government if they so wish and wall-to-wall national standards if that is what they want. In short, Canadians will have every opportunity to develop on the basis of models that suit them and that we respect but no longer share as Quebecers.

Meanwhile, to get into the subject before us today, and so that I will have time to get my whole message across, I would like to tackle head-on the issue of public finances. Since the Minister of Finance began consultations, many have said that it is not possible to put the public finances back in order without cuts in social programs, because transfers to individuals and provinces account for more than half of program spending. The way the government's consultations, led by the Minister of Finance, are going, we are inclined to think that he and his colleague, the Minister of Human Resources, are tempted by that solution.

If not, how do you explain that in his department's own booklet on Canada's economic challenges, it is said that our social security and health systems are too generous? How do you explain that the member for Hull—Aylmer, who loves to travel by Challenger jet at \$170,000 per speech, could talk about cutting the health budget by 20 per cent? How do you explain that every time I asked him in this House to deny the rumours about it, the Minister of Finance never did?

(1220)

The statistics that were quoted in this House yesterday on underemployment and on the poverty of women and children should have convinced us and convinced this government that social programs must not be tampered with, that the less fortunate members of our society must not be targeted, as the previous government has been criticized for doing.

These figures should have convinced the government to stop hounding those who are hard up, as we would say, and to try instead to improve their well-being and prospects by putting into place adequate economic policies and taking corrective action such as restoring funding to social housing which was shamefully cut by the previous government.

The second option, one apparently favoured by the Minister of Finance, is to draw on middle-income taxpayers. We, from the Bloc Québécois, do not think this is appropriate either. Sound management of public finances is required. The middle-income taxpayers, who have borne most the 68 per cent increase in federal taxes since 1984, are not able to contribute additional tax revenues. They are overburdened.

They should not be the ones affected by the broadening of the tax base this government is considering because, as I said, the 68 per cent increase in federal taxes was borne mostly by those taxpayers. Again, the Minister of Finance is tempted to adopt this course of action.

On January 28, the headline in *La Presse* read—and I will have to use the name of the minister—“Martin has his eye on seniors and social programs”. The article went on to say that the minister intended to tax health care and insurance plans that employers contribute to and was contemplating measures affecting certain exemptions benefiting middle-income seniors as well as the capital gains exemption and the limit on RRSPs. The Bloc Québécois believes that the middle-income taxpayers deserve a break.

As part of the public finance review process, it was suggested that, to put finances back on a healthy footing, transfer payments to the provinces should be cut. The solution does not lay there either. In the end, the same people end up footing the bill, except that the provinces, Quebec in particular, bear the brunt of the cuts and the fiscal restraints, while the federal government is washing its hands of the matter.

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The provinces have done more than enough in that respect since 1984. Let us just say that, from 1984 to 1993, the rate of federal transfer payments to Quebec—I am taking the case of Quebec because it is the one I am most familiar with, but this probably applies throughout Canada—has dropped from 29 to 18 per cent.

During the same period, the federal government share in the financing of health and post-secondary education programs fell from 45 per cent to 32 per cent.

These drops in federal contributions to Quebec resulted from several measures taken by the federal government to pass on its public finance management problem to the provinces.

Just for established programs financing, the Quebec Minister of Finance estimated that, for fiscal year 1992-93 alone, federal cuts cost the Government of Quebec nearly \$2 billion in lost revenues. Who paid for that? The taxpayers, the same taxpayers on whom the former Minister of Finance levied a special tax.

That is not where the money should come from. The tax base needs to be broadened, but by eliminating tax loopholes benefiting high-income taxpayers and big corporations. I see that I have only two minutes left. So, I will just quote a few more facts.

In preparing his Budget, the Minister of Finance should think of the richer Canadian taxpayers. According to Yves Séguin, an eminent Quebec tax specialist and former Quebec Minister of Revenue, in 1991, 368,000 of them reported \$68 billion in income on which they were taxed at an actual rate of 18 per cent, while the basic tax rate was 29 per cent.

By adding just three percentage points to their actual tax rate, the government would have recovered \$2 billion in new tax revenue that year, but chose not to.

I would suggest that the Deputy Minister of Finance get money from the thousands of corporations that did not pay a single penny in taxes. It is obvious that all the numbers are not out in the open. The Department of Finance has been compiling data since 1987, but according to Léopold Lauzon, another well-known Quebec tax accountant, 90,000 companies made \$27 billion in profits that same year without paying any taxes.

(1225)

A minimum tax of say 10 per cent on these profits would have allowed us to collect almost \$3 billion more in new tax revenues. Why are we not doing it? The Bloc Québécois is urging the Minister of Finance to impose on corporations a minimum tax of up to 10 per cent for instance. That is where we must look for the billions of dollars missing from the federal coffers.

It is the same for family trusts. We have talked about it but there are not enough truly comprehensive studies in this regard. A figure of \$350 million in annual tax losses was put forward by

Claude Picher of *La Presse* and confirmed by other analysts elsewhere. But we know that there is probably more money in these family trusts. In 1982, the most recent year on record, total assets in trust amounted to \$87.7 billion although this amount includes other things besides family trusts. We do not know the true extent but we do know that we can add hundreds of millions of dollars to the federal Treasury by putting our foot down.

So we are reiterating another request of the Bloc Québécois: to set up a parliamentary committee. I heard the Finance Minister say this morning that we had to wait until 1995 and follow the process leading to the preparation of the 1995-96 budget. We cannot wait until 1995-96. The Minister must immediately set up this special parliamentary committee to fully review the federal government's overall budget and fiscal spending in order to implement a lasting and equitable reform and especially to close loopholes and eliminate tax inequities I pointed out to you earlier, Mr. Speaker.

My colleague, the hon. member for Joliette, will speak further about the Auditor General's new revelations as there are hundreds of millions of dollars to be collected there. In conclusion, I would like to convey through you to the finance minister the following message: I hoped before the holiday season that the finance minister would not renew the Canadian monetary policy pursued by the former Governor of the Bank of Canada.

Instead, he appointed the right-hand man of the former Governor of the Bank of Canada with essentially the same mandate, namely monetary and price stability regardless of economic growth. I am asking him through you to review this monetary policy to strike a balance, as many economists, and not only the 90 per cent of economists here in Ottawa but people such as Pierre Fortin, are asking him to strike a new balance between his objective of long-term price stability on the one hand with short-term employment growth and economic development on the other.

Mr. Nick Discepola (Vaudreuil): Mr. Speaker, I would like first of all to congratulate our colleague, the member for Saint-Hyacinthe—Bagot, on his speech. I agree with many of his concerns, some of which I also mentioned in my own presentation.

I feel the member for Saint-Hyacinthe—Bagot missed a great opportunity. Since he is the critic for finance, I listened carefully to what he had to say but his statement remained very general; I would have hoped for something more precise. I share his views, particularly in the areas of research and development and small businesses.

As I said before, he had the perfect opportunity to make his point and I would have hoped for more concrete and precise statements.

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As regards my riding and my beautiful province, I get frustrated when I hear day after day the B.Q. and the P.Q. say that the problem with the economy of Canada and of Quebec is that the federal system no longer works, that the problem with the rate of unemployment in Quebec is that the federal system no longer works.

Today for the first time in the history of our Parliament, we had a perfect opportunity to say something concrete.

(1230)

I repeat my question to the member for Saint-Hyacinthe—Bagogot: If ever Quebec were to become independent, what percentage of the tax burden, and especially the debt, and what percentage of unemployment insurance and other social systems would it be just for Quebec to take on, according to him? Is it not better for all Quebecers and all Canadians to work together towards building a better country and a better province?

Mr. Loubier: Mr. Speaker, I want to thank my colleague for his remarks. If I was not clear enough, let me add a couple of words to make myself perfectly clear this time.

My message to the Minister of Finance is as follows. First, he must not target those members of our society who are having the worst possible time right now, I mean the unemployed actively looking for a job; and the majority, the vast majority of them are actively looking for a job.

Second, he must not target the people on welfare, through cuts to the Canada Assistance Plan, and other transfer and equalization payments aimed at improving the fiscal situation of the provinces.

Also, I ask him not to cut those transfer payments to the provinces, as a whole, since, in the end, there is only one taxpayer.

Furthermore, I am ask him to spare those who have been paying taxes, carrying an ever increasing burden since 1984, and who are fed up; I mean the middle-income earners. That is essentially the first message I wanted to convey.

The second one is that he should tackle the real problems, the tax loopholes. I mentioned a whole series of them, I could have added more to the list; in fact, there are many studies, albeit incomplete, to back me up. The studies are there but the extent of the problem regarding tax loopholes, especially family trusts, is not fully known.

It has been said, and this is not out of line, that a minimum of \$350 million is involved here. It might require the House to unanimously give the Auditor General a mandate, well within his authority, to conduct an in-depth study of tax havens, family trusts and the like. That would be the only way. That study

should be an integral part of the proceedings of the ad hoc parliamentary committee the Minister of Finance has been asked to set up. He would then combine that study with the Auditor General's report and the committee's democratic proceedings. That is the first part of my message.

The second one, Mr. Speaker, is that the ball—I am referring to sovereignty versus federalism—the ball is going to be in my colleague's court and in his federalist colleagues' court, during the next provincial election, but most of all, during the ensuing referendum debate. In the last five years, there has been no proof, on the contrary, that the system can be changed to respond to Quebec's aspirations.

So, I will ask my colleague to conserve his energy because in the upcoming debate he will need all of it to demonstrate that the system can meet Quebec's expectations and that it can foster economic development and take up the many challenges we face in a global economy.

[English]

Ms. Mary Clancy (Parliamentary Secretary to Minister of Citizenship and Immigration): Mr. Speaker, I am delighted to be here and to congratulate you on your appointment. I am delighted to be taking part in this debate today with my first speech, while not my maiden speech, in this Parliament. May I also say that the view is different from this side of the House. I want to take this opportunity to thank the people of Halifax for letting me have this view. It is one which I hope to keep well into the future.

(1235)

The election that we all came through last fall was a landmark in more ways than one for the people of Canada. Our country had been in difficulty and remains challenged by numerous problems for its people and for its government. There was a resounding message sent by the people of Canada to this place, to its members, to the government and to all of us. That is that the overwhelming concern of Canadians is the concern for jobs.

I remember hearing a commentator once talking about the way citizens watch the news. They watch the news and ask if it affects them, their family, their neighbourhood, their city, their province, and their country.

If the answer is no to all of those, then the next thing is how much entertainment value is there in the item.

The late great speaker of the American House of Representatives, 'Tip' O'Neil, said it very well when he said that all politics are local. The most local of those issues for Canadians is the question of a job, job security and providing for their families.

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I am delighted to be on this side of the House, led by the Prime Minister, the Minister of Finance and other members of the cabinet who have put the highest priority on job creation and economic growth.

It is time that the compassionate side, the understanding side of government was foremost in the eyes of Canadians. It is time that the people of this country know that those people they have put in positions of power are determined to see that life improves, that this country, the most favoured one on earth, lives up to its potential and ensures for each of its citizens the kind of life that our birthright should be giving to us.

I look at the specific programs that were promised in our much vaunted red book and again I am reassured because we are keeping our promises. As members of Parliament, as the governing party, as all members of this House, whether in Her Majesty's Loyal Opposition or on the government side or sitting as independents, we know that the people of this country have said to us that there is much to be proven.

Those of us who were fortunate enough to receive a second or in some cases a third or a fourth election from our own electors cannot rest on our laurels because we too have much to prove to the people of this country. It is absolutely essential that the question of trust be restored between those of us who sit in this chamber and the people who put us here. It is absolutely essential that the profession to which each one of us belongs, the profession of politics, be allowed to earn back some of the much lost lustre that we saw go down the drain over the past number of years.

I believe that this can be accomplished, not easily, not quickly, not overnight, but it can be accomplished.

I am delighted, for example, that the infrastructure project that was much talked about during the campaign is underway and beginning in all parts of this country. I am further delighted that programs such as the residential rehabilitation assistance program and the youth service corps will be initiated to create jobs and to restore perhaps the most important element, the element of hope for Canadians of all ages.

(1240)

We know what the job is before us. We know that we must invest in Canada's businesses. We must work with small and medium sized businesses which are certainly in my much beleaguered region of the Atlantic the backbone of the economy.

For five years on the other side I railed at a government that did not listen and seemed to have a search and destroy policy with regard to the Atlantic. Atlantic Canada does not deserve to be the stepchild of Confederation nor will it remain so under the policies of this government.

Small business is the way to go in Atlantic Canada. The infrastructure projects that are being worked on there right now will be the jump start. In the long term it will absolutely be the change in policy toward small business, the unfettering of small business that will bring us into our proper place.

I have said for five years and I hope for a further five years I will say we do not like to come cap in hand. We are a very proud region. We are a region that has sent to other parts of this country educators, lawyers, politicians, community activists, bankers, you name it. We will continue to do so.

Governments must understand that those of us who come from the Atlantic region are really disjointed and cut off if we have to stay somewhere else for too long. We live in a very special part of the country. It is a part of country that we want our children to be able to inherit from us and to be able to make their place in the greater Canadian society.

We are very fond of our brothers and sisters in central, western and northern Canada. We like to visit. We like them to visit us. However we do not want to see the four small provinces clinging to the Atlantic Ocean become have not provinces but provinces that stand as equals in Confederation.

We believe that this will happen because of the policies outlined in the red book. We believe that this will happen because of the commitment of the Prime Minister. We believe that this will happen most definitely because of the determination of the people of those four provinces.

The federal government understands full well its responsibility to the people of this region and indeed to the people across the country. It is important that we keep the promises we made and we will do so. It is even more important that the country as a whole sees the results of these promises in the programs that the federal government will put forward.

It is important, for example, that the Canadian government provide capital to attract high tech business such as the Red Cross blood fractionation facility scheduled to be built in Halifax. This facility alone will create up to 400 permanent high tech jobs and \$11 billion in economic spinoffs in the metropolitan area and the province of Nova Scotia.

This would be an amazing project for almost any centre in the country. In Atlantic Canada, it is the kind of thing that we have been seeking and attempting to attract for a long time. I must compliment the provincial government in Nova Scotia, most particularly the minister of development, for the work done to bring that plant to the metropolitan area.

Our government also must take advantage of the fact that Canada is a trading nation. Jobs and prosperity depend on our ability to sell products abroad.

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On that note I speak again of the city of Halifax and the great port of Halifax which, until last week, was the largest ice free port in the world. We had a little bit of ice last week. No doubt it was the cold air coming from central Canada. It was a great shock for Haligonians to wake up and see icebreakers working in their harbour. Tied up in the harbour and sailing in and out is one thing but having to break the ice in our harbour is a great shock to our systems. We hope that it will not happen again. Unfortunately, I do not believe there is anyone in this Chamber that can actually control that.

(1245)

An hon. member: It is questionable.

Ms. Clancy: Yes, it is questionable.

The port of Halifax is perhaps the greatest single asset in the industrial sense in the province of Nova Scotia. I can go back to the quotations of the days of wooden ships and if you will pardon my paraphrase or my editing, Mr. Speaker, wooden ships and iron persons. In the province of Nova Scotia, our port is again ready to be a major player in the industrial development of Canada, in particular with regard to our enhanced trading capacities.

We have frequently been accused of seeing only in Atlantic Canada the north-south aspects but we also see the east-west. The port and the transportation links out of the port of Halifax can be of tremendous benefit to all Canadians. We in the port of Halifax invite hon. members who sit in this Chamber to come to see the facilities we have and to see what a tremendous asset this is and can be to the people of Canada.

Along with our developments in business, trade and job creation we also have to ensure, as I said earlier, that Canada remains the compassionate country the rest of the world believes us to be.

I compliment the Minister of Human Resources Development on his announcement yesterday and on the initiative that he will take to ensure that compassion and common sense remain the keystones and the key notes of a Liberal government.

Mr. Speaker, I thank you for the opportunity to take part in this debate and I look forward to further debates in this House.

Mr. Ian McClelland (Edmonton Southwest): Mr. Speaker, I want to assure the hon. member that the view from this side of the House has improved considerably as well. Although I am new here, I think that is probably the case.

I spent some of the best years of my life, from 17 to 20 years of age, in the maritimes. I wonder if the member could think back to what caused the diminution of the prospects of the maritimes in the first place. After all, the first settlements in Canada took place in Nova Scotia in Annapolis Royal and the

Bay of Fundy. What happened in the maritimes to cause the diminution of the prospects in the first place?

Ms. Clancy: Mr. Speaker, I thank the member for Edmonton Southwest for his question. Actually when I heard the direction of the question I was thinking that as a child growing up in a very political household I heard the answer to that question a lot.

Let me begin by saying that maritimers are very committed Canadians. Indeed we have been tried. That is why it can be said we are passionately committed to this country, to its future and to its prospering.

There are many things. First, the sort of downhill slide did begin at Confederation because of the emphasis on east-west as opposed to north-south. We always had close ties to New England, to the Caribbean. To a great extent until probably the first war that continued.

There were questions—heaven forbid that I should bring this up—about buying Alberta oil. Nobody would buy Cape Breton coal nor could our apples be shipped to Ontario. There were a number of questions with regard to trade within the country, questions that still remain to be answered. I hope, as all of us in Atlantic Canada hope, they will be answered over the next term by this government.

The other thing was migration. No question. We have been staffing the universities, courts and the public services of the other nine provinces for a long time. While people come back they tend not to come back until their careers are over. That has been a problem as well.

(1250)

Mainly the major problem has been a lack of an industrial policy that truly fits the Atlantic region. It is my belief that the emphasis on small business as mentioned in the red book and as the hon. Minister of Finance has been talking about in his pre-budgetary consultations are the kinds of policies and programs that will flow from the ideas that will specifically assist Atlantic Canada.

We do not have the population or I suppose to a degree the inclination for megaprojects. Megaprojects were tried. Everyone who lives in Nova Scotia can tell horror stories about Clairtone, heavy water and that sort of thing.

However we do have both the inclination and the ability to succeed in small business. If small business is given its head, as I think it will be by this government, then we will see a new prosperity in Atlantic Canada in which a number of my colleagues are looking forward to taking part. We invite the hon. member and you, Mr. Speaker, to visit us at any time because of course one of the most successful small businesses in Atlantic Canada is tourism.

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Mr. Ian Murray (Lanark—Carleton): Mr. Speaker, may I first congratulate you on your appointment. This is also my first opportunity in the House of Commons to thank the people of Lanark—Carleton for putting their trust in me as their member of Parliament.

I want to thank the Minister of Finance for convening this special pre-budget debate. This is a worthwhile extension of the cross-country consultations the minister has held during the past 10 days.

The most important consultation with the people of Canada took place late last year when each of us during an intensive 47-day election campaign heard first hand from Canadians how they felt about their country and their governments.

The economy of my riding which is just west of Ottawa includes small businesses, farms, manufacturers and the centre of Canada's high technology industry. The people of Lanark—Carleton have felt the full impact of the recession and the realignment of international trade. I have been impressed by the tenacity and the resilience demonstrated by many small business owners.

I am sure all hon. members listened during the election campaign to countless individual examples of economic hardship, personal bankruptcies, jobs lost or families squeezed by ever-increasing taxes demanded by every level of government.

On October 25 Canadians voted for change. They demanded a change from a system that fostered dependency to one that rewarded initiative; a change from a climate of worry to a climate of hope; and, a change from a system of privilege to a system of fairness.

When the first budget of this government is presented it will be judged by the men and women of Lanark—Carleton on how we live up to our commitment to change. There is no shortage of ideas available to the minister as he prepares the budget. There are only difficult choices. Therefore we need a set of principles to guide us as we make those choices. In particular, we need to reward individual initiatives and those who create jobs for other Canadians. We must be fair. We must agree that taxes are too high. People have said "enough".

In the short time I have today I want to mention a few specific items. Whether we like it or not each federal budget influences the behaviour of Canadians. There will always be trade-offs but the issues of fairness as perceived by taxpayers must be addressed. Though we try to make the tax system neutral society is too complex for the tax system to accommodate all of our differences.

Personal taxation has been based on the traditional family unit. We must come to grips with the realities of change in the family unit, whether it be single parents, working couples or stay-at-home dads. Like many Canadians, I am wrestling with how we can make the system fairer by allowing for these differences.

Several residents of Lanark—Carleton have suggested we look at the income of the family unit as a whole. There is a sense that families which decide to have one parent remain at home while raising children are penalized by the tax system. One suggestion which I personally support would allow income splitting between spouses while they have dependent children.

(1255)

I have also heard from many people who are very concerned that the budget may target RRSP contributions. It is easy to portray this tax expenditure as a benefit for the rich. However for many self-employed people and others who do not have the security of a company or government pension plan RRSPs represent their best opportunity to save for their retirement.

The government should also continue to encourage people to take personal responsibility for their future.

During the election campaign all parties spoke of the importance of small business to our economy. In fact we are looking to small business to be the primary engine for economic growth and job creation in Canada.

If it is the role of government to create an environment to stimulate private enterprise what can we do to show entrepreneurs that we mean business? We must allow them to operate free from the growing burden of taxation, required contributions and paperwork they now face. Our priority should be to make it easier for them to hire new employees. Government must change its attitude and realize that the vast majority of business people are honest, law-abiding citizens who do not need bureaucrats and government auditors looking over their shoulders.

Let us address the question of financing for small business through the innovative use of the tax system. Just as we should encourage those who create jobs we should use the tax system aggressively to reward individuals who invest in Canadian start-up companies.

For example, the real problem we face as we move further into the information age is how to finance small software companies with few if any capital assets. Their main asset is brain power. Though a high percentage of new high-tech companies fail, those which succeed more than compensate for that risk. This has been proven many times in my riding. The well-known success stories inevitably spin off new companies. This may be an opportunity to put the capital gains tax exemption to good use by rewarding risk takers. Low risk investments do not need support from other taxpayers.

Business associations have been saying for years that government handouts to large businesses should end. Let us take those groups at their word and channel money from existing grant programs toward funding tax incentives for job creation. Grants would remain available to small businesses as their more stringent cash-flow requirements make it difficult for them to take advantage of tax incentives.

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One government-funded program that has received far too little credit comes under the community futures program of the Department of Human Resources Development. Local business development centres provide loans as well as technical advice to new or existing companies.

Over the past six years the Business Development Centre in Lanark—Carleton has been responsible for the creation of several hundred jobs at little cost to the taxpayer. As we look for expenditures to cut I hope ministers will recognize the importance of maintaining this community based program.

The first budget of this new government is only one step along the road toward renewed prosperity and job creation. The coming months will see the development of complementary programs that were outlined in the Liberal election platform “Creating Opportunity”.

As a responsible and caring government we must never lose sight of Canadians who are the casualties of global economic forces. As Canadians we are in this together. We do need to ensure that scarce financial resources are directed where they will be most effective.

I wish the Minister of Finance well as he and his colleagues continue to work on dismantling interprovincial trade barriers and the sooner the better.

I also believe we should keep in mind that real job creation comes from the creation of wealth, not its redistribution. The minister is faced with making exceedingly difficult choices in the certain knowledge that he will not please everyone.

The people of Lanark—Carleton will be looking for a budget that rewards initiative, inspires hope and restores a sense of fairness in the way that government operates.

Mr. Ian McClelland (Edmonton Southwest): Mr. Speaker, my intervention is more to my hon. colleague by way of an observation than a question. As I listened to my colleague’s presentation I was struck by the common sense embedded in virtually everything that I heard. I want him to know that there are some very strong parallels on both sides of this House.

If the hon. member could in a couple of minutes expand on the notion of income splitting for families.

(1300)

This is a question that has come up time and time again, the inequities in our tax system between working parents where two parents are working and where the sacrifice is made with a stay at home family.

Mr. Murray: Mr. Speaker, this has been of particular interest to me personally over the years. I have not pursued it primarily for the reason that in my previous job I enjoyed a high income and it was always my sense that if someone talked about the problems that high income earners face with the tax system they should be dismissed as perhaps those who do not deserve to be complaining.

However, when one looks at the burden of taxes on upper and middle income earners and if we consider that a family could be five or six people getting by on the income of one person one starts to realize that there is quite a bit of unfairness embedded in the tax system.

I really had my suspicions confirmed during the election campaign when I would go door to door. During the daytime I would meet women who were at home raising their children and very much feeling the pinch from high taxes.

It is only fair that the government make this change partly to recognize that people who do stay home to look after their children are providing a real benefit to society. Most of us would agree that it is in the interest of the children and the interest of society if they are able to be raised by their parents.

I have not looked into the intricacies of such a change. I am sure it has been suggested in the past. I am sure the Department of Finance must have looked at this as an option. It is one that I intend to explore in the coming days. I thank the hon. member for his comments.

Mr. Herb Grubel (Capilano—Howe Sound): Mr. Speaker, as an economist I know most of the jokes about my profession. If you laid all of us end to end there would be no agreement. We never seem to hold the same opinion on anything.

Given the reputation it is amazing, however, how much agreement there was among the 42 economists whom the hon. Minister of Finance had assembled for some pre-budget advice in the middle of December. Of the 42 about 36 agreed on a number of points that I think are important to recall on the occasion of this House debate.

First, the budget deficit has three highly undesirable consequences that make lowering it one of the most important tasks facing this Parliament. Other speakers in this debate have presented or will present projections of recent trends and I will not repeat them here. Suffice it to note that since I started speaking about a minute ago the federal debt has increased by another \$75,000.

One of the points made by the economy experts was that continuing deficits threaten the viability of our social programs. Under some reasonable assumptions by the fiscal year 2000 the interest on the then existing debt will take up 50 per cent of total government revenues as compared with the 31 per cent it will in 1993 and only 21 per cent it did in 1983.

As the hon. members of this House know, program spending has already been cut so much that future cuts will result in serious inefficiencies and public resentment. Therefore if the deficits continue, required increases in interest payments will have to come at the expense of social programs. It is precisely because of this threat to social programs that Reform continues to put so much emphasis on the need to eliminate the deficit.

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The experts also noted that deficits raise the interest rate and therefore lower investment, economic growth and home construction. These effects are due to the fact that every year there is only a limited amount of savings generated by the economy. Lenders who use their money to buy government bonds cannot lend it to firms that want to build factories or to Canadians who want a mortgage to buy homes.

(1305)

Future generations of Canadians will be hit by a double whammy: lower capital stocks and productivity, as well as tax burdens to pay the interest on the debt.

One of the most serious concerns expressed by the experts was that continuing deficits raise the probability of a financial crisis. We have all heard about the problems which face New Zealand, Sweden, Britain and Italy when international investors lost confidence in the ability of their governments to restrain deficits.

No one can predict what might set off such a crisis in Canada. The Minister of Finance's economic experts were almost unanimous in their judgment that the probability of such an event is increased the longer the deficit persists.

The second major point on which there was overwhelming agreement among the economic experts was that it will be impossible to eliminate the deficit without substantial spending cuts. An economic recovery cannot generate enough revenue to reduce a deficit to 3 per cent of GDP, no less eliminate it. The rate of economic growth required to achieve this goal simply is without historic precedent and virtually unachievable.

At the same time, it is clear that the deficit cannot be eliminated by higher taxation, either through higher rates or a broadening of the base. Any such attempt would further stimulate the growth of the underground economy or tax evasion and therefore is unlikely to raise sufficient revenue.

The third point of major agreement among the experts was that the deficit could not be eliminated by inflation. Until the 1970s, perhaps inflation could be used to depreciate the real value of government debt. However, in today's world of integrated and highly sophisticated capital markets neither national and especially not international lenders will buy Canadian bonds whose purchasing power is depreciated by inflation unless they are compensated by a corresponding increase in the interest rate.

It is easy to see what the public demand for such higher interest rates will do to the size of the deficit. Every one percentage point increase in the interest rate quickly translates into an increase of \$5 billion in debt payments and therefore the deficit.

For this reason I hope that Gordon Thiessen, the new Governor of the Bank of Canada, will continue to pursue price stability in the tradition established by his predecessor, John Crow.

I should further note here that inflation also cannot be used to decrease unemployment and raise economic growth. The idea that this is possible represents a theory that was found invalid as a result of the experiences of the 1970s and later in Canada and elsewhere.

As the last point in my contribution today I would like to note that the economic experts assembled by the Minister of Finance offered a wide range of suggestions for spending cuts. However, none had so many supporters in principle as did the suggestion that spending cuts should be achieved through the so-called restructuring of social programs. To the best of my memory, only Michael Walker of the Fraser Institute elaborated on the term restructuring. Mr. Walker's suggestion was based, much like that of the Reform Party during the election campaign, on the realisation that vast amounts of government transfers go to families with high incomes.

Without further elaboration let me just note here that in 1992 families in the upper decile with incomes over \$100,000 per year received \$2.5 billion and \$1.5 billion in UIC and old age security benefits, respectively. Similar large amounts were received by families with high incomes by any other standard.

From these facts follows a clear and precise definition of restructuring of social programs. It means the elimination of transfers to those who do not need them. Would the hon. members of this House please note this important point that needs repeating. In the Reform lexicon, restructuring of social programs does not mean reduction to payments to the poor. It means eliminating payments to those families that by a wide consensus do not need them.

(1310)

During my election campaign the vast majority of high income earners I met expressed their willingness to forego their receipt of these benefits if other Canadians made similar sacrifices to balance the budget.

In summary, I remind the members of this House that finance minister's economic experts urge the government to take prompt action in eliminating the deficit with spending cuts, not tax increases or inflation, and that the spending cuts be achieved predominantly through a restructuring of social programs.

Mr. Bill Blaikie (Winnipeg Transcona): Mr. Speaker, I have just a couple of comments to make on some of the things the hon. member had to say.

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It is appropriate that the member pointed out in part of his speech the role that interest rates play in increasing the deficit. He was counselling against the strategy of higher interest rates because it would have the effect on the deficit that he pointed out. However, I think it would be useful not just to apply that insight in terms of how not to deal with the deficit now, but also how the deficit was created in the first place.

Much of the deficit that we have before us today was created not by the social spending that the Reform Party wants to criticize, but by the high interest rate years in the early eighties. I think that is one of the holes, if you like, in the Reform analysis.

We cannot go back and change those interest rates. We cannot go back and eliminate the debt that was created by those interest rates. I realize that, but there is a kind of implicit blaming of social spending for the deficit when studies have shown, particularly a Statistics Canada study, that it was the high interest rates in combination with tax expenditures that were largely responsible for the deficit and not social spending.

The member's argument would be much more credible if that were at least acknowledged. It may be that there might be some restructuring of social programs in order, but I do not agree with the member that the way to do it is to eliminate universality. If high income Canadians who are receiving these benefits are so willing to contribute to the deficit then why can we not do that, if they are that willing, through a more progressive income tax system whereby they would pay for these universal programs they receive through the income tax system?

What would be the member's objection to that? Why do we have to accept that the only way that high income Canadians can do this is by foregoing these certain benefits and paying for them item for item instead of accepting that for once we could have a fair tax system in this country and high income earners could pay the share that they have paid less and less of in the last nine years thanks to the tax reforms of the Conservative government?

Mr. Grubel: Mr. Speaker, I appreciate the rhetoric that I received from the distinguished member who just spoke.

The Governor of the Bank of Canada did not very happily raise the interest rate. He was forced into raising the interest rate because of developments in the world and because of pending inflation.

There is simply no way in which a government or a private corporation can sell its obligations in an environment of inflation and charge a low interest rate. It is now a well established fact among those who are economically literate that if we have inflation we will have high interest rates, otherwise nobody will lend money.

I think we should see the episode of high interest rates in the early 1980s as part of that process.

I would like to respond to the member's notion that high marginal tax rates would be an equitable thing to do and that there is no distinction between taking back or not paying out in the first place social program spending transfers. High marginal tax rates throughout the world have been shown to generate disincentives which feed back on the welfare of the entire society. That is why universally throughout the world high marginal tax rates were removed. In fact, in many countries when the marginal tax rates were lowered total revenue was increased because effort and attempts to hide income disappeared.

(1315)

When I asked a student who came to me the other day what he would do after he graduated, he said: "I will move to the tax haven, Seattle". This is what our distinguished member will have to remember, unless he is prepared to close the borders from Canada, if he imposes very high marginal tax rates on Canadian citizens. They, especially those who are productive, original and entrepreneurial, will go to where they do not have to pay these high taxes. One might say good riddance, but I can tell the hon. member it will not be in the interests of Canadians that these young entrepreneurs, the originators of small business stimulation, the innovators will go to where the tax rates are lower.

Mr. Ian McClelland (Edmonton Southwest): Mr. Speaker, the other day the Prime Minister suggested in Question Period that each member present had a bill of about \$3 million for his or her part of the overhead. I hope the Prime Minister pays close attention because I am just about to pay mine off as my contribution to this debate.

This really is the speech I was elected to give. This is why I got into politics in the first place. I hope that over the next couple of years I will be able to make a continuing contribution through the caucus and through the House to our national debate on the economy. I want to thank the government very much for making this possible so early in this 35th Parliament. It is going to be an evolutionary process as we go from this budget to the next budget.

I am one of those real live entrepreneurs that one hears so many people talking about. I went to Edmonton in 1975 with absolutely nothing. I was living in a basement apartment at my sister's. I was paying maintenance to my ex-wife who lived in Vancouver.

I started with absolutely nothing and built a business that 20 years later at its peak does about \$7.5 million a year with 130 employees. Today, this very day, I am proud to tell everyone that our employees are one-third share owners in the company. As of

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today, the ink is dry and we have gone one-third to our employees, one-third to me and one-third to my partner. I am very proud of that.

Over these 19 or so years that we have been in business I am embarrassed to say that we have been the recipients of one grant from the government. We got \$16,000 through western diversification. I am in the photo finishing business. I think somehow the \$16,000 grant from the federal government came from the Western Grain Transportation Act. Figure that one out. How did my photo finishing business end up getting about \$16,000 from the Western Grain Transportation Act through western diversification?

The real question here is that we qualified for the grant because a person came knocking on our door and asked: "Are you doing any expansion? If you are, I can get money from the federal government for you. You do not have to do a thing. All you have to do is open your books. I will go through them and I get 25 per cent of anything you can get". I thought long and hard about this because we had gotten this far without a nickel from the government and would it not be nice to get everywhere without a nickel. But then I thought that we were paying the taxes and if we did not take advantage of these bonehead programs our competitors would, leaving us at a disadvantage. Therefore we did.

We received that particular grant because we were getting involved in another aspect of the business. Our investment was \$300,000. Does anyone in this House reasonably think that any business person would make a business decision of whether or not they should make an investment of \$300,000 because they can get \$16,000 from the government? Absolutely not. And any business person who would, should probably not be in business in the first place.

(1320)

Over Christmas I was having coffee with one of our employees in the lunchroom. I said: "Joan, if you have a word to say, here is a chance to say it. What would you like me to say?" She replied: "Tell them to stop having the government take money from me to give it to somebody else. I am barely getting by on \$10 an hour. Tell them I am sick and tired of the government and other people wasting my hard-earned money".

When was the magical mystical moment that we as members of this government or elected members of any order of government suddenly went through a magic laying on of hands and became venture capitalists? It did not happen. We as government take a dollar in taxes from business or individuals. We take it into government, we chew it up and spit it out as 20 cents. We give that 20 cents to someone else to go into competition with the very people who gave us the dollar in the first place. It just does not make any sense.

One can see in any newspaper the government grants and government loans, government money for nothing. There are over 600 grants through the various government agencies that people can get. Peat Marwick Thorne has a book on how to get money out of the government. Large businesses have people on staff that do nothing but get money from government.

If we had a Klondike today it would not be out west or in the north. It would be right here in Ottawa where there are people mining for gold whose business it is to get money out of the government. Well that money people get is money which is earned by individual taxpayers, \$10 and \$20 at a time and we have to think about it in that context.

It must have been over 20 years ago that an hon. member of Parliament coined the phrase of corporate welfare bums. Well it has not changed.

Mr. Blaikie: David Lewis.

Mr. McClelland: That is right. It was David Lewis. It has not changed. It is not the role of the federal government or any government to take from individuals and decide who are going to be the economic winners and losers in society. That is the role of private entrepreneurs.

We would go a long way in reducing this tax burden on Canadians if we were to stop this insane practice of government grants and handouts to business. If a business does not have what it takes to run on its own, it should not be in business in the first place. If a business has to have money from the government to be established you can bet it is going to have to have money from the government to continue.

The government's role then in business, at least in my opinion, is to have an infrastructure program that allows for consistent high quality education in the country so that we have a resource pool of people to get into business. Roads, sewers and other infrastructure, consistency from orders of government and environmental standards, that sort of thing. But most of all there should be a tax environment that rewards investment and entrepreneurial risk by allowing those who actually do something to keep some it.

A final and important point is that we should elevate the status of innovators and entrepreneurs in our society to a level commensurate with the commitment in what entrepreneurs, investors and risk takers actually give to our society.

Mr. Dennis J. Mills (Parliamentary Secretary to Minister of Industry): Mr. Speaker, I would like to begin by congratulating the member on his address. Having come from an entrepreneurial background myself I share many of his feelings and views.

However there is something I have learned over the last four or five years about government grants, or government handouts to use the hon. member's expression. I have learned that the largest number of grants given to corporations, whether they be small, medium or large, through the Government of Canada do not come from the various line departments whether it is industry or western diversification as the member cited. In fact

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the real grants that are given to corporations are buried in the Tax Act of Canada, that 15,000 pages of rules and regulations, all those special preferences. Of course those preferences which have been put into that act over a number of years by Liberal and Conservative governments, many of them no longer meet their original policy objectives.

(1325)

Would the hon. member be willing to take the same passionate view about eliminating those tax grants as he does on the direct handouts?

Mr. McClelland: Yes, Mr. Speaker, I definitely would. As a matter of fact the faster we can get to a flat tax system the happier I will be. This whole notion of write offs for this, write offs for that, you have to be a Philadelphia lawyer, you have to have 14 tax accountants to figure out where Tuesday was, is absolutely insane.

We will have a revolt but the revolt will be all the tax lawyers and tax accountants who will be looking for work if we only simplified it and made it fair.

Mr. Bill Blaikie (Winnipeg Transcona): Mr. Speaker, I know that what the member just said is music to the ears of the member for Broadview—Greenwood, except he did not actually come out and say that he was in favour of a single tax—

Mr. Mills (Broadview—Greenwood): I was waiting for you to do it.

Mr. Blaikie:—and the member will still wait awhile before he hears me say it, although I would have to say that the point made about the complexity of the tax system and the way in which what is supposed to be a progressive tax system turns out to be a non-progressive tax system because the higher up the income bracket you are, the more you are able to hire people to figure out how not to pay taxes is a point that is well taken. That is why I continue to be open to the member's proposal, if not convinced at this point.

I just want to say to the member, I was going to bring up David Lewis if he had not. He could not remember the name, so I had to help him along. David Lewis, former leader of the NDP in this Parliament was the one who coined the phrase of corporate welfare bums and I am glad to hear a Reform Party member talking about that.

I know there was some talk of that in the Reform Party platform, but their tendency has been to concentrate and to have Canadians concentrate on what people at the lower end of the income scale are allegedly getting for nothing in the form of

welfare, social programs or whatever. I think the distinction that exists between certain groups in the House is that I find the welfare that exists at the top of the system much more offensive.

If there is a single mother on welfare getting more than she should, maybe that should be corrected, but that does not drive me wild. What drives me wild are the tax expenditures that are claimed and created by government and exploited by business which sees many large profitable corporations in this country paying absolutely no taxes at all.

I have certainly done my best while I have been here—and I think the member will vouch for this—to call attention to that. I am glad to hear someone from the Reform Party calling attention to that as well. If he is serious about that he is going to have to take on some very strong powers and principalities, to use a Biblical term, because they have got their claws right into the public trough through the tax system.

When I was first elected here along with you, Mr. Speaker, in 1979, the deficit was \$14 billion and tax expenditures for that year were \$32 billion, twice the deficit. We could have paid the deficit off and had \$18 billion left over if we had been smart about tax expenditures. However we have not been and it is time that we did get smart about tax expenditures.

Mr. McClelland: Mr. Speaker, I will be very quick and very brief. The essential basis of anything we do as far as taxes are concerned or concessions to anybody, business or people, is that we have to have a foundation of fairness in everything we do.

It must not only be seen to be fair, it has to be fair. That is what this great debate is on when we talk about whether or not people should have deductibility of a business expense, lunches and that sort of thing.

What we have to do is to inculcate a sense of fairness in everything we do and set a direction and leadership from this House so that when people in Canada say: "Well, we have to tighten up our belts and live within our means", they can look to the Parliament of Canada and say: "Look, they are setting the example and that is where the leadership has to come from".

(1330)

Mr. Alex Shepherd (Durham): Mr. Speaker, Canada has too often taken a shortcut to economic prosperity. We have been living on natural resources while neglecting the true revenue enhancing areas of secondary manufacturing and technological innovation. The branch plant economy is in disarray. Most research and development occurs south of our border and has crippled our ability to learn from a changing economy and environment.

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I would like to ask my colleagues to ponder this as they drive home tonight in their American-built cars and turn on their Japanese television sets.

We are drowning in a sea of debt. This debt is not only at the federal level but involves all levels of government. It is in excess of \$650 billion. If we include the unfunded portion of the Canada pension plan, it is over a trillion dollars. This amounts to over \$35,000 for every man, woman and child in this country.

A change is sweeping the industrialized world, a change that discards the old smokestack economy for a new knowledge driven society. This is our chance to get our public sector debt under control and at the same time get our economy growing. The easier and least painful way to solve problems is to have the economy grow at a faster rate than government spending; indeed, we should reduce government spending and at the same time get our economy growing.

This is our chance to regain control of our economy and our country for all Canadians, a chance to make the 21st century truly Canada's century.

I will be using two terms in my presentation; one is investment and the other is consumption. I take a rather wide ranging view of the term investment. It is not only building and equipment but also research and development and training and education. In a sense, it is an investment in brains. Consumption, of course, is the simple consumption of goods and services.

We must create and foster more investment and considerably less consumption in order to get our economic house in order, as well as driving our economy on to success as we approach the 21st century.

The two facets of the budget are revenue and expenditure. I will touch only briefly on the revenue side and only with respect to the concept of investment.

The infrastructure spending program is to create investment and thus jobs. Similarly the capital gains tax exemptions are exemptions in support of private sector investment. So to deny these exemptions would be counter productive to stated government objectives. Furthermore, capital gains taxes tend to be inflationary. Without these exceptions it will be a real temptation to government to inflate the economy, and I am sure none of us want to see the days of 21 per cent interest rates again.

Some will argue that these exemptions are for the rich. I would like to point out that the rich most likely have already taken full advantage of these deductions. It is only the middle class that has been unable to utilize these tax advantages.

Specifically I would like to speak in support of the retention of the \$500,000 exemption for farmers. Most farmers live a difficult financial life. The constant requirement for capital investment in machinery, equipment and buildings, as well as the low return on these investments, puts a constant hole in their pockets leaving them unable to invest in registered retirement

savings plans, or to save. As a result, most farmers regard the farm as a retirement nest egg. So I believe it is very important to retain this deduction.

I note that had the deduction not been available for 1991 this would have only accounted for \$235 million. I note that the quantum of revenue from this source has also been declining by 3.3 per cent between 1989 and 1990, and 19 per cent between 1990 and 1991. So you can see, Mr. Speaker, this is not a very significant area of government revenue in any case.

(1335)

Having argued in defence of capital gains tax exemptions generally, I would like to narrow the focus of this exemption. It should be available only in support of small and medium sized Canadian owned businesses. It should only revolve around trading in small and medium sized shares. I suggest that we eliminate the \$100,000 general exemption but expand the \$500,000 exemption now allowed privately held small businesses so that this deduction would include minority interests in small and medium sized firms.

I have other ideas for creating secondary markets in these shares so that small and medium sized businesses can get access to the capital they need in order for them to create new businesses and to modernize older ones. Only in this way can they take full advantage of Canada's march to the 21st century.

I would also like to mention in passing that the foreign component of registered retirement savings plans should be eliminated as this deduction is inconsistent with our needs for domestic capital formation.

I would now like to talk about the expenditure side of the budget. This is what appears to the public as the seemingly endless sinkhole of taxpayers' dollars. I have here a statement of federal government expenditures presented by the Department of Finance; old age pensions here, agricultural subsidies there, job creations elsewhere, in short no rhyme or reason, no statement of government purpose.

I come back to my original definition of investment and consumption. I propose that the government prepare its accounts with a view to these two terms. I have briefly attempted to do this. This has been made very difficult for me since no department of government seems to think in this terminology. In any case I have roughly calculated that less than 20 per cent of spending revolves around investment and that the rest of expenditure is in support of consumption.

It seems to me that the government's approach to deficit reduction must have two objectives with respect to consumption spending. First we need to define the core area of consumption spending. Here I think of the genuine need for old age pensions and support for those unable to care for themselves due to physical or mental impairment and so forth. The balance must then be discretionary consumption spending. The overall approach must be a degree of absolute elimination of discre-

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tionary consumption spending, and second, for those who remain a conversion to investment spending.

What does this mean? It means we can no longer afford simply to pay people because they do not have a job. We cannot afford to pay mothers a total of half a year's unemployment insurance benefits regardless of the merits or wants for this type of program. We cannot afford to transfer moneys to the provinces that they transfer to the municipalities. In turn they can support youth from the ages 15 to 21 so that they can leave the responsibilities of family life and be unproductive members of society.

Of course we will continue to support the concept of universality for social services in our medical system but we must question whether treating the common cold is an essential service.

The elimination of services or a degree of them is obvious. The conversion from consumption to investment is somewhat more complex. It seems clear that if people are not going to be engaged in work, they should ultimately be trained or retrained in order to regain entry at a higher level than when they left. If for some reason this is not possible these people should be supported based on the degree of their commitment to undertake work directed at the improvements to their communities.

I suggest this will encourage the dignity and self-respect that all humans are entitled to embrace. This commitment of government to upgrade the skills of our labour force will allow all of us to participate in the march to prosperity in the 21st century.

In conclusion the road for Canada is in front of us. It involves a change in attitude by government as it approaches investment and consumption in government finances. Indeed it embraces a change in attitude of all the people in Canada. It recognizes that we can no longer drive our consumption spending based on want but rather it must be based on genuine need. It must recognize in its legislative agenda the need to support investment not only in the small and medium sized Canadian owned business sector but also in the grey matter of all the people in Canada.

The chance to build a greater nation is in front of us. Now is the time to take bold steps to claim Canada's destiny.

(1340)

Mr. Grant Hill (Macleod): Mr. Speaker, I would like to congratulate the member on the comments. I presume that he is a new member in the House. I believe he has not suffered with some of the atherosclerotic disease that seems to be prevalent with some aged members in this House.

I would like to know from the member if it would be possible for him to infuse this fresh enthusiasm into some of those aged members.

Mr. Shepherd: Mr. Speaker, I accept the hon. member's comments. I guess it comes from not being actively involved in politics to some extent, although that is not quite true. I had some involvement in my early youth here in Ottawa. However, being out in the real world trying to make a buck and having to meet payrolls, seeing both sides of our economy, people having problems as well as people being successful, gives me a good perspective on what I think we need as a nation. I will try to instil that around here if I can.

Mr. Julian Reed (Halton—Peel): Mr. Speaker, I would also like to congratulate the hon. member for injecting a very fresh idea into this debate. He and I share something in common in that the agricultural parts of our ridings are farms that are agriculturally valued very differently than farms in other parts of the country.

When a farm is passed on and when there is succession right now, the paper value of the farm far exceeds its value as a working farm. Therefore, it is absolutely essential that the \$500,000 exemption continue.

I am just old enough to remember when death duties existed in Ontario and I saw farms being lost to government, farms that had been in families for generations.

The member talks about cancelling the \$100,000 capital gains exemption. Does he simply feel that it is too small? Is that his reason for wanting to cancel it and dwell on the \$500,000 exemption?

Mr. Shepherd: Mr. Speaker, I do not think it is unusually small. Indeed the finance department's estimates are that this is a \$650 million loss of revenue had those exemptions not been available in the last taxation year 1991, I believe.

It is significant, but what we need to do, getting back to the government's agenda, is to re-focus on where we want those exemptions to exist. Currently I suspect the lion's share of those exemptions are in stock trading and investment real estate transactions.

Basically, our problem today is clearly that the small business sector is under siege and one of its biggest problems is capital. I would not say the banks of this country are failing the small business sector, but their debt type of financing is not what the small business sector is looking for. It is looking for equity and equity participation and we must spend a considerable amount of time to formulate these markets.

What I am suggesting is that we have a significant shift in our taxation system which recognizes that we need to have the underpinnings of the small business investment there and that

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we expend one. However, as the Minister of Finance has mentioned, if we are going to do one thing we have to pay for it and the way we are going to pay for it is to reduce the \$100,000 exemption on other forms of investment.

Mr. Dennis J. Mills (Parliamentary Secretary to Minister of Industry): Mr. Speaker, I welcome the remarks of my colleague today.

There was one part of the member's speech on which I would like a short clarification. He mentioned that he did not support young people between the ages of 17 and 21, I believe it was, getting social assistance. Was the hon. member suggesting that he did not want people who are abusing the system to get that kind of support? Was he suggesting maybe that those who were in genuine need should continue to get that support?

(1345)

Mr. Shepherd: Mr. Speaker, basically what I was trying to say by the whole tenor of my speech was that we have to get back to focusing away from pure subsidization of consumption.

What I am proposing is that we need some other kinds of incentives to our young people rather than just being in receipt of consumption income. We should have to earn it somehow. Basically one earns that by being engaged in education or by pursuing a better career, which are useful aspects to one's society, or by being involved in the labour market.

In my campaign during the last election I ran into many young people who are abusing the system. It is not acceptable. We talk about our commitment to youth. We are sending some terrible signals to our young people. We are telling them it is acceptable to do this. What we have to do is give them encouragement to get back into the job market and to give them their dignity and self-respect back.

Ms. Judy Bethel (Edmonton East): Mr. Speaker, today is special for me. It is my first opportunity to address Canada's 35th Parliament.

A good start would be to congratulate you and all members of Parliament on their election to the House. I look forward to working with everyone and for my constituents. I commit to you, Mr. Speaker, that I will do everything I can to make this Parliament the most positive and productive one ever.

I am proud to represent the riding of Edmonton East. Edmonton East is the heart of our city. It includes Edmonton's business district and its government centres, the Alberta legislature, Edmonton city hall and Canada Place.

The Avenue of Nations and the Old Fort Road business and revitalization zones are lined with strong and vibrant enterprises. Edmonton East includes families living in beautiful river valley communities and families struggling to survive on little or no wages in inner city communities.

Edmonton East is truly a reflection of Canada. People from all over this world have come to find a better life for themselves and their children. They are willing to work hard and to consider new and innovative solutions to the challenges of unemployment, the changing economy and our growing social needs.

They understand that this budget will have a profound impact on them because of the magnitude of changes needed to get our financial house in order. They want to be involved. They want to be informed. More important, they want to be part of the solution.

Last Saturday I was an observer, a very active listener at the pre-budget conference in Calgary. I heard clearly what western Canadians had to say to our Minister of Finance. Their advice was sincere, profound, diverse and far reaching. I must say the essence of that advice cannot be wrapped up in the simplistic headlines of yesterday's newspapers.

There was consensus. The deficit must be reduced. There was an understanding that the reductions could come from economic growth, a more equitable tax base, increased tax rates and reduced program expenditures. Participants at the workshops had some great advice for the minister to consider in developing his budget.

I would like to share these suggestions with the House. John Howard, Vice President of MacMillan-Bloedel, says to increase the clawbacks from high income earners and focus attention on where the money goes. Do not base privatization on ideology. It needs to be cost effective, fair in process and fair in result. He says deregulate. There are too many governments and too many interventions especially in environmental matters.

Ardyth Cooper from B.C. believes that cuts across the board favour the status quo. She says we need instead to restructure our programs from the ground up and with vision.

(1350)

Doris Ronnenburg from Alberta expressed concerns about Pathways, the much needed aboriginal training programs and their effectiveness.

Hugh Wagner from Saskatchewan suggested government should support small business through equity investment in venture capital companies rather than regional development departments.

Vicki Dutton from Alberta wants to see an end to all government subsidies to business.

Roberta Ellis-Grunfeld's group encourages us to keep listening and to invest in human capital. A sense of strategic direction is needed and we are to keep in mind that equal is not always equitable.

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Diane Hunter's group believes that programs should be measurable, have clear objectives and be cost efficient. Each should be co-ordinated and harmonized with other levels of government.

Jim Gray's group said that there needed to be increased confidence and trust in government and more consultation with the people.

The Auditor General's report should be part of the budget process and be dealt with by a parliamentary committee to ensure follow up.

These are the voices of Alberta and western Canada and they do not all sing from the same song sheet.

There are some who represent Alberta as cold, hard and uncaring. There are some who believe those in need are at fault, that they have done something to deserve pain. There are those who believe that charity begins at home and stays there. There are those who believe that Alberta is full of rednecks, cloned to act the same, think the same and be the same. That is the other Alberta. That is not my Alberta.

My Alberta would balance eliminating the deficit and reducing the debt with feeding hungry children and providing deserving men and women with real jobs which allow them to support their families with pride and with dignity.

During the election campaign my office was located deep in the inner city on what is less than affectionately known as the strip. My campaign team and I saw a way of life that I will never forget and which I will represent until my public life ends.

I will never lose sight of Virgil. He is an aboriginal child who was a great help to our campaign. Late last October he showed up wearing ten T-shirts because he had no jacket. I will never lose sight of the young men and women who were forced by a cycle of abuse and addiction into the degrading life of prostitution.

I will always represent the steady stream of capable, qualified and willing Albertans who cannot find work. These are the people who were not at Calgary last weekend. These are the people who need to be part of our budget deliberations. I urge the members opposite and all members of this House to listen to all the voices of Alberta.

I am convinced that we can reduce both the fiscal deficit and the human deficit.

[*Translation*]

Mr. René Laurin (Joliette): Mr. Speaker, while listening this morning to the hon. member for Saint-Hyacinthe, who described the current financial situation of the Canadian government, noting how alarming is the national deficit's growth and how high is our foreign debt, I came to the conclusion that the

future of the next generation of Quebecers and Canadians was not very promising and that we are going to leave a very poor legacy to our children, in fact the worst ever.

(1355)

The situation is extremely serious and must be corrected. Moreover, in those days of anemic economic recovery, taxpayers are under the impression that the federal government does not do its share to improve management methods and eliminate waste. The Auditor General insists on that aspect in his recent report, when he states that, today more than ever, it is clear to civil servants and parliamentarians that Canadians expect them to manage firmly and cautiously rather than find new ways of spending borrowed money.

As the Bloc Québécois said during the election campaign, we want a reduction of \$10 billion in government spending, including tax expenditures, of which \$3 billion would come from a 25 per cent cut in the Department of National Defence's expenditures. Recent information suggests that the Liberals are considering reducing government spending by only \$2 billion, excluding the non-recurrent expenditures incurred last year, which amounted to \$4 billion. This objective is so low and unambitious that the *Globe and Mail* had this to say in an editorial published last January 18:

[*English*]

The Liberals are just as complacent about the debt as ever. Either that or they sincerely believe that the federal government is 99 per cent fat free.

[*Translation*]

The Bloc Québécois and the Official Opposition are of the opinion that there is some fat within the federal government. One only has to read the newspapers to see that indeed some cuts can be made. Just take for example the controversy surrounding the new Canadian embassy in China, or the travelling expenses of new Liberal ministers.

To eliminate waste, unnecessary spending and mismanagement in the government administration, I reiterate the request made by the Bloc Québécois for the creation of a parliamentary committee which would examine and review budgetary expenditures item by item. It would be appropriate to set up such a committee. The most recent Auditor General's report clearly demonstrates that Quebecers and Canadians are right to think that the government is wasting some public funds. To illustrate that point, I will use the most shocking examples of waste, unnecessary spending and mismanagement of public money mentioned by the Auditor General.

Let us begin with National Revenue. Because of a flaw in the deduction applying to resources, the government lost \$1.2 billion in revenue. If it had, as recommended by the Public

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Accounts Committee, a system allowing for quick amendments to a flawed tax expenditure program, the government would have saved a good chunk of that money.

Let us now look at Investment Canada, which spent \$132,000 to set up a new office, with kitchen and bathroom for its new chairperson, when in fact the previous incumbent's office in the same building already had all these facilities.

Let me give you another example. Let us take a look at travelling expenses. Travelling expenses linked to the use of the government's Challenger aircraft have reached \$54 million, more than half of which is for trips made by ministers. According to the Auditor General, this total amounts to an equivalent of \$19,650 per hour.

Is this the best way to pay for our ministers' and other officials' travels? Some say that government airplanes have to be used for security purposes. It may be so, but would the price of a commercial flight providing special security measures for our ministers be over \$20,000 an hour? I doubt it very much.

Now, let us turn to Fisheries and Oceans. The Minister of Fisheries and Oceans spent \$587 million on the Northern Cod Adjustment and Recovery Program. Out of this amount, almost \$15 million was wasted because of mismanagement, according to the auditor general.

The department gave compensation to people who were not fishing northern cod, but other species not affected by the moratorium. Also, payments were made to fishermen who were illegally fishing cod. If I can get 20 more seconds, Mr. Speaker, it would be easier for me to resume the debate later today.

In the meantime, 5,300 people have yet to receive benefits they are entitled to, because the department has some reservations about their eligibility. These stalling tactics used by Fisheries and Oceans Canada are illegal, and we know that all of the coastal communities urgently need that money.

The Speaker: It being two o'clock, pursuant to Standing Order 30(5), the House will now proceed to statements by members, pursuant to Standing Order 31.

STATEMENTS BY MEMBERS

[English]

PETERBOROUGH FAMILY Y

Mr. Peter Adams (Peterborough): Mr. Speaker, the Peterborough Family Y has just celebrated its 125th anniversary. It operates in the oldest continuously used Y building in Canada. This gives members a strong kinship with the founders of 1868.

The YMCA is an example to all Canadians of how to adapt without trading in principles and philosophy. One hundred and twenty-five years ago you had to be young, male and Christian to belong to the Y; today you have to be none of these things.

Today more than 20 per cent of the memberships in our Y are subsidized.

If a founder of the Y came back he would be surprised at the changes, but he would soon realize that the basic principles of self-help, community service and tolerance are stronger than ever.

Congratulations to Kathleen Bain, Doug Walker and Bob Gallagher for Canada 125 medals in recognition of their work for the Peterborough Family Y.

Like the Peterborough Y, Canada should not be afraid of change. Let us face the future willing to adapt and confident in our foundations and principles.

* * *

[Translation]

DAMS

M. Pierre Brien (Témiscamingue): Mr. Speaker, we learned recently that several property owners along Témiscamingue Lake were allowed to bring the first collective action against the federal government for damages caused by a dam which was built in 1908. Because of that dam and the high water levels, these lakeside residents have been facing numerous problems such as landslides, inaccessible beaches, tree uprooting and land erosion.

Besides asking for financial compensation, lakeside residents want the Minister of Public Works to ask for a reduction of about half a meter in the water levels of Témiscamingue Lake. According to a recent report from the firm AGEOS Science, and contrary to what other studies say, that half-a-meter reduction would not lead to floods in the Montreal area.

As the member for the Témiscamingue riding, I am very familiar with the problems of the lakeside residents of Témiscamingue Lake and I want to give all my support to the complainants in their action against the federal government on this issue.

* * *

[English]

HOUSE OF COMMONS

Mr. Werner Schmidt (Okanagan Centre): Mr. Speaker, I appreciate this opportunity to alert members of Parliament and all Canadians to an incredible annual occurrence.

According to the 1993-94 estimates expenditure plan for this House, this place has approximately 130 million pages printed annually. The total cost to Canadian taxpayers for printing services is in excess of \$4 million per year and the costs are rising.

There are alternatives. We can no longer depend on antiquated methods when we are surrounded by technology that will reduce costs.

I urge the government to utilize an information highway to eliminate the printing costs associated with *Hansard* and other government documents, and also to ensure the efficient and timely transmission of information electronically within the House and to all Canadians.

* * *

(1405)

RURAL POST OFFICES

Mr. Paul Steckle (Huron—Bruce): Mr. Speaker, I rise in the House today to speak on a matter of importance to the constituents of Huron—Bruce and to all rural Canadians. That is the future of rural post offices.

I am very pleased that the government has acted quickly after the election and initiated a 30-day moratorium and subsequent extension on post office closures, along with a review of Canada Post operations. This action has given rural Canadians a great deal of hope that the disastrous actions of the past government will not continue.

Since 1986 almost 1,000 rural community post offices have been closed or converted to retail outlets, 16 of which have occurred in my constituency. In small towns across Canada post offices lie empty, a constant reminder of job loss and abandonment. In many cases the post office was the only federal presence towns had.

I urge the government to restore federal postal service back to the affected communities and to take action to enhance service and ensure that future closures do not occur.

* * *

PORT OF HALIFAX

Mr. Ron MacDonald (Dartmouth): Mr. Speaker, I rise today on an issue of utmost importance not only to my own constituents but to all Atlantic Canadians.

The port of Halifax is the economic hub of the region injecting over \$400 million per year into the local and regional economy. This is a great deal of activity, yet traffic at the port is more than 30 per cent lower than what it was in 1990.

It has been argued that a rethinking of some federal policies, specifically rail fuel taxation and capital asset depreciation, would greatly enhance the competitiveness of the port, increasing traffic and also creating badly needed jobs in the region.

I know the new finance minister will not ignore Atlantic Canadians like his Tory predecessors and I urge him to seriously consider these policies in his budget deliberations.

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We in the Atlantic are confident in our ability to compete and prosper, if only we are given the tools and the footing to do so equally with our competitors.

* * *

HOME BUYERS PLAN

Mr. Gurbax Singh Malhi (Bramalea—Gore—Malton): Mr. Speaker, as a long-time member of the Toronto Real Estate Board I hope the government will extend the RRSP home buyers plan. Scheduled to expire on February 28, the plan links ownership with retirement planning.

The home buyers plan eliminates the question of whether to save for a down payment or retirement. It also recognizes the key role housing plays in economic growth. The program costs the taxpayer nothing to operate.

I believe an extension would show government support for the real estate industry. It would also help first-time buyers establish the dream of home ownership. Let us keep that ball rolling.

* * *

[Translation]

SOCIAL HOUSING

Ms. Christiane Gagnon (Québec): Mr. Speaker, the unilateral cuts made by the Conservative government in the area of social and co-operative housing in their last two budgets have had very serious consequences. In Quebec City, and especially in the downtown area, the need for social housing is enormous. At the present time, more than 1,200 families are on waiting lists for an apartment in a low-cost building, and more than 600 other families have applied for co-operative housing.

Concerned by the urgency of the situation, the city council passed a resolution on January 10, 1994, asking the federal government to review the budget of the Canada Mortgage and Housing Corporation. The city is requesting enough money for social housing, and it would like to see the Co-operative Housing Program reinstated and the establishment of a program of rental housing renewal which would limit the contribution of the renter to 25 per cent of his or her income.

This cop out by the federal government is a good example—

The Speaker: I am sorry, the time allowed the hon. member has now expired.

* * *

[English]

AUDITOR GENERAL'S REPORT

Mr. Keith Martin (Esquimalt—Juan de Fuca): Mr. Speaker, there is widespread agreement in Canada and in this caucus that the primary way in which governments can reduce their deficits is through reducing expenditures.

S. O. 31

To this end there is one potent tool that I do not think the government is using wisely and that is the Auditor General's report. This report outlines numerous areas where the government can spend public money more wisely and in fact points out areas of gross fiscal mismanagement.

Therefore I suggest that instead of allowing the Auditor General to report only once a year, let us allow these reports to come out several times a year in a timely fashion, so that remedial efforts can be put into effect as soon as possible to correct the problem. This would significantly help getting our fiscal house in order. The facts are there. Let us use them.

* * *

(1410)

[Translation]

FERRIES

Mr. Patrick Gagnon (Parliamentary Secretary to Solicitor General): Mr. Speaker, the replacement of the *Lucy Maud Montgomery* ferry serving the Magdalen Islands is the source of great concerns these days. During the election campaign, I promised to consult the population of the Islands before any decision was made on that issue.

We must admit it is the Islanders who will have to live with the new ferry. Therefore, I think their preferences and needs should come first. But everyone agrees a new ferry must be built. However, the Islanders have some legitimate requirements; they want a bigger and stronger ferry able to cope with the ice in the Gulf of St. Lawrence.

We will soon find a way to replace the present ferry. I would only like to remind the opposition and the government that the interests of the Magdalen Islanders should come first and not those of anyone else outside my riding of Bonaventure—Îles-de-la-Madeleine.

* * *

[English]

TAXATION

Mr. Janko Peric (Cambridge): Mr. Speaker, I received several calls regarding statements made by the Minister of Finance following last week's pre-budget consultations in Toronto that Canadians would be willing to pay more in taxes.

Many of my constituents, including Arnold Carbiton, Norman Grass, Martin Hawthorne and Peter Krotkey are curious as to which groups suggested to the minister that Canadians would be willing to pay higher taxes. These constituents would like the minister to know that they cannot afford to pay higher taxes, nor do they want to pay more taxes.

My constituents would like the minister to assure them that his February budget will not contain any tax increases which could affect average Canadians.

* * *

CANADIAN OLYMPIC HOCKEY TEAM

Mr. John Nunziata (York South—Weston): Mr. Speaker, our Canadian Olympic hockey team leaves for Europe today without Toronto Maple Leaf star Glenn Anderson.

Mr. Anderson has had a lifelong dream to win Olympic Gold for Canada and is anxious to play. Cliff Fletcher and the Toronto Maple Leaf organization are anxious to have him play. The Olympic team is desperate to have him play, but the NHL board of governors, the majority of whom are American, refuse to let him play.

On Thursday I will be meeting with NHL Commissioner Gary Bettman. I will be accompanied by 11-year old Tiffany Williams, a die-hard Anderson fan from Belleville. Tiffany will present Mr. Bettman with a petition with over 5,000 names urging the NHL to reconsider its decision.

Tiffany and millions of Canadian hockey fans want to see our team win gold in Lillehammer. Glenn Anderson could help us win that gold medal, our first in over 40 years.

I urge other MPs to join me in my meeting with Mr. Bettman.

* * *

[Translation]

REGIONAL DEVELOPMENT

Mr. Paul Crête (Kamouraska—Rivière-du-Loup): The Quebec government has recognized that advisory regional development councils must play a decisive role, giving Quebec regions control over decisions which determine the development of their area.

The federal government should pledge to respect the priorities set up, through strategic planning, by each regional municipality in the ridings and regions of Quebec, so as to maximize the impact of measures taken by Quebec regional leaders. The economic revival of Quebec is at stake.

* * *

[English]

CIGARETTE PRICES

Mr. Ian McClelland (Edmonton Southwest): Mr. Speaker, over the past two weeks we have heard a lot in this House about lowering the price of cigarettes to discourage smuggling.

Oral Questions

We have not heard one word on behalf of the millions of Canadians who believe that lowering the price of cigarettes is merely caving in to lawbreakers, criminals and the tobacco industry.

May I suggest that we reinstate the export tax on cigarettes thereby taking the profit out of cigarette smuggling, that we come down hard on smugglers and continue to discourage smoking by any means possible.

Has the government considered the negative impact on our nation's health that will result from lower cigarette prices and the increased consumption that will result from lower prices.

* * *

BLACK HISTORY MONTH

Ms. Jean Augustine (Etobicoke—Lakeshore): Mr. Speaker, today, the first day of February, marks the beginning of Black History Month. This month highlights and acknowledges black Canadians and African Canadians who have struggled to advance the causes of their people. Black Canadians have been part of Canada's history since 1603.

There will be many activities taking place throughout Canada to celebrate Black History Month. These activities will show the colourful and rich heritage of black people.

(1415)

I invite hon. members to join with me not only to recognize Black History Month, but to have an understanding of the trials and jubilations that our people have experienced.

Not only is this month a recognition of the contributions of black Canadians but it is also for all Canadians to understand different heritages which will foster a better relationship within this wonderful diverse culture of Canada.

* * *

GRAIN INDUSTRY

Mr. Stan Dromisky (Thunder Bay—Atikokan): Mr. Speaker, we have shown that Canadians can compete successfully providing that our goods and services are of the same or better quality than that of our competitors. Highly trained and competent employees are key to quality output and success in the global marketplace. Inadequate quality control can lead to the loss of markets and unemployment.

A case in point is unravelling in the grain industry of Thunder Bay where a staff of 70 grain inspectors that protect the farmer as well as the customer faces the possibility of losing 25 of its members within a few days.

This is implementation of policy by the former government which claimed that \$4.7 million would be saved which amounts

to 1 cent per tonne approximately of the grain process. The former government's projections and policies are wrong. Those directly concerned want this government to reject those policies in order to maintain essential jobs and quality control within the grain industry.

ORAL QUESTION PERIOD*[Translation]***GOVERNMENT EXPENDITURES**

Hon. Lucien Bouchard (Leader of the Opposition): Mr. Speaker, my question is directed to the Prime Minister. Yesterday, when he spoke to students at a high school in Toronto, the Prime Minister, echoing his Minister of Finance, indicated that his government's first budget would contain no major spending cuts to bring down the deficit. On the weekend in Calgary, the Minister of Finance made it clear that it would be at least a year before we would see any major spending cuts.

My question is this: Considering what was said yesterday in Toronto by the Prime Minister, are we to conclude that the government has reversed its policy by postponing real spending cuts and that, underestimating the gravity of the structural causes of the deficit, it has decided to rely on the hypothetical boost afforded by an otherwise lacklustre economic recovery?

Right Hon. Jean Chrétien (Prime Minister): Mr. Speaker, the government's policy is well known. We said that cuts were needed but that budget cuts alone were not the answer, that we would also have to rely on economic growth.

After winding up his consultations in the House of Commons this afternoon, the Minister of Finance will prepare his budget, and we are looking forward to hearing the budget speech before the end of this month. For the time being, this is all speculation. I simply said that cuts would prevent us from achieving all our objectives, because we must ensure that jobs are created in Canada, otherwise the problem will just get worse.

Hon. Lucien Bouchard (Leader of the Opposition): Mr. Speaker, there is a major difference between speculation and the conclusions drawn from public announcements by the Prime Minister and his Minister of Finance.

Does this mean that instead of spending cuts, the government's new strategy will now consist in increasing government revenues by broadening the tax base, in other words, by a very substantial increase in the tax burden for many Canadians? Does the government realize that in so doing it will compromise economic recovery by reducing the purchasing power of consumers?

*Oral Questions**[English]*

Right Hon. Jean Chrétien (Prime Minister): Mr. Speaker, with everything that has been said so far, the Minister of Finance has consulted broadly in Canada. Today for the first time ever there is a debate in the House where members have been invited to make suggestions to the Minister of Finance. Then he will write his budget in the next three weeks. Now we have to wait. The time of speculation is over. It is a time of action. I know the Minister of Finance will prepare a very good budget.

[Translation]

Hon. Lucien Bouchard (Leader of the Opposition): Mr. Speaker, I would like to know why the Prime Minister has decided against a general review of all government spending and more specifically of the government's operating expenditures and the fat in the federal machine and why he is now so reluctant to make cuts where there is money to be saved, in other words, by cutting government waste and costly and useless duplication by various levels of government?

(1420)

Right Hon. Jean Chrétien (Prime Minister): Mr. Speaker, we have taken action in a number of areas as part of the ongoing debate on duplication. I discussed the matter with the premiers in December, and work is being done at this time at both levels of government. As for the budget, the Leader of the Opposition will soon realize that this government is not afraid to act responsibly.

* * *

MONTREAL ECONOMY

Mr. Gilles Duceppe (Laurier—Sainte-Marie): Mr. Speaker, my question is directed to the Prime Minister. Yesterday, he announced that the days when the federal government neglected Toronto were over. Does the Prime Minister remember that a little further to the east, there is a city that has just received the dubious honour of being named the poverty capital of Canada? Does he recall the position of his Minister of Finance who proposed the striking of a special Cabinet committee to oversee Montreal's economic recovery?

Can the Prime Minister give some assurances to the disadvantaged neighbourhoods in Montreal and unveil today the strategy he intends to put forward to spur Montreal's recovery?

[English]

Right Hon. Jean Chrétien (Prime Minister): Mr. Speaker, last summer the city of Toronto only had one minister in cabinet. It now has a much better representation with very good ministers. I can say the same about Montreal.

[Translation]

The City of Montreal is very well represented in Cabinet by senior ministers. I think that the residents of Montreal know that their interests are very well represented in government by the ministers of finance, foreign affairs and heritage, as well as by the member for Mount Royal who is a secretary of State and assists us in Cabinet. Therefore, Canada's two major cities are very well represented and that is what I said in Toronto.

Mr. Gilles Duceppe (Laurier—Sainte-Marie): Mr. Speaker, as the Prime Minister has stated that the City of Montreal is well represented in Cabinet, I would like to ask him if he is prepared to announce today that he is setting up the special Cabinet committee to oversee Montreal's economic recovery, an initiative which he promised during the election campaign and which is contained in the red book, a promise that the voters heard him make many times during the election campaign. Is he prepared to make this announcement, Mr. Speaker?

Right Hon. Jean Chrétien (Prime Minister): Mr. Speaker, Quebec has six representatives in Cabinet and four of them come from Montreal. I think we already have our committee.

* * *

*[English]***THE BUDGET**

Mr. Preston Manning (Calgary Southwest): Mr. Speaker, my question is for the Minister of Finance, in keeping with the pre-consultation with members of the House on the budget.

The Prime Minister has been quoted in the past as saying there will be no new taxes. Is it therefore the position of the government in principle that any new revenues must come from increasing current taxes and reducing tax exemptions but not from implementing new taxes?

Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec): Mr. Speaker, the position taken by the Prime Minister and myself has been very clear. We feel it is necessary to build greater equity into the tax system. It is only as a result of greater equity that Canadians will be prepared to support the system and the very difficult choices we have in front of us.

I would like to go on, and I would like to do so in answer to the member's first question, to give him an opportunity perhaps in his second or third question to respond. In the debate this morning the member referred to the fact that those who would seek a tax revolt would find an ally, in fact a command post, in his office and in the Reform Party.

Oral Questions

I simply would like to say that this is an historic day for the country. It is the first time we have ever had a pre-budget debate. The member opposite was elected to represent his constituents in the House where the great debates ought to take place. It is here that the differences of opinion in the country ought to be set out. It is here that Canadians look for leadership. I am sure the member was misquoted or did not mean it. I would like to give him an opportunity to stand to clarify his remarks, that he did not mean any tax revolt in the House.

(1425)

Mr. Preston Manning (Calgary Southwest): Mr. Speaker, I appreciate the chance to respond to questions when the government puts them to us. I gather that is procedurally acceptable to you.

The Speaker: It could be that in the course of a question period we would end up with just questions on both sides. I am hoping there will be some questions and some answers, but I will leave that up to the hon. member.

Mr. Manning: Just briefly in response to the hon. member, everything I said this morning reflects very accurately the views that were expressed to me by my constituents during the last election and by many other Canadians across the country.

I also should clarify that when I talk about a tax revolt I am talking about what other Canadians are going to do. I made very clear that what I mean is something that is perfectly within the law and by legal means.

The Speaker: I am sure that in this response there is going to be a question. I would hope that it would be forthcoming.

Mr. Manning: I have a supplementary question for the Minister of Finance. We are asking serious questions. If the minister would give us a straight answer we would like to hear it.

Along the same lines as my previous question, the government's speech from the throne promised the goods and services tax would be replaced. Is it the government's position that any replacement of the GST, while it may be fairer and more efficient, will not impose any additional tax burden on Canadians? In other words, is its proposal for the replacement of the GST revenue neutral?

Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec): Mr. Speaker, one would certainly hope so.

What we have said, and we made it very clear, was that we are not going to foreclose the options the parliamentary committee

was going to discuss. It will be discussing this with the provinces and there will be negotiation with the provinces.

Obviously the wish as expressed by the leader of the Reform Party is one that we share. We do not want to increase the tax burden on Canadians as a result of this goods and services tax which has caused so much damage to the country.

Some hon. members: Hear, hear.

Mr. Martin (LaSalle—Émard): Mr. Speaker, I consistently miss the applause line.

The answer to the leader of the Reform Party is that we would hope so, but we do not want to foreclose the negotiations with the provinces and indeed the wishes of Canadians as they will be expressed to the parliamentary committee on which his party will be represented.

Mr. Preston Manning (Calgary Southwest): Mr. Speaker, I have a further supplementary question for the Minister of Finance. I think this will be helpful to all members on both sides of the House.

It is difficult for members of the House and for the public to participate in productive pre-budget consultations on the budget without seeking pertinent information on the budget itself. This will be helpful to members opposite as well.

Could the minister clarify for the House what subject matters and lines of questioning he considers appropriate for a pre-budget consultation and what subject matters and lines of questioning he considers inappropriate and off limits?

The Speaker: The question is very far reaching. I know the hon. member would not want a list of all the questions. I am sure there would be a very succinct answer coming from our Minister of Finance.

Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec): Mr. Speaker, the fact is that we have now had four very public consultative conferences at which Canadians did not have to stand to ask the Minister of Finance what he wanted them to talk about and at which Canadians set out very clearly the issues as they saw them.

I would simply therefore suggest to the hon. member that if he is indeed looking for direction he might well look to the lines of discussion that took place by Canadians in our conferences.

I would say that I am a little taken aback by the question of the leader of the Reform Party, that he would like me to stand and give rigid direction. Perhaps that is because it applies in his party. In our party we are democratic.

Oral Questions

(1430)

[Translation]

MONTREAL ECONOMY

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot): When he was a member of the Official Opposition responsible for issues relating to the economic development of Montreal, the Minister of Finance put forward a three-point plan to spur the Montreal economy. This plan called for, first of all, implementing a manufacturing industry renewal policy; second, creating a giant business incubator and third, increasing investments in research and development.

My question is for the Minister of Finance, formerly responsible for the development of Montreal. Does he intend to implement his own recommendations soon and to act before the Montreal economy crumbles completely?

Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec): I think it was made very clear in the throne speech that our goals and plan of action with regard to the economy in general, and that of Montreal in particular, have been well thought-out, and we intend to keep our word.

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot): Mr. Speaker, as a supplementary question, I would ask the Minister of Finance whether he can give this House the assurance that he will put as much enthusiasm, conviction and determination into the economic recovery of Montreal as the Prime Minister displayed yesterday toward Toronto?

Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec): The answer is yes, and I will do it together with the Prime Minister of our country.

* * *

[English]

THE BUDGET

Mr. Bob Mills (Red Deer): Mr. Speaker, my question is for the Minister of Finance.

The minister has just completed a series of cross-country meetings to consult with Canadians about the upcoming budget. Could the minister tell the House what proportion of participants favoured increasing federal revenues and what proportion favoured decreasing federal spending?

Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec): Mr. Speaker, there is no doubt that there is a consensus across the country on the need to decrease govern-

ment spending, one that we on this side of the House share very much.

What occurred and was very interesting was that in each and every one of the conferences—in the workshops and in the debate about the nature of the deficit, the necessity of preserving our social programs and rebuilding our economy—virtually everybody understood the necessity of augmenting the revenue side of the governor's *p* and *l* statement. I cannot think of a better word; I have not been in this job long enough. More so, no one disagreed with the absolute necessity of building more equity into the tax system.

Mr. Bob Mills (Red Deer): Mr. Speaker, it seems the idea that a group of people out there want an increase in taxes has been attributed to the hon. minister. Could the minister identify these people and who they supposedly represent?

Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec): Mr. Speaker, I have a great deal of difficulty understanding the thrust of the member's question.

The fact is that virtually everybody—and I said it in my first answer—wants to see more equity in the tax system. In fact that is an essential part of building a strong economy. There was no one out there who said they did not want to have more equity in the tax system. Everybody understood that building more equity in the tax system meant filling in tax loopholes and taking away exemptions from one segment of society that they enjoy that other people do not. That is the kind of system we are going to build.

* * *

[Translation]

HEALTH

Mrs. Pauline Picard (Drummond): My question is for the Minister of Health.

The newspaper *La Presse* reported this morning that the Minister of Finance said that dental and health insurance premiums could be taxed for the first time in order to reduce the number of tax loopholes and to generate additional funds.

My question is as follows: In this International Year of the Family, does the minister agree with this proposal to tax dental and health insurance plans?

(1435)

Hon. Diane Marleau (Minister of Health): Mr. Speaker, of course, the Minister of Finance has things to do in the area of taxation, especially because of the debt and the deficit which we face. I care about the health of Canadians and I will do my utmost to defend Canadians' health and welfare.

Oral Questions

Mrs. Pauline Picard (Drummond): Mr. Speaker, my supplementary question is this: Is the minister aware that 9 million taxpayers will have to pay this tax, which could cost each family up to \$700 a year?

[English]

Hon. Diane Marleau (Minister of Health): Mr. Speaker, I am surprised. Obviously the member opposite has had more information about the budget than the rest of the people in Canada. I am under the impression we have to wait until the Minister of Finance actually delivers the budget to know what is in it.

* * *

AGRICULTURE

Mr. Jake E. Hooppner (Lisgar—Marquette): Mr. Speaker, my question is for the Minister of Agriculture.

The ongoing labour dispute involving west coast longshoremen is costing Canadian grain farmers millions of dollars a day. Contrary to what the minister of human resources claimed yesterday in the House there is no settlement in sight. It is obvious that the plan of dockyard owners is to hold Canadian grain farmers hostage.

Could the minister tell thousands of innocent grain farmers caught in this mess what he intends to do to resolve this major agricultural crisis?

Hon. Lloyd Axworthy (Minister of Human Resources Development and Minister of Western Economic Diversification): Mr. Speaker, I say to the hon. member for Lisgar—Marquette that my statement yesterday did not indicate that a settlement was in sight. I said a settlement was possible because the parties were not that far apart.

What is going to be required is a real good sense of public interest in their responsibilities and a recognition that under the collective bargaining process all parties to the dispute have a responsibility not only to themselves but to the entire country.

Mr. Jake E. Hooppner (Lisgar—Marquette): Mr. Speaker, I wonder if the hon. minister could use his talent in speech in negotiating rather than answering for the agriculture minister.

I have a supplementary question. With all due respect to the minister, the only thing unions and owners agree on is that there will not be a quick voluntary settlement. This lockout is an obvious attempt by the dockyard owners to force federal government intervention.

Could the minister tell the House what is to be gained by waiting for this to happen?

Hon. Lloyd Axworthy (Minister of Human Resources Development and Minister of Western Economic Diversification): Mr. Speaker, I say to the hon. member for Lisgar—Marquette that in a time when the difficulties we face in this area are

very sensitive it does not help for members of Parliament to be trying to inflame opinion or trying to pit one group against another.

It is very important in statements made in the House that we recognize the two parties to the dispute must be encouraged to come back to the table to exercise their responsibilities under collective bargaining.

In the meantime the government is carefully monitoring the situation. We are prepared to offer mediation services as soon as the two parties make a request. We will certainly keep in mind the public interest of Canadians. Of that the member can be assured.

* * *

[Translation]

CIGARETTE SMUGGLING

Mr. Michel Gauthier (Roberval): Mr. Speaker, yesterday, about a week after the first protests against the government's inaction on cigarette smuggling, the RCMP stepped in to put an end to this illegal activity in Montreal's east end.

To appease fed-up Quebecers, could the Solicitor General make a commitment before this House that from now on he will see to it that the RCMP puts as much energy into tracking down the real smugglers' networks as it has into harassing honest, exasperated citizens?

Hon. Herb Gray (Leader of the Government in the House of Commons and Solicitor General of Canada): Mr. Speaker, it is the RCMP's responsibility to enforce smuggling legislation throughout this country. I am confident that the RCMP is taking its responsibilities seriously and will continue to do so.

(1440)

Mr. Michel Gauthier (Roberval): Mr. Speaker, the Minister told us he did not have enough leads and evidence. Could he ask his colleagues, in particular the hon. member for Glengarry—Prescott—Russell, who said on television that he knew the type of weapon, the type of boat, where it went on and who was involved, and his colleague from Saint-Henri—Westmount, who stated yesterday, "This illegal activity is carried out by criminal organizations who take advantage of the same channels they use for drugs, arms and alcohol". His colleagues seem to be better informed than the Minister. Would he not want to ask them about their sources?

Hon. Herb Gray (Leader of the Government in the House of Commons and Solicitor General of Canada): Mr. Speaker, I know full well that between November 1993 and January 1994, close to 80,000 cartons of cigarettes, 36,000 litres of alcohol and 150 vehicles were seized by the RCMP in Quebec alone. This shows that the RCMP is taking its responsibilities seriously and will continue to do so.

Oral Questions

[English]

ATLANTIC FISHERY

Mrs. Jean Payne (St. John's West): Mr. Speaker, it is with great concern that I continue to read reports about the ongoing decline of the groundfish stocks in Newfoundland.

We have to take every action possible to protect and rebuild the stocks. We also have to take into account the century old tradition of cod jigging in Newfoundland and subsistence fishing in other areas, including the lower north shore of Quebec for example.

Given this, can the Minister of Fisheries and Oceans tell the House why he is resorting to closing down the recreational and food fisheries in Newfoundland and will he be taking such drastic action elsewhere?

Hon. Brian Tobin (Minister of Fisheries and Oceans): Mr. Speaker, I would like to congratulate the hon. member for St. John's West on an excellent first question in this place. May I say that my predecessor as minister of fisheries would agree that that is the best question a member for St. John's West has asked in this place in many years.

Some hon. members: Oh, oh.

Mr. Tobin: Somewhere John is chuckling.

I want to assure my colleague it is with the greatest of reluctance the Government of Canada has come to the conclusion that it is necessary to stop the food or recreational fishery along the northeast coast and south coast of Newfoundland. The decision was taken only after the latest scientific evidence indicated a drop in spawning biomass since 1989 of almost 99 per cent in some areas and an indication of some black market in cod.

We have taken the decision. I think it is understood and supported by the vast majority of the people of Newfoundland and Labrador. We are going to look at the area zone 4RS which affects the west coast of Newfoundland and the north shore of Quebec. The scientific survey vessel came back to port this past weekend. The analysis will be available in another four or five days. I will take a look at the analysis.

If similar action is warranted, I will take it. If similar action is not warranted, we will continue with the recreation and food fishery in those areas.

* * *

VOTER'S RECALL

Mr. Ed Harper (Simcoe Centre): Mr. Speaker, my question is for the Prime Minister.

Without the power of recall, voters will not have an opportunity to replace an MP who has lost their confidence. This

situation is clearly unacceptable and intolerable to Canadian voters who have a right to proper representation.

My question for the Prime Minister is this. If the voters in a riding submit a petition that demands the removal of an MP and the calling of a by-election, and if the number of voters signing that petition is greater than 50 per cent of the number of people who voted in the last federal election, will the government respect the wishes of the petitioners and enact a recall process?

Right Hon. Jean Chrétien (Prime Minister): Mr. Speaker, I spoke about this problem on Friday. It was tried in Alberta in 1936. There was a request by the people who elected the premier at the time, Mr. Aberhart, that he be recalled. He passed legislation abrogating the legislation retroactively.

This is puzzling me a little bit, so I hope he will consult with his leader because his father was involved at that time. We should study the situation of 1936 and after that we can consider what should be done.

(1445)

Mr. Ed Harper (Simcoe Centre): Mr. Speaker, a supplementary question. Yesterday the Prime Minister said that democracy demands that members be allowed to fill out their term.

Is the Prime Minister suggesting that democracy is served when MPs who betray the trust of voters are rewarded with a four-year no-cut contract and that democracy is endangered when the voters have the opportunity to remove such an MP and force a by-election.

Right Hon. Jean Chrétien (Prime Minister): Mr. Speaker, we have been elected under the law of the land and the law of the land states that we were elected for the full term.

Of course often after an election some citizens are not too happy with the way they voted. I am sure that in the riding of the hon. gentleman there are more than 100 persons today who regret they voted for the Reform Party and if they had a chance they would need, in his case, only 110 people to sign a petition that would void the majority he had in the election.

* * *

[Translation]

QUEBEC CITY AIRPORT

Mr. Michel Guimond (Beauport—Montmorency—Orléans): Mr. Speaker, my question is for the Minister of Transport. Last Friday, the minister answered a question asked by the hon. member for Louis-Hébert concerning the criteria which led to the closure of the radar control facility at the Quebec City airport. The Minister of Transport said that the review process was being applied to the country's entire air traffic control system. He said, and I quote: "I can assure my hon. colleague that the

Oral Questions

same criteria will be applied, whether it be in Quebec City, Calgary, Moncton or Vancouver.”

Was proximity the determining factor in the decision to transfer the radar control facility from Quebec City to Montreal, since it is located 120 air miles from the control centre in Montreal?

Hon. Douglas Young (Minister of Transport): Mr. Speaker, what I said last week in the House was that the criteria which will be established to make decisions regarding the Quebec City airport are similar to those which will apply elsewhere. I can assure the hon. member that the basic criteria relate to safety and the provision of services in one's preferred official language. This is what we intend to look for when we review this case and any other one.

Mr. Michel Guimond (Beauport—Montmorency—Orléans): Mr. Speaker, why then does the Minister of Transport not apply the same reasoning to the Ottawa airport, which is located less than 90 air miles from the Montreal airport? Is it because people do not want to come and work in a French environment in Montreal? Is that the real answer?

Hon. Douglas Young (Minister of Transport): Mr. Speaker, in his first question, the hon. member asked if this was the primary criteria. I can tell him that it was not. What I said to the hon. member is that we want to ensure that people can get those services in both official languages, and we also want to ensure everyone's safety. I sincerely regret that the hon. member does not seem to believe that the service provided in Montreal can be as good as the one in Quebec City.

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[English]

KEMANO RIVER PROJECT

Mr. John Cummins (Delta): Mr. Speaker, my question is for the Minister of Fisheries and Oceans.

Last Thursday the minister informed the House that the federal government would participate in the B.C. Utilities Commission hearings on the Kemano River diversion project.

Many suspect the project will have a negative impact on the environment and on fish stocks yet the minister said he cannot halt or delay the contentious project because he inherited a 1987 agreement signed by his predecessor.

Given that the government was able to cancel the EH-101 helicopter contract and the Pearson airport contract, will the minister fulfil his responsibilities and cancel the 1987 agreement if fish stocks on the Fraser River are threatened?

Hon. Brian Tobin (Minister of Fisheries and Oceans): Mr. Speaker, I want to thank the hon. member for his question. I know he has a genuine interest in matters regarding fish habitat.

(1450)

The member asks why is this not like the EH-101 and Pearson. The EH-101 was a \$5.8 billion project that was not yet under way. The Pearson proposal was a \$750 million airport expansion that was not yet under way. The Kemano project is a \$1.5 billion project in current dollars and those dollars have already been spent.

Given the Reform Party's well-known and often expressed interest in the deficit, I think the member would want me to acknowledge that the terms of the 1987 settlement agreement are such that the Government of Canada, the Government of British Columbia together with Alcan entered into an agreement where any move to slow or stop the project could potentially see the two governments liable for that delay or stoppage.

I am saying to the hon. member what I am sure he would expect. The government's intention is to allow all evidence by all officials to be put forward before a B.C. review panel, to allow the panel to speak for itself and to not pre-judge the results.

Mr. John Cummins (Delta): Mr. Speaker, the project is not without cost if it goes through. If this project is as environmentally benign as Alcan would have us believe, surely it would not mind guaranteeing the west coast fishing industry compensation if its predictions do not come true and fish stocks on the Fraser River decline as a direct result of the Nechako diversion.

Is the minister prepared to demand that Alcan provide compensation to commercial and sport fishermen in British Columbia if wild salmon stocks on the Fraser River decline in number as a direct result of this project?

Hon. Brian Tobin (Minister of Fisheries and Oceans): Mr. Speaker, the member in his first question said: "Will the minister agree to stop if—". In his second question the member said: "Will the minister and government agree to compensation if—".

The previous government negotiated an agreement behind closed doors and then locked the doors. This government has opened the doors, opened the process and made officials and tens of thousands of pages of documents available to an open review process. We are not going to pre-judge the process. We are not going to say hypothetically what we would do if we are going to allow the facts to speak for themselves in an open process as committed by the Prime Minister during the course of the last election campaign.

*Oral Questions***TOBACCO SMUGGLING**

Mr. Don Boudria (Glengarry—Prescott—Russell): Mr. Speaker, my question is for the Minister of National Revenue.

Last week the Ontario Minister of Finance said that tobacco smuggling was a regional problem in Quebec only. I want to ask the Minister of National Revenue what he intends to do to educate his provincial counterpart, to make him aware that one-third of all cigarettes in Ontario are illegal and that it is a national problem, not just a regional one?

Hon. David Anderson (Minister of National Revenue): Mr. Speaker, the member's statement regarding the facts of tobacco smuggling and the consumption of smuggled cigarettes in Ontario are essentially correct as far as I can tell.

How would I educate the Ontario minister? I do not know. It is hard with NDP members in that government. We attempted to put the material in front of them which demonstrates that this is a national problem. Quebec may have more of a problem than the province of Ontario, but if anyone in Ontario is of the view that this is a minor problem and strictly one in Quebec, let me say that they are quite wrong. There is a very substantial smuggling problem in Ontario and a very substantial consumption of contraband cigarettes in Ontario particularly by young people.

We must pay attention to these facts as we attempt to develop a strategy for dealing with what is essentially a national problem and not a Quebec problem.

* * *

[*Translation*]

TELECOMMUNICATIONS

Mr. Michel Bellehumeur (Berthier—Montcalm): Mr. Speaker, my question is directed to the Minister of National Defence.

Yesterday, it was reported that since 1989, the Communications Security Establishment had awarded three contracts worth \$1.1 million for developing devices capable of intercepting conversations originating from telephones and fax machines.

Could the minister tell us whether the government is still funding the development and production of this so-called top secret equipment and whether the federal government intends to use these devices to monitor the private lives of Canadians and Quebecers?

[*English*]

Hon. David Michael Collenette (Minister of National Defence and Minister of Veterans Affairs): Mr. Speaker, the communications security establishment has been discussed in the House before. The particular contract in question, which

came to light last week, is a normal contract. It is for about \$1 million. There is nothing nefarious about it.

(1455)

The Department of National Defence is responsible for a foreign intelligence function. It helps Canadians protect themselves against drug smugglers, terrorists and others who want to infringe on the rights of Canadians.

I can assure the hon. member that this relatively small contract would in no way be used to do anything against Canadians. The communications security establishment does operate within the full ambit of the law and is fully accountable to the House of Commons.

[*Translation*]

Mr. Michel Bellehumeur (Berthier—Montcalm): Mr. Speaker, when he was in the opposition, the Liberal member for Scarborough—Rouge River, then chairman of the Committee on National Security, stated that the CSE was obviously overstepping its authority and might invade the privacy of Canadians with these devices.

My question is this: Does the minister agree with his colleague that the Communications Security Establishment is overstepping its authority and does he intend to investigate this matter?

[*English*]

Hon. David Michael Collenette (Minister of National Defence and Minister of Veterans Affairs): Mr. Speaker, I should emphasize that the work of the communications security establishment does not impinge on the rights of Canadians. It is a foreign intelligence gathering mechanism.

The Speaker: I would point out that although I permitted the question, usually we do not refer to statements made in committees. I know hon. members will want to review that as they pose their questions in future.

* * *

INDIAN AFFAIRS

Mr. John Duncan (North Island—Powell River): Mr. Speaker, my question is for the Prime Minister. As a lawyer and a former Minister of Indian Affairs and Northern Development can you provide the House today with a legal definition of inherent right to self-government as it relates to federal authority?

The Speaker: It is just a small point but I know the hon. member will want to pose his question through the Chair. Perhaps we could find another venue for any questions that have to do with legality rather than ask for a legal opinion here in the House. If the hon. member could rephrase his question he might get the information he is seeking.

Mr. Duncan: Mr. Speaker, I have a question I would like to ask the Prime Minister. Can the Prime Minister provide us with his definition of inherent right to self-government as it applies to federal authority?

Right Hon. Jean Chrétien (Prime Minister): Mr. Speaker, we have a Minister of Justice to give legal opinions.

The meaning of inherent right to self-government has been debated in Canada for some time. The Minister of Indian Affairs and Northern Development is discussing how it can be implemented with the aboriginal peoples at this time. If they come to an agreement we will have a clear definition.

* * *

PUBLIC WORKS

Mr. Jean-Robert Gauthier (Ottawa—Vanier): Mr. Speaker, my question is for the Minister of Public Works. Recent media reports stated the government is planning to pull several thousand public servants out of downtown Ottawa and move them to outlying regions.

The timing could not be worse given the devastating toll of the recession. The downtown service sector is currently suffering from serious fiscal restraint. A job exodus, including the spin-off effect on service jobs, would create a virtual ghost town of our national capital. An abandoned downtown would also be damaging to the tourism industry. Canadians would find it kind of dull to visit Ottawa.

I want to ask the Minister of Public Works if he can confirm whether his department or any other department is presently proceeding with a study to relocate public servants from downtown Ottawa to the suburban areas.

(1500)

Hon. David Dingwall (Minister of Public Works and Government Services and Minister for the Atlantic Canada Opportunities Agency): Mr. Speaker, I thank the hon. member for his question. It is a subject matter of great concern to him as well as my colleague, the hon. member for Ottawa Centre, who has raised it with me on several occasions.

I should indicate to the hon. member that my department is charged with the responsibility of developing the accommodation needs of the various departments of the Government of Canada. As a result of the restructuring a new balance must be redrawn.

However I wish to assure the hon. member that no decisions have been reached. It is preliminary evaluation of the existing available space. No decisions will be made until such time as there are wide consultations with hon. members, the Minister of Industry and the Minister of Intergovernmental Affairs.

Some hon. members: Hear, hear.

Government Orders

TOBACCO PRODUCTS

Hon. Audrey McLaughlin (Yukon): Mr. Speaker, I know that the Liberal Party will want to clap just as hard after I have asked my question.

My question is for the Minister of Health. The minister responded earlier to a question by saying that she had the health of Canadians at heart, and I believe her.

Given that tobacco use costs Canadians and the health care system directly and indirectly over \$15 billion a year and costs the lives of some 37,000 Canadians, will the Minister of Health state in the House today, directly to Canadians, whether she is against lowering the taxes on tobacco products or whether she is for it?

If she is for lowering taxes, will she indicate how her government will compensate provincial governments whose health care costs will clearly rise?

Hon. Diane Marleau (Minister of Health): Mr. Speaker, in response to the hon. member, I am very concerned about the use of tobacco in the country. I am also very concerned about the high level of tobacco use among young people. That of course is an issue that is raised with the problems of counterfeit and contraband cigarettes going across the nation.

It is a problem we have to face and we have to deal with, always remembering that the health of Canadians is the most important issue in this docket. We have to convince Canadians to stop smoking. We have to convince young people to stop smoking. We have to make sure that tobacco products are not available to the young people of Canada.

* * *

PRESENCE IN GALLERY

The Speaker: I draw to the attention of hon. members the presence in the gallery of the Hon. Jeannie Marie-Jewell, Speaker of the Legislative Assembly of the Northwest Territories.

Some hon. members: Hear, hear.

Some hon. members: What about Marc?

The Speaker: There is no reason to introduce our friend, a former member of the House, who is in the gallery.

GOVERNMENT ORDERS

[Translation]

PRE-BUDGET CONSULTATIONS

The House resumed consideration of the motion.

The Speaker: Order, I believe the hon. member for Joliette still had 15 minutes left.

Government Orders

(1505)

Mr. René Laurin (Joliette): Mr. Speaker, when I interrupted my speech just before Question Period, I was listing some examples of wasteful spending and poor management of public funds. I mentioned National Revenue, Investment Canada, ministers' travel expenses, the Department of Fisheries and Oceans, and I was getting to the matter of student loans.

In 1990, 1992, and 1993, the Auditor General stated that annual ceilings for student loans had been exceeded. In 1993, the annual ceiling had been exceeded by \$170 million. According to the Auditor General, action was urgently needed to correct the situation and ensure compliance with the provisions of the Canada Student Loans Act.

We are not against lending money to students. We are aware of the financial needs of students, but the decision to exceed approved ceilings is up to Parliament, not departmental officials.

Another example concerns the Canadian Aboriginal Economic Development Strategy. This strategy would invest \$1 billion over a period of five years. Three departments were responsible for implementation of the strategy: Indian Affairs and Northern Development, Industry, Science and Technology and Employment and Immigration. The purpose of this strategy was to address disparities between aboriginal peoples and other Canadians, and its objective was to help aboriginal peoples achieve economic self-reliance.

Between 1989 and 1993, \$900 million was spent under the strategy. The Auditor General deplored the lack of harmonization between the departments, which were supposed to co-ordinate their activities and put in place an evaluation framework. Because of this lack of leadership, the framework was not put in place until 1993, four years after the strategy came into effect.

There are also very few ways to evaluate the effectiveness of this strategy. In fact, \$900 million is being spent without any assurance that these expenditures are justified.

In 1992, for instance, the Department of Indian Affairs and Northern Development spent \$20 million on 73 economic development organizations in communities considered to be fully developed. On the other hand, it spent \$33 million on 296 organizations in less developed communities. No wonder the Auditor General has asked for measures to monitor and evaluate these programs.

It is most unpleasant when one is speaking to the Chair and members on the other side of the House are talking. I think we deserve some respect when we speak on behalf of our fellow citizens.

The Acting Speaker (Mr. Kilger): The hon. member for Joliette has raised a point, and I must say I agree. I would ask

hon. members to continue their discussions outside, behind the curtains, so that we can hear what is being said and the hon. member for Joliette can continue his speech undisturbed.

(1510)

Mr. Laurin: I will go on, then, Mr. Speaker. To sum up, I do not know what real benefits have resulted from the activities outlined in the strategy. Were the resources maximized? We do not know whether the funds were spent on native priorities or whether there is a more cost-effective way to obtain the same results. A review of the Canadian Aboriginal Economic Development Strategy is therefore essential and programs must be assessed at that level.

Another example is the Old Age Security and Canada Pension Plan. Pension benefit overpayments are in the range of \$120 to \$220 million each year, thus increasing administrative and implementation costs by 50 per cent to \$260 million. These overpayments represent 0.5 per cent of total payments.

The detection, recording and recovery of overpayments is not being managed in a cost-effective manner. Overpayments could be related to deficiencies in two key program activities: Canada Pension Plan disability reassessment and Guaranteed Income Supplement renewal. The systems and procedures in place for the recording, control and collection of overpayments fell far short of meeting minimum standards for such accounts.

Past efforts to prevent and detect overpayments have been minimal and ineffective. The department responsible does not even maintain information on the extent of overpayments. That is why the Auditor General had to come up with an estimate himself.

Here I would like to quote from the Auditor General's report: "In short, the Department does not have proper control of the overpayment situation. Benefits are paid to those not entitled to receive them. Existing systems do not allow managers to quantify the amounts involved or to manage their collection efficiently. Moreover, the Department is not organized for enforcement activities such as the recovery of overpayment".

There is another example: the Canadian International Development Agency, better known as CIDA. This organization continues to invest in development projects unlikely to be sustained beyond donor countries' financial assistance.

This government agency did not maximize its use of resources and its projects have not led sufficiently to self-reliant development of the countries receiving financial assistance.

It is important to resolve conflicts among multiple goals such as alleviating poverty while pursuing commercial and political objectives.

Government Orders

CIDA must channel its efforts. On the one hand, pursuing multiple objectives to meet the demands of various Canadian interest groups raises costs and diverts us from the intended objective. Commercial and political goals have caused CIDA to scatter its human and financial resources.

On the other hand, new objectives have been added to those of the 60s and 70s such as economic and social policy reform of third world countries; human resources development; the promotion of human rights; sustainable development and environmental protection; finally, delivery channels, program proliferation and CIDA personnel rotation between countries every two to three years.

This situation has increased the administrative burden and made the assessment of project results much more difficult.

Corrective action is needed and the Canadian International Development Agency must act: one, to streamline its operations to be more efficient and effective; two, to review its project management strategy; three, to spell out its accountability to Parliament and the Canadian public; four, to be more open and transparent with regard to its strategic objectives. Finally, information on the results obtained should be made public.

(1515)

Just think, all these examples are taken only from this year's report, nothing else. The Investment Canada case is a good example of waste by a public servant. In management courses, we learn that officials and other managers often want to increase their sphere of influence by hiring too many employees or asking for operating budgets which are too high. All this leads to irrational spending. Civil servants do not always have the interest or the desire to challenge the government apparatus head on.

That is why we want the committee that will analyze government spending to be made up, not of public servants, but of parliamentarians answerable to the people.

We believe that it is the people's representatives who should ensure that the various programs achieve their objectives and that the public service and the government manage the allocation of public funds fairly, efficiently and economically.

I again quote the Auditor General, who wrote in his report: "Most of the time, Parliament is not provided with adequate information on the results that departments and Crown corporations have achieved with billions of dollars of taxpayers' money". Since parliamentarians do not have sufficient information on the government's financial situation, we think that the cases of waste and mismanagement reported by the Auditor General are just the tip of the iceberg.

A parliamentary committee to analyze public spending could provide Parliament and thus the public with more information on the government's financial situation. On this point, we agree with the Auditor General's proposal to ask departments to provide clear and comprehensive reports in which they would give Parliament an exact accounting of their stewardship by providing results-oriented data on major spending items.

Duplication of programs and overlapping jurisdiction are another waste of public funds. Not many studies deal with this issue, but among those that do, we have one done by the Treasury Board of Canada in 1991. It concluded that for at least half the provinces, provincial and federal programs apparently overlap in about 60 per cent of cases. The unclear division of power, federal interference in provincial jurisdiction and the federal spending power are the main reasons for this duplication and overlap.

The Bélanger-Campeau Commission estimated that a sovereign Quebec would save \$233 million on transportation and communication costs and \$289 million on the collection of duties and taxes, by eliminating this duplication. The problem is therefore potentially very important. However, no recent studies to estimate the cost of duplication in all provincial and federal programs exist. Some sources estimate the total cost at nearly \$3 billion; others put it higher than that.

That is why we ask this House to give the Auditor General a mandate, free of partisanship, to make a serious, complete study of duplication and overlap in all spending programs of the provincial and federal governments.

In conclusion, the Bloc Québécois thinks that the Canadian government must show that it is doing its part to reduce the deficit by eliminating waste, unnecessary programs and mismanagement of public funds. For this, we ask the Liberal government to stop hesitating and to set up a parliamentary committee to study government spending, item by item.

(1520)

This is part of a series of measures proposed by the Bloc Québécois to put the government's finances back on a sound footing, without making the most disadvantaged or the provinces bear the burden of the necessary reduction in the federal deficit.

We also ask the Liberal government to act quickly and energetically to eliminate the cases of waste and mismanagement identified by the Auditor General, which I mentioned in my speech.

Mr. Philippe Paré (Louis-Hébert): Mr. Speaker, I have a brief comment. The hon. member for Joliette gave a good many very convincing examples of inept government administration. I have another one for you.

Government Orders

With respect to occupational training, the federal and Quebec governments spend roughly \$1 billion annually in Quebec alone. Despite this fact, the occupational training needs of Quebecers are still not being properly addressed.

We have seen that in this particular area, overlapping jurisdictions swallow 60 per cent of the total amount allocated, that is 60 per cent of \$1 billion, or \$600 million. This money is used to deal with administrative problems, which leaves a mere 40 per cent for real occupational training. This is completely outrageous.

In spite of the promises in the white paper, we are now being told to wait two years for a review of these problems. This is unacceptable.

Mr. Laurin: Mr. Speaker, I totally agree with my colleague's remarks. More examples could have been given. Mention was made of the inept management of the public service. We could also have mentioned public service renewal, a process that is two years behind schedule. In his report, the Auditor General noted that the public service is absolutely indispensable to the operation of government. He also said, however, that the public service does not have the necessary tools to ensure effective management or the necessary controls to fulfil its obligations to the public.

We could have given you many more examples, but since time is limited, we have to be content with underscoring the principal areas highlighted by the Auditor General. Follow-up action must be taken as soon as possible and the necessary changes must be carried out in order to ensure the sound operation of the House of Commons.

[*English*]

Mr. Paul Szabo (Mississauga South): Mr. Speaker, on the occasion of my first speech to the House of Commons in the 35th Parliament of Canada let me first express my sincere gratitude to the residents of my riding of Mississauga South. I am honoured to represent their interests in Ottawa and to serve their needs.

I also wish to thank my wife Linda, and my children Aaron, Reagan and Whitney. All members of Parliament know the great personal sacrifice that our families have made so that we can pursue our goals. In this, the International Year of the Family, we say to you: "We miss you, we love you and we thank you".

We also thank the Prime Minister for his vote of confidence and the historic decision to allow all members to speak freely and openly on important issues such as this pre-budget debate.

Canadians are well aware of the complex and troubling problems we face today such as chronic deficits, high unemployment, poor economic performance and the lack of credibility of government.

(1525)

In 20 years of corporate life and as a chartered accountant I learned quickly that for every complex problem there is a simple solution, and it is wrong. To focus solely on deficit reduction is too simplistic. We need a balanced approach to fiscal and monetary policy to promote economic growth and job creation. This, coupled with expenditure rationalization, will lead to deficit reduction.

Financial performance can be improved in two ways: increasing revenues or decreasing expenses. On the revenue side, tax increases are not an option in this budget. Canadians are already over-taxed. Alternatively, we need to broaden the tax base by expanding the economy.

On the expense side, cutting and slashing to lower the deficit would be destructive. Moreover it does not take into account the value of an integrated expenditure plan which can create synergies and opportunities in support of economic growth.

Government must redefine its philosophy on expenditures, viewing them not as spending but rather as investing in people, programs and assets. We are investment managers of the taxpayers' funds, and when we invest, not only must we set returns and performance requirements but we must also become accountable to the people of Canada. When these returns and performance requirements are not being achieved government has a duty to take corrective action.

Annually the Auditor General has reported on countless examples of waste and mismanagement. We must respond to these reports and demonstrate that we have learned from our mistakes.

Our social programs were initially designed to provide a social safety net for those in most need. Although the system served Canada well in the past, we must overhaul and renew these programs to fit the realities of the 1990s and into the 21st century.

We must simplify our tax system and restore equity and fairness both in the personal and the corporate sectors. We must streamline government operations at all levels to improve productivity and efficiency. We must provide incentives for new investments, particularly in small and medium sized businesses to create lasting jobs for Canadians.

For every one dollar investment in Canada the multiplier effect is five times in terms of the contribution to our economy. This creates new jobs and a broader tax base which is essential to the meaningful reduction of the deficit.

At this point I would like to make a few specific suggestions for budget consideration. We must aggressively deal with the underground economy to ensure that more are paying their share so that all are paying less. With an estimated 20 per cent of our economy underground the government has a duty to conduct more network audits and to introduce more comprehensive

Government Orders

forensic auditing techniques to address this most serious problem.

In regard to RRSPs, contribution limits should be set at levels that will allow all Canadians who are not members of pension plans to adequately provide for their retirement income. These levels should be comparable to those afforded to members of registered pension plans.

With regard to the \$100,000 lifetime capital gains exemption, it has not met its objectives of stimulating investment in Canada. The exemption should be discontinued and the savings be reinvested in job creation initiatives.

Old age security for our seniors should not be affected by this budget. The present tax law already claws back a portion of the benefit where the taxpayer has other income. The Prime Minister told seniors during the election campaign that old age security was a dividend, recognizing their lifetime of contribution as taxpayers and we should honour that position.

The rising level of foreign-owned debt is draining capital out of Canada. As such, consideration should be given to incentives for Canadians to invest in our country, such as tax exempt bonds.

On unemployment insurance, benefits should be paid only to those Canadians who are unemployed and looking for work.

(1530)

The current practice of paying benefits where there is only a disruption of earnings should be reviewed and a threshold of earnings should be considered as a basis for increasing the rate of clawback on these social benefits.

On immigration, the federal government must enforce its immigration sponsorship agreements where the sponsor is able to meet their obligation. In 1993 the region of Peel alone had some 11,000 welfare claims from immigrants who were already covered by a sponsorship agreement. Thirty-eight per cent of those agreements broke down in the first year, rising to 62 per cent before the end of the second year of the 10-year sponsorship. In addition, 59 per cent of those sponsors were children sponsoring their families. In a large number of cases they did not have the financial ability to do so.

The rise in defaults has been dramatic and the burden is falling squarely on the shoulders of the Canadian taxpayer. Fiscal responsibility requires that we must address this situation.

On health care, the federal government contributes 24 per cent of the cost through transfer payments to the provinces and, as such, should ensure that the funds are being appropriately spent. However, Ontario has over two million unauthorized

health cards in circulation, costing that province as much as \$900 million per year in fraudulent claims.

Although this is under provincial jurisdiction, there is only one taxpayer and this type of savings opportunity cannot be ignored.

With regard to economic growth, new partnerships must be built with the business sector which will be responsible for the creation of 85 per cent of all new jobs. That means that the government must provide meaningful incentives, such as job creation tax credits, training subsidies, UIC premium exemptions and wage subsidies as its partnership contribution.

We must also provide a supportive environment by streamlining government services and creating one stop shopping for those services, especially as it relates to small and medium sized businesses and to export opportunities.

In conclusion, the pursuit of economic growth coupled with sound financial management and wise investing will allow us to deal effectively with the challenges before us. To quote from the government red book, a strong economy is the essence of a strong society and therefore jobs and economic growth must be our top objectives.

Political credibility requires fiscal responsibility. The people of Canada have given this government the mandate to make the tough decisions necessary to restore our economic strength and to create opportunity, hope and jobs for all.

Canadians also understand that all who are able will be called upon to contribute their fair share. We need a tough but fair budget. We need it now for the long term benefit of all Canadians.

Hon. Audrey McLaughlin (Yukon): Mr. Speaker, I would like to congratulate the member for Mississauga South on his first speech in this House. He made some extremely good points.

However, I would like to ask him a few questions on tax policy. He mentioned at the beginning of his remarks that he felt that there should be no new taxes. I certainly concur that the middle class and individuals are just totally overburdened on taxes. He concluded his speech by talking about fairness.

I would like to ask the member for Mississauga South if his comments at the beginning of his remarks would include the fact that there should be no consideration in this budget of taxing those profitable corporations that now pay no tax. Last year the Auditor General told us that there are millions of dollars in uncollected taxes because of the provision for profits to be put offshore and therefore not taxed in Canada. We know that the family trusts, where the rich can shelter their money, are not taxed.

Government Orders

I would like to ask the member, when he talks about no taxes, is he talking about allowing these tax loopholes for the rich and for profitable corporations to continue or does he really want to see a fair tax system so that the individual taxpayer gets less burden when everyone is paying their fair share?

(1535)

Mr. Szabo: Mr. Speaker, I want to thank the hon. member for Yukon for her kind words of congratulations.

I do not think I can do justice to her question in the brief moments that we have here but let me comment with regard to at least the concept of no new taxes *vis-à-vis* corporations, offshore companies and family trusts.

The concepts of fairness and equity would say that government has to revisit all of the provisions. There are no more sacred cows. To the extent that businesses are indeed draining capital or sheltering business income through offshore instruments, this government, if it is to be true to its value system of fairness and equity in our tax system, must investigate, analyse and work toward reasonable solutions to ensure that the income derived from Canadian soil is invested to the greatest amount in Canadian opportunities.

[Translation]

Mr. Ghislain Lebel (Chambly): Mr. Speaker, my question is for the hon. member for Mississauga South, whom I want to congratulate on his maiden speech. I noted that he talked about the elimination of the \$100,000 lifetime capital gains exemption.

Does the hon. member not think that by doing away with this exemption, to which every taxpayer is entitled during his or her lifetime, the government is in effect taxing the inflation that it has itself generated because of negligence, because of a bad interest rate policy in some cases and because of excessive taxation?

[English]

Mr. Szabo: Mr. Speaker, the \$100,000 lifetime capital gain exemption was introduced two Parliaments ago by the previous government. It was sold to Canadians on the basis that it was going to stimulate investment and job creation in Canada. I think that Canadians embraced those principles as being honourable.

However, the government in its implementation made two fundamental errors in that exemption. First of all, it did not establish a V-day value for investments and so allowed investments which were already made and had holding capital gains on them which were eligible for that exemption. It forewent the opportunity to direct this exemption to new investment.

Second, the government did not specify or restrict the nature of investments that could be made under this program. As such,

investments even such as Florida vacation properties became eligible for that exemption. Under the circumstances I think the hon. member would agree that this particular exemption, although honourable in its roots, was very poorly implemented. The optics are very bad to the Canadian taxpayers and the dollars that the government is foregoing by permitting that exemption would be much better spent by investing in job creation initiatives.

Mr. Bernie Collins (Souris—Moose Mountain): Mr. Speaker, it is my honour and privilege on behalf of the electors of Souris—Moose Mountain to rise on this very memorable occasion to make my first presentation to the members of this House on a topic so crucial and that is the budget.

We are honoured to have the hon. minister, Mr. Paul Martin, as the minister in charge of this department. I am sure that the members from across the House have recognized his capabilities and are prepared to work with him along with each of us.

For me, having come from a riding that has been notable for people who have served in this capacity, it is a humbling experience. I do know that I have the support of my wife, Delphine, and my family. If I were to name all the members of my family we would be here for some time.

Let me just say that from the oldest member Michael to the youngest member Carrie-Lynn, I do know that they are prepared to make a commitment, along with me, of total responsibility and trust to those who have placed me here.

(1540)

I look forward to the opportunity to work with all members of this House as we go forward to address the challenges of this, the 35th Parliament.

Because my riding is so vast, almost 300 miles across, I have had the opportunity to travel 30,000 miles and meet constituents during the campaign. Our riding encompasses the entire south-east corner of Saskatchewan. From the Manitoba border one can travel 300 miles to Minton in the area of the Big Muddy. From the United States border our constituency reaches 180 miles north to the Qu'Appelle Valley.

I found that everywhere I went young people were seeking hope. They desire a chance, a way to make themselves known in this great country of ours. They do look to us to light the fire in their eyes and to renew the hope in their hearts so that they along with us can be the beneficiaries of this fantastic country.

My riding includes seven First Nation reserves, the Sakimay, White Bear, Ocean Man Band, Ochapowace, Cowesses, Kahkewistahaw, and Pheasant Rump. I know their hopes and aspirations are for recognition as a First Nation and for self-government. They too search for hope for their families.

Government Orders

I am happy now to put forward some ideas that may be incorporated into, as it is being prepared by the people of Canada, this budget for 1994.

I have travelled through southeast Saskatchewan and have had a very clear, concise concern put forward to me by different groups of people.

In the agricultural community never did I find a farmer who said he wanted a handout. What they did ask for was a fair price for the product they produced.

Certainly that is all too true when I look at the unemployed. They wish to have training to improve their skills so that they can become part of that hope and dream.

I remember a meeting in Estevan some three or four years ago when the then Minister of Finance, Michael Wilson, brought forth the goods and services proposal. The business people of that area spoke loudly and clearly and said they could stand a 3 per cent or 4 per cent flat tax or basic tax but that would be the ceiling.

What has happened since that time? I am sure the House remembers the reports in the newspapers that the goods and services tax was creating such a great amount of wealth that the government was not sure what it would do with it.

We still find that the truth of the matter is that the goods and services tax did not produce the expected wealth. What it did produce was an army of people out collecting the tax, creating for small and large businesses alike a horrendous amount of paperwork.

I look to this government to get rid of these levels of paperwork that take hours and hours for business people. They are in the business of making money, not just spending time filling out government reports.

In the history of Canada there is no tax that I know of that is as hated as the goods and services tax and I want to assure all those people in Souris—Moose Mountain that in one clear voice they have spoken. They do not want any more taxes and they do not want an unfair tax system.

What I do mean is a fairness in taxes. I believe, as the report of the Auditor General has indicated, that the Government of Canada must close loopholes so that investors cannot borrow money, invest it in foreign countries and then have a tax shelter of these investments.

I also believe that the Auditor General when he does make his report should frequently bring those recommendations to this House so that we can fix those areas which are inappropriate or wrong. Corrective steps to overcome the problems must be taken.

What about accountability and proper management? I read that between \$120 million and \$220 million is lost annually because of pension plan and old age security benefits paid to ineligible people. I know a case in which an individual was able

to approve for himself educational funding. Where is the accountability?

These are the things that have gone on in the past which my constituents have made clear to me they will not tolerate any longer.

I want to switch gears into the area of student loans. The student loan program is costing the government a tremendous amount of money. The tax on student loans should be equitable and should be fair. There should be a six month buffer for students to pay.

(1545)

Let us be thoughtful when we are spending our money and how it is accounted for. My constituents are not pleased about spending \$1.6 billion on a painting when there are 1.6 million unemployed.

I have a few quick observations from consultations with my constituents. Several have suggested to me that a tax on lottery winnings especially over a certain level would be acceptable.

An opportunity should be given for communities to invest in themselves. This could be handled through an infrastructure program, but there are tax implications. A suggestion has been made that citizens could make a one-time contribution to a community fund and receive a tax benefit.

Given that a significant amount of our debt is held by foreign countries a concerted effort should be made to buy back that portion of the debt that is held outside this country.

I am confident, as is everyone in this House I am sure, that we have a talented, thoughtful and visionary man at the helm of this overwhelming economic situation. Remember that Paul Martin, Sr. was a man of vision, a man of action and a statesman. He was a man Canadians trusted and respected. He was a true Canadian. Our present finance minister will surely be deserving of the same accolades as he prepares and presents, with our help and the help of all Canadians, the budget for 1994.

A famous writer of Negro heritage, Langston Hughes, depicted the life of his family and indicated that one could go through life laughing or crying. His solution was: Go through life laughing. Enjoy it. Part of the challenge is to provide an opportunity for the people of this country to go through life enjoying it. We will enjoy our part if we know that we have contributed to improving the standard of living and the hopes and expectations of all Canadians.

[*Translation*]

Mr. Roger Pomerleau (Anjou—Rivière-des-Prairies): Mr. Speaker, I listened closely to what the hon. member for Souris—Moose Mountain had to say, as I did to everything that has been said in this place so far today. I think that, if we were to sum it all up very concisely, there would be at least two main ideas emerging. First, a good many people in this country have lost confidence in their politicians and second, we have a government mired in a situation that can be attributed to government mismanagement.

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Every member who has participated in this debate has pointed out several instances of mismanagement, like this business with health insurance cards, although this involved the Ontario provincial government to some extent, and other telling examples of mismanagement on the part of our governments.

What strikes me about this debate is that we seem to be rehashing the same old things we have been hearing for ten years. I am sure there are people in my riding who are thinking just that: "All that stuff, we have been hearing about for ten years".

This morning, the Minister of Finance mentioned relying on meetings he had had with 30 or 40 top economists in Canada. But we have been relying on Canada's 30 or 40 best economists for 10 or 12 years already and, instead of improving, things are getting worse.

I want to put this question to the hon. member for Souris—Moose Mountain regarding Quebec. As you know, it is most likely that we will be holding a referendum in Quebec within a few months. Here is how the people of Quebec view the overall situation at this time. In 1980, when the Liberals took office, the cumulative debt in Canada was about \$80 billion. Incidentally, our present Prime Minister was Minister of Finance in that Parliament. At the end of their mandate, they passed on a debt of \$200 billion or so. Under the next government, a Conservative government, it rose to \$500 billion. We know that upon separating from Canada, we will take on 25 per cent of the Canadian debt. Had we voted "yes" in the 1980 referendum, we would have had to pay \$20 billion out of this debt, but if we vote "yes" now, it will cost us \$125 billion. This means that over a 13-year period, Quebec's share of the debt has increased by over \$100,000 million. As the holder of 25 per cent of the voting shares in this company called Canada which has increased our debt by \$100,000 million in 13 years, in what way is this partnership profitable to Quebec?

(1550)

[*English*]

Mr. Collins: Mr. Speaker, I appreciate the question the hon. member has put forward.

Let me say that he is being more than optimistic in his thought that all of us in this House, with the exception of the Bloc, are going to stand by while he departs from this country, because it will not happen. We are in this for the long haul. In this, the 35th Parliament, each and every one of us has a commitment to the debt and to the improvement of the welfare of this great country of ours.

I can assure hon. members that the people of Souris—Moose Mountain will make their commitment to continuing to come up with a budget that considers Quebec, that considers Yukon, that considers all of Canada.

I am pleased that the hon. member for Yukon is here because she is going to be part of this process so that jointly we come up with a decision. We are not going to do it as individuals but together collectively we will come up with a solution.

It is easy to turn to the past and say that it was the fault of someone else. I suggest that we have to come up to today's standard and ask: What are we going to do now? We have a new group of people. They are optimistic. I am optimistic and I can see nothing but good for this country under the leadership of our great Prime Minister and our Minister of Finance.

Along with us, the hon. member from Quebec will be surprised how happy he will be when the budget for 1994 comes forward.

Mr. John Solomon (Regina—Lumsden): Mr. Speaker, I wish to offer my congratulations to the hon. member for his election to Parliament and also congratulate him on his remarks today.

The hon. member has asked the members of this assembly for advice with respect to the budget. I have many things I wish to offer in terms of revenue saving items. I do not have the time right now but will get them on the record later.

I have one question I would like to raise at this moment. On the budget considerations by the Minister of Finance, the minister of defence is considering closing certain military installations across the country.

CFB Moose Jaw which is now called 15 Wing has been in existence for many years. It has been there for very practical reasons, for example, the cloud-free skies, adjacent flat topography and a low population density to the south. These have contributed to the positive training and safety conditions of the base.

Would the hon. member join with me in making representations to the minister of defence to ensure that this facility remains intact for the benefit not only of our country but also for the province of Saskatchewan and for the military and residents in and near Moose Jaw?

Mr. Collins: Mr. Speaker, I thank the hon. member for his question.

On many occasions he and I have shared the opportunity of coming together on certain topics. The kind of thing that has to happen in this House is that we have to come up with a collective approach to dealing with problems.

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I assure the hon. member not only will I be part of that but I want to work very hard to convince all members from Saskatchewan that we collectively ensure the base at Moose Jaw continues to stay open.

(1555)

Mr. Ray Speaker (Lethbridge): Mr. Speaker, I would like to say that this is a great day to be in the House of Commons.

When I decided to take on the challenge of being a member of Parliament representing not only the Lethbridge constituency but the people of the province of Alberta, I faced in my home in Edmonton a number of young people, young men and young women who were concerned about their futures. These young people who had visited my home from the University of Alberta were quality students, young people who had the potential to make a great contribution to Canada. But their main concern was job opportunity: How do I get a job after I have studied so hard and taken on a major loan portfolio as well? That was their main concern.

At that time I said I thought I would like to take on the challenge of federal politics and be in the House of Commons, leaving the Legislative Assembly of Alberta where I had served my people for some twenty-eight and a half years. So today I feel it is a great day that I am able to stand and take part in this pre-budget debate and make a contribution that I feel should assist those young people.

We in Canada, specifically the people of my constituency as in other areas, have other concerns as well, with the deficit and the debt and with the type of leadership we will have this 35th Parliament. Will we achieve what we have established and set out to do? I would like to talk about that for a few minutes today.

During the past two weeks as I sat here in this assembly I listened very carefully to what the Prime Minister had to say and what the Minister of Finance had to say regarding their objectives and the hints they were going to give. I know as well as all other members do that they may not have been able to lay out a full plan with all of the details. That is because it would have been the traditional way where the government lays out the plan and then goes into a defensive mode and we in the opposition go into an offensive mode and we become adversaries over the plan as set out.

As I understand it the plan is still loose and is building and is open to suggestion. That is why we have this opportunity today to fulfil our commitment to Parliament, to the people and to the Minister of Finance, to fulfil that plan.

As I looked at some of the remarks of the Minister of Finance during the past week I believe he gave us some hints. He said on page 387 of the January 26 *Hansard*: "We are going to hit our target through a combination of growth, cutting unnecessary

spending and building more equity into the tax system". He went on to say on another day in Question Period: "We are going to broaden the tax base and fill in the tax loopholes and this will simply remove inequities in the tax system and make it a great deal fairer".

Those are noble objectives. What I hope we are able to impress upon the Minister of Finance is that in his budget he will have to implement the details that are satisfactory to the Canadian people.

I want to go a little further in *Hansard* as of January 26 and issue a bit of a concern in this listening process. One of our Reform Party members raised the matter of the Reform zero and three plan, or our proposal to reduce the deficit. The Minister of Finance in his comments of *Hansard* of that day said that our proposal was a kind of savagery.

I only say to the Minister of Finance that he should rethink that. And I ask this question: In this listening process has he taken the time to listen to all of the details, the tabling that our leader made today? Is he prepared to read through the plan to see if there are suggestions and ideas which can be used before he writes off in a partisan way suggestions that have been truly tested by hundreds of thousands of Canadians and supported by them because that is why there are many Reform members sitting in this assembly today.

After reading some of the comments of the finance minister and after what I heard today in Question Period, I get the feeling we could be on the verge of more taxes or new taxes or increased taxes. Certainly there will be a shift somewhere within the cross section of Canadians. Someone will pay more and maybe someone will pay less or pay the same. In that equity formula there will be an imposition of a greater amount of taxation. In this context I say to the Minister of Finance that there are very few people who support the concept of more taxes, especially new taxes.

(1600)

An article in the *Financial Post* of January 30, 1994 referred to American growth relative to the Canadian growth, and I think the minister should take it into consideration. It stated:

Fast-paced economic growth in the U.S. is likely to drag Canada along eventually, economists say, but lack of consumer demand and government cutbacks will make it a struggle.

Despite booming exports to its neighbour, Canada will be hard-pressed to keep up with the U.S. economy this year.

These are the reasons given in the articles:

Fragile consumer confidence and rising taxes have left it several steps behind in the recovery process.

I suggest the minister should make note of the article. Another thing about taxation and the approach to it is that more taxation is not the way to cut the deficit.

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I refer to a government document entitled "Canada's Economic Challenges" and dated January 1994. Page 48 of the document talks about Canada's tax burden. It states: "Canada's tax burden has been steadily increasing. Since the early 1980s total government taxes as a share of GDP has risen significantly". If we look at the graph over the last 10-year period it is about 6 per cent.

Page 39 talks about the public debt. It states: "The public debt burden continues to rise. Relative to GDP, Canada's combined federal and provincial debt has increased two and a half times since 1981-82".

The point I want to make to the finance minister is that even though taxes have increased significantly relative to GDP, our debt continues to rise. Just increasing taxes is certainly not the solution to the problem we face.

I listened very carefully last evening to the remarks of the Prime Minister in Toronto, along with my good colleague from the Bloc Québécois. The Prime Minister indicated to Canadians and to the people in Toronto that he would like to cut the deficit to 3 per cent of gross domestic product by the third year of the government's mandate. He said that there would be cuts but that the best way was through growth.

The Prime Minister did not talk about the kinds of cuts or the kinds of objectives. Again today the Prime Minister hedged on how we were to deal with the question of social programs. There is a challenge for the government. A soft Liberal approach will not work.

The Investment Dealers' Association made a submission to the Minister of Finance in January 1994. I have just received a copy in the last couple of days. Referring to the approach of the government, the association indicated that the government must do more than what the Prime Minister has said, that it must deal with the expenditure pattern of governments. The association indicated:

The deficit for the current year is now projected at \$45 billion, about 5 per cent of GDP. The government's stated policy is to reduce the deficit to 3 per cent GDP within three years—requiring a \$20 billion or 45 per cent reduction in the deficit.

We have to recognize that we are left with \$25 billion as a deficit. The association went on to say:

This deficit target is a worthy fiscal objective. However, the government cannot rely on strengthening economic growth to close the deficit gap within the forecast period. The scale of expenditure reduction to achieve the 1996-97 deficit target suggests massive reform of federal and provincial spending will be required.

I certainly want to echo and support that. I believe it is the way the government must handle it.

(1605)

What do I suggest Canadians are also saying? They are saying that the government must prioritize its spending. I believe it should work toward deficit reduction and balancing the budget within a term of the 35th Parliament. I expect that in the budget there will be targets, priorities and a concrete time line for deficit elimination.

That is the challenge of the Minister of Finance. I am at the end of my time. I would like to thank you, Mr. Speaker, the government, the Prime Minister and the Minister of Finance for the opportunity to make these remarks on the pre-budget debate.

Mr. Sarkis Assadourian (Don Valley North): Mr. Speaker, I congratulate the member on his election and on his first speech on the pre-budget debate.

Before I put my question, I mention to him that we promised in the red book that we would bring down the deficit to 3 per cent of GDP. In his plan, as was mentioned during the campaign and as he mentioned again today, he is to eliminate the deficit in three years. This means that on average it must be reduced by \$15 billion every year for the next three years to meet the target of a zero deficit.

Would the member explain to us how he would do that? From where would he cut \$15 billion every year on average for the next three years?

Mr. Speaker (Lethbridge): I certainly appreciate the question. It is a very leading question. It gives me an opportunity to espouse our position very clearly.

Some ingredients have changed since we set forward our zero in three plan in early 1993 in terms of revenue possibilities. The actual deficit is much greater than the one we projected. I believe we were looking at around \$35 billion. We are now into a projection of \$44 billion to \$46 billion. There certainly are other areas of government that we must look at in terms of bringing about those kinds of expenditure reductions.

Basically the Reform Party looked at three areas. In the broad area of government efficiency we recommended that some areas have 15 per cent cuts. That is in the document we presented today.

The second area we looked at was grants that are now made available to businesses and special interest groups. In that area we felt we could reduce the expenditures of government by about \$4.3 billion.

The third area we looked at were transfers to individuals. We have said clearly that health care was not one of them. We were to maintain the expenditure pattern as set out in the 1992-93 budget. It is to be kept at that level until we could maybe add to it, but there would not be a reduction in health care spending or in advanced education. We also had a hold on retraining and criminal justice programs.

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Other areas we were looking at were unemployment insurance and old age assistance. For example, we wanted to look at an income threshold of \$54,000. In examining that we could reduce the direct expenditure in that area by about \$3.5 billion, by putting in that family threshold of \$54,000. Those are some of the kinds of things we were looking at.

We have tested those with many Canadians and have had very positive responses. We intend to continue to do that. There may be others we will have to put on the table. Now that we have a major contingent elected to the House, it would be our plan to develop, refine and certainly be more specific in terms of further expenditure reduction patterns.

[*Translation*]

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot): Mr. Speaker, I would like to congratulate my hon. colleague for Lethbridge on his excellent speech and I am happy to hear a member from the Reform Party say they would maintain the resources allocated to health care and social security systems. I feel that this shows progress in the analysis made by Reform Party members, and I think the Bloc Quebecois and the Reform Party will eventually reach common ground on this. Besides I had yesterday the opportunity to discuss at length with the member for Lethbridge before commenting on the speech by the Prime Minister.

(1610)

I would like to ask my colleague if it would not be appropriate for the Reform Party to support the request the Bloc Quebecois made many times to the Minister of Finance that a special parliamentary committee be struck, with responsibility for looking at the tax and budget expenditures as a whole, so that drastic cuts are not made across the board, and so that, after an item-by-item review, cuts and increases could be determined. We feel, for instance, that expenditures on social housing should rise. Through you, Mr. Speaker, I ask my colleague if it would be possible for his party to support mine on that point?

[*English*]

Mr. Speaker (Lethbridge): As a Reform caucus we certainly considered the presentation of the Bloc Quebecois in its amendment to the main motion.

In terms of the concept of having a parliamentary committee to review the budget and the priorities and to look at areas where we could reduce and cut in a responsible way, I think it had a lot of merit. What made it very difficult for Reform members to support the concept were some of the other items listed in the major paragraph called the amendment. Because of that we felt it was not the right thing to do. The original idea, the concept of more study by a broader group, did have some merit.

Mr. Stephen Harper (Calgary West): Mr. Speaker, I am rising today to participate in the debate in advance of the upcoming budget. In so doing I want to concentrate my remarks on the overall financial objectives of this organization which must decide these things for the Government of Canada.

The Government of Canada is the largest organization in the country. Like any other board or management we are well advised to keep in mind our central function of overall planning of our financial objectives. Historically that is one of the most important roles of this Parliament and recently it has been one of the most neglected. In my comments I want to take some time to review these objectives from the perspective of the Reform Party.

During the course of the election campaign our party campaigned on the necessity of setting the following financial objectives. In the life of this Parliament we would work toward the elimination of the current budgetary deficit without resorting to significant tax increases. That was called the zero in three plan. On that basis we went from being a relatively minor party to being the effective opposition today for most of Canada.

I want to review why it is an appropriate financial objective and especially ask government members to consider my comments. In light of the financial developments we will also be considering these things.

I am not going into the very good reasons that exist for stopping the growth of debt, for eliminating annual deficits, for not raising taxes or for not raising general price levels. My colleagues in the party have covered those topics very competently. I want to look at the timeframe proposed for our particular financial targets.

Why deal with the fiscal problems of Canada in the life of this Parliament? First, it is a modest objective because it is necessary to deal with far more important objectives in terms of our economic development. We cannot hope to deal with the problems of debt or significantly lower the tax burden until we eliminate the significant problem of annual structural deficits.

Second, the problem is political. We are all elected. We all know it is politically difficult to undertake the steps necessary to reduce this particular problem. The political will necessary for that will not sustain itself for very long and certainly will not sustain itself beyond the life of one Parliament. The previous government had two mandates to deal with this problem and was unable to do so. Third, there is a very good fiscal reason. Today the problem of the deficit is largely driven by the past sins of governments. We have accumulated an enormous debt on which we generate a huge amount of interest payments. Those interest payments are really today the essential problem in the annual deficit.

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(1615)

Every year that we fail to deal with this we add to the debt burden and by implication we add to the future stream of interest payments. If we deal with this problem only gradually we will find that our actions year by year are offset by the very tax burden that we create.

Fiscal gradualism does not work. This was the policy of the former PC government and it illustrated it in spades. Year after year we had nine budgets with incremental measures to deal with rising debt. Every year the pattern of debt and interest payments served to offset those actions and to offset the deficit targets and we find ourselves more or less in the situation we were 10 years ago.

Of course the former government complicated that situation by resorting to other measures. Once it recognized fiscal gradualism was not working it got into a pattern of systematic overstatement of growth projections and eventually into the fiasco we had in the election which was deliberately misleading people as to the financial state of our country.

We know that today the Minister of Finance has spoken very eloquently about this. We are looking at a deficit this year of between \$44 billion and \$46 billion. That is \$13 billion above the \$32.6 billion that would have been indicated to us less than a year ago. That is more than just an off-shoot in projections.

On top of that we have the largely unprecedented situation where we have actually had to go back and revise the deficit from the year before, the year that ended over six months ago. Now we find we were \$5 billion higher not on this year but on the year before this year when we were talking about the deficit during the federal election campaign.

I do not want to focus just on the last government. This is a pattern in the historical record of the failure of fiscal gradualism. If we look at the deficit from 1867 to 1992, and I refer members to chapter 5 of the Auditor General's report at the end of 1992, we had accumulated net public debt of \$423 billion. Yet only \$37 billion of that or less than 10 per cent was due to annual shortfalls. The rest was due to interest and compound interest generated by those mistakes.

This government has initially in its rhetoric recognized that we have a significant structural deficit program. It has switched from some of its campaign rhetoric to some of the rhetoric we heard from just about every government and every party that has been elected afterwards to recognize that this is a problem. Nevertheless the government continues to opt for a policy of fiscal gradualism.

The Minister of Finance repeated today in this House his target of 3 per cent deficit to GDP by the end of this Parliament.

I cannot understand the clear rationale for that. I can tell the House that even if that objective were achieved by this government that is a target above the annual trend growth rate of this country. In other words even achieving that target we will

continue to see our debt burden and the relative burden of our interest payments continue to climb. We are already at dangerously high levels here. We all know the impact.

A previous speaker said that if interest rates were to go up one percentage point we would add \$5 billion to the deficit. If they go up one percentage point we will be adding \$10 billion to the deficit within five years as a consequence of the compounding of that error.

Fudging numbers and putting out false projections are not the way to go. I hope the government is not beginning to slip into that pattern.

Let me raise a point of concern. Today the minister made reference to financial projections for the next fiscal year. We in our party are trying to do an analysis of our situation to make the best proposals possible. In spite of those figures provided by the Minister of Finance, as late as this morning both his department and his ministry refused to provide my office with complete information as to the nature of those projections or the assumptions on which they are based.

(1620)

I wanted to elaborate a little on that problem. Before the election we were projecting that we are at a level of spending in terms of current programs in this country that is about 15 per cent above the level we can sustain in the long run. This is why I am so interested in these projections. We know from the data we are getting that this situation could not possibly have improved. We are concerned about this.

In concluding the point I would like to make is that we can all rant and rave and rhetorically wave our hands—we are all politicians—about this situation being a problem, but if we cut a little fat, close a few loopholes, wait for growth or announce some strategic initiatives this problem will solve itself or it will not be as difficult.

This has not been the experience of the past. It is not true. It is going to happen. We know the experience in other countries with these kinds of deficit situations. If we do not deal with it, if we do not do something about it, something will be done about it for us.

I urge members on the other side to consider very carefully their objectives in this matter. I notice the minister has delayed. He is now saying that it will be next year's budget that deals with this. We do not have these kinds of timeframes or this luxury.

If this government fails to deal with this problem it will not only fail our country but the government itself will fail. It will fail not only economically but politically as well. I ask the government to give very careful consideration to these matters.

Mr. Jesse Flis (Parliamentary Secretary to Minister of Foreign Affairs): Mr. Speaker, I want to compliment the Reform Party speakers in their philosophy of bringing the views of their constituents on to the floor of the House.

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We saw them try to do this in question period. I wish they would do more of this in their debates. I have been using that practice for the 10 years that I have been representing Parkdale—High Park.

To begin input into this debate to help the Minister of Finance and the government reduce our public debt and deficit, I sent a questionnaire out to each household in Parkdale—High Park with a preamble about how Ottawa spends its money, where it gets its revenues and so on. I asked: “Do you agree that deficit reduction is one of the top priorities for the federal government?” The results are preliminary but already 88 per cent said yes. They agree that deficit reduction is one of the top priorities for the federal government in addition to job creation.

The second question I asked was: “Which of the following approaches would you support to help solve the deficit problem?” I asked them to check: increased personal income taxes; decreased government spending; or, a combination. Eighty-one per cent said that they support decreasing government spending to help solve the deficit problem. If they agreed to a decrease in government spending, I asked: “Are you willing to accept fewer government services in order to reduce the deficit?” I am pleased to say that 84 per cent of my constituents said yes, that they are willing to accept fewer government services in order to reduce the deficit.

I would like to ask the hon. member this. In his constituency which kinds of services would his constituents be willing to either eliminate or reduce? If we can do this in every riding, then we can help bring down the deficit and the public debt.

Mr. Harper (Calgary West): Mr. Speaker, I thank the hon. member for his question.

We too went through similar exercises not only in the party but in our constituency. I held very similar public meetings on this subject. The process was very similar to that outlined by the hon. member before I was being paid to be the member of Parliament. I am familiar with the process. The outcome of that which the hon. member had outlined was very similar to the kinds of results that I saw in my riding.

At some of the public meetings we had I took the additional step of working through with the constituents who attended a line item review of the budget. We went over about 100 spending categories. Because I have done some study in this area I was somewhat familiar with some of this information. It would be very difficult for me to go over the whole program in the short time that I have but let me just elaborate in general terms.

(1625)

Obviously we all know that the constituents expect there to be significant reductions at the top of government, led by ourselves. We have advocated some of these things on the floor of this House. Our caucus has advocated reducing some of the expenses around here. To some degree the Liberal Party has responded on these particular items and will be discussing this later today in the Board of Internal Economy.

My constituents outlined a number of areas of administration of government services and programs where they would expect there to be a reduction in the whole area of bureaucratic costs. That is an area that the Bloc Quebecois is, of course, prone to talk about quite frequently. Obviously we are going to be looking at the Auditor General's reports. We are hoping that the government will look at the Auditor General's reports in implementing those kinds of considerations.

The third major area where I think my constituents are prepared to see a large reduction and even elimination is the entire area of government involvement in business, both through direct expenditure as well as some of the tax concession programs. In our zero in three plan we had laid out a number of areas where we believe there should be the elimination of that kind of spending.

Finally, in the area of social policy it has been my experience that when one lays the facts before the people, that nearly two-thirds of our current spending is in the area of social policy, they do anticipate there will be some reductions. The key is that the benefits be retained in the programs that are most valued by Canadians, like health care; that people who contribute to programs are able to receive those kinds of programs, like unemployment insurance; and, also that people who need those programs the most are able to receive money from those kinds of programs.

I think if you take those three things into account, Mr. Speaker, you will see that even after those criteria there is room for reduction in the social policy area.

I see that you want me to wind up and I apologize to the hon. member that I have not been able to explain in any more detail.

Mrs. Jane Stewart (Brant): I wish to congratulate the Minister of Finance for recognizing that the success of our next federal budget will be as dependent on the quality of the process that we use to identify and implement our budgetary measures as it will on the substance of those budgetary measures themselves.

Our Minister of Finance understands quite well that over the last number of years Canadians have come to feel very uncomfortable with the ways and means of government, and in fact this has translated into the inability of the previous government to implement effective and efficient government initiatives. Consider, for example, the GST.

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We all know that if we are going to bring our financial situation into an acceptable state of control, we are going to need the combined and national commitment of all Canadians. It is not going to be good enough just for 176 Liberal members to say: "We can make a difference". We have to ensure that every single Canadian is committed to helping us bring down a \$45 billion deficit and rein in a \$500 billion debt.

This debate today provides us with a good opportunity to ensure that we get the commitment of Canadians to manage our deficit and our debt in a humane and acceptable way that is consistent with getting them back to work.

I applaud our Minister of Finance for his original speech, given on November 29 to the students at the Universities of Montreal and McGill where he committed himself and his ministry to an open and transparent process with no more private delegations. He wanted to hear what Canadians have to say. I congratulate him on the completion of four very good cross-country townhall meetings.

The minister in doing this gave each and every one of us as members of Parliament an opening to do the same thing in our constituencies. I challenged the minister on that and asked him if he would not send a member of his ministry into my riding to hear what the people of Brant have to say on this very topic of budget management. I was not surprised and was very pleased that he responded very quickly in the affirmative. On January 6, 1994, Mr. Karl Littler, a member of the minister's office, came to the riding of Brant and listened for three hours to what my constituents had to say on this topic. It is that information I would like to share with the House today.

(1630)

First of all, and it was not surprising, my constituents said we have to restore integrity in government. Otherwise meetings like the one I held and debates like this mean nothing. Fortunately, Mr. Littler's attendance at the meeting indicated to my constituents that this government does intend to do business differently and so we carried on with our agenda.

My constituents said they wanted a clearer and a more understandable way of keeping on top of how the government spends its money and collects its revenues over the course of the year. They were extremely uncomfortable with the previous Prime Minister's response, or lack of response, to the now Leader of the Opposition's question during the leadership debate on the state of the nation and what the size of the deficit really was.

We talked at length about the GST, about its failure and about possible solutions to it. By and large my constituents felt that a melding of the federal and provincial retail sales tax would make sense but small business warned us against implementing procedures that would negate the money, the time and the effort

they had already put into accommodating the goods and services tax to date.

Other small business owners and the farmers in my riding indicated the importance of capital gains exemptions and RRSPs to them. For them they are the main tools, in fact, in many cases the only tools they have to provide and plan for their retirement. They understand changes may be necessary but they want them done in a fair and equitable fashion.

Other members of my constituency, some who work in the real estate business, others who build homes and others who are looking to buy their first house asked that the minister consider continuing the home buyer's plan. At the point of our conversations they understood that plan was a no cost plan to the government and had in fact encouraged economic development in our community.

I was interested by other constituents who spoke in support of arts and culture. One constituent in particular stated he believed that for every dollar spent on the arts \$7 more were generated in spin-off purchases. It was suggested that a tax break for Canadians who choose to donate to the arts be created, something like what we have for Canadians who choose to contribute to political parties.

We talked about a number of other things. There was support, for example, for a national debt reduction fund. There was support for an interesting idea where we might provide tax breaks to businesses that offer new, permanent and long-term jobs to the community.

There were a number of very interesting ideas but the one which received the most debate, most conversation and the most support was one which was presented by an individual. He called it GAMI, a guaranteed annual minimum income.

We have talked about guaranteed annual incomes for a number of years, since the 1960s in fact. Every time we take a look at our income support systems we think about a guaranteed income. The Croll Senate report on poverty talked about a basic income, as did the Castonguay-Neveu report in Quebec and later on the Manitoba basic annual income experiment. In the 1980s the Macdonald commission and the Forget commission all talked about and gave real consideration to a guaranteed annual income.

There are those who will say that this kind of negative tax strategy will not work, it will instil poverty across our nation. I believe there are strategies to avoid that and some of them are mentioned in the Macdonald commission report.

There are others that say we cannot offer a guaranteed income to able-bodied Canadians because they will not work. I submit that Canadians will work. We found over the course of this election that Canadians want the dignity of work and a guaranteed income will not stop them from going to work.

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(1635)

In fact data we are now analyzing from the Mincome experiment in Manitoba suggests there is not a really strong relationship between a guaranteed income and a refusal to work. It does not exist.

Others will say we cannot afford that approach. Interestingly enough the gentleman who proposed the GAMI at our meeting was to my mind probably more a part of the right wing of the political spectrum than the left wing. He saw real opportunity to streamline the number of programs we have now to support Canadians and their income. He saw an opportunity to reduce the bureaucracies we have built up around unemployment insurance, old age security, WCB, some provincial programs as well.

What I am seeing is that we may have a window here where the left and the right and where all provinces across this country may now be able to come together.

I started my comments by congratulating the Minister of Finance on a step change in process toward budget consultation. I now ask him to consider a step change in the substance of what many of our programs might look at, the one that we spend a majority of our money on, income security.

It will take some work and we will not be able to do it in the 1994 budget but I believe as Liberals we have a mandate for a number of years and we do have to seriously consider the notion of a guaranteed annual minimum income.

I have given you some highlights of the meeting I held in my constituency on January 6. In closing I would like to recognize that the citizens of Brant know that the minister has a difficult task ahead. They appreciated the opportunity to share their ideas, provide advice and direction.

They hope and expect that he will listen to a number of their ideas and they also expect that those ideas which are not incorporated are talked about after the process and the reasons why they were not considered will also be shared. The process must continue. It must go on.

This is the kind of process to which our government is committed. Certainly our minister has indicated that is the way it will be. I wish him well on the tough road ahead and would like him to know that the people of Brant appreciate his continued support and openness.

Mr. Simon de Jong (Regina—Qu'Appelle): Mr. Speaker, I wish to congratulate the member for Brant for presenting some interesting ideas, particularly concerning some form of the guaranteed income. I think she will find that notion has wide support in this House. I hope that the Minister of Human Resources Development will look at the option as he reviews social policy as well.

My question for the hon. member concerns the government and the Liberal Party's promise of solving the problem of the deficit through more employment. It is an argument I totally accept.

Statistics Canada did a study as to the cause of the debt. I believe that study was done last summer. Statistics Canada said that of our accumulated debt, 50 per cent was due to interest payments, i.e. the high interest rate policies of the former Liberal government that the Conservative government continued. I believe 44 per cent was due to loss of income. The loss of income is due to the tax breaks of the former Liberal government that the Conservative government continued and only 6 per cent was due to increased government expenditures of which only 2 per cent was due to increased social spending. This is a study by Statistics Canada on the cause of the debt.

We have to increase our revenues. In other words we have to plug some of the tax loopholes. I encourage the government to continue to look at that but also we have to get people back to work.

The free trade agreement killed over 400,000 jobs. NAFTA is going to kill more jobs. Since coming into power the government has increased the tax on employment, discouraging employment by increasing the UI premiums. Second, it has ratified the NAFTA which is going to create more unemployment. How can the government in fairness state that creating more employment and therefore more revenues is its central concern when in fact the record so far indicates it has taken the opposite direction?

(1640)

Mrs. Stewart (Brant): Mr. Speaker, I would like to comment particularly on the unemployment insurance issue. I believe that the Minister of Human Resources Development has taken a very responsible approach to the UI increases. We have a debt in that bank. He took a minimum increase and froze it for two years. Hopefully our businesses can use that stability to help plan for the future.

With regard to NAFTA, I think we can compete. In my community we are currently working very hard to develop new economic clusters we believe will revitalize our economy.

I am certainly very much a part of the Liberal strategy that says debt and deficit management come from three areas, spending cuts, increased revenues, but most importantly economic growth.

Hon. Jean J. Charest (Sherbrooke): Mr. Speaker, I also want to make a comment and ask a question of the member for Brant. First I want to offer her my congratulations on her election to this place and for her speech and comments.

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I want to get the reaction of the member for Brant on some information released yesterday by the Canadian Life and Health Insurances Association of Canada, which voiced some concern about federal taxation of group health and dental insurance.

The information put forward yesterday was to the effect that the government is seriously considering taxing group health insurance and dental insurance. This insurance is paid by employers in a lot of instances for about nine million working Canadians. It benefits about 20 million Canadians, I understand, according to the information, families across this country who receive these benefits.

My understanding is that this would be a pretty important tax grab. The association has offered some numbers from its research. It indicates that for a worker who has no dependents earning \$25,000 per year the impact of this tax measure would be about \$275 a year in additional income tax. It goes on to say that a family with one bread winner who earns about \$40,000 a year would pay \$425 in additional income tax on the same taxable benefit.

I will just finish the quote: "For a two income household with \$80,000 a year it would be \$700 more in additional taxes a year". That is a pretty big increase, even for retired people.

My question for the member for Brant is the following. If there is going to be a debate in this country about health insurance and how we apply it, and I understand that is what the government intends to do, would it not make more sense to have the people and employers involved in the industry participate in that debate before such a dramatic tax grab takes place that will affect 20 million people and nine million working men and women?

Mrs. Stewart (Brant): Mr. Speaker, I do not pretend to speak on behalf of the Minister of Finance. I cannot say that is going to be part of the budget. I will only reiterate his comments that he will develop a fair and equitable budget. I have every confidence in his ability and his commitment to do that.

* * *

MOTION TO EXTEND HOURS OF SITTING

Mr. Peter Milliken (Parliamentary Secretary to Leader of the Government in the House of Commons): Mr. Speaker, I am sorry to interrupt the proceedings, but I think you will find there is unanimous consent of the House for the following motion:

That the ordinary hour of daily adjournment be extended to 10 p.m. this day and that during the extended sitting no quorum calls or dilatory motions shall be received by the Chair.

(Motion agreed to.)

PRE-BUDGET CONSULTATIONS

The House resumed consideration of the motion.

Mr. Pat O'Brien (London—Middlesex): Mr. Speaker, before I begin my first speech as a member of Parliament, may I first congratulate you on attaining your important position of responsibility. I assure you of my full support and co-operation as we strive to do the people's business in a more orderly and decorous manner.

(1645)

No doubt everyone will understand that my first thoughts are of my wife, Evelyn and our three children, Mark, Laura and Carl. During my 13 years of service as an elected representative in the municipal government of London, Ontario and now as the member of Parliament for London—Middlesex, I have always enjoyed their full love and support. I wish to thank them most sincerely.

As you well know, Mr. Speaker, the adventure of democratic politics is never a solo flight for no one achieves public office without the help of many people: family, friends and acquaintances alike. I wish to thank publicly in this House the army of dedicated volunteers who worked so indefatigably on my campaign and whose efforts produced the most decisive victory ever in the history of the riding of London—Middlesex.

To all of the people of our riding, to the 54 per cent who did support me and to those who did not: I pledge to you my very best efforts to represent you at all times with honesty, integrity and hard work. I am indeed honoured to be your member of Parliament in this the 35th Parliament of Canada.

My riding is most definitely a challenge to represent given its geographic size and the diverse heritage of its peoples. Indeed, in many respects it is almost a microcosm of Canada itself. Eighty per cent of our people live in the urban areas of east and south London, while the remaining 20 per cent make their homes in the very productive rural and agricultural settings of the four townships of Biddulph, London, West Nissouri and North Dorchester.

Demographically, London—Middlesex is an interesting riding encompassing peoples of many cultures, languages and religions. Although primarily of a sturdy Anglo-Saxon character, it is home to such fascinating peoples as the many descendants of the historic Irish pioneers. After World War II many Dutch, Italian and Portuguese immigrants came to our area and worked very hard for a better life. Most recently, significant numbers of Arabs and Poles, as well as Croats, Caribbeans, Southeast Asians, East Indians and Chinese have all made their important contributions to our communities.

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As is fitting in this great nation we call Canada, some of our people are French Canadians who, though not many in number, are both proud to be francophone Canadians and are determined that this blessed land must stay united.

Economically, the range of activities in my riding includes many different types of farming on some of Canada's richest soil, a plethora of small businesses of every type imaginable, several major industries such as General Motors Diesel and 3M, and such important institutions as Parkwood Hospital, Fanshawe College and London's airport.

It is in juxtaposition to this description of my riding that I now offer my synthesis of the opinions and concerns of my constituents as well as my personal views on the state of the economy and possible budgetary decisions to deal with the crisis.

Having consulted widely with my constituents of London—Middlesex, which included a public pre-budget roundtable forum held in London last week along with my colleagues, the hon. member for London West and the hon. member for London East, I have received a very clear message that our government must do its utmost to encourage the creation of jobs while at the same time taking difficult decisions necessary to reduce the national deficit and debt. A balanced approach is the key to a true economic recovery.

In the field of taxation, it is readily apparent to middle income Canadians that they bear an unjust share of the tax burden in this country. The majority of my constituents favour the elimination of tax loopholes for wealthy individuals and corporations in order to create a more equitable tax structure. Across the board tax increases however would be beyond comprehension at this time.

It is a real concern to many that severe restrictions on RRSP contributions and the elimination in one fell swoop of the capital gains exemption could be unduly punitive and could actually slow our economic recovery.

I have heard the clarion call to establish better priorities for government funding as part of the overdue effort to reduce the national deficit and debt. Surely no priority can be more urgent than the need to invest our tax dollars wisely in the children and youth of Canada. To sell young Canadians short is to condemn this nation to a future of mediocrity, to a future in which Canada would experience horrendous social problems.

(1650)

It is my personal view that one enormous problem dominates the economic landscape. That is the devastating unemployment crisis and the desperate need for new jobs. Yes, we must slash the deficit and the debt. Yes, we must make our system of taxation more equitable. But any so-called economic recovery which discards hundreds of thousands of Canadians onto the scrap heap of indefinite idleness is no recovery at all.

A Liberal government true to its principles can never accept the economics of indifference which preaches that 5 to 7 per cent unemployment constitutes full employment. We must never write off even one of our fellow Canadians as a faceless statistic for whom we offer no hope. Like many of my hon. colleagues in this House I have seen the human face of these unemployment statistics day after day in my constituency office. It is a face etched with fear and despair. Women and men, young and old, the highly educated and the unskilled, too many Canadians are crying out for the dignity of daily work and a chance to earn a decent living for themselves and their families.

Unfortunately, the cruel reality of our unemployment crisis offers no quick fixes, no easy solutions and no panaceas waiting to be discovered. But let us at least begin.

As a Liberal, one of my fundamental beliefs is that government must play a role in partnership with the private sector if Canada is to pull out of this economic nightmare. To deny that is to deny the lessons of history. And so let us with heroic hearts and strong in will strive, seek and find a better economic course for all Canadians.

In closing, as the member of Parliament for London—Middlesex, I pledge my best efforts to join in the fight to help create a new and better Canada.

[*Translation*]

Mr. Ghislain Lebel (Chambly): Mr. Speaker, I heard the speech made by the hon. member opposite and I basically agree with him, except that I am about to turn 50 and all previous governments have invoked tax fairness to impose new taxes again and again to all taxpayers, always in the name of tax fairness.

My question is twofold: first, tax fairness and, second, the creation of steady jobs. I remember that from 1982 to 1987, in Quebec, and the situation was probably the same elsewhere in Canada, we did not wait for the chicken to lay the egg: we went and got that egg while it was still inside the chicken. In other words, we found all kinds of incentives to stimulate the creation of temporary jobs. So much so in fact that recovery in the construction sector in Quebec is currently at an all-time high.

Does the hon. member have a suggestion to promote the creation of steady jobs, and can he give us his views on tax fairness? I am particularly curious about lowering the ceilings for registered retirement savings plans, as well as eliminating the capital gains exemption. I wonder if the hon. member could answer that question.

[*English*]

Mr. O'Brien: I thank the hon. member for his two-part question.

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Dealing with the job creation situation, obviously he is aware of the infrastructure program of the new government. We hear criticisms of it. I heard criticism of it during the campaign and still hear it, but not from many of the unemployed I might add. Frankly, I can say that having come from 13 years in municipal government it is applauded coast to coast to coast in this country by municipal leaders of every political stripe. So that is a major step in the right direction.

Obviously we recognize that the private sector will and should create most employment in this country. The infrastructure seeks to look for a partnership with the private sector to help do that.

In terms of the second part of the question dealing with tax loopholes, quite frankly the statistics will show that since 1984 under the previous government those earning high incomes, in the top 3 per cent in this country, paid less in income tax. To me that is fundamentally unfair and immoral. It must stop. I am confident the Minister of Finance will do everything possible to address that what has to be the ultimate inequity.

(1655)

Hon. Audrey McLaughlin (Yukon): Mr. Speaker, I would like to congratulate the member for London—Middlesex on his remarks, particularly to show this House that perhaps we are not going to hear the nonsense and clap-trap of the previous government about a jobless recovery because there is no recovery unless there are jobs for people and unless we can really have people back working again. I congratulate him on addressing that very profound question of jobs in our community and in our country.

Would the member go beyond just simply saying that we do need jobs and really put that into action by having his government put forward specific targets for the reduction of unemployment which we could debate in this House? I would like to see this.

I would like to know the member's reaction to having the government come forward and being accountable to the people by saying: "Here is our target not just for the reduction of the deficit"—and I agree the deficit is a problem—"but here is our target to reduce unemployment. We are going to put it before the House, we are going to defend that target and we are going to have a debate on it". Does the hon. member think that would be a useful thing for his government to do?

Mr. O'Brien: Mr. Speaker, I thank the member for Yukon for her kind good wishes, her remarks and for her question.

I think that small / liberals, the two of us, are probably of very like minds on this very question. Sure, the deficit is important and has to be slashed. I fully agree that any so-called recovery which leaves hundreds of thousands of Canadians unemployed is simply not a recovery by my definition of the word.

I fully support the idea that one ought to have specific targets to try to reduce that unemployment level just as our party has laid out specific targets in wanting to reduce the deficit. It is a logical suggestion and a good one. I will pass it on to the Minister of Finance.

[Translation]

Mrs. Dalphond-Guiral: Mr. Speaker, I rise on a point of order.

The Acting Speaker (Mr. Kilger): The hon. member for Laval Centre on a point of order.

Mrs. Dalphond-Guiral: Mr. Speaker, I want to inform the Chair that, from now on, members of the Official Opposition will make 10-minute speeches, followed by a 5-minute period of questions and comments.

The Acting Speaker (Mr. Kilger): Thank you. Resuming debate. The hon. member for La Prairie.

Mr. Richard Bélisle (La Prairie): Mr. Speaker, this debate on government finances is extremely important for all Quebecers and Canadians. I am particularly pleased to participate in this exercise and I want to take this opportunity to thank the Minister of Finance for having made this debate possible today.

As the member for La Prairie, I have the honour of representing in this House the citizens of Brossard, Candiac, La Prairie and Saint-Lambert. These people are middle-class workers. They have worked very hard to get what they have and they often find it revolting to see political leaders and elected politicians unable to control the public debt and the budget. They are annoyed because, in many cases, they have saved every dollar by not going over their weekly budget and, more importantly by not relying on other people's money, money which is not theirs and which leads to debt and dependency, as is the case for Canada right now.

The lack of control over government finance is reflected by the fact that from 1960 to 1994, the debt-to-GDP ratio in Canada went from 34.6 per cent to 71.8 per cent. This means that the debt increases faster than the government revenues which could be used to pay off that debt. While the debt-to-GDP ratio is an indication of the scope of the problem inherited, the evolution of the deficit versus the GDP enables us to find out when, over a period of time, the federal debt simply grew exponentially.

(1700)

Between 1970 and 1984, the deficit as a percentage of GDP rose from a negative balance of—0.3 per cent—in this case, a minus sign means a budget surplus so in Canada, in 1970, we had a budget surplus—to 8.1 per cent, which was exceeded only in 1985. So in 1984, this percentage peaked at 8.1 per cent. Subsequently, the ratio gradually declined to 4.5 per cent and then rose to 6.2 per cent in 1994, under the new government. In other words, the Liberals have been mainly responsible for the deterioration of public finances in Canada. The Liberals are

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responsible for the ensuing expansion of the public debt, and they mismanaged the impact of the oil crises in 1973 and 1980.

The Bloc Québécois is aware of the need to revamp public finances. We must stabilize the debt/GDP ratio over time. However, we cannot increase the tax burden on a middle class that has already been severely affected by the recession and is particularly vulnerable during this period of slow and painful economic recovery.

According to the Bloc Québécois, to put the government's financial house in order means, first of all, introducing tax reforms that aim for greater fairness by eliminating tax loopholes enjoyed by taxpayers with high incomes. The hon. member for Saint-Hyacinthe—Bagot spoke at length on the subject earlier today. Second, we must reduce government spending. We believe such measures would generate greater flexibility and a potential savings of \$10 billion for the government. The aim of this budget policy is to avoid shifting the burden of federal deficit reduction to the provinces. Its aim is also to protect the neediest in our society and prevent any cuts in the budget envelope for social programs.

The Bloc's budget policy wants to strike a balance between two priorities: job creation and revamping public finances. That is why we intend to allocate the \$10 billion saved by cutting gross expenditures and tax spending as follows: \$5 billion would be allocated to job creation and \$5 billion to reducing the deficit.

Our plan to reduce spending consists of two parts: first, a \$3 billion cut in the defence budget. The budget of the Department of National Defence for 1993-94 totals nearly \$12 billion. The budget breaks down as follows: \$9.1 billion for operating expenditures, \$2.9 billion for capital expenditures and \$356 million in transfer payments. Our proposed spending cut represents 25 per cent of the current budget of the Department of National Defence.

The remainder of our expenditure reduction policy is about eliminating waste and poor management. The hon. member for Joliette discussed this at some length this afternoon. Eliminating duplication of services by provincial and federal governments would, we believe, generate a potential savings of \$2 to \$3 billion, while duplication among various federal departments would also be a prime target. Operating expenditures of departments and federal agencies would be cut as well.

Incidentally the government's gross operating expenditures totalled nearly \$35 billion, or 27 per cent of gross program spending, in the 1993-94 Estimates. Some departments have relatively high operating expenditures: Public Works, 10 per cent; Transport, 6 per cent; National Revenue, 6.5 per cent; RCMP, nearly 5 per cent; Supply and Services, 3 per cent.

Our policy for reducing operating expenditures also aims to increase the relative size of government capital spending in relation to operating expenditures. Capital expenditures help generate income for several years because these are investments. No more borrowing money to pay the groceries. We also have to change the nature of the government's capital expenditures.

In the 1993-94 Estimates, more than 53 per cent of gross capital spending was for the Department of National Defence, mainly to purchase warships and weaponry. The Bloc Québécois feels this kind of investment is not very productive.

(1705)

With respect to managing public expenditures, the Bloc Québécois also advocates a thorough evaluation of government spending programs. Program evaluations address three needs. The information gathered is used, among other things, to help make decisions about resource allocation, to help Quebecers determine the value obtained from their tax dollars and to enable public servants to take responsibility for results rather than process.

I would also like to point out that departments spent only \$28.5 million of the overall government budget on the program evaluation function in 1991-92. The central branch reporting to the Office of the Comptroller General spent only \$2.9 million on evaluation.

It should also be noted that two major problems, one quantitative and the other qualitative, are associated with the evaluation of government programs. As for the quantitative problem, it is worth noting that in 1989-90 and 1991-92, expenditures related to program evaluation fell by 28 per cent. In fact, the number of program evaluations has been declining for the past seven years, that is since 1987-88. Since that time, 99 program evaluation reports have been produced, whereas in 1991-92, only 90 evaluation studies were produced. That is very few indeed and the number is steadily declining.

Government expenditures for 16 programs totalled \$124.5 billion in 1991-92. Only two of these programs were the subject of a thorough evaluation. Not enough attention is paid to major programs. Evaluation studies conducted over a seven-year period covered approximately 24 per cent of the government's program expenditures in 1991-92.

Thus, if we take into account expenditures on servicing the national debt, only 18 per cent of expenditures were in fact covered in the last seven years. Evaluations did not focus on the most expensive programs. It is estimated that the rate of coverage of programs with expenditures of over \$250 million is less than half that of programs spending \$250 million or less. In short, the number of evaluations is steadily decreasing. Very few have been conducted and those that have been cover programs with smaller expenditures.

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As for the qualitative problem I referred to earlier, by locating the evaluation units in the departments, the immediate needs of managers take precedence over the needs of government and the interests of the general public. When questioned by the Auditor General, those responsible in the departments for the program evaluation function responded that in their view, the main purpose of an evaluation was to help management solve operational problems. Thus, they are overlooking the essential purpose of program evaluation which is to assess the efficiency of programs and call them into question if necessary, all in the interest of ensuring optimal resource allocation.

It should be noted that this kind of information would be most useful to Parliament in helping it decide how best to allocate resources and to the public in helping it rate the government's performance. The fact of the matter is that evaluations cover only operational matters, not those aspects relating to the relevance or cost-effectiveness of programs.

Evaluations cover only portions of programs or small-scale programs. There is no systematic process in place for evaluating programs affecting more than one department. We in the Bloc Québécois find the situation within the federal government with respect to program evaluation totally unacceptable. The President of the Treasury Board and the Minister of Finance must take action as soon as possible to remedy the problem.

The information that could be culled from well-produced program evaluations would be very useful to parliamentarians. Indeed, it would make it possible to identify successful programs which no longer produce the desired results and which could be replaced by more efficient ones.

Given the size of the deficit and the to say the least anemic economic recovery, it is critically important that existing resources be allocated and utilized as efficiently as possible. Program evaluation becomes an essential exercise under the circumstances. Without effective program evaluation, the government is simply not in a position to allocate in the best possible way the financial resources it receives from the taxpayers. Parliamentarians are being asked to work in the dark and to allocate resources without knowing all the facts.

(1710)

According to a study made by the Auditor General, proper program evaluation can result in significant savings. For example, in 1990, the Department of Finance carried out an evaluation on the effects of the Cape Breton Investment Tax Credit. Since the study indicated that the program was not doing what was expected of it, it was abandoned. This tax measure involved more than \$500 million in tax revenue foregone during the

period it was in effect. The loss in revenue would have continued to accrue while this inefficient program was allowed to go on, which is why it was abandoned.

The people would benefit from better program evaluation and would also be able to assess the performance of their elected representatives, which would help to improve democracy.

In conclusion, I would like to say that, in order to avoid waste and to optimize the allocation of tax resources, the Bloc wants all programs to be subject to an evaluation process and the civil servants in charge of program evaluation to report directly to a Standing Parliamentary Committee on Program Evaluation. The officials in charge of these programs have to be accountable to Parliament and justify the allocation and use of public resources on their programs.

Hon. Jean J. Charest (Sherbrooke): Mr. Speaker, allow me to congratulate the hon. member for La Prairie on his comments and on his election. This is the first time I have the opportunity to do so since he became a member of this House.

His comments on program evaluation are interesting. I urge him to pursue these issues with the chairpersons of the various committees, because these people can undertake program evaluations and they do so in a larger context than is possible for the Auditor General, and even with the departments themselves, as I and other members opposite have seen in the past; indeed, there are numerous opportunities to do so.

In any case, I have a question for the hon. member and I would like to know the position of the Bloc Québécois on a statement made yesterday by the Canadian Life and Health Insurance Association, which suggests that the federal government is considering taxing group insurance benefits, as well as health and dental insurance benefits. Such a measure would have an impact on some 20 million Canadians and would directly affect nine million workers across the country.

Using its own data, the Association indicated that a person with no dependent and an annual salary of around \$25,000 would have to pay \$275 more per year in taxes. A family earning about \$40,000 a year would face a tax increase of \$425. Similarly, a family with two salaries totalling \$80,000 a year would have to pay \$700 more in taxes if, in its next budget, the federal government decides to introduce this measure.

I want to put this in the appropriate context, so that the hon. member for La Prairie can give me the Bloc Québécois position on this issue. This measure would be introduced while we anticipate a very comprehensive debate on health care in Canada and, I suppose, on the role of the federal and provincial governments, the private sector, the taxpayers, and so on and so forth.

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Does the member not find it alarming that this measure could have such serious consequences on the budget of every individual and family? Does he not find it even more alarming that the government is proposing a comprehensive debate on health care but would introduce such a measure before even holding that debate?

Mr. Bélisle: Mr. Speaker, I thank the hon. member for Sherbrooke for his question.

The position of the Bloc Québécois on this matter is that poorer Canadians are protected by universal social programs. People who want more protection can contribute to a private supplementary plan, and that is what they do. As I was saying earlier, my constituents are mostly middle-class people and they already are the most heavily taxed. By taxing those insurance premiums, the Liberal government would be increasing, in a covert way, the tax burden of middle-class Canadians.

(1715)

We, in the Bloc Québécois, are totally opposed to this covert way of taxing even more heavily middle-class taxpayers who already carry most of the tax burden. There has been a lot of talk about tax shelters. Canadians with high incomes can use tax shelters to avoid paying thousands of dollars in taxes.

The disadvantaged are protected by a series of social programs and, often, it is the middle-class people who find themselves in the middle of the social or economic pyramid and who have to shoulder all the burden. As I said earlier, we, in the Bloc Québécois, are totally opposed to this covert way of taxing even more heavily those who already pay most of the taxes.

Mr. Pierre Brien (Témiscamingue): First of all, Mr. Speaker, let me say that the subject we are debating today is one of great concern to me. The present state of Canadian public finances threatens certain established social programs and affects individuals as well as businesses.

One of the main reasons for this debate is the urgent need for action in that area. New policy directions must be laid on the table. I would like to say that the decisions we will be making in the next couple of years will determine our future, especially for the people of my generation. In spite of the fact that, in some regards, we have enjoyed many services and a relatively comfortable life, what we have inherited has all the appearances of a heavy burden that does not make the future look very bright for us.

When you combine this cumbersome debt with a tight job market for young people, you can easily understand part of the reason for their despair.

I want the members of this House to know that it is through the eyes of the young generation that I will judge the actions of this government over the next few years. Its decisions will have to reflect a real concern for the long term.

Pre-budget consultations have often given Ministers of Finance an opportunity to put forward, concerning their forthcoming Budget, ideas about which they had already made up their minds. Take the idea of eliminating the \$100,000 capital gains tax shelter. Several people were able to take advantage of this shelter and have already reached the limit. So, they will not be the ones affected in the future, but rather it will be the young generation. Either this shelter will not be available to them or they will not be able to take advantage of it in the future.

I simply want to make it clear who will in fact be affected by the proposed measures. We will be called upon to contribute significantly to solving the public finance problem in the future and we are prepared to do our share starting now, but there is a need to identify—and rightly so—who will be affected by the measures put forward.

Moving to the main thrust of my remarks, three approaches can be contemplated to solve the public finance problem: expenditure reduction, higher revenues or lower refinancing of the debt. Of course, the best course of action would be a combination of these approaches. I will only deal with revenues.

The Liberals, in their famous red book, and the Conservatives before them, based their deficit reduction estimates on the expectation that the economy would grow in the years to come. The Prime Minister referred to this during question period today.

We are all looking forward to a recovery in the not too distant future, but it is far from certain that governments will be able to raise as much money as they expected during this growth period. Let me explain.

In the past, a 1 per cent growth in the economy used to produce a 1.5 per cent increase in government revenues. Today, a 1 per cent growth in the economy or its leading indicator, the Gross Domestic Product, produces a mere .5 per cent increase in revenues.

We can clearly see a big problem looming on the horizon. Let us take the current year. The Minister of Finance estimates that the current year deficit will be \$12.4 billion higher than was forecast in the March 1993 Budget. It must be noted that 72 per cent of this deficit is due to an unexpected shortfall in revenue. An analysis of the first seven months of the year provides valuable insight. During this period, government revenues fell 5.7 per cent, as compared to the same period last year. And there is cause for concern due to the fact that this drop occurred as the Canadian economy was recording a slight growth.

Also, the 1993 Budget forecast that the growth in revenues was going to keep pace with the increase in the Gross Domestic Product over the following five years. I guess I do not need to tell you that much will have to be done to readjust these forecasts.

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How can such a situation be explained?

(1720)

Obviously, the first explanation that comes to mind is the extent of the underground economy. The Minister of National Revenue himself said soon after the election that he estimated this underground economy at \$56 billion, a conservative estimate according to some analysts. The underground economy accounts for close to 15 per cent of economic activity and comes a lot closer to \$100 billion.

To illustrate how dramatic this is, last November Gallup asked Quebecers and Canadians whether they had participated in the underground economy in the last 12 months. In response, 33 per cent of Canadians and 42 per cent of Quebecers admitted having paid cash to avoid paying taxes. Two words explain this reaction: fairness and equity. People feel that the way the government collects revenues is unfair and inequitable.

Let us look at personal income tax: this year's receipts from personal income taxes are \$1.1 to \$1.5 billion lower than forecast in the 1993 Budget. People feel overtaxed. In the last few years, we have gone beyond tax effectiveness, especially for the middle class.

The GST was the last straw. It is clear that government revenues can only increase through higher income tax levels for the middle class, directly or indirectly.

The dissatisfaction of the middle class is understandable when we look at a few figures. In 1991, 368,000 people reported revenues of \$60 billion, for an average personal income of \$163,000, on which they only paid 18 per cent federal tax while the basic taxation level in this category is 29 per cent. On this point, the Bloc intends to press the government to eliminate tax shelters benefiting high-income taxpayers.

Let us move on to the taxes on corporate profits. Revenues from corporate taxes are very sensitive to economic activity since corporate profits are less stable than personal incomes. This year's corporate tax revenues are about \$850 million lower than forecast in the 1993 Budget. The Finance Minister told us during today's question period that the next few years will not be easy in this regard, since many businesses will be allowed to carry forward the losses incurred in the last few years.

Individuals often complain that many companies in Quebec and Canada do not pay taxes on their profits. Let us look at 1987, a year of strong economic growth, when 90,000 Canadian and Quebec businesses made \$27 billion in profits without paying a single cent in tax. That is one reason why Canadians are unhappy.

To prevent such unfairness in the future, the government should impose a minimum tax on corporations. It would then be

able to collect a minimum level of taxes from profitable businesses even if they try to avoid paying taxes through tax shelter strategies. A global solution to the debt problem calls for involving businesses in this collective effort.

A few words on auditing. Auditing is one element of revenue collection that should be improved. A significant part of the economy avoids taxes because of fraud or of errors made by taxpayers in their tax returns. In fact, in a 1990 study the Department of National Revenue estimates at \$1.2 billion the potential supplementary contributions. Additional audit measures taken in the past produced promising results. We should think about doing more in this respect in the future. We must not only reinforce auditing but also simplify taxation, which has become so complex that its effectiveness is affected.

In conclusion, Mr. Speaker, to help the government avoid losing significant revenues due to incorrect or fraudulent returns, the Bloc Québécois thinks that the Department of National Revenue should have better resources available to audit returns, as the Auditor General has been proposing in his reports for the last few years.

I would like to say a few words on the infamous GST. The revenues from this source will be almost \$1 billion lower than forecast in the 1993 Budget. Moreover, this tax is so complex that arrears will amount to between \$800 and \$900 million in 1994 according to the data in the Auditor General's last report.

The GST replaced another tax. Its advantage is that it is a value added tax. From an economic standpoint, this type of tax is more efficient as it does not affect the relative costs of resources to the same extent. Nevertheless, administering it is very complex, both for the government and for businesses, especially small ones. The fact that 576,000 registered GST collectors have not produced all their returns illustrates this point well.

(1725)

The Prime Minister promised to replace it with another tax by 1996, but that target date is too far off. We must start to work now to replace it much sooner. People are expecting results on it quickly and we will have to act much more speedily. People are expecting results soon and the whole administrative aspect of this goods and services tax will have to be improved. We definitely intend to press the government to keep its election commitments and to keep them sooner.

One final point on sources of revenue, namely excise taxes other than energy taxes. Of course, this means taxes on tobacco, alcoholic beverages and jewels. Everyone now knows the extent of smuggling. Although taxes on products which affect health are justified, cigarettes taxes and the whole tax system have contributed to creating a monster in our society today.

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A fast way to end smuggling must be put forward and this solution must involve lower taxes. Control must also be tightened and the same standard of justice must apply to all. Nothing prevents the government from pursuing a plan to fight tobacco consumption and to discourage tobacco use especially among young people and even including this plan in its strategy. We must realize that the smuggling problem is very serious and does much to undermine the confidence people have in our institutions.

In conclusion, the recovery will not do as much as believed to improve the government's finances. The reason is simple: the underground economy and people's lack of confidence in the whole system, the whole Canadian tax system. This underground economy is growing out of this lack of confidence and especially because of two words that I mentioned previously: justice and equity, on which a lot of work needs to be done in the future.

The balance between individual and corporate taxation and between the middle and wealthier classes must be restored by abolishing unfair tax shelters which are often unproductive. Audit controls must be increased and tax returns simplified. The administrative difficulties with the GST must also be resolved quickly. Finally, the problem of cigarette smuggling must be ended once and for all.

Our future and our social contract are at stake in the way the government collects revenue. Much of the mistrust of institutions, parliamentarians and people in authority and power is due to the unjust, unfair tax system. It is time to move and the government must improve efficiency in the management of public funds.

Mr. Don Boudria (Glengarry—Prescott—Russell): Mr. Speaker, I listened carefully to the comments made by the member opposite, and even though I seldom agree with the Bloc Quebecois members, I must say that I share his feelings regarding the need to put a stop to smuggling. Needless to say that, as the member representing the riding of Glengarry—Prescott—Russell, which includes Akwesasne, I will fully support any measure which might be taken, and which I hope the federal government will take soon to eliminate contraband. I do hope we will convince those stubborn members of the Ontario Legislature that the problem is not one which exists exclusively in Quebec, or in a region of Canada called Quebec, to use the words of Fred Laughren, the Treasurer of Ontario.

Two other comments were made by the hon. member and I want to ask him a question on those. The member referred to the issue of streamlining income tax returns. It just so happens that today I contacted Revenue Canada about something currently allowed in the tax return, namely the possibility of contributing or overcontributing to a registered retirement savings plan. As the hon. members know, we and our constituents all have the option of making an overcontribution of up to \$8,000 to an

RRSP. However, Revenue Canada has currently no way of keeping tab of these overcontributions, unlike, for example, in the case of the capital gain exemption, for which a cumulative total is calculated, thus enabling Revenue Canada to know whether a taxpayer has used \$25,000, \$30,000, \$35,000, \$40,000 or more of the total tax-free capital gain. However, such control does not exist for overcontributions made to a registered retirement savings plan, and I wanted to point this out to the members of this House. As for simplifying tax returns, I think that rather than being an area requiring streamlining, it is one where we need to keep data which are not currently being kept.

(1730)

Finally, the hon. member opposite tells us that we cannot replace the GST in two years because it will be too late. Are we then to conclude that when this House asks its members to refer the GST issue to the Finance Committee, we can expect a quick and even a unanimous approval from the Bloc Quebecois, so that this review can be completed and a recommendation can be made as quickly as possible to the House?

Mr. Brien: Mr. Speaker, I thank the member for his very long question.

I would like to mention, first of all, that he said he agreed with me on the smuggling issue; I hope he agrees with me on the other points of my speech, particularly as regards tax breaks.

The member said we should consider another very special measure, that is to keep a record of overpayments or overcontributions to RRSPs. As you know, it is for such reasons we have, for a long time, requested the creation of parliamentary committees who would study public expenditures, including tax expenditures. It would be a pleasure to hear such comments through these committees and to participate in the proceedings.

The last point in the member's question dealt with GST. Naturally, we will be happy to proceed diligently, provided, and I want to stress this point, provided we work towards replacing this tax with one that will be more efficient, that will respect this and that will not be, contrary to what we heard during the campaign, a hidden tax which could be much higher.

I ask the member, in that context, to convince his prime minister not to implement a hidden tax, but a visible one so that people can trust our tax system; if that is the case, the opposition will be happy to co-operate.

[*English*]

Hon. Audrey McLaughlin (Yukon): Mr. Speaker, I am pleased to speak in this very important debate today. I have over the past couple of years had a number of meetings with my constituents in the Yukon during which we have discussed details of a budget and what kind of society and what kind of Canada we want to live in.

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I want to make the point at the outset that a budget is more than simply figures. It indicates whether we will have the hallmarks of prosperity or whether we will have the seeds of economic stagnation.

I have been here for pretty well all of the debate today and I remind members of this House that I have not heard anyone refer to the fact that we have to look at this budget in terms of being able to accomplish the tasks that are outstanding in Canada as well.

Regarding the resolution this House took unanimously in 1989 to eliminate poverty by the year 2000, I hope the House will rededicate itself to that goal and this budget will be the beginning of that. Also, to accomplish the goals to which we as Canadians and the New Democratic Party are committed which are to ensure that Canada's First Nations are truly and fairly dealt with and that there is funding available because it does cost money to complete the very important land claims and self-government negotiations which must take place in this country.

On the specific areas of the budget there are three that I want to briefly touch on in the time that I have; namely, taxation, debt and deficit and employment creation.

The first is a fair taxation system. The middle class is overburdened. We certainly do not need to see a whole raft of new taxes to cause further cynicism in our population about our tax system. To deal with that cynicism we also have to deal with the inequities and the fact that individual Canadians are now paying a far greater proportion of the tax revenue than corporations and that many wealthy individuals have the opportunity to avoid paying taxes.

We urge the Minister of Finance to bring in a fair and equitable tax system. I want to give several examples of how that could be done. The first is in terms of closing costly tax loopholes and making the system fair.

(1735)

The government can look at such things as the business entertainment deduction which costs hundreds of thousands of dollars to Canadian taxpayers. While some people cannot even afford a lunch, I am not sure that people should be privileged to be deducting their high cost lunches at taxpayers expense.

Mr. Taylor: A very good idea.

Mr. Solomon: Two martinis.

Ms. McLaughlin: There are other such things that the government can do in terms of the family trusts, those trusts that allow the rich to shelter their income from the tax revenues. Clearly a fair tax system does not allow this.

I must say in the last Parliament the members opposite in the Liberal government were not outspoken against the previous government's attempts and legislation to even extend the period of time that these family trusts would be exempt from taxes.

I challenge the Minister of Finance to show a new path and to show that we are really prepared to deal with this element of tax fairness.

Mr. Taylor: Hear, hear.

Mr. Solomon: Hear, hear.

Ms. McLaughlin: Certainly the area of tax expenditure that is not helping the majority of Canadians is that we should reduce the upper limits on the RRSP contributions. We feel the RRSP program is important but if we reduce the upper limitations which right now are basically directed to those making \$90,000 a year we would bring more fairness into that particular area.

A minimum corporate tax is absolutely essential. We still have over 63,000 profitable corporations not paying one cent of tax. We cannot ask individuals to do more and continue to allow those profit making corporations to do nothing.

Some hon. members: Hear, hear.

Ms. McLaughlin: On the debt and deficit question I think we must take a minute to look at how we got in this mess in the first place. As was said, we are doomed to repeat history if we do not pay attention to what has happened. It is true that in the 1970s many of the tax measures of the previous Liberal government did begin to create the inequities that we see and lead to this gap which meant that we began seeing an ever increasing debt.

In the following years subsequent governments and the previous government over the last nine years implemented monetary policies which dealt only with controlling inflation, ignoring the effect on rising unemployment.

They brought in a North American free trade deal and the free trade agreement with the United States which cost Canadians hundreds of thousands of jobs leading again to decreased revenues.

Look at the monetary policy of the past government, the effect of bad trade deals on employment and decreased generation of revenue. It was disappointing that the Liberal government decided once coming into power that it would continue those two regressive monetary and trade solutions.

An hon. member: It embraced Mulroney.

Ms. McLaughlin: At the same time after the Liberal government embraced the policies of the previous Conservative government in terms of trade and monetary policy, I want to remind the government that one of the things that lead again to increasing debt and deficit was the implementation of the goods and

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services tax at a time when we saw decreasing revenues from employment and high interest rates devastating the agricultural sectors, small business and on top of that they got the GST.

We in this party have fought long and hard for tax fairness. We believe that the goods and services tax is certainly a tax measure which has not only not worked but has increased the economic recession that we are in at this time.

Finally, on the whole issue of employment, without an employment strategy, without a clear industrial strategy we will never deal with the structural problems of debt and deficit. The fact that we see decreasing revenues is directly related to increasing unemployment statistics. Every unemployed person in this country costs the federal revenue \$17,500 a year. If you take 1.5 million people unemployed that is something like \$26 or \$27 billion a year that we are losing in revenue because of unemployment.

(1740)

It is time for parliamentarians and this government to say that Canada cannot afford unemployment. That is what we cannot afford. The social and human costs are far too great and the economic costs are devastating this country.

Mr. Solomon: Right on.

Ms. McLaughlin: I therefore want to urge the government to implement programs that will be an investment in our future such as research and development, the education of our young people, retraining for those who are displaced in the work place.

I would also say that we in our own job creation plan have supported an infrastructure program and think it is very important but there are two kinds of infrastructure. There is the physical infrastructure of highways, roads, municipal services and information technology, and there is also the social infrastructure. If we ignore the fact that the social infrastructure is a part of our economic system we will have missed the point.

I urge the government to ensure that the social infrastructure of education and health care is maintained at a level which will be important for our country. On that point, I would like to specifically mention the need to go forward once and for all with a national child care program so that parents can work and the children will have an opportunity for the responsible care that is in the interest of our future citizens.

Mr. Taylor: Hear, hear.

Ms. McLaughlin: There are many things that the government can do in this budget. We all must be cognizant of the reduction of expenditures. When it comes to following the Auditor General's report, I hope this government will do better than the previous one which seemed to simply ignore it. I urge the

government to look at the recommendations in this report. They are very clear and can be acted upon now without further major study.

We must look at expenditures. We have to be prudent in our expenditures. However, we must also balance that in a fair and equitable way for all Canadians. This government has an opportunity in this budget to lead a new way, not simply to follow the regressive ways of the previous government. I urge it to do so to give Canadians hope and to get Canadians back to work.

Mrs. Elsie Wayne (Saint John): Mr. Speaker, I thank the leader of the NDP for her comments.

I have great concerns because in the city of Saint John I have 3,500 people who work at our shipyard building Canadian frigates for the government. That program will be winding down at the end of this year, 1994. On two occasions in the House I have heard my colleagues from the Bloc question the Minister of Transport, my friend from the province of New Brunswick, about the *Lucy Maud Montgomery* ferry and whether he was going to give that contract to the Davie shipyard which also needs work.

I do not have a problem with this if the contract is going to that shipyard because its workers need jobs, but I have a great problem if there is not going to be a contract for the city of Saint John shipyard. If that is the case, then I would like to know from the Minister of Transport if the *Lucy Maud Montgomery* ferry will go out to tender so that our shipyard will be able to bid on it or if there is a special contract for the shipyard for the city of Saint John. If not, I have 3,500 people at the end of this year who will be looking for work and that is a major concern.

Ms. McLaughlin: Mr. Speaker, I would be happy to answer for the Minister of Transport. We used to sit very close together on this side of the House.

I would like to address the very serious comments made by the previous speaker. While I will not answer directly the specifics that she raised, which is obviously for the government to answer, I would like to raise in part what she is referring to and has something to do with her issue and that is the whole issue of economic equity in this country and the fact that we are a large and diverse country with large rural populations as well as urban populations. It must be indicated to Canadians in the budget that the government has a true concern for every region of this country. We in the north often feel we have been left out. I know many areas of the country feel that way, that there is a lot of attention on central Canada and not so much on other parts of the country. It will be extremely important that the minister show through this budget that the government wants to see fairness and equity in economic development in every part of this country, rural and urban.

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(1745)

Mr. Jim Gouk (Kootenay West—Revelstoke): Mr. Speaker, I found myself strangely agreeing with some of the comments made by the hon. member for Yukon, which did surprise me.

However, there are a couple of points I would like to make. First of all, it was mentioned by the hon. member that it cost \$17,500 to have someone unemployed. I would hasten to point out we know by statistics that it costs \$60,000 for the government to create a job that will employ that same person.

With regard to national child care, I would like to ask the hon. member if she is suggesting a multi-tiered system which she abhors so much in the medical system in child care or, conversely, is she suggesting that we should have a national system which will allow the people she is concerned about not paying their fair share, the rich, and allow them to drop their children off so that those who really need help can have theirs free instead of helping only those who need it.

Ms. McLaughlin: Mr. Speaker, I presume the member is referring to a child care system that is universal and accessible. Those two hallmarks are extremely important in any kind of child care system.

We have proposed a national child care system that would be participatory between the federal government, the provinces and territories and those using child care service. I think that is a fair and equitable way to do it.

The hon. member who said he finds himself surprised to agree with me will want to also agree that the children of this country deserve a chance from this House.

[*Translation*]

Mr. Jean-Robert Gauthier (Ottawa—Vanier): Mr. Speaker, in the few minutes I have, I would like to talk about efficiency and effectiveness in public administration.

I tabled today, as hon. members know, a Bill which would allow the Auditor general of Canada to prepare ad hoc reports on audits conducted by his office. At the present time, the Auditor general can only table an annual report. We know that it usually is a substantial tome which captures the interest of the media for about 24 hours, 48 hours at the most, and is then forgotten. Very few people are following up on the recommendations made with respect to the management of public spending.

Yet, those reports contain many recommendations to improve public administration and save substantial amounts of money for Canadian taxpayers. If Bill C-207 tabled today is passed by this House, it could strengthen government administration. It will be more efficient and more effective if the House of Commons and the general public are better informed, on a timely basis, on the problems encountered by a large and complex administration like the federal government.

This pre-budget debate provides us with an opportunity to talk about economic recovery, job creation and deficit reduction. Some argue that in order to reduce the deficit, we have to cut spending drastically. The Reform Party wants a 6 per cent cut, an amount which would have, in my opinion, a serious and negative impact on the poor, the elderly and the less well-off.

Others believe that a reduction of the deficit can only be achieved by increasing revenues and creating jobs. I will talk in a moment about solutions which seem appropriate to me in order to reduce the deficit.

I am among those who believe that in the present situation, we must increase revenues to create jobs and ease our financial problems.

(1750)

If we want to get rid of the deficit and the debt, without compromising existing benefits and disappointing Canadians, we must act quickly.

As we all know, the federal debt now exceeds \$500 billion; it represents 70 per cent of the GDP. This year only, servicing the public debt will probably cost more than \$40 billion or 6 per cent of the GDP. The debt management program, the largest of the government administers, costs \$40 billion. The amount of taxpayers' money used to pay off what we borrow drains the economy, there is no doubt about that. Because of the debt, we cannot afford to take advantage of many opportunities for growth. The billions of dollars we spend on the debt could be put to a much more productive use. Hence, the urgency to balance our budget.

[*English*]

I believe we can grow out of our deficit. We can get out of our financial and fiscal difficulties through growth. Tough decisions will be needed. We have to be more efficient so we can be more competitive.

We are re-evaluating some existing programs at this time. Social programs are under scrutiny. Our defence and foreign policy programs will each be under public review soon. Why not evaluate some of our fiscal programs? Why not look at all government programs to ensure that they are efficiently provided and just as importantly they are effectively reaching the goals that were set by Parliament when we adopted those programs?

Our debt management program, the largest program this government administers, has never been evaluated as to its efficiency or effectiveness. This huge program should be critically examined by Parliament as soon as possible.

I can speak with some knowledge of the subject because I chaired the public accounts committee for about three years. We continually came back to the House and said it was absolutely essential that a program the size of the debt be managed as efficiently and effectively as possible. We recommended the program be subjected to that kind of program evaluation. It has

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not been and I ask the government to listen attentively to this recommendation.

We should examine the type of instruments we use to borrow; Canadian funds versus foreign funds, long term versus short term. We dipped into the employee pension funds last year to the tune of \$75 billion. This year we borrowed \$7.2 billion to pay off our deficit.

Is it the appropriate thing to do? Is it efficient? Is it effective? I do not know. I know we are doing it. I would like to have the House look at this program and evaluate it as to its efficiency and effectiveness.

[*Translation*]

We must review the government's fiscal expenditures, all of them, and assess how appropriate they are. Some of them have become tax loopholes costing the federal government several billions of dollars. Due to such shortfall in tax revenues and public mismanagement, honest taxpayers are paying increasingly higher taxes and receiving decreasing services.

I hold federal public servants in high esteem. I have a lot of respect for the loyalty and commitment of federal public servants who, as we know, were mistreated by the previous government for several years.

[*English*]

To increase the productivity of public servants we must empower them with authority, give them clear objectives, effective policies, which will then give us an efficient administration. We must insist on program evaluation in an aggressive manner, to identify and eliminate or improve programs that are less than efficient and do not respond to the needs of Canadians.

[*Translation*]

There are two ways of reducing public expenditures. On the one hand, the government could cut expenditures by a certain percentage across the board, regardless of consequences, as the Reform Party is asking. Personally, I call that the easy but stupid way out.

On the other hand, the government could and must evaluate the appropriateness of its programs and activities.

[*English*]

For a long time I have supported the principle of program evaluation. It makes it possible to know whether the *raison d'être*, the goals, anticipated and actual results and program designs are satisfactory.

If one does not do this then we are a bunch of navel gazers and will not succeed in bringing better administration to this country. When such evaluations are made public they increase the accountability of this House with the people of Canada, with government officials, by allowing the Auditor General to pub-

lish regular reports as he should to give all of us more information as to the administration of public funds.

(1755)

It is essential in the context of budgetary restraint that we have in place a good program evaluation of our administrative practices. It is one of the best ways to improve the allocation of ever scarce resources. I am not the only one who is saying this. It is in the report of the Auditor General, and I invite members to read it. That may be difficult because it is a lengthy document but it is worth while for any new member of Parliament at least to try. The report will tell you where we are going and how the administration of this government or the past government has been lacking in certain areas. It is not always easy. It requires time but I would recommend that members do read the report.

[*Translation*]

Managing the debt presents specific problems. As a percentage of the GDP, government revenues dropped from 18.1 per cent, in 1991-92, to 17.6 per cent, in 1992-93. Such a downturn is due in part to a decrease in revenues from personal and corporate income taxes.

Personal income tax accounted for 48 per cent of all revenues in 1992-93, compared to 50.2 per cent in 1991-92.

Instead of cutting public expenditures blindly, the government should protect its tax base by evaluating the efficiency, appropriateness and *raison d'être* of all tax expenditures and eliminating tax loopholes.

Before assessing how pertinent tax expenditures are, we must first ascertain whether or not they are having the desired effect. For example, in 1992, the Auditor General reported that multinationals were abusing the rules allowing them to take home profits tax-free thanks to tax havens. Hundreds of millions of dollars were lost from corporations operating abroad and bringing back non-taxable dividends. We said then that this loophole should be eliminated. I hope it will be.

In its twelfth report, published last year, the Public Accounts Committee, which I chaired, recommended that the Finance Department review the list of designated countries. It also asked that we examine if it would be appropriate to transfer home, tax free, any income of subsidiaries or divisions operating in these tax havens.

The list is very long. Some 25 countries are identified as tax havens. When we asked them to define a tax haven, they said it was a developing country. Two former committee members will be my witness on this. Do you know what a tax haven is? Any developing country. Switzerland a developing country? Sure! Bermuda a developing country? Why not? This is total nonsense. Mr. Speaker; we must examine this list, we must tighten up our practices. We must be serious in the evaluation of government programs.

The Address

I know my time is almost up, but do I have a few minutes left?

The Acting Speaker (Mr. Kilger): You will have a few minutes left for questions and comments provided you end your speech.

Mr. Gauthier (Ottawa—Vanier): I have so much to say. The Department of Finance should explain what constitutes income from active business carried on by a corporation. I wish someone would give us a clear and precise definition of what the Department of Finance means by a tax loophole, of what they mean when they talk about income from active business carried on by a corporation as opposed to "passive business". I know this is complex, but these are all food for thought if we want to really understand our duty as politicians, as members of Parliament who must manage public affairs.

[*English*]

Mr. Simon de Jong (Regina—Qu'Appelle): Mr. Speaker, I listened attentively to the remarks of the hon. member for Ottawa—Vanier. I know the member well and I appreciate the work he has done in the House.

I would like to put forward a notion and wish to have the reaction of the hon. member. This House has passed legislation on environmental review assessment. Before the government undertakes any major piece of construction there is an environmental review so that we know the impact it has on the environment.

(1800)

I have maintained in the past that before we present the budget or any changes in social policy that we have a human assessment review. Modern social statistics indicate that if poverty goes up and unemployment goes up, so do suicides, so does crime, so does alcohol dependency, et cetera. Therefore we could figure out the human costs. Before there are changes in social programs by a budget, should there not also be a human social assessment that would clearly lay out that if that measure produced so many more unemployed we would have so many suicides, so many more people in jail? In other words, lay out what the social costs will be before government undertakes any measure such as a budget.

Mr. Gauthier (Ottawa—Vanier): Mr. Speaker, I appreciate the question which is an interesting one. We are dealing with a budget which in all honesty must be seen under current constraints. The government must protect its taxpayers. I understand that. However, there is value in what the member has just said, that there are social costs. Everybody must pay their fair share. What I was trying to address when talking about efficiency and effectiveness deals with the problem he just raised, that is, if everybody paid their fair share we would have no problems putting forth good, solid social programs, health care programs and good day care programs.

What is happening right now is that too many people are getting away with not paying their fair share of taxes. That is causing the rest of the population which is honest and pays its fair share a lot of problems. That is why we have a large deficit.

The underground economy is a problem we should address. The way they get away with not paying any taxes by using all kinds of loopholes must also be looked at seriously and these loopholes must be closed.

* * *

SPEECH FROM THE THRONE

RESUMPTION OF DEBATE ON ADDRESS IN REPLY

The House resumed from January 28, consideration of the motion for an address to His Excellency the Governor General in reply to his Speech at the opening of the session.

The Acting Speaker (Mr. Kilger): It being six o'clock p.m., it is my duty pursuant to order made Thursday, January 27, 1994 to interrupt the proceedings and put forthwith every question necessary to dispose of the address in reply to the Speech from the Throne. Call in the members.

(The House divided on the motion, which was agreed to on the following division:)

*(Division No. 3)***YEAS**

Members

Adams
Anawak
Arseneault
Assadourian
Axworthy (Winnipeg South Centre)
Beaumier
Berger
Bertrand
Bevilacqua
Bodnar
Boudria
Brushett
Belair
Calder
Cannis
Cauchon
Chan
Clancy
Collenette
Comuzzi
Cowling
Culbert
Dhaliwal
Discepola
Duhamel
Easter
English
Finestone
Flis
Fry
Gagliano
Galloway
Gerrard
Graham
Grose
Harb
Harvard
Hopkins

Alcock
Anderson
Assad
Augustine
Bakopanos
Bellemare
Bernier (Beauce)
Bethel
Blondin—Andrew
Bonin
Brown (Oakville—Milton)
Bryden
Caccia
Campbell
Catterall
Chamberlain
Chrétien (Saint—Maurice)
Cohen
Collins
Coppes
Crawford
DeVillers
Dingwall
Dromisky
Dupuy
Eggleton
Fewchuk
Finlay
Fontana
Gaffney
Gagnon (Bonaventure—Îles-de-la-Madeleine)
Gauthier (Ottawa—Vanier)
Godfrey
Gray (Windsor West)
Guarmieri
Harper (Churchill)
Hickey
Hubbard

Ianno
Jackson
Keyes
Kirkyby
Kraft Sloan
Lavigne (Verdun—Saint-Paul)
Lee
Loney
MacDonald
Maheu
Maloney
Marchi
Martin (LaSalle—Émard)
McCormick
McKinnon
McTeague
Miffiin
Mills (Broadview—Greenwood)
Mitchell
Murray
Nunziata
O'Reilly
Pagtakhan
Patry
Peric
Peterson
Pickard (Essex—Kent)
Proud
Regan
Rideout
Robichaud
Rompke
Serré
Sheridan
Skoke
St. Denis
Stewart (Brant)
Telegdi
Thalheimer
Torsney
Valeri
Verran
Walker
Wells
Wood
Zed—167

Ifody
Jordan
Kilger (Stormont—Dundas)
Knutson
Lastewka
LeBlanc (Cape Breton Highlands—Canso)
Lincoln
MacAulay
MacLellan (Cape Breton—The Sydneys)
Malhi
Manley
Marleau
Massé
McGuire
McLellan (Edmonton Northwest)
McWhinney
Milliken
Minna
Murphy
Nault
O'Brien
Ouellet
Parrish
Payne
Peters
Phinney
Pillitteri
Reed
Richardson
Ringuette—Maltais
Rock
Scott (Fredericton—York Sudbury)
Shepherd
Simmons
Speller
Steckle
Szabo
Terrana
Tobin
Ur
Vanclief
Volpe
Wappel
Whelan
Young

Hoepfner
Jennings
Kerpan
Landry
Laurin
Lebel
Lefebvre
Leroux (Shefford)
Manning
Martin (Esquimalt—Juan de Fuca)
McLaughlin
Meredith
Morrison
Penson
Pomerleau
Ramsay
Sauvageau
Silye
Solomon
St-Laurent
Strahl
Thompson
Tremblay (Rosemont)
Wayne
White (North Vancouver)

The Address

Jacob
Johnston
Lalonde
Langlois
Lavigne (Beauharnois—Salaberry)
Leblanc (Longueuil)
Leroux (Richmond—Wolfe)
Loubier
Marchand
McClelland (Edmonton Southwest)
Mercier
Mills (Red Deer)
Paré
Picard (Drummond)
Péloquin
Rocheleau
Schmidt
Solberg
Speaker
Stinson
Taylor
Tremblay (Rimouski—Témiscouata)
Venne
White (Fraser Valley West)
Williams—104

PAIRED MEMBERS

| | |
|-----------|--------------------------|
| Barnes | Fillion |
| Goodale | MacLaren |
| Ménard | Nunez |
| Plamondon | Stewart (Northumberland) |

(1830)

The Speaker: I declare the motion carried.

Mrs. Wayne: Mr. Speaker, on a point of order. It was my intent to vote for the budget—I am sorry, for the speech from the throne. I might vote for the budget but I want to wait and see. I am sorry that I missed that. It was not my intent to vote against the speech from the throne.

The Speaker: Colleagues, we are new at this game, especially me. Changing a vote would require unanimous consent. Is it agreed?

Some hon. members: Agreed.

The Speaker: So ordered.

Hon. Herb Gray (Leader of the Government in the House of Commons and Solicitor General of Canada): Mr. Speaker, I want to assure my colleagues that I do not intend to change my vote.

I have a motion that is customary to move at this point in the proceedings. I move:

That the address be engrossed and presented to His Excellency the Governor General by the Speaker.

(Motion agreed to.)

NAYS

Members

Abbott
Asselin
Bachand
Bergeron
Bernier (Mégantic—Compton—Stanstead)
Bouchard
Breitkreuz (Yorkton—Melville)
Brien
Bélisle
Caron
Chrétien (Frontenac)
Cummins
Davault
de Jong
Deshaies
Duceppe
Duncan
Forseth
Gagnon (Québec)
Gilmour
Gouk
Grubel
Guimond
Hanrahan
Harper (Simcoe Centre)
Hayes
Hill (Macleod)

Ablonczy
Axworthy (Saskatoon—Clark's Crossing)
Bellehumeur
Bernier (Gaspé)
Blaikie
Breitkreuz (Yellowhead)
Bridgman
Brown (Calgary Southeast)
Canuel
Chatters
Crête
Dalphond—Guiral
Debien
de Savoye
Dubé
Dumas
Epp
Frazer
Gauthier (Roberval)
Godin
Grey (Beaver River)
Guay
Hanger
Harper (Calgary West)
Hart
Hermanson
Hill (Prince George—Peace River)

Government Orders

(1835)

[Translation]

PRE-BUDGET CONSULTATIONS

The House resumed consideration of the motion.

Mr. Guy H. Arseneault (Restigouche—Chaleur): Mr. Speaker, it is with great pleasure that I take part in this historical debate today. Before starting my remarks however, I would like to congratulate you, Mr. Speaker. I am convinced that, under your direction, the House of Commons will be run in such a way that the faith of the people of Canada in their government and in this institution will be restored.

I would also like to take this opportunity to thank the residents of Restigouche—Chaleur for their show of trust. I am grateful to them for renewing my mandate and I look forward to accomplishing great things with them in the years to come, not only for Restigouche—Chaleur, but also for Canada as a whole.

I want to thank the Minister of Finance for his speech this morning and for holding this debate. This kind of consultation reflects a major change in how power will be exercised under a Liberal regime as opposed to another one. I welcome such a change and hope that there will be many more debates like this one in the future.

A strong economy is the very foundation of a strong society. But how can we have a strong economy when we are facing numerous challenges as a nation and have many interconnected problems to resolve?

Soon after coming into power, this government took major steps relating to infrastructure and residential renovation. By the way, I would like to mention the excellent work my colleagues have done in quickly implementing these major programs.

Yet, much remains to be done. The federal debt and deficit are stifling this country's potential. I think that no one here can deny that. It is on the process of deficit reduction that we disagree.

I would like to remind the Minister of Finance of a few crucial words, and I quote: "Deficit reduction is not an end in itself. Its rationale is to improve productivity, real wages, and living standards of our children and their children. If the measures to cut deficits actually diminish GDP, raise unemployment, and reduce future oriented activities of government, business, and households, they do not achieve the goals that are their *raison d'être*: rather they retard them."

(1840)

[English]

This quote is from Nobel prize winner James Tobin and appeared in the Liberal red book.

I urge the minister to take a balanced approach in reducing the deficit. The deficit cannot be further reduced on the backs of the middle class. Furthermore, any move toward further drastic expenditure cuts will undoubtedly lead to increased unemployment.

As part of a balanced approach the Minister of Human Resources Development began the process of renewing Canada's social safety net yesterday. Today's debate is an important step in renewing our budgetary process.

I would suggest to the minister that we take steps toward total tax reform. The GST did not bring balance to the Canadian tax system. Today the money that runs this government is coming in a disproportionate manner from the taxes paid by the middle class.

Over the course of the past decade the percentage of taxes paid by the middle class has risen dramatically while the taxes paid by corporations have declined. Moreover, the taxes paid on investment income have all but disappeared.

What kind of message is this sending to the Canadian public? It says that the most expensive way to make a living is to have a job working for someone else. It is time for everyone to pay their fair share of taxes. Corporations can no longer expect to gain from the numerous benefits of doing business in Canada without contributing to the system.

I would suggest that the minister take steps toward the institution of a minimum corporate tax. When one mentions a minimum corporate tax the business community cries that such a tax would make the cost of doing business in Canada unreasonable and therefore force it to relocate.

These are empty threats. Over half of the total untaxed profits in 1987 were derived from the top 145 corporations which reported annual profits of \$106 million on average, while 2,000 firms earning on an average of \$1 million accounted for 80 per cent of untaxed profits.

These companies are reporting profits, huge profits at that, and they refuse to pay their fair share of taxes.

I urge the minister to take steps to end this practice. A minimum level of taxation would go a long way toward resolving our deficit problems. May I add there are some individuals out here as well who pay no tax whatsoever and again we should look at making sure they pay their fair share of taxes as well.

I would also like to remind the minister that the big losers in this recession have been the very future of our nation, our youth.

Government Orders

The jobless rate among youth is unacceptably high. While some of the jobs lost by youth over the past few years have been recovered nearly 60 per cent of these new jobs were part time.

Our education programs must prepare our youth for the challenges that lie ahead. We must prepare them to face the 21st century. We must provide them not only with the knowledge and skills to meet the challenges that lie ahead, we must provide them with the hope of a better future.

The steps the government has made toward the formation of a youth apprenticeship program and a Canadian youth corps are important in this regard.

We must continue to increase the literacy and numeracy skills of our young people. We must work to ensure that there is increased co-operation between all levels of government and the establishment of national educational standards.

We must remember that our youth will be the driving force behind the economic recovery and we must provide them with the tools to effectively and successfully meet this challenge.

(1845)

I realize that the Minister of Finance has been handed a difficult task. Expectations are high. I and the citizens of Restigouche—Chaleur understand that there are no easy solutions. We believe in a balanced approach, an approach that recognizes that the deficit must be reduced, but only in a manner that is compatible with putting Canadians back to work.

We believe in the evolution and renewal of our social programs so that they remain responsive to the needs of Canadians. We believe in major tax reform, a reform that sees fairness and equity as the basis of all future fiscal and monetary decisions by government.

Finally, we believe in our ability as a country to overcome our challenges and build an even better future.

Mr. Ron MacDonald (Dartmouth): Mr. Speaker, I listened with a great deal of interest to my colleague who has outlined a number of proposals that I think would be very constructive and I am sure that they will be considered by the Minister of Finance.

I have known the hon. member for a number of years. He has worked diligently over the years in trying to be productive and positive and constructive in this place and I think that he has contributed a great deal in his pre-budget debate that we are having in the House of Commons.

However, I just want to throw out a couple of other things that I think would aid not just the region but aid nationally in our two pronged approach. One is, obviously, to create jobs and to stimulate the economy through the budget that will be coming down. Another is to try as best as we possibly can to tame that demon that is called the national deficit and spiralling debt.

One of the things that I think clearly could be done, and my colleague here who is chair of the Atlantic caucus might wish to comment, is to have the Minister of Finance address the real problems affecting the competitiveness of the port of Halifax. That will impact on the entire Atlantic region and will create jobs all throughout the economy.

The problem with the port of Halifax and its competitiveness is not the port itself, it is the rail line which goes up through Nova Scotia, through New Brunswick and into Quebec. Over the last number of years we have seen that rail link become less competitive. The rates have not gone down, they have gone up. The on time delivery, the length of time that it takes have all impacted in a very major way on whether we have competitive businesses in Atlantic Canada and whether the port of Halifax would be poised to take advantage of the new global trade routes.

In the past I have raised in this House, and it was supported by members of the Atlantic Liberal caucus in opposition, that the Minister of Finance or the Minister of Transport of the day could look at two very simple things that would have a major impact on the efficiency and effectiveness of rail transportation in Atlantic Canada.

After all, if we do not have viable modes of transport in Atlantic Canada we will not have industry. It is as simple as that. We are not close enough to our markets.

One of the things that we have suggested is that the Minister of Finance look at the possibility of accelerating the rate of depreciation for new rolling stock. That would put Canadian railroads on an even footing with American railroads. It is budgetary. It is a fiscal measure that can be taken that does not really cost money but which could have a major impact on the competitiveness of products travelling over the rail lines in Atlantic Canada.

The second thing we could do, clearly, is to look at the avoidable costs of rail transportation. We need viable rail service in Atlantic Canada to be competitive. One of the things that has been suggested by the Atlantic Provinces Transportation Commission is that the federal government remove the excise tax on diesel fuel used for the transportation of goods by rail in Canada.

Those two measures alone, which we begged the previous government to look at, would increase in a substantial way the competitive movement of goods through the Atlantic provinces, not just into Quebec and central Canadian and western Canadian markets, but down into the midwestern markets.

I would ask the member who has just given his speech, and a very good address, if he could comment about those types of things, those regulatory changes which in a major way could have an impact on the viability of competitive industries, not just in Halifax, not just in Dartmouth, but in his area as well in New Brunswick.

Government Orders

(1850)

Mr. Arseneault: Mr. Speaker, I say to everyone listening that the hon. member for Dartmouth presented his case very well in opposition and in government. He has been a very forceful speaker and forceful lobbyist. I do not know if I can use that word; it is not really the right word to use. He has worked very hard for the port of Dartmouth and for his constituents. Time and time again I have sat through national caucus and Atlantic caucus. I have been in the House when he has asked numerous questions. He has made numerous speeches. He has the port of Halifax at heart as do all of us in Atlantic Canada. We are all one region. What happens in one part of the region affects the other economically.

Transportation is vital to Atlantic Canada. It is vital to the port of Halifax. I would have to go along with the member and say I agree wholeheartedly with his assessment of transportation in Atlantic Canada. I wholeheartedly agree with his assessment of rail transportation.

In northern New Brunswick rail transportation is very iffy at this point in time. I feel confident we will be able to maintain it. We have a mining area and we have ports. I think the suggestion of the hon. member that the rate of depreciation with regard to rolling stock be increased is a very good. It would make us more competitive with the U.S. The removal of the excise tax on diesel fuel whenever anything is transported via rail is also a good point. I hope the Minister of Finance will take them into consideration.

I would like to mention another point in closing. If no one else has a question perhaps the member could comment on it as well. I am referring to the establishment of a strategic procurement plan where the government, rather than give out contracts *carte blanche*, would try to use the plan to stimulate the economy, to see if companies would put money into research and development as a result of receiving contracts or make money available in venture companies as a result of receiving government contracts.

Mr. Jim Silye (Calgary Centre): Mr. Speaker, I would like to begin by complimenting the government on its use of pre-budget conferences in the House of Commons. A debate like today is an attempt to open up the budgetary process to Canadians and House members. I realize there are problems with two-way communication because the government cannot do what everyone says, but the process will be a real sham if the finance minister suffers from selective hearing to justify his budget.

We look forward to his budget which will be the proof of his ability to listen and to keep his promises. Because previous Liberal and Conservative governments have neglected the deficit and the growing burden of debt for so long, the easy options for correcting the problem no longer exist.

As a constructive alternative today I forward the idea that less means more. Less taxation means more revenue for government and commerce. Less taxation means more money in the hands of people who know how to spend it better. Less government spending means more revenue can be applied to the debt. The vehicle through which the government can achieve economic revival is a new simple, visible and proportional tax which will also eliminate the need for the GST.

The need for tax reform is obvious. The Minister of Finance has said that many Canadians "have withdrawn their consent to be governed and are demonstrating that by resorting to the underground economy and refusing to pay taxes". The government is losing billions of dollars on an underground economy which is valued at \$60 billion to \$80 billion because the public has lost confidence in the government's ability to manage money, resources and live within its means like taxpayers have to do.

Even the Prime Minister himself has acknowledged the fact that our present system is not working. This is not surprising. The present tax system is too complicated, too high and too unfair. These factors in combination with consistent government overspending are stifling our economy. The current government is presently acting as though there is a revenue problem, not a spending problem.

However when we examine the facts we find revenues in excess of \$126 billion. Total expenditures excluding the interest payments on the debt are less than \$126 billion. It is the interest on the debt that creates the deficit. Does that sound familiar? Interest expenses on federal debt now total 33 cents of every tax dollar.

(1855)

I submit it is the debt and the interest expense to service the debt that put in jeopardy the viability of existing programs. Therefore we should not be adding to the debt annually at a rate of \$35 billion to \$45 billion.

We have misspent and overspent money for the last 25 years. Since 1968 we have spent more money each and every year than was brought in. We cannot survive like this. Creditors are watching this 35th Parliament very closely. The problem needs solving now, not next year.

It is my belief that to stimulate the economy and to increase revenues for government, lenders, investors and consumers must possess a larger pool of disposable income. If the current government continues to take more money out of the economy through higher taxation, it will in actual fact serve as a deterrent to the economy creating higher unemployment and keeping us in this recession much longer.

That is why I recommend the implementation of a flat tax on individual and corporate income. A creation of a flat or proportional tax is a way to increase constructively the revenue side of the budget, remove incentives for an underground economy, restore fairness and, most important, stimulate economic growth which is a priority of the Liberal red book.

This concept is not new to the House or the government. The member for Broadview—Greenwood who supports a single or flat tax wrote: “Lower marginal rates and more take home pay would be an incentive to work harder and smarter. The new incentives plus elimination of avoidance and evasion would lead to this tax taking in more revenue, even with this lower rate”.

The objective of this tax would be threefold. First, it would simplify current complicated tax forms so that all Canadians could understand them. This would increase savings for the Department of National Revenue in the collection of taxes and the monitoring of all personal and corporate tax exemptions.

Second, it would restore equity into the tax system eliminating the perception that one group of taxpayer is favoured over another.

Third, it would restore integrity and bring effectiveness to the system by eliminating the need for so many tax concessions and loopholes, an objective that was also stated today by the finance minister.

The finance minister said today that he planned to build equity into the budgetary process. He then proceeded to commit the Liberal government to the preservation of the current social system without reducing any expenditures on it and hinted that he planned to close tax loopholes and exemptions.

Our social programs are gold plated Cadillacs we cannot afford. They can be replaced with a less expensive model without hurting the efficient delivery of the same social programs. The finance minister stated that Canadians can expect another deficit in the range of \$40 billion.

Once again for the 26th year in a row government will spend more money than it brings in. When will it stop? There is no commitment by the government to balance the budget or cut the deficit. One does not build equity as the finance minister wants by continually adding to the debt.

Should the finance minister be serious in his comments that he is seeking input on how to balance the fiscal scales, here are some suggestions. First, he could target social spending to the truly needy and perhaps eliminate OAS payments to seniors whose household income is in excess of the national household average of \$54,000. The saving would be \$2 billion to \$3 billion.

Government Orders

Second, he could make UI self-sustaining, not by increasing premiums but by tightening benefits and eliminating payments to abusers and seasonal workers whose incomes are above \$54,000 per year. The saving would be \$3 billion to \$6 billion.

Third, he could eliminate subsidies to businesses, megaprojects and regional development programs. The saving would be \$1 billion to \$3 billion.

Fourth, he could cut the Department of National Defence budget by 6 per cent. The saving would be \$660 million.

Fifth, he could privatize crown corporations and apply the sale proceeds to our national debt. The saving would be \$2 billion to \$3 billion and perhaps a reduction of the debt by \$5 billion to \$10 billion.

Sixth, he could rationalize spending on government programs to generate growth and confidence in the economy and eliminate the money guzzling programs in government operations. The saving would be \$600 million, plus or minus.

Increased taxation and a reliance on infrastructure spending alone will not significantly reduce the deficit or encourage a economic recovery. Make work programs do not create long term jobs. They are simply another way to spend taxpayers' money.

When the money runs out for the contractors and construction workers under the Liberal plan, the jobs will stop. Taxpayers will then be left with an even bigger debt to be serviced through increased taxation. What if the interest rate goes up? How will we service that debt? Where will the money come from? Canadians are still paying for programs created by previous governments during the seventies and eighties. The federal government's responsibility is to create a healthy economic environment that favours investment, encourages initiative and risk taking, and protects the environment.

(1900)

It is widely known that outside investors prefer to do business where governments are fiscally responsible. This is why the government must get a firmer handle on expenditures, not just raise taxes.

Alberta Treasurer Jim Dinning said recently: “If you put more money into government hands they don't save it; they spend it”. If the purposes of taxes is to provide peace, good order and good government in Canada then let us do it and let us not just talk about doing it.

In conclusion I hope the Liberal definition of fairness in the taxation system does not mean let them overtax everybody.

Mr. Ronald J. Duhamel (Parliamentary Secretary to Minister of Public Works and Government Services): Mr. Speaker, I want to ask but one question and I will do it briefly because I see other colleagues want to raise some as well.

Government Orders

The hon. member who has just spoken will realize that the Liberal Party formed the government because it had the largest vote of any other party in the last federal election. During that election the Liberals stated that we wanted as a first priority to create jobs. We put forward a job creation plan in the short term to boost the economy immediately, the infrastructure program. We laid out our long term program: the youth corps and more apprenticeships, ensuring that small and medium sized businesses have the climate to permit them to create jobs as they have during the last decade. They create over 85 per cent of new jobs.

I have a specific question. Is the hon. member now questioning, subsequent to the election, the wisdom of Canadian people in having elected the Liberals as a majority government? We said that jobs were our first priority. Is he suggesting, now that we have been elected, that we should now change that? He did say, if I recall correctly, that we should not be spending on the infrastructure program because it would simply increase the debt and it would not really make any significant difference. His leader made similar comments. Whose side is he on? Is it the people's side or his party's side?

Mr. Silye: Mr. Speaker, in response to the hon. member, I would like to clarify a couple of points the member asked about.

I did not say that we did not support or justify spending on infrastructure. The government has \$126 billion. It should prioritize spending. If it means including infrastructure, by all means it is the government's responsibility now to decide how that money is spent efficiently and effectively.

What we are talking about and are concerned about is increasing the revenue take through increased taxes. If the government wants to balance the budget by increasing the revenue just through that infrastructure program, it is not enough to generate new tax dollars to cover increased costs.

With respect to another point, we also want to create jobs as does the Liberal Party, but our philosophy or suggestion is that jobs are created by the private sector which does a much better job. We should redistribute the wealth and put it back in private sector hands, not keep the money in government hands which has proven over and over again for the last 26 years that it does not know how to create long term meaningful jobs. All it knows how to do is take in money and mess it up. We would like to put that money back where it should be.

The hon. member asked a tricky type of question regarding whether I supported the will of the majority of the Canadian public. We all know how the electoral system works. We all know how they got their majority. We all know where they got their majority.

Many people in the country also support our point of view. It is not just that the Liberals have carte blanche. It is also their responsibility as government to listen to some constructive alternatives and to listen to some constructive suggestions. Members of the opposition are here to help them improve their programs. If they do not do that and if they just dictate to us, they will breach their commitment and responsibility just as the previous government did and will end up with the same fate.

[*Translation*]

Mr. Paul Crête (Kamouraska—Rivière-du-Loup): Mr. Speaker, let me start by saying that I agree with the hon. member who just spoke about the urgent need to act. He made a number of suggestions and while I do not necessarily agree with them, I do nonetheless find many of them to be interesting.

(1905)

Perhaps I could add to this by saying that what really matters is not necessarily reviewing all social programs or adding to the tax burden, but rather taking advantage of this pre-budget period to review expenses carefully. On this point, I would like to draw the attention of the House to three areas in which, in my opinion, significant waste occurs.

With respect to manpower, among other things, government duplication costs Quebec \$250 million annually. The same holds true for regional development where fixed costs are estimated at \$26 million.

Lastly, there is much duplication as far as officials are concerned in the fields of education and social affairs. I believe it is important for the federal government to seriously consider withdrawing from these areas. Tangible savings would be achieved and the goal of increased efficiency would be achieved.

[*English*]

Mr. Silye: Mr. Speaker, I feel that was a supportive comment by the hon. member and therefore I do not feel I have any need to add to his comments.

Mr. Elwin Hermanson (Kindersley—Lloydminster): Mr. Speaker, before I begin my remarks I would like to thank the government for this apparently unprecedented pre-budget debate. May I commend the government for holding this discussion. It is an example of a more open consultative process which I hope will lead to a better budget than Canadians have recently been accustomed to.

The finance minister will hear advice from all corners of this place during the debate. This advice will include the thoughts of 2.5 million Canadians who voted for Reformers sitting on this side of the House. We will be expressing the concerns of all Canadians who believe that their tax money is not being spent as wisely as it could be. I ask the minister to act on these concerns when preparing the budget document.

Government Orders

The introduction of a budget is one of the most important functions a government performs. The budget is an outline of the government's fiscal plan for the country in the coming year. It directly affects every other government program, service and initiative by the way it distributes tax dollars. For this reason the consultative process must balance the needs and wants of Canadians with their ability to pay for those needs and wants.

When preparing a budget a government must do two things. First the government's primary task is to lay out a plan which allocates the hard earned money Canadian taxpayers have entrusted to them. This must be done in a way to deliver federal services and programs in as fair and economical a manner as possible.

The second consideration is one that often gets forgotten. The government must also treat future generations of Canadians fairly. It must ensure that their opportunities and quality of life are not hindered by the millstone of massive debt. It is unfair and immoral for us to spend money on ourselves today and leave the bills for our children and grandchildren to pay tomorrow.

All Reformers have a mandate from Canadians to reduce the tax burden through controlling government expenditures. I have chosen today to comment about federal agriculture expenditures because agriculture is the primary industry in Kindersley—Lloydminster and, indeed in much of Canada, because the production of food stuffs is vital to adequately sustain over five billion human beings, many of whom depend on food produced by Canadian farmers.

The purpose of funds earmarked for agricultural support should be primarily to assist agricultural producers who through no fault of their own find themselves financially disadvantaged. There are at present almost 50 different agriculture support programs and initiatives. They are far ranging and include loan guarantees for farm improvements and marketing co-operatives, a special Atlantic livestock initiative, a national farm business management program, a provincial potato diversion program, the southwestern Ontario soil and water quality enhancement program as well as the national soil conservation program, the Canadian agri-food development initiative and economic regional development initiatives.

(1910)

There are even some in my province of Saskatchewan; a Canada-Saskatchewan partnership agreement on rural development, a Canada-Saskatchewan partnership agreement on irrigation based economic development.

We have not even heard of most of these programs. They are not very well known and we are not sure of their actual value. The administrative costs of running so many different and sometimes overlapping or outdated programs is staggering. Over \$3 billion per year is spent by the Ministry of Agriculture of which almost \$900 million is spent on operating and capital

costs alone. These figures do not include the additional \$728 million spent under the Western Grain Transportation Act.

This appallingly high level of overhead signals waste and mismanagement. By consolidating those 50 programs and initiatives into just a few, the government could probably save over \$400 million and provide better support to the industry as a result.

We must expose the myth that more money spent always results in more effective programs. In the case of agriculture it is not only possible to provide better support with fewer dollars but it is essential to the long-term sustainability of the industry, given the financial shape of the government. We must be continually vigilant to ensure that whatever programs we establish today will be economically viable tomorrow.

Reform of agricultural programs is essential because we must be able to defend the cost of agricultural support to taxpayers, consumers, and future generations. Support programs that protect farmers and producers from situations beyond their control are defensible and desirable for the maintenance of our agricultural industry.

Defensible support programs include, first, an actuarially sound federal-provincial-producer funded crop insurance program to protect the farmer from natural disasters such as floods, frosts or droughts. I urge the Minister of Agriculture to review the program at least in my province of Saskatchewan where increased premiums, lower coverage and truckloads of bureaucratic red tape are ruining the program. For the record I also want this government and all Canadians to know that Reformers supported the crop insurance program in the last election and campaigned to strengthen it.

Second, we need an income stabilization program to help protect farmers from market cycles inherent in an open market environment. This shared federal government-producer program should have universal application and be based on the whole farm level rather than being commodity specific. Producers in the supply managed sectors should have access to this program as tariffication has been introduced. This program has the additional benefit of helping farmers make the transition into retirement, as remaining funds could be transferable to an RRSP account if the government does not dismantle the RRSP program.

A third program promoted by Reform is a trade distortion adjustment program designed to compensate exporting producers as a direct countermeasure to foreign subsidies. The program should include an automatic triggering mechanism and be based on the historic volume of exported products. Such a program would not require producer premiums and should ensure timely payouts within the same market period. We suggested taking funds from the ill-designed GRIP program and the slowly eroding Western Grain Transportation Act and thereby provide a

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tool to beleaguere producers that is superior to anything available today at no more cost to taxpayers.

Reformers believe that if these improved programs are targeted to those producers most in need there will be many benefits. First, support dollars that are strategically targeted increase their effectiveness manyfold. Second, by delivering support more directly to the farmer rather than through a large bureaucracy the money gets where it is needed faster. Third, reduced overhead costs frees up more money for those in need.

This is but one example of how the government can increase the effectiveness of a program for those who need it and at the same time reduce the burden on the taxpayers.

If we can save dollars in something so basic and important as the Department of Agriculture surely there are many other government departments where substantial savings could be made. The department of aboriginal affairs for instance could be similarly realigned. Fewer dollars appearing in the budget could still mean more money in the hands of our aboriginal people. Another example is the Department of Multiculturalism and Citizenship. Justifiable functions of that department such as citizenship registration and human rights protection could be transferred to more appropriate departments such as employment and immigration and justice respectively. In this way almost the entire cost of a government department can be saved at the same time as continuing to deliver defensible services.

(1915)

In conclusion, I would repeat that if within the Ministry of Agriculture we can increase program effectiveness and save \$400 million by reorganizing the programs, surely there are economies to be made in all other departments as well.

Once again I want to congratulate the government for holding this debate. I urge the Minister of Finance as well as the Minister of Agriculture to consider these suggestions carefully. I have not made these suggestions for partisan reasons or for party bragging rights when progress is made. I have made these suggestions for the good of Canada not only today but for future generations as well.

Mr. Don Boudria (Glengarry—Prescott—Russell): Mr. Speaker, I listened to the comments of our colleague. He referred particularly at the beginning of his remarks to cutting and eliminating some loopholes in the tax system. He gave a few examples.

I seem to remember only a few days ago the leader of his party talked about getting assurances from the government that a measure that existed for utility companies in his province whereby they did not have to pay taxes would be retained. I find the discourse rather interesting in that regard.

I want to ask him about another so-called loophole, at least in the eyes of some, not me. I consider the lifetime capital gains exemption of \$500,000 on the disposition of farmland to be a very valuable instrument. It is a form of pension for farmers as they accumulate wealth gradually. When they dispose of their assets they are able to keep those funds without taxes. This is much the same way that people accumulate by making tax deductible contributions toward their pension fund if they are teachers, factory workers or what have you.

Does this capital gains exemption fit into one of the loopholes to be abolished? Does my colleague agree with me and hopefully with all the officials of the finance department who may be listening to us making these remarks now that it should be retained for the benefit of farmers so they can have what is the equivalent of a pension plan for the agricultural community?

Mr. Hermanson: Mr. Speaker, I welcome the hon. member's comments.

He may have a couple of speeches confused. In my address I did not address the tax loophole issue although that certainly is a concern that I, many other members and also Canadians have.

With regard to his comments regarding the \$100,000 or \$500,000 capital gains exemption, our party has looked at those programs as well as the RRSP program as being an effective tool to help Canadians to plan security for later years in life so as not to be a burden on Canadians through needing assistance in other areas.

I feel quite comfortable in saying that our party would be fairly supportive of maintaining the \$100,000 tax exemption for persons and also the \$500,000 tax exemption for farmers which as the hon. member points out has been an effective tool to provide for their security in later years, once they are not actively in business and have sold or transferred their operations to family.

Mr. Simon de Jong (Regina—Qu'Appelle): Mr. Speaker, first I wish to congratulate the member for Kindersley—Lloydminster especially on the fact that he brought forward the position of the Reform Party on agriculture.

I also come from Saskatchewan where agriculture still remains our most important industry. There is a lot of coffee shop talk about what the Reform platform on agriculture really means. Today I heard more detail about the program of the Reform Party concerning agriculture.

(1920)

I entirely agree with the hon. member that much of the existing systems should really be wiped out. They are a bureaucratic mess. They create more uncertainty for many of our producers in trying to figure out whether they should apply or whether they qualify. Quite often they do not know until the next crop year. It just creates a whole bunch of uncertainty.

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Part of the problem with the existing system is that it really rewards the bigger producers. Approximately 75 per cent of the tax dollar that goes into agriculture goes to around 25 per cent of the producers. When the payments are based on seeded acres or on so many bushels then the bigger the one is, the more subsidy and support one receives.

We feel that to maintain a viable rural community one has to maintain the medium sized family farms. That is why our election proposals had a basic cost of production for a certain number of bushels. If one was bigger the rest was done at his or her own risk.

Does the Reform Party also encompass the notion of a cap to ensure that the tax dollar that goes to agriculture gets more evenly distributed among all of the producers?

Mr. Hermanson: Mr. Speaker, I thank the hon. member for Regina—Qu'Appelle for his comments and also his question. If he had followed our election campaign positions on agriculture and other issues he would be aware that Reformers promoted the targeting of funds in a way most beneficial to producers. We expanded that in a larger way. We even suggested that by targeting funds for social programs we might be able to salvage them rather than see them eroded by the government's inability to sustain them because of lack of funds with a growing debt.

I concur with the member's suggestion that some of our programs right now are badly managed and very little thought has been given to how effective they could be. For instance, some of our agriculture programs are not good for the environment. One instance is the Western Grain Transportation Act which has no cap on it. Someone produces canola at \$12 a bushel and receives the same benefit from that program as someone who is growing wheat and struggling at \$2 a bushel.

What we are suggesting is a trade distortion adjustment program that would target those funds to producers who are hurt by the trade war and thereby sustain their economic viability.

Mr. Francis G. LeBlanc (Cape Breton Highlands—Canso): Mr. Speaker, since this is my first real address since the opening of the new Parliament, I would like to begin by congratulating you and your colleagues on your election and appointments to the speakership. I pledge my entire co-operation with you in the sometimes difficult job that you have in maintaining the order and decorum which is so necessary for parliamentary debate.

I would also like to express my thanks to my constituents in Cape Breton Highlands—Canso for renewing their confidence in me on October 25. Whether or not they supported me, I would like to pledge to my constituents that I will work as hard as I can

on their behalf in this House of Commons and also within the party of government over the next four years.

I am always moved and deeply touched by the support, comments and requests for assistance which I receive from my constituents. It has been a source of learning and inspiration for me over the last four years to have been able to be their member in Cape Breton Highlands—Canso. I really want to express that once again.

I want to comment on the new mood of co-operation and constructive debate which has characterized this House. It has been a very pleasant change from the previous Parliament to see from all sides of the House such an expression of earnest willingness to participate in sincere debate. We can give a lot of credit to our friends on the opposite side of the House, particularly the new members who have shown in a very impressive way their determination to address the problems we faced in the past in the House of Commons of not showing the voters that we were serious about the business for which we were elected.

(1925)

I welcome the motion of the Minister of Finance and his decision to open the budget process to a broad range of consultation across Canada and also to have the process in this House. It is a new endeavour for this government. It also reflects the new mood of consultation and willingness to work with members of Parliament and Canadians which has characterized this administration from the beginning.

I believe it is already bearing fruit in terms of the mood of Canadians and the fact that Canadians can see that the difficult years are behind them. That mood of confidence is starting to reflect itself in the economic indicators and in the spirit of confidence which is occurring throughout the economy. I hope that will make the tough decisions which the Minister of Finance has to make over the next few weeks a little easier.

Obviously the most serious and difficult problem presently facing the Minister of Finance and the Canadian economy is the high deficit of the federal government, as well as the deficits faced by Canada's provinces. It has been a serious handicap for the Canadian economy. Reducing that deficit has to be a priority of the Government of Canada and of the Minister of Finance and it is.

As the minister mentioned earlier today this problem cannot be addressed in isolation. The budget cannot deal with the question of raising taxes or drastically cutting expenditures without regard for the need to produce growth and jobs in the Canadian economy. Nor can the Minister of Finance address the deficit on the backs of the most disadvantaged Canadians. It has to be addressed over the longer term.

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We have to begin with this budget. We have to produce measures which will increase growth and increase the revenue generating capacity of Canadians so that the deficit can be brought down as part of the growing Canadian economy. That is the underlying message which should be conveyed to the Minister of Finance as part of his budget preparation process.

With respect to the basic decisions of tax policy which inevitably will form part of the budget, I want to associate myself with those who would stress the need to simplify the tax system and eliminate the many loopholes and overlaps which exist in the federal tax system and to work toward a more simple tax system.

I am very sympathetic to the work which has been done by my colleague, the member for Broadview—Greenwood, in moving toward the single tax. The extra revenue derived from a very steep regressive tax system, one that is so full of loopholes that it pays people with higher incomes to avoid the tax, is not serving Canadians well. Without mentioning any specific areas I urge the Minister of Finance to consider tax simplification as an objective of his tax policy measures.

Important as they may be, there will be more in the budget than simply tax and expenditure measures.

(1930)

This budget as the first budget for the next term of this government has to lay the foundation for growth in Canada. As part of the way of doing that it will have to deal with the many areas of government policy that have in one way or another restrained growth for example through excessive taxes on small businesses or through the many complicating features of such programs as unemployment insurance.

I understand and am very pleased to be part of the committee that will examine the whole range of social security reform in Canada including the unemployment insurance system. I believe there is work to be done in that area to make those programs more streamlined, more simplified and less inhibiting on growth and job creation.

Young people in many parts of Canada are finding themselves lured into traps through regulations in the Unemployment Insurance Act that encourage and lead them away from seeking higher education and into positions or jobs which are dead end. It even encourages businesses to provide those kinds of jobs because it is advantageous. We have to work toward eliminating these disincentives in that program and in other similar programs in order to encourage the kind of creation of employment and the kinds of jobs Canadians will need in the future.

However that is only part of the equation. Another part of the equation has to be to work toward fostering the industries of the future. The government has a very active role to play in this. In

creating those industries of the future the government has to make sure that all parts of Canada are included.

Because central Canada has been the focus of the manufacturing industries in Canada it is very easy to forget the east and the west. I come from the east where the economy has depended on resource industries which everyone knows have been devastated.

The fishery is a primary employer in my own constituency. Over the last four years it has been devastated. Forestry is a resource industry in Canada which has been undergoing very difficult times in my constituency.

The government has to promote measures that will help Atlantic Canada be part of that economy of the future so that it will not always consider itself a have-not region of Canada. On that point there are measures that this budget can do to begin that process.

Mr. Monte Solberg (Medicine Hat): Mr. Speaker, I commend the hon. member for his speech. I certainly agree with him that we need to take a close look at reforming the taxation system. I also commend the member for Broadview—Greenwood for his work on the single tax. I think it is a great way to go.

I also agree that we have to take a look at reforming unemployment insurance. There are many disincentives to work in the program as it is presently constituted.

My question for the hon. member has to do with infrastructure. He mentioned that he was supportive of the government's infrastructure program. Does he think that the \$6 billion that will come from taxpayers for the infrastructure program is going to be more wisely spent by the government than it would be by taxpayers, investors and small businessmen?

Mr. LeBlanc (Cape Breton Highlands—Canso): Mr. Speaker, the infrastructure program that this government has put into place is exactly the right stimulus to the economy at the present time. It will create jobs now and increase confidence precisely in those communities where that confidence is most needed.

(1935)

It will have a spin-off effect. The income from the jobs in those communities which will be created in building infrastructure will end up in the pockets of taxpayers. It will be recycled in those communities, not by themselves but they will begin a process of building those communities, so that they are more competitive in the future.

That is the point of that program. By itself, it will not get us out of the recession but it is an important initiative and an important immediate term measure as part of the government's recovery plan.

Mr. Ron MacDonald (Dartmouth): Mr. Speaker, I listened with a great deal of interest to my colleague from Cape Breton Highlands—Canso.

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In the last number of years he contributed a great deal on our side when we were in opposition. He ensured that there was a sense of realism in the debate we were having on economic matters specifically dealing with taxation reform, fundamental restructuring of the economy and things like unemployment insurance changes. He also ensured that when we led off that it was not just a lot of bravado coming from the opposition.

I am very pleased to see that he will be making a major contribution as we set out to restructure social benefit programs as outlined by the minister.

I want to pick him up on a point. It is very clear that there are two problems that face the government today. One of the problems is in expenditure. If one looks at the graphs over the past 20 years, one will see that the percentage of dollars spent overall by the government on programs is actually decreasing.

Contrary to what members of the Reform Party and others may think, government spending is not out of control. Government spending seems to be well in control. The problem appears to be the second problem, that is revenue generation.

Over the last number of years we watched as successive governments, even Liberal governments a few years ago, tinkered with the tax system. It seems that every single time that we try to make some modest changes to the tax system we end up by downloading on to the middle classes.

Many would believe that the recession is stubborn and that we are not coming out of it very quickly because the tax burden has been shifted too heavily on to the consuming classes. I would like to support what he said about the efforts of the member for Broadview—Greenwood to put forward at least a proposal that seems to go in the right direction with the single tax.

I would like to ask my colleague if he believes that type of program without any tax increases would lead to the federal government taking in the amount of taxes that it currently does with the economic activity that is going on. Does he believe the single tax system would lead to less tax evasion which we have now seen by witness with growth of the underground economy?

Mr. LeBlanc (Cape Breton Highlands—Canso): Mr. Speaker, there is no doubt that there would be much less tax evasion and less tax avoidance with a simpler, more comprehensive tax system.

Indeed that is the system which we started with in the early 1960s with the Carter commission and its proposals for reform in the Canadian tax system. Progressively over the years, we have got away from that.

What the member for Broadview—Greenwood and others who are advocating a simplification of the tax system in various ways are saying is that by making the tax system more comprehensive we can lower the rates and burden on the middle class and all Canadians.

As well, we can eliminate a lot of unproductive activity which goes into avoiding taxes and which costs the economy much more than the revenue lost by taxation. It costs the economy jobs and real economic activity.

Mr. George S. Rideout (Parliamentary Secretary to Minister of Natural Resources): Mr. Speaker, it is always a pleasure to rise in the House and be given an opportunity to expound on one's views.

This is a particularly unique circumstance to have an opportunity to talk about the budget and the process in advance of the budget. Usually we were taken by surprise and then had to react afterwards. I congratulate the Minister of Finance and the government for having the courage of its convictions to make Parliament a working Parliament rather than a rubber stamp.

(1940)

I think the budget process also provides an opportunity to re-evaluate how government works. It is not just numbers. It is the whole concept of what government is all about. As I listened to the debate today I heard a lot of really good ideas, some good suggestions, some crazy ones, but all in all some good suggestions as to how we can make government work better.

I do hear from the Reform Party this idea that cuts are the only answer; the only solution is to cut, cut, cut. There are other opportunities available to us. My colleague from Dartmouth alluded to it.

We have to re-invent how we run government. We also have to look at the top line of the balance sheet once in a while to see how we can make the country more productive, the economy more productive, and thereby make government more productive with an inflow of revenue.

In my view, the critical role of government is summed up in a recent publication entitled "Re-Inventing Government". It makes a point which I think is something we should consider. It states: "The word governance is from a Greek word that means to steer. The job of government is to steer, not to row the boat. Delivering services is rowing; government is not good at rowing".

What we have to do is provide the general direction, the guidance, the approach. I am going to talk about a few of those things and some of the concepts that may be a little unique or may not.

For an Atlantic Canadian this is a crazy thing to say, but I think we have to look at the idea of getting out of the grant-giving business and government's role in trying to foster economic growth by grants, loan guarantees, interest deferrals and things of that nature. If the enterprise cannot stand on its own without those supports it is going to die soon after they run out.

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We have to take a look at how we do government.

(1945)

[Translation]

The government should reassess its mission and look at the best way to fulfil that mission. All governments must work together to eliminate overlap.

[English]

We see a lot of duplication between the provinces and what we do. That is one of the areas we have to look at in re-evaluating government and reinventing it.

We have to look at some things here on the federal scene that perhaps will make a difference. We have to make government more competitive. Perhaps we should force government departments to bid on work that they now get automatically because they are government. Let government departments compete with the private sector and see whether we can get a better bang for our taxpayers' dollars.

We should also take a look at the budget and ask why we tolerate this incessant spending from February to the end of March: "Make sure that all of the money is gone. We don't want one penny left in our budget". Perhaps we should put into the system a rule that says: "If you don't spend all the money in your budget this year you can still keep it. You will be responsible for justifying where you're going to spend the money but you don't have to blow it all in February and March. It will still be available to you next year".

As we look at expenditures and the Auditor General's report which criticizes how the government spends money, the directions in which the money goes and how we have one boondoggle after another, perhaps for a change we should also ask the people the government serves whether they were served properly. If they were not, then maybe we should start re-evaluating what government is doing and perhaps the people who are doing it.

I think it would be interesting to know what the satisfaction level is with the clients of the government, namely the citizens and the enterprises, those that are dealing continually with government and those only once in a while. Rather than looking at the dollars and cents and where we could cut all the time, perhaps we had better look to see whether we actually do deliver a good service.

We have to start investing in our small and medium sized businesses and look at new ways to do things. I previously said that I think we should get out of the grant business. That is a process that we will have to wean parts of the country off. In the long run if we set up venture capital systems throughout Canada that will be the best system.

I want to offer an example of one that can work, in my view. It is going to require some tax changes and it is going to require some courage, but it is one I think we can use as a model proposed by an entrepreneur in Moncton, Dick Carpenter. He has suggested that we put together a meeting place for people who want to invest money, people who have ideas but need money to get started because the financial institutions will not finance them. What we want to do is set up a situation in which the people who want to loan money will receive a tax credit.

That requires a change in the tax system for provinces and for the federal government. Those funds that would be introduced into the system of venture capital would also be shored up by agencies like ACOA or western diversification. Therefore the person who makes this investment in the venture capital organization would not run the risk of losing everything. There would be the benefit of a tax credit and a shoring up of part of their investment by ACOA. What that will do is make ACOA a backstop rather than leading the process. In my view, that is a way for us to proceed.

I am very limited in time, so I want to move very quickly to another area of interest to me and that is in my role as Parliamentary Secretary to the Minister of Natural Resources.

What we do not realize in this country because we are always tied into new knowledge based technology and all of those exciting things that go with it, is that the resource industries of this country provide a million jobs and affect about 500 communities of this country. In 1992 natural resources accounted for 14 per cent of the GDP and generated \$69 billion.

If one looks at the statistics, the trade surplus that we talk about in international trade, is in large part supported by the natural resources sector. The foundation of the economy of this country over the last 100 years is still there providing that foundation.

We have to be sure, in the changes that we make in the budget and in the directions that we proceed, we remain world competitive. We acknowledge the environment, safeguard our natural resources and the way that we utilize those resources so that we are providing sustainable development. We also have to stop, and stop quickly, the flow of capital out of this country to other countries. Canadians are not investing in our natural resources. They are investing in the natural resources of other countries.

We have to change the tax system to allow Canadians to invest and re-invest in the natural resources of this nation. At the same time we have to put those dollars and cents into research and development relating to natural resources so that we can market that technology in the rest of the world.

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Again, we have to look at fine-tuning our tax system so that research and development by the private sector is encouraged through the benefits of tax credits and those types of things.

Rather than focus entirely on cuts and on the negative, let us focus on the positive. We have a great country with great resources and a great knowledge base. We have an opportunity to move into the 21st century as a dynamic economic force. If we sit with the naysayers who say: "No, we cannot; we must cut; we are going to fail", then we are going to fail.

I believe in this country. I believe that this budget process is going to put us on the right course.

[*Translation*]

Mr. Paul Crête (Kamouraska—Rivière-du-Loup): Mr. Speaker, the hon. member's speech made me think about the issue of natural resources. I must say that I agreed with him, but I wish that we could find a way to ensure that the productivity gains made in recent years and which will be made in the years to come as a result of the use of equipment are channelled back to the forestry workers, because today, machines are being used to cut far more trees and far fewer workers are needed to operate this equipment. However, the resulting productivity gains stay in the companies and are not reinvested in workers who are laid off and often left to subsist on unemployment insurance or welfare.

I think the budget should contain mechanisms, through the tax system or otherwise, for putting workers back to work. For instance, in the forestry industry, some people do not get retraining, and not everyone can be retrained for high tech jobs. There will always be people who prefer and in fact have the ability to work in forestry operations.

(1950)

Again, I agree with the hon. member who just spoke that it would be useful to find ways to involve these workers in the industry, so that the forest is given a chance to regenerate and become the forest of the future that can fulfil our requirements. Today, with our huge lumber exports to the United States, we may run out at any given time, and that is something we have to plan for.

The hon. member also made an interesting point when he said it might be a good idea for the federal and even the provincial government to withdraw from certain tax areas and let local governments manage local facilities. And of course in my case, the example that comes to mind is the wharves. It does not make sense for a wharf 300 kilometres from Quebec City and 800 kilometres from Ottawa to be managed by officials who have only seen photographs and plans and are not familiar with the day-to-day concerns and the importance of this infrastructure for the community. I ask the government to consider whether it would be appropriate to withdraw from an area where it cannot

really play an effective role, and I also refer to what the previous speaker said.

[*English*]

Mr. Rideout: Mr. Speaker, I thank the member for his question. It highlights a number of points without going to great lengths in order to permit other questions.

In his second question he is talking about harmonization. As we look at the overlap occurring in government we are presented with an excellent opportunity to start to harmonize the tax system, harmonize the regulations, harmonize in a number of areas. If we did this, we could really do some very good things.

I am saying that maybe we can look at opportunities which will see the federal government getting out of certain taxing areas and the provincial government taking over. He mentioned the forestry industry and forestry in general. I have to wonder whether we need two departments, a federal department of forestry and a provincial department of forestry. In that sense, maybe we have to look at a more efficient way of dealing with those types of circumstance.

All resource based industries create a large amount of employment. I do not think there is any question about that. The issue is what is the best way to make our forestry industry competitive. It will mean, in all candour, more mechanization. More research and development will take place in that area so we can compete on a world-wide basis.

We have to look at ways to better utilize our forests. We must create a larger forestry industry and create employment that way rather than just creating employment and making our forestry industry, in effect, uneconomical. We have to find the right balance.

I thank the hon. gentleman for his suggestions. I am sure the Minister of Finance will respond to those as well.

[*Translation*]

Mr. Stéphane Bergeron (Verchères): Mr. Speaker, I would like to take this opportunity to discuss a very significant aspect of the subject before the House today, and I am referring to the close relationship that exists between the economic situation, public finances and international trade.

I think we cannot overlook the fact that the disastrous state of Canada's public finances has an impact on the competitive position of Canadian and Quebec companies on foreign markets. I will therefore attempt to put the problem of our public finances and the federal debt into an international perspective.

Canada's net public debt is now over 70 per cent of our Gross Domestic Product. This ratio is well above the average for the 17 industrialized countries in the OECD. Furthermore, 25.8 per cent of the securities issued by the Government of Canada to finance its deficit are held by foreign interests.

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(1955)

This means that annually, we pay more than \$10 billion in interest to our international creditors. The problem is therefore a major one, something which a number of financial institutions, including the International Monetary Fund, have indeed pointed out to us. On February 11 last year, the IMF submitted a confidential report to the Canadian government on the country's economic situation and especially on the problems of the public debt.

Among other recommendations, the IMF advised Canada to deal with this problem, which was seen as giving rise to grave concerns about the state of the Canadian economy. The tenor of this report should surprise no one, since this was the IMF's third warning to Canada about its public debt.

The federal and provincial governments borrow massively on the domestic market, pushing up interest rates and thus depriving Quebec and Canadian companies of the capital they need to renew their production infrastructures and invest in new and more efficient production processes.

Furthermore, to make them more attractive to foreign investors, Canadian Treasury Bills must bear higher interest rates, thus pushing up the value of the Canadian dollar on international money markets and undermining the competitive position of Quebec and Canadian products on international markets.

Restoring our control over Canada's recurrent deficits would help provide companies with the capital they need, at a lower cost, to modernize their plant and would make the Canadian dollar more competitive with the currencies of our principal trading partners.

If the public debt problem makes our companies less competitive on international markets, conversely, international trade may prove to be one of the solutions to this problem.

In fact, Canadian exports rose dramatically during the first ten months of 1993. There is every indication that this increase, which was 16 per cent over 1992, should make this a record year for Canadian exports of goods and services.

It is important to realize the direct impact of exports of goods and services on the creation of jobs and the creation of wealth. According to recent studies referred to the Quebec bureau of statistics, every \$10 million increase in exports generates more than 100 direct jobs. Moreover, these \$10 million would include more than \$6 million in added value.

There is no doubt about the correlation between exports growth and improvement of public finances. When exports grow, so does employment, therefore we see a decrease in public spending for social programs like unemployment insurance, welfare or health care, as well as an increase in revenues due to the greater number of employed people who pay taxes.

The government should see international trade as a factor essential to economic growth, and this is especially true in a country like Canada which derives a quarter of its GDP directly from exporting goods and services. I should point out that the Quebec economy is also largely dependent on exports of goods of services which account for almost 16 per cent of its GDP.

The warm welcome given to free trade with the United States and then the North American Free Trade Agreement in Quebec, by federalist as well as sovereigntist supporters, should surprise no one.

Quebecers understand that only the access to larger foreign markets will guarantee economic development to a small society of 7 million.

In that regard, the lack of enthusiasm for these trade agreements in English Canada seems rather strange. It is easy to see, as the data on recent export increases and on their positive impact on our economy clearly show, that better access to dynamic markets is a source of increased wealth for our country.

Therefore, government must examine without delay what measures to implement in order to promote international trade. They must, among other things, review in depth all assistance programs for small and medium-sized businesses which are the driving force of all economic activity in Quebec and Canada and the main source of job creation.

That review must be made with a constant view to eliminating the multiple overlappings and duplications that exist between federal programs and those of some provinces. We must optimize resource distribution according to the real needs of businesses. Those provinces who wish to do so should manage these resources directly in a way that will ensure they are best adapted to regional economic realities.

On the other hand, the government must ensure that business assistance programs take into account the service sector which is increasingly important in the context of international exports.

(2000)

In conclusion, we must, once again, question the government's strategy and ask Parliament to participate in this new debate on public finances. We must, of course, welcome this new approach adopted by government which is a sign of increased openness and of greater respect for democracy.

However, given the scope of the financial disaster at the federal level, and given the determination shown by the Liberal Party during the election campaign, we had the right to expect the government to launch a much larger consultation process. Under such circumstances, it would have been appropriate to take measures more in line with the seriousness of the situation.

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We would have liked the government to follow through with the request presented by the Bloc Québécois several months ago, asking it to set up an ad hoc parliamentary committee to carry on an item by item review of federal tax and budget expenditures. The Reform Party, through the member for Calgary North, answering a question I asked her on January 21, and earlier today, through the member for Lethbridge answering a question from my colleague for Saint-Hyacinthe—Bagot, already indicated that it was willing to participate in such a process.

With such unanimity, the government had the opportunity to undertake a consultation of a magnitude yet unknown in the history of this country and ferret out all sources of waste, costly overlapping and excessive spending.

That exercise would have allowed the government to avoid having to consider easy solutions, such as increasing the already excessive burden on taxpayers or cutting social programs.

Instead the government chose the easy way out: business as usual! Yet, if I remember, this government was not elected for its lack of courage and determination. Nobody expected that it would quietly carry on a traditional policy of day to day management.

The government's answer to the proposal made by the opposition is that it would table the budget in a few days. Be that as it may, we will wait for the budget, but make no mistake, we will be ready for it.

[*English*]

Mr. Ron MacDonald (Dartmouth): Mr. Speaker, I am glad to see the spirit of cordiality that we started off with was evident in the member's speech.

I would hasten to say at the outset that this government does not believe it is business as usual. We have suffered through nine years of Tory mismanagement of the economy. We have seen a government induced recession. All of the policies of the last government were supported by the current leader of the Bloc Québécois who is now the Leader of the Official Opposition.

Some of the new members on this side the House find it very difficult to listen to lectures from the Bloc Québécois about what is wrong with Canada. They talk about how the economy has been mismanaged and that if they had their way things would be better.

I would like to indicate to the member opposite that many of his colleagues, indeed the only colleagues he has who have any experience in the House with the exception of one, sat as members of the Conservative government. Time after time when debates took place in the House those same members, when they were members of the Progressive Conservative Party, supported the very policies that have got us into the mess that we are in

today. I understand he is a new member here. He has some very forceful points of views and I am pleased he put them in debate today but he has to recognize that you cannot have your cake and eat it too.

The individuals in this place that are the biggest proponents of the Bloc Québécois are the same ones that ran on the Tory ticket in 1984 or 1988. Indeed some were in the cabinet of the previous government that voted for all of those measures, that saw not just the province of Quebec's economy go downhill but the economy of every province in this country go downhill.

I want to tell the hon. member it is not business as usual. This government was elected because it offered some hope and it offered some hope for every province in Canada.

I can speak quite eloquently about the problems in Atlantic Canada. They are tough and they are bad but I know that the vision, the policies and programs we have heard from this side of the House, and indeed the way we are approaching governance by open debates like this, show that times are different.

This is a different House. It is a different government. We have support from nearly 70 per cent of the electorate even in the province of Quebec.

(2005)

I would suggest to him that this is the beginning of a productive time. If he listens long and hard I think he will find out that the processes and policies that are in the best interests of Quebecers are the same processes and policies that are in the best interest of Nova Scotians, Newfoundlanders, people from the Northwest Territories and British Columbia. They are policies that are good for Canadians.

I would close by asking the member why he believes, and I am sure that he believes strongly in his views on separation for the province of Quebec, that the pursuit of separatism, because it is not sovereignty association, it is separatism for the province of Quebec, is in the best economic interest of the people of Quebec when he knows full well it will lead to international instability in the investment market and it will probably lead, at least in the short term, to job losses for Quebecers as well as other people in Canada.

[*Translation*]

Mr. Bergeron: If you allow me, Mr. Speaker, I would like to have time to answer everything my hon. colleague just said.

First, I note with undisguised pleasure that every time we make statements, he and I are always together and I wonder if that will go on for long. I do not find it unpleasant, I must tell you, but I do find it interesting that the member lost his cool a little and immediately tried to defend his government. Could it be that his government has something that needs to be defended?

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Also, my hon. colleague spent much of his speech explaining that some members of our party were once with another party that they left, I must remind my colleague, because perhaps they learned something after they had joined it. We should not keep going back to that because the fact that they are now sitting on this side of the House, under the Bloc Quebecois banner, means that they have done some thinking and that they realized something which has taken them further in their thinking about the political and constitutional future of Canada and Quebec.

I would remind my colleague that the government which got Canada onto this debt treadmill is not the Conservative government which he complains about having had to put up with for nine years; it is the Liberal government which preceded that Conservative government.

Some hon. members: Hear, hear.

Mr. Bergeron: Someone just questioned my right as a parliamentarian here to express my opinion on issues affecting the economic future of Canada, and thus Quebec, because Quebec is still part of this country called Canada.

I find it offensive that the member should have questioned Bloc Quebecois members' ability to speak in the House on the economic future of this country. We have the right, and if you paid attention for a few moments to the speech I made, you may find in it some good ideas for putting Canada back on track. Perhaps you should reread it.

Furthermore, I would point out that my colleague's argument had little or nothing to do with my speech and I must deplore that.

Mr. Michel Guimond (Beauport—Montmorency—Orléans): Mr. Speaker, as my colleagues have pointed out, the current economic situation in Quebec and Canada is far from encouraging. The unemployment rate exceeds 11 per cent and the federal deficit is growing steadily. These figures reflect an increasingly unacceptable reality: poverty has got its claws into the middle class now and there is no doubt that action is urgently needed.

In a context of scarce financial resources however, government action must be carefully targeted to achieve maximum effect.

As my colleagues said, the federal deficit results both from a structural problem and a—

Mr. Speaker, could you ask the hon. member for Kingston and the Islands to go and sleep it off somewhere else. For a member—

An hon. member: Lots of before-dinner drinks and after-dinner drinks.

The Acting Speaker (Mr. Kilger): I know that members sometimes wish to discuss among themselves but in this case, I do not know.

(2010)

Since the members in question have left I ask the hon. member to continue his speech.

Mr. Guimond: So, Mr. Speaker, the federal deficit is the result of a structural problem as well as of particular economic conditions. I will concentrate on this aspect.

The deficit resulting from economic conditions is enormous. It represents roughly half of the federal deficit. We must react right now if we do not want to jeopardize the future of our children. We must invest in projects which will foster permanent employment, as well as in promising sectors which will put our creativity to full use. We must take advantage of our expertise and of the relative lead which we were able to develop over the last few decades. We must promote projects which will give Quebec and Canada an international prestige that will allow them to export their technologies.

Economic recovery is based on projects geared to the industrial sectors which hold the most promise for the future. The Bloc Quebecois proposes a project which meets those two criteria: the development of a high speed link along the Quebec—Windsor corridor.

The Liberal government is aware of how important it is to invest in infrastructure programs in order to foster growth and employment. The Bloc Quebecois is also of that opinion. However, our concept of infrastructures is wider than that of the Liberal government which seems content with upgrading the road system. We recognize the importance of maintaining and repairing roads everywhere in Canada and in Quebec. Canada is a vast territory and it is absolutely necessary for it to have a quality road network to reduce transportation costs.

However, the upgrading of the road system will be totally insufficient to sustain economic recovery. Road maintenance does not generate permanent employment. The high-speed train or HST is an example of the type of investment needed.

A high-speed link along the Quebec—Windsor corridor would cost close to \$7.5 billion over ten years. It would be financed at 70 per cent by the private sector, while the remaining 30 per cent, or approximately \$2.3 billion, would be provided by the Quebec, Ontario and federal governments. By getting involved in the HST project, the government will help generate a \$5.3 billion investment from the private sector in the Canadian economy, not to mention the indirect benefits of the project.

During the construction period, tax revenue generated by the project would reach \$1.8 billion. This means that the financing of the project would be quickly made up for. This federal

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investment would not increase the national debt and would allow us to make VIA Rail a profitable venture. The HST would create close to 120,000 person-years employment, of which 80,000 would directly be generated by the construction of the link and related equipment. Moreover, there would be 40,000 new jobs upstream and downstream of the project.

In 1991, the task force on a high-speed train linking Quebec and Ontario, which was co-chaired by the hon. Rémi Bujold, the former Liberal member for Bonaventure—Îles-de-la-Madeleine, made an important pre-feasibility study. Wide public consultation revealed that the communities affected by such a project support this initiative.

The crucial impact of the development of such a corridor on the national economy was mentioned on several occasions, as well as the need to make the cities in that corridor more efficient so that they can succeed in a competitive market.

The Bloc Québécois proposes the development of an environment-friendly technology. Even at 300 km/h, the HST burns almost half as much energy per passenger as an automobile, and four times less than a jet used to transport people.

The use of a high-speed train would reduce government expenditures. A high-speed train would be a much cheaper way of providing inter-city passenger service than would the expansion of the country's road or air network. Rationalizing government spending is a critical factor in the economic recovery.

(2015)

In a country as vast as Canada, the government must have an efficient public transportation policy. At a time when the government is thinking about dismantling the rail system in Canada, it cannot get around replacing it by a technology better suited to the challenges of our society.

The spin-offs of the high-speed rail project will help drive local economies. The European experience has shown that a high-speed rail venture stimulates job creation and economic recovery. High-speed rail attracts hotels, office buildings, convention centres, restaurants and other commercial or tourism operations.

During the election campaign, the current Minister of Finance acknowledged Montreal's inadequate industrial infrastructure and pledged to focus on ways of remedying the situation. The Minister of Finance diagnosed the problem as follows: Montreal's industrial infrastructure is outmoded and fragile and is not being replaced by new, dynamic and technologically advanced manufacturing firms. What is the government waiting for to follow through on its diagnosis? The Minister of Finance

is now in a position to perform the surgery that can cure the patient.

The government must respect the public's priorities. It must reduce the defence budget by at least 25 per cent and invest some of this money in projects that will be useful to society. The end of the cold war and the crisis in public finances do not justify directing funds to the military.

The \$12.3 billion defence budget for 1993-94 represents a 3 per cent increase over 1992-93 levels. Is the federal government prepared to make a commitment to the people that it will slash the defence budget substantially and redirect the money to high-tech civilian projects? Is the government prepared to help companies such as MIL Davie in Lauzon become less dependant on military projects and convert their operations to civilian ship building projects?

The high-speed train represents a major industrial investment for Canada and Quebec. Our standard of living and our competitive position depend on decisions that are being made right now. We cannot mortgage our future by postponing the introduction of the high-speed train. The clock is ticking and time is not on our side. If governments take immediate action, we will have a strategic head start on the North American high-speed rail market. Twenty similar projects are in the development stages in the United States, where the market is estimated at more than \$200 billion over the next 15 to 20 years. If we are the first ones in this market, our companies will be the ones to benefit from exports of this technology.

The Canadian government must demonstrate that it has vision and it must get the economy working again by implementing innovative projects.

[English]

Mr. Simon de Jong (Regina—Qu'Appelle): Mr. Speaker, I listened with interest to the member advocating a high speed train between Quebec City and Windsor. I am certainly a strong supporter of the high speed train form of transportation. Ecologically and economically it makes so much more sense.

My concern in part is that the members of the Bloc envisage a separation between Canada and Quebec. My question to the member is would he feel that the government would be loathe to enter into long term, capital intensive projects in Quebec that might become difficult to resolve if there were separation? It is similar to a couple going through a divorce. Do not enter into new mortgage agreements and invest a lot of capital in long term projects. Would the member not agree that perhaps the uncertainty of the future relationships between Canada and Quebec might slow down the construction of a high-speed train between Quebec City and Windsor?

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(2020)

[Translation]

Mr. Guimond: Mr. Speaker, I would have been surprised if that issue had not been raised in this debate.

First of all, we must set things in the proper context. Every year, Quebec taxpayers pay Ottawa \$28 billion in taxes. I hope that no one is operating under the illusion that, when the federal government invests in projects in Quebec, it is out of sheer benevolence. Benevolence it is not; they are simply giving us back some of our money. So, let us just be clear about that.

So, until further notice, until the people of Quebec have democratically decided whether to have a country of their own—and we are sure they will—until then, there is no reason not to go ahead with projects such as the high-speed train and I do not see why this train could not travel across two countries, as is the case in Europe and many other countries. The train would travel across Quebec, for the portion of the line between Quebec City and Rigaud, then from Rigaud to the border with the neighbouring country, Canada, in the province of Ontario. From the border to Windsor, it would travel across another country. I do not think that the future of Quebec lies in the feasibility of the HST project. I think that arrangements could be made, as they were in Europe.

[English]

Mr. Paul DeVillers (Simcoe North): Mr. Speaker, as we approach this year's tabling of the budget the government is faced with a tremendous debt which has surpassed half a trillion dollars and a record deficit of nearly \$46 billion. Given the magnitude of these numbers this government's fiscal and budgetary policies will impact many generations to come.

In the words of Mr. Leonard Cohen, we have a wonderful opportunity to steer this ship of state to the shores of need past the reefs of greed. It will take wisdom, courage and firm resolve to steer a course which will benefit Canada and be equitable to all Canadians.

[Translation]

Before going any further, I would like to congratulate the Minister of Finance for his pre-budget consultations with Canadians representing various views as well as with the members of this House. If we are to steer Canada in a new direction, we will need the support of all Canadians.

[English]

Over the past few years we have been told by some economists, bankers and business leaders that we can no longer afford the quality of life Canada has attained. This may be true. But should Canada abandon its commitment to its social programs, programs which are the envy of the world? Is our fiscal deficit the result of our aspiration to be a just and compassionate society? I think not.

I believe that by fine tuning and adjusting social programs, by plugging tax loopholes and by creating and maintaining incentives for all Canadians to work and contribute to our economy we will increase revenues and address the deficit and the debt.

I said earlier in this House that I believe we have a revenue crisis and not a spending crisis. A symptom that this is a revenue crisis is the way Canadians perceive Canada's tax system.

[Translation]

There is an unprecedented lack of trust in our tax policies among Canadians, as reflected by the increase in popularity of the underground economy, and particularly cigarette smuggling, following the introduction of the GST. If we want the Canadian people to obey the law, they have to be convinced that these laws are fair and equitable.

[English]

Patrick Grady's 1992 study clearly demonstrates that the tax burden has not been shared fairly in the past decade. Lower middle income families have borne the brunt of tax increases. An average Canadian family earning between \$45,000 and \$75,000 has had to pay an average of \$1,900 more in taxes than they did a decade ago. However, the amount of tax increases paid by income earners making \$150,000 or more has been \$3,782. According to the author, this amount is much less in proportion to the middle income Canadians.

(2025)

[Translation]

It is important to compare the proportion of taxes paid by individuals and corporations. Personal income tax is the biggest source of federal revenue, accounting for almost 50 per cent of total revenue. This proportion is bigger today than in the last two decades.

Meanwhile, corporate taxes are at their lowest level ever. They now account for 7 per cent of federal revenue compared with about 15 per cent in the 1970s.

While personal tax levels have kept growing in the last ten years, corporate levels have fallen from 36 to 28 per cent.

[English]

We must also examine the tax exemptions and deductions available to these corporations and wealthy Canadians. There exist loopholes associated with off-shore affiliates of Canadian companies, the family trust rules, deductions of limited partnership losses and non-taxation of lottery and gambling winnings.

Business people are allowed to claim 80 per cent of the cost of entertainment and meals. If this were reduced to 50 per cent, business would still receive a tax deduction. In addition, restaurant, hotel and resort businesses would continue to receive the revenue generated by these deductions.

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There have been suggestions that this budget should reduce the amount of RRSP contributions. I do not support this proposal because I feel it would be a disincentive to the self-employed small business persons and professionals. These are the people who will provide the jobs called for in our election platform.

Also we hear that the Canada pension fund as is presently structured may not be able to provide for the retirement needs of Canadians. Therefore it makes little sense to restrict Canadians' ability to provide for their own retirement. We must also remember that the RRSP contributions are only tax deferrals and not complete tax avoidance.

I have already written to the finance minister asking him to extend the RRSP home buyers plan. The program has been very successful in enabling first time buyers to purchase a home that they otherwise would be unable to acquire. The RRSP home buyers plan has had and would continue to have a tremendous affect on our country's economic renewal. We must take into account that the immediate costs incurred by the federal government for this program will undoubtedly be offset in the long term.

I have cited some examples of revenue losses which must be corrected to bring fairness to our system. However we must also recognize that government can and must operate more efficiently in delivering services. The Auditor General's recent report underscores the need to evaluate every department and program. This should be done to fetter out unnecessary spending and waste while maintaining the integrity of these programs.

[Translation]

Simcoe North constituents tell me they want changes to our tax system and a full review of our social programs without a reduction in the quality of services.

I think this government has recognized that the problem lies with our tax system and that our social programs must be renewed. I am happy to know that the government will take action.

The throne speech clearly stated that our priority must be job creation. This approach is essential if we are to put our fiscal affairs in order and successfully bring the deficit down to an acceptable level. By putting people back to work we will not only save on unemployment insurance and welfare but also broaden our tax base.

[English]

In conclusion let me summarize what I suggest we need and what we do not need. We need to remember that job creation is this government's number one priority. We need more people paying taxes and not people paying more taxes. We need plans and incentives for those currently unemployed to gain meaningful employment. We need to examine the privileges and tax loopholes currently enjoyed by the wealthy while maintaining

incentives for business to remain competitive and provide employment. We need to remember that our social programs require constructive reassessment to make them realistic and responsive to those in need.

(2030)

We do not need a slash and burn approach that would ultimately deny social services to the poorest and most needy citizens in this country. We do not need reactionary simplistic solutions to complex problems. We do not need to abandon our liberal roots of tolerance, fairness and compassion by reacting in a knee-jerk fashion to neo-Conservative agendas.

I know we can bring in a budget that will promote wise and careful spending while increasing revenues by broadening the tax base to include Canadians moved from the ranks of the unemployed to employment.

[Translation]

Mr. Pierre Brien (Témiscamingue): Mr. Speaker, I listened to the hon. member very carefully and I must say that, on several points, he seems to agree with what I said in the speech I delivered in this House earlier today. First of all, he said that we are faced with a revenue problem, and I wholeheartedly agree with him. He used the words fairness and equity, which are key words in our taxation system. And I also agree with him on that.

He talked about the need to reform our tax system, not by targeting the middle class which is the driving force behind the economic recovery and which directly supports the economic cycle, but by increasing the tax base to reach those who do not pay their fair share of taxes. I would like the hon. member to comment a little further on this.

There is another issue I want to raise. In his speech, the hon. member did not mention spending cuts. Does that mean that he thinks the present level of federal spending cannot be reduced and that a revenue-based approach is the only way to put public finances back in order?

[English]

Mr. DeVillers: The comments I made about the careful review that is required in federal spending has been highlighted in the Auditor General's report. If the hon. member will recall those comments I think they are the ones he is seeking clarification on on the reduction in spending. There are many programs with lots of room to cut spending while maintaining the integrity of the programs themselves, ensuring that we do not diminish the services for the most needy among our citizens.

Mrs. Jean Payne (St. John's West): It is a pleasure for me to participate today in this most important pre-budget debate. I would like to begin my remarks by saying that this debate shows the government's commitment to listen to the opinions of Canadians as well as to make Parliament a more relevant institution.

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The budget being prepared by the Minister of Finance will be the most widely discussed budget in history. The previous government left the country in a desperate financial situation. Their economic policies increased unemployment and caused corporate profits to decline. As revenues declined, spending on items like unemployment insurance and social assistance increased.

With a budget deficit of \$46 billion, Canadians and this government are faced with some very difficult choices. Do we raise taxes, reduce spending, cut services, or let the deficit increase? Whatever decisions are made, they must be fair to all Canadians in all regions.

The people in St. John's West are facing a number of challenges. Unemployment is very high, business confidence is low, the fishery continues to decline and people are burdened with personal income taxes.

The crisis in the east coast fishery is a problem for all Canadians. It is not just a concern for Newfoundlanders. The fisher people and plant workers are not to blame for the situation they find themselves in. The previous government mismanaged the resource and pulled the rug out from under the people who depend on the fishery for a living.

(2035)

As people adjust to the new realities of the fishery they need support. The former government set up a short term assistance program that is due to run out in a few months. What people need is a co-ordinated, long term assistance plan that will meet the needs of those involved in the industry.

The people affected need income assistance to compensate for some of their lost income. Useful retraining programs are a must for those who choose to leave the fishery. As well, more research on conservation and certain harvesting methods is necessary to ensure the future health of the entire industry.

The half-measures taken by the previous government simply will not do. I am confident the ministers of fisheries, human resources and finance will design programs that meet the needs of Newfoundlanders and still keep within the government's tight financial situation.

There has been a lot of talk recently about tax increases and broadening the tax base. Increasing the tax base is not a tax grab by government. It is a way to ensure that all Canadians pay their fair share of taxes.

For the past few years Canadians have seen their incomes decline and taxes increase. Consideration should be given to measures to ensure that wealthy individuals pay a fair share of taxes. RRSPs are a common tax loophole that many people will take advantage of. While governments should encourage people

to save for their retirement, it is a fact that the more money they have the more likely they are to make use of RRSPs to reduce their taxes. Tax reductions for RRSPs should not be eliminated, but we should look at lowering the ceiling and reducing the tax break to those who are better off.

The number one priority of the budget must be job creation and measures to put Canadians back to work. The people of my riding are eager for the infrastructure program to move into high gear. I applaud the Prime Minister and the Minister responsible for Infrastructure for their efforts in getting this off to a quick start. However there is a greater need for job creation.

The federal government can do a great deal to stimulate job creation directly. It cannot create every job we need. That is where small businesses come in. Small business is the engine of the economy. Unfortunately the previous government did a terrific job of hurting small business owners and keeping them from doing what they do best, creating jobs.

A mixture of the GST, high interest rates, tight credit and problems with the Small Businesses Loans Act put a crunch on small businesses, preventing them from expanding or hiring new employees.

Our new government needs to address these problems. Small businesses need an understanding federal government. Businesses need access to capital to fund product and market development. The GST must be replaced with a tax that is easier for businesses to collect and that reduces the growing underground economy. Only when small businesses find their feet will the economy really begin to pick up.

All measures of the budget should be designed to increase employment. When people start working once again they will start paying taxes again. The biggest problem faced by the government is not where to cut or increase taxes. The biggest problem is the lack of people working and paying taxes. Instead of people drawing from the system, we need to have them paying back into the government purse.

The finance minister has a difficult job ahead as he tries to balance the need of Canadians to work and the government's need to reduce the deficit. The constituents of St. John's West are watching. I know the minister will do his best to strike the balance that is necessary to get this economy rolling once again.

Mr. Monte Solberg (Medicine Hat): Mr. Speaker, my question for the member concerns her comments on RRSP limitations. She spoke in favour of reducing limits for Canadians with above average incomes.

Does it also follow that the member believes retired Canadians who have above average incomes should not receive old age security benefits? If not, why not?

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(2040)

Mrs. Payne: Mr. Speaker, I am of the firm conviction that anybody who is receiving above average incomes or pensions should not be permitted to dip into the government purse.

I am not quite certain at this stage how the Minister of Finance is going to deal with this situation but, if in fairness to all Canadians it means having to claw back pensions from those people who are receiving above average income either by pensions or otherwise, it is my firm belief we should look at it.

Mr. John Williams (St. Albert): Mr. Speaker, I congratulate the member for St. John's West on a fine speech.

I note that she said there was a lack of people working and paying taxes and that in this country we have tax consumers and tax producers. She also spoke about the problems with small business.

However I find that very little was put forward as proposals to address the problems we have. I hear so much about how we must do this, how we must do that and how we must do something else. I hear that we have an abundance of unemployed and a lack of jobs available. I hear that we have too many people on welfare and not enough people working.

I am looking for some real answers as to what the hon. member would propose to get Canadians back to work and to bring the deficit down in order that we can look forward to some kind of reasonable future for our children.

Mrs. Payne: Mr. Speaker, I thank the hon. member for his question. I believe the Minister of Finance has made a fine start in the development of the infrastructure program he has put forward.

As I said in my maiden speech earlier this week, the people in my riding are very happy with the infrastructure program that has been put forward.

Again I say to the hon. member that in order to reduce the deficit I believe we need more people working, more people paying taxes than taking out of the government purse. The way to do that is to increase employment and the infrastructure program is certainly a good jump start in that respect.

The Acting Speaker (Mr. Kilger): Before continuing with debate, I would like to preface my remarks by reminding all members that as your presiding Speaker at this time I am in your hands.

However I would like to make you aware that I have a list outstanding of nine speakers consisting of two government members, two members from Her Majesty's Loyal Opposition, four members from the Reform Party and one Independent.

I would be prepared at 10 p.m. not to see the clock but I would not want to extend today's sitting beyond this list of speakers. If I could add to my suggestion that if you were to forgo the five minutes of questions and comments for the remaining nine speakers for a total of 90 minutes, it would bring us to the end of the day at 10.10 p.m.

I am your hands and I am seeking your direction and your consent, if possible.

Some hon. members: Agreed.

Mr. Monte Solberg (Medicine Hat): Mr. Speaker, I give my sincere thanks to the government for permitting this precedent setting debate.

During this pre-budget debate I rise to offer an analysis of the government's infrastructure program that will add \$2 billion to federal government spending. During the election campaign and in the throne speech the Liberal rationale for the infrastructure program was twofold. First, this jointly funded program would create jobs. Second, it would encourage public investment in our roads, sewers and public buildings, all of which would increase the nation's productivity and therefore our competitiveness.

Together these measures are supposed to jump start our economy. I would argue however that this rationale is deeply flawed. I would argue that this program is not only premised on faulty assumptions. I would also argue that its design is coercive, inefficient and unfair in nature.

Let us look at the assumption that this program will create 50,000 to 60,000 new jobs. As the government has already admitted it has not taken into account how many jobs will be lost by raising taxes to pay for this \$6 billion program.

(2045)

This program betrays the government's belief that it will use that \$6 billion more efficiently than taxpayers, than investors would use it, despite the mountains of evidence indicating that it just is not so.

I can guarantee the House that the owner of a small business would not charter a jet to fly to Boston and New Orleans for \$172,000 if he could get a commercial flight for \$5,000. The Minister of Consumer and Corporate Affairs has demonstrated in an exaggerated fashion what happens on a smaller scale a thousand times a day in government.

Instead of taking that \$6 billion out of the hides of taxpayers, I urge the government to leave that money where it is. The small business owners, taxpayers and investors will spend that money a lot more efficiently and effectively than government ever would.

Another assumption the government makes is that we are somehow lax in funding infrastructure in the country. This is despite the fact that public infrastructure spending increased 40 per cent between 1986 and 1993 to \$17.5 billion.

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Meanwhile private infrastructure investment last year was in the tens of billions of dollars. This was an investment that businesses were counting on to pay some immediate dividends, or else they would not have spent the money at that time.

However the same cannot be said of the infrastructure works program. It will only fund new projects that until now municipal governments were not planning, presumably because they were not the best use of taxpayers' money, or in the case of repairs and upgrading because the roads or sewers still had a few more years in them. Perhaps it was because new taxes would have to be raised to fund them which would enrage taxpayers who are already overtaxed.

We should have deferred to the good judgment of the municipalities. Instead the government's infrastructure works program coerces the provinces and municipalities into joining the program and requesting funds for projects that may or may not need doing. After all, if a municipality does not participate then the federal tax dollars that come out of that jurisdiction would just fund the next municipality over. Thus local municipalities are pressured into participating.

When the federal government tells the other levels of government that the only way for them to get a dollar is to spend a dollar, we have a taxpayer's worst nightmare. Sadly this is not the only design flaw with this program. Although this program is supposed to create 50,000 to 60,000 jobs the government does not, to my knowledge, have any way of monitoring how many jobs will be created or whether these jobs will teach new skills or will lead to permanent employment.

As the government knows, the Auditor General has been very critical of past government programs that spend millions and millions of dollars but never check to see if those programs are actually accomplishing their objectives. I hope some day the government can enunciate its plan for monitoring the progress and income of its infrastructure works program.

I am also concerned that this project will perpetuate the problem of dependency on government, a problem that has become the hallmark of Canada's social programs. On one hand, the government is saying that it wants unemployed Canadians to get their skills upgraded so that their long term job prospects will be improved. On the other hand, it is enticing them to go to work for two years on a dead end job creation project, a project that in all likelihood will leave them unemployed in two years with no new skills to show for it.

I am also concerned that the control over this program is so loose that we see projects like the Quebec City Convention Centre getting the go-ahead before any criteria are even established. Again it causes me to question the government's implicit contention that the minister for infrastructure knows better than taxpayers how their money should be spent.

The government's infrastructure works program will kill more jobs than it creates. It coerces other levels of government into participating and encourages unnecessary infrastructure investment. It lacks clear measurable objectives. It is susceptible to political pork barrelling. It provides a disincentive for unemployed Canadians to seek training and long term employment. It drives up taxes and impedes our ability to tackle the root cause of unemployment and slow economic growth. I refer of course to the deficit and the debt.

I quote now from the Investment Dealers' Association 1994 pre-budget submission:

(2050)

The Keynesian agenda is no longer a viable option. Indeed, even if one abstracts from the deficit and debt problem, it is difficult to reconcile increased government spending with a rebound in economic growth. Government expenditures have already reached unprecedented levels, with spending accounting for about 40 percent GDP, and yet economic activity remains in the doldrums. In this regard the proposed \$6 billion infrastructure program, while boosting overall productivity, would have a minimal effect on stimulating growth.

Government expenditures must be viewed within the context of government finances which have run amok. The stimulative Keynesian impact of higher spending is overwhelmed by commensurately higher taxes to blunt a deterioration in finances, or higher interest rates in response to larger budget deficits. Never before has fiscal policy turned completely on its head to the extent that policy initiatives must be considered in terms of their impact on government finances to the exclusion of everything else.

The other day the finance minister offered to give the leader of the Reform Party a lesson in economics. On behalf of my leader I will gratefully decline. Instead we will take our guidance from a small business owner who attended the finance minister's pre-budget consultation conference in Calgary on Saturday. Vicki Dutton told the minister and the conference you cannot tax a country back to health.

I would argue that simple truth is worth all of the finance minister's elaborate theories ten times over.

We should abandon the infrastructure works program immediately and begin the overdue process of cutting government spending.

Mr. Werner Schmidt (Okanagan Centre): Mr. Speaker, let me compliment the Prime Minister and the Minister of Finance for initiating what I hope will be a new approach to putting Canada's financial house in order.

The budget is the most influential of all government documents because it affects the lives of all Canadians more deeply than anything else. It contains the vision and the direction of government and provides the means of implementation of those programs. Therefore it is particularly important that we recognize the Auditor General's admonition in this regard when he said a compelling need is required to reconcile the convention of budget secrecy with open consultation and debate.

Government Orders

The taxpayers' interests must be protected and who is in a better position to do so than the taxpayers themselves?

In the pursuit to open up the consultation process and improve economic health we have turned toward big, small and medium sized businesses for answers. In this regard I wish to direct the attention of the House toward the management of government grants and contribution programs.

At this crucial time it is necessary that we ask ourselves whether this traditional means of supporting the economy continues to be the most efficient. Are the billions of dollars spent to support these programs used in the most efficient manner? Are Canadians getting the best value for their tax dollar? I submit, no.

As an example, let us go back to October, 1986. The government of the day through the Federal Business Development Bank, signed a share subscription agreement that provided \$79 million of equity to a publicly held company as part of a multi-million dollar plant modernization project. A similar investment of \$55 million was made by the province of British Columbia, representing \$134 million in government funding for the first stage.

In total, \$161 million was spent on stage one with only \$27 million subscribed by the company.

In December 1992 the company advised the government that it would not be able to meet its obligations by the December 31, 1992 deadline. To date the government, through the Federal Business Development Bank, has not received any dividend payments or redemption of any of its shares. The investment before the company declared it could not meet its deadline was written down to zero in March 1992.

(2055)

Did we receive the best value for our money? No. Did the contribution of funds generate revenue? No. Were the interests of the taxpayers protected? Certainly not.

Quite clearly, the government and taxpayers took most of the risk and saw no return.

Whether one agrees or not with the various government programs, the process is not effective if it allows the government to undertake the major risks with little or no risk on the part of the companies involved. Canadians cannot afford these kinds of losses. They only add to the already large deficit. It is time that the government allows big business to grow up. It is time that we recognize big business will take its own risks if government provides the right climate. Big business can get in step with the new information based economy without subsidies provided by the taxpayers' money.

Where can Canadians get the most value for their money, and how can they use that money to create employment?

Small and medium sized businesses are the backbone of employment in this country, providing well over 80 per cent of all the jobs for Canadians. It is not done easily.

When I talk to business people about the difficulties of operating their businesses, they tell me there are two major problems. First, tax burdens make it increasingly difficult to operate, to expand and to employ people. Second, they lack the knowledge about programs and assistance available to them. Given that small and medium sized businesses employ most of Canada's work force, create new jobs and help to build strong communities, it is unthinkable that this sector must suffer from an inordinate level of taxation which inhibits growth and thus employment.

We must recognize that small and medium sized businesses will be the primary sources for employment of those Canadians who have lost their jobs because of downsizing. Small and medium sized businesses will put Canadians to work in new occupations. Success in these new jobs will require that both employer and employee work together to develop the skills necessary to accomplish that transition.

The major factor for success of this re-employment strategy will be a reduction of the tax burden to the small and medium sized business. A reduced tax burden will do much more to stimulate the economy and reduce the deficit than broadening the tax base.

The second major problem for small and medium sized businesses and the one which relates directly to my discussion here this evening is the lack of knowledge among these business people about government programs and assistance.

Allow me to run through some of the current government programs designed to assist Canadian business people.

Among them are the Small Businesses Loans Act, Community Futures including business development centres, self-employment assistance and the Community Initiatives Fund, the Small Business Financing Program and the Regional Assistance Program including western economic diversification, the Atlantic Canada Opportunity Agency, the Federal Office of Regional Development (Quebec), and the Federal Economic Initiative for Northern Ontario.

Under research and development we have the Industrial Research Assistance Program, the Scientific Research and Experimental Tax Credit Program, and the Technology Inflow Program.

Government Orders

Under export assistance we have the program for export market development, the Industrial Co-operation Program and the Export Development Corporation.

Under programs for aboriginal Canadians we have the Canadian Aboriginal Economic Strategy, Aboriginal Business Development, the Aboriginal Capital Corporation and the Joint Venture Program.

That is but a sample of the programs available. I have here in my other hand 13 pages and each page has approximately 10 different kinds of program descriptions from one department. In some cases, as many as three departments operate and administer a single program.

Mr. Speaker, if you were a business person which way would you turn, which program would be best suited to your business? Is it not possible that more than one of these could provide assistance?

A preliminary conclusion would suggest that there is an overlap of function and that the potential for bureaucratic competition exists. Can a business benefit from only one program or can the same business benefit from a variety of programs simultaneously? Is it any wonder that there is confusion? Can we be assured that this system in making efficient use of taxpayers' money will exist in this budget?

(2100)

Whether a business is big or small the fact is that the old way of creating a climate for business success is not the most efficient. Grants and contribution programs must be re-evaluated in terms of need, purpose and administration.

It will be the first step in opening up the budget process as we have seen it here today for consultation and debate and making the necessary improvements that will ensure that we use our resources more efficiently so that taxpayers' interests are protected. Canadians have found ways to cut costs and put their respective financial houses in order. The government must do the same.

It needs an ambitious budget that demonstrates it is master of its financial house. Then big, small and medium sized business will triumph in their pursuits of economic success and Canada can move forward into the new knowledge and information based economy with confidence. That is our challenge. Let us do it.

Mr. Leonard Hopkins (Renfrew—Nipissing—Pembroke): Mr. Speaker, I want to make a novel suggestion to the finance minister and it is one that has proved its worth in the past and I am sure it will work today.

I remember when I was going to elementary school during World War II and they had what was called war saving certificates. You brought 25 cents to school whenever you could afford it and they put a 25 cent stamp in your book. When you had \$4 worth of stamps you tucked them away and in a certain period of

time you got \$5 back. A lot of the kids right across this country bought war saving certificates throughout World War II and they felt they were helping Canada.

I am going to suggest to the finance minister today that we use the same system for young people across the country, elementary and high school age, and for older people as well if they wish to buy back Canada certificates.

When I say buy back Canada certificates I am thinking of the debt that we have with foreign countries. In order to cut down the debt that we owe abroad, these buy back Canada certificates can be applied to the national debt to pay off foreign countries. Grandmothers and grandfathers can buy a \$20, \$50 or \$100 buy back Canada certificate and give it to a youngster for his or her birthday or whatever. Any Canadian can invest in them.

In other words, it will go the year round. It is not just a certain period when you buy savings bonds. It will go the whole year. Let them buy these and it will instil in every young Canadian, every child, an attitude of Canadianism. "I am a Canadian citizen. I am contributing to this country. I am buying back Canada. I am buying back Canada's debt from foreign countries." They are looking to their future. They are building their financial future.

I think it would catch on and it would make every Canadian a part of a Canadian solution. It would help every Canadian contribute toward the national debt, bring down the deficit and feel that they are part of the action. In this way we will be helping senior citizens who are in need because their pensions can still come through.

I had a lady phone me this morning from Deep River who was very concerned about her pension because she knew this discussion was going on in the House today. I told her I would bring up that item on her behalf. She is the type of senior citizen who did not have a chance to have a contributory pension during her lifetime and worked hard. Those are the people we have to be thinking about at this time.

(2105)

Medicine in this country is for everybody, not just the sick. We should be looking after ourselves through preventive medicine. I went on for years not looking after myself. I worked 15 and 16 hours a day, travelled all weekend, seven days of the week on this job. I never paid any attention to the fact that my father and his brother had heart problems and that some uncles on my mother's side of the family had heart problems. When I left the farm I kept on eating in the same manner I had been when I was working actively every day at physical work.

As a result I ran into problems. The good medical care of this country helped put me back on my feet after a triple bypass operation, after a triple vessel cleaning. The doctors and nurses were wonderful. We have outstanding medical care in this country and we have to support these people.

Government Orders

How can we support medicare? By looking after our own health, by looking after our own diet. It is not only after we have had an operation that we should look after our diet. It is up to every Canadian from the youngest to the oldest. By looking after our own health and putting some discipline into our every day life can be preventive medicine. Every one of us should be paying attention to that.

At a Heart and Stroke Foundation dinner on the weekend I paid tribute to Dr. Wilbert Keon who is the head of the University of Ottawa Heart Institute and Director General at the Civic Hospital in Ottawa. This man was born in a small community just across the Ottawa River and up a bit from Petawawa where I live. He spent years in medicine. He dedicated his training to becoming a heart specialist and he did.

However, after Dr. Keon received his training at Ottawa University, he received help from Canadians so he could become a great heart specialist. He did not take off to the United States where he could demand the biggest buck going. He did not head off for Britain or some other country to make big money. He stayed right here in the Ottawa Valley and contributed to Canada. He is probably the top heart surgeon in this nation right now. He has trained many others. A top heart surgeon at a hospital in Edmonton trained under Dr. Keon here in Ottawa.

This is the kind of loyalty that Canada needs from professionals today, people who are going to stay here and put their life and soul into their work the way Dr. Keon did. To me that is the mark of a great Canadian. We need more like him. The staff around him is so oriented to thinking of the family.

People think the National Defence Medical Centre in Ottawa is only there for national defence personnel. Canadians who are in the trade business, Canadians who are diplomats, every Canadian soldier has the right to go there for their operations and they do. However, the operations for the Heart Institute take place at the University of Ottawa Heart Institute at the Civic Hospital. They do the work and send the patients back for post-operative care. Those people are wonderful.

We sometimes get very down. We cut this program or that program. There are other ways of cutting programs. I mentioned one tonight, preventive medicine, when talking about looking after ourselves better than we do. Diets are not just for people who have had problems. They are for people who are still healthy, to keep them healthy and to keep them out of the medical system.

People think that research and development is something that is very expensive. They cannot see any immediate returns from it so they get upset and say it is a waste of money.

(2110)

I wish to say a few words about Crown corporations. Atomic Energy of Canada Limited is one of my favourites and I talk about it often in this House.

The Canadian public has invested \$4.7 billion in Atomic Energy of Canada Limited since 1952. But do you know what the return is on its research? A recent Ernst & Young report stated that the return to the Canadian taxpayers was over \$23 billion. That is a good investment. If you could get that return on every investment you made it would be great.

I was part of the legislative committee that steered Bill C-13 through this House and through the committee system. It dealt with the sale of Nordion International. Nordion provides radioisotopes to hundreds of hospitals across this country. We had 90 per cent of the world's market captured. Today what has happened? The previous government in 1989 sold Nordion International to a private concern. Now it is in a big dispute over the contract because AECL says it cannot provide the radioisotopes for the price the contract provided and the other company wants AECL to live up to the contract. Today we are in a position where hospitals in this country may end up with a shortage of radioisotopes.

I am going to leave it there because it is a subject I could speak on for the next hour. However, I wanted to highlight that radioisotopes today are becoming a very serious issue. Research and development on the medical side is becoming a serious issue and we have to invest if we want that four and fivefold return on R and D in this country. It has to happen.

Mr. Joe Fontana (Parliamentary Secretary to Minister of Transport): Mr. Speaker, let me begin by congratulating you on your appointment. I also want to take this opportunity to congratulate my colleagues who were returned and the new Liberal team. I believe they won the trust and confidence of the people and that is why we are on this side of the House, hopefully to do something about the problems we have been talking about tonight.

I want to take this opportunity to first thank my family and the volunteers on my campaign. More important, I want to thank the people of London East who saw fit to return me to this House for another term. I am truly appreciative.

Being on the opposition side the past four or five years was a very frustrating exercise and one that sometimes was not as joyful as one would want. I would like to think that this debate tonight is our change in direction. I want to take this opportunity to thank the Minister of Finance and our Prime Minister who have demonstrated two things in these past weeks, that we do really want to consult because we have a common mission here. We were all elected to this House by people who believed that we have the answers to the problems. Regardless of what side we are on and of what political stripe, we are all here to do the nation's business.

Government Orders

The government has demonstrated that it really wants to work with everyone to accomplish the great task before it. We have had an open debate on peacekeeping in Bosnia, the cruise missile and the social nets. Today we are talking about the budget before the fact. I have never experienced that before in five years. We could only react to what the former government had done and therefore it was very frustrating.

I was rather surprised by some of the remarks I heard tonight. Coming from an opposition that wants to play a constructive role they tended to be rather negative. Had I been given the opportunity of telling former Prime Minister Mulroney and his gang—

(2115)

Mr. Mills (Broadview—Greenwood): Michael Wilson.

Mr. Fontana: Michael Wilson. Some input before the budget, boy I would have jumped at the opportunity.

Yet tonight I hear nothing but more of the same old thing from a party that said it was going to come here to change things. I will not get too partisan. Perhaps some of them are listening.

The ship of state is in trouble. Canadians want change. On October 25 they threw out a government that was not responding to their needs. They want men and women who are determined to change things from the way they were.

We are still in the midst of an economic disaster in this country where we have 1.6 million people unemployed. We have 455,000 permanent full-time jobs that have been lost. Part-time jobs have increased to 840,000. We have two million Canadians visiting over 300 food banks each and every day. Youth unemployment is over 18 per cent. Among female lone parent families 62 per cent have incomes below the poverty line.

We have a mission. That is to think about each and every one of those 29 million Canadians who look to us to try to solve these problems. I could blame it on the former government that moved the debt from \$120 billion to \$500 billion. I could blame it for leaving us with \$46 billion deficit.

However what do we accomplish if we look back at yesterday? Our mission is to look forward to tomorrow. I believe that collectively we can. Collectively we can put our minds together and work in the new spirit of parliamentary reform now that the committees are struck, now that we have this debate and now that we have heard from people in our ridings as to what the proper medicine for this country is.

Last week my colleagues and I had our pre-budget consultation in London, Ontario. We invited people to come forward with their views as to how the government should run its affairs,

how it should put its house in order and what their priorities were. They told us.

Hon. members have probably heard the same thing. I know that the finance minister heard the same thing at his consultations. Canadians in London, Ontario are not any different from those out west, in Quebec or in Atlantic Canada. They want good government. They want honest government. They want a government that will solve the problem of the deficit.

We know we have a crushing debt and deficit. Yes, we have to cut programs that are useless. We have to streamline the process so that each and every dollar we spend counts, so that it helps people and does not enslave them.

Yes, we have to make changes to our social programs, our net. The safety net must not only catch people but it needs to be a trampoline that pushes people back up to take advantage of the opportunities that are there.

That safety net is important. One only has to look at our society and compare it to that of the United States. In our country 85 per cent of people who need help get help from their government. In the United States 25 per cent of people who need help get help from their government. Look at its crime statistics. Look at the problems it has in health care. Look at the problems it has with its infrastructure and in its cities. Look at the social problems that country has.

I believe we have succeeded in creating a great country by working together. In 125 years we have managed to become one of the economic powers of the world with one of the highest standards of living in the world. That did not come easy. That came from the dedication and hard work of a lot of people working together to create this great country.

That is what we have to do starting today along with the other members of this House. We need to create jobs. People on October 25 told us that jobs were their number one concern. People need to work in order to look after their families.

That is why we are committed as a government to creating jobs through infrastructure programs, through the residential rehabilitation program, to investing in small businesses to give them opportunities. We must invest in their minds and talents because we know that small businesses will create 85 per cent of the jobs in this country. However we need to get the capital for them, the affordable long-term capital and the support of the banking institutions for them to allow them to grow and prosper. If they do, people will work. Young people will have hope and opportunities. Women who want to get into the work force will also have opportunities. But we have to support small business and this government is committed to doing that.

Government Orders

(2120)

We also must look at ways of living within our means, of looking at the expenditures and renewing our pledge to social programs. There is nothing wrong with saying that we believe in supporting people, because our job here is to protect people, especially those who are not in a position to look after themselves as much as they would like. We have a social responsibility to every Canadian.

The budget is a blueprint not only for our economic views but also for the kind of society we want to build. Yes, we know the horror stories and we hear of wasteful spending, but there are ways of saving money and we are committed to doing that.

I will say that in my riding the people said yes to no more taxes. They all agreed they were already over-taxed. The middle income group is now paying for the top and the bottom and they cannot afford to do so. They want us to streamline it and make sure every dollar counts. They want us to create jobs. They want us to invest in people, in training and retraining programs. They want us to invest in small business. They want us to invest in research and development and work in true partnership with the universities, the private sector, labour and government, all working together to forge a new society.

I believe that is what Canadians expect of each and every one of us. This government is committed to doing that, to putting our financial house in order, but more important to investing in people because if we have people working, deficits go down, not up.

That is the Liberal message and we hope that the opposition and all parties in this House will work with us to help build a better country.

[*Translation*]

Mr. Maurice Bernier (Mégantic—Compton—Stanstead): Mr. Speaker, since this is my first speech in the House of Commons, let me first of all thank the women and men of Mégantic—Compton—Stanstead for their support in the election on October 25, 1993. On the American border in southeastern Quebec, Mégantic—Compton—Stanstead is a rural riding with great economic, industrial, agricultural and tourist potential.

[*English*]

In the Mégantic—Compton—Stanstead riding there is an important English speaking community, not living outside the French community but side by side fully respecting who they are.

[*Translation*]

Mégantic—Compton—Stanstead is much more than a mere electoral district established by law. Its people are proud and

hard-working and, like many others in Quebec and Canada, they are likely to be affected by the economic policies and decisions that will soon be made in the first budget tabled by the Liberal government. My constituents recently told me that they are skeptical and concerned about the sorry state of the government's finances. I must admit that I share these fears and these doubts. Indeed, many signs suggest that the budget which will soon be presented will just be more of the same. That is very disturbing, because we need change. We must react to a deficit which has reached gigantic proportions. This year's deficit is more than 6 per cent of the gross domestic product.

What is even more worrisome is that a steadily growing share of our debt is financed by foreign funds. This reduces the government's room to manoeuvre and mortgages the future of generations to come. In fact, the federal government has quite simply lost control of its debt and large amounts are being used to pay interest on borrowed capital. This money is not invested in economic recovery. I will come back to this point.

In the past, the federal government tried to control its deficit by reducing spending through cuts in social programs and in transfer payments to the provinces. A cut in transfer payments would, in an indirect way, reduce the federal contribution to the social programs provided by the provinces.

(2125)

Also, the government has increased its tax revenues by taxing more heavily the middle class. These measures are inequitable and should no longer be resorted to.

We recognize that the deficit is a major problem which has to be addressed urgently. Nevertheless, the government cannot cut social programs when unemployment is at 11.2 per cent, and even 12.8 per cent in Quebec, and when the number of welfare cases is growing as lay-offs continue.

Although experts say that the recession is technically over, the recovery is painfully slow. The people of this country would like to see tangible signs of economic recovery. In fact, they are losing hope and faith in their government, if they have not already done so.

The various Canadian governments promised year after year to sort out overlapping jurisdictions, to solve unemployment problems and put an end to the erosion of our standard of living, but they never delivered. This is irrefutable proof that the federal system cannot be changed. In this regard, the Bélanger-Campeau Commission stated in the conclusion of its report: "The relationship between Quebec and the rest of Canada, within the present political system and constitutional framework, has reached an impasse." This was confirmed by the referendum on the Charlottetown Accord. For the future, the present government is offering very few worthwhile alternatives.

Government Orders

But what is even worse is that the last 30 years of centralizing federalism have created a debt of over \$500 billion due to the government's lack of initiative and financial mismanagement.

The logic of successive federal governments was to make this federation that was envied all over the world work at any cost. What they forgot to tell people who believed that the country was prosperous and stable is that this wealth and national unity only existed in the books of those who wanted to artificially preserve the federation without taking into account the price that future generations would have to pay.

The effects of this mismanagement of public funds by the federal government are huge and negative, both for Quebec's economy and the economy of the rest of Canada, because the country's debt has also reduced Quebec's financial leeway. So, Quebec has been long contributing and is still contributing considerably to Canada's debt financing. The cost of this federal debt is astronomical for Quebec and the whole of Canada. This phenomenon is all the more frustrating that the decisions which caused these federal deficits were all taken by federal governments and, more often than not, they infringed upon provincial jurisdictions with the stated objective of putting Quebec in its place.

But let us see how much this federal debt can cost Quebec's Treasury. The calculation is very simple: the total interests paid on the debt are roughly equal to Canada's annual deficit, which is over \$40 billion. During a Canadian Broadcasting Corporation's special program on the debt, someone said that interest paid to foreign lenders was \$28 billion. And using that as an example, I will simply say that the \$28 billion given to foreigners in interest payments on the debt means a share of about \$6 billion for Quebec and that is approximately the amount we pay in unemployment insurance benefits.

All that money leaving the country helps to create jobs and support social programs outside Quebec. In fact, it is money the federal government sends outside Canada in our name while Quebec, more often than not, is in minority at the Canadian table where all great decisions are made.

Quebecers have clearly showed during the last federal election that they had enough of their representatives defending the interests of their Canada-wide parties instead of defending those of Quebec. They decided they should send to Ottawa representatives who promised to speak loud and clear when the government makes decisions contrary to the best interests of Quebec.

(2130)

And I admit it must be disturbing for the federal establishment so used to Quebec members abiding by Canadian policies. The era of subservience is over for Quebec. The time for shady

deals behind caucus doors is gone. We have a country to build and we will take whatever measures are necessary for Quebec to become a sovereign and prosperous state, with full control of its economic levers and full respect for its partners.

But before Quebec rises to full sovereignty, the federal government will have to act quickly if it wants to save our social programs.

To conclude, I would like to say a couple of words regarding income security program redesign. This is an example of overlapping which, if avoided, could save a lot of money. This week, the minister of Human Resources announced, in his speech on social programs, a far reaching reform of social security, including of course, unemployment insurance and old age security. Whether you want it or not, when you embark upon negotiations regarding social security, you have to talk about the Constitution since it is an area of exclusive provincial jurisdiction.

Mr. Speaker, I will end by saying that we must indeed tackle the deficit which is endangering our future, but that we must do it while preserving our social safety net which provides those in need with the basic minimum.

Mrs. Suzanne Tremblay (Rimouski—Témiscouata): Mr. Speaker, the arts and culture industry plays an important role in the Canadian and Quebec economy. According to a UNESCO study, a \$1 billion investment in this sector generates several billions of dollars in economic activity over two years.

The vitality of this sector depends on its craftsmen and women. Through their work, their imagination, their passion, these people enable producers and cultural industries to provide us with a range of cultural products: books, sound recordings, radio, television, films, videos, paintings, plays, dance and other forms of expression that nourish and define us.

The film and television association is right in reminding us: "With the exception of the United States, no western country has succeeded since World War II in developing strong national cultural industries without active, growing and multiform state support. Despite the efforts made, maintaining strong national cultures and identities has become more difficult than ever with the globalization of markets increasingly dominated by the big transnational conglomerates".

The association goes on to say: "Unless they react with vigour and imagination, national states may be powerless to stop the gradual disintegration of their cultures and identities to be replaced by a single transnational culture and be forced to witness the slow disappearance of what made human cultures so precious: their diversity. It is therefore essential that the government pay particular attention to this sector in preparing its next budget".

Government Orders

Let us look at some figures on the arts and culture industry to realize how much they contribute to the Canadian and Quebec economy. In 1990–91, this industry injected into the economy a total of \$22 billion or 3.7 per cent of the GDP. The Canada Council made the following statement: “Recent comparisons with other industries show that arts and culture contribute more to the GDP than agriculture, mining and forestry”.

The arts and culture industry helps to create 500,000 direct and indirect jobs. Employment in this sector has gone up by a phenomenal 122 per cent since 1971, while the average growth rate in other sectors of the economy over the same period was 58 per cent. This means that in 20 years employment in the arts and culture industry rose from 1.8 to 2.5 per cent of the Canadian workforce. The federal Treasury alone collects some \$650 million in annual taxes from cultural industries.

(2135)

Finally, creating one job in the cultural sector costs about \$20,000 compared with \$100,000 for light industry and \$200,000 for heavy industry.

However, this information can hide the fact that most of the artists, creators and craftsmen active in the arts and culture industry live in poverty. In 1986–87, Jean–Guy Lacroix surveyed 6,170 artists and creators in the field of music, theatre, dance and writing and found that the vast majority were experiencing considerable economic hardship. Their average income was \$8,170. Seventy–eight per cent of them earned less than \$10,000, 15.3 per cent lived above the poverty line, and only 2.8 per cent had incomes above \$50,000.

Moreover, the employment status of artists and creators is precarious as they mostly work on a part–time or contractual basis, which means that they constantly face an uncertain future, since their self–employed status makes them ineligible for unemployment insurance.

Cultural and artistic industries have two main characteristics. They are risk sectors and are vulnerable to imports, especially imports from the United States.

Since these industries are chronically underfunded, if projects are to get off the ground, regardless of the field, the producer needs to put together the necessary funding. Succeeding in this endeavour is quite a feat and as everyone knows, many worthwhile projects never see the light of day for lack of funding.

This vulnerability to artistic and cultural imports is confirmed by the \$4.4 billion trade deficit recorded in 1991. It should be noted that this is a trend. In fact, the trade deficit recorded by artistic and cultural industries is growing every year. Since 1988, it has increased by 12 per cent.

Yet, consumers are asking for more. In 1991, the people of Canada and Quebec spent \$35 billion on cultural products. The

Canada Council reports that, since 1982, while overall consumer spending has increased by 7 per cent, the increase in the area of arts and culture has been 9 per cent. This means that more and more Canadian and Quebec products must be supplied to meet consumer demand and eliminate the deficit in the trade balance for that area. I must remind the hon. members that it costs less to create employment in that sector than in any other economic sector, hence the importance of investing in cultural industries.

The previous government made cuts in the cultural and communications industry without thinking about the long–term effects of its action. They are even suspected by some of having tried to challenge the principle of government support to the cultural industry.

Between 1984 and 1992, while overall government expenditures increased by 41.9 per cent, the GDP rose by 52.7 per cent and inflation climbed 36.6 per cent, the portion of the federal budget allocated to culture increased by only 3.7 per cent. This apparent increase actually translated into a 24.2 per cent decrease in constant dollars. By the way, most of the cuts affected the CBC.

Finally, further cuts are planned, based on the 1993 budget, at the rate of 10, 10, 15, 20 and 20 per cent for the five years remaining.

This is clearly the work of a short–sighted government, especially when we know that the government recovers almost every penny invested in that industry.

Granted, the government has very little financial flexibility. Where then can we find the necessary funding for the cultural industry in Quebec and Canada?

(2140)

For its part, Quebec has long demanded respect for its exclusive jurisdiction over culture. In the field of culture, Quebec can no longer afford having two departments, two councils for the arts and literature, three film development agencies that provide grants and whose officials do the same work and even contradict one another at times.

What the federal government is now doing is outside any sub–agreement between Canada and Quebec. The agreement on cultural facilities expired in March 1991. Without consulting the Government of Quebec, Ottawa is giving grants left and right for cultural facilities projects, while leaving it to Quebec to pay their operating expenses.

However, the Harpin Report submitted to Quebec’s Minister of Cultural Affairs is clear on this point. It said: “We can conclude that the two levels of government clearly overlap in the area of program structures, clients served and even legislative and fiscal measures. We can even say that duplication leads to one–upmanship”.

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So one of the first ways to free up funds is to end the overlap and duplication, to give Quebec back its jurisdiction over culture and to include the funding that goes with it.

In the meantime, we want the government to cancel its decision to reduce funding for the Canada Council and Telefilm Canada by 10 per cent and also to cancel the \$250 million in cuts planned for the Canadian Broadcasting Corporation.

Finally, if through some misfortune, the measures implemented by the previous government were to be maintained, the Official Opposition would ask for the development of a program especially geared to members of cultural industries. These people who, so far, have been living mainly off their passion, must not be the victims of the clear-cutting measures taken by the government; the latter must provide them with the means to overcome the crisis which it will impose upon them.

Performers make us dream; they make us cry; they make us laugh. Creators constantly surprise us and stimulate our imagination. I ask the government to not let them down. Nobody can afford that.

For all these reasons, the Minister of Canadian Heritage must not be content with maintaining the status quo. He must take the initiative and explain to his colleague the Minister of Finance that artistic and cultural industries need active, growing and multifaceted support from the government, because the decisions made today will shape tomorrow's society and will determine, to a large extent, our collective future.

[*English*]

Mr. John Williams (St. Albert): Mr. Speaker, first let me express my appreciation to the government and the Minister of Finance for this historic debate.

Let this moment not pass without my saying that this debate is hopefully the first step on a road leading to real contributions with parliamentarians in the financial and budget planning for this nation. Therefore, while I doubt that we will solve all the problems today I do hope that the Minister of Finance will repeat and expand this exercise in the years to come.

This country has been blessed with a great abundance of natural resources. We have forests that provide lumber and wood products around the world, we have vast prairies that feed millions beyond our shores and we have renewable and non renewable energy resources that are the envy of the world.

We have natural resources far in excess of any other country in the world but unfortunately we also have something else far in excess of what we deserve and that can be described in three words: debilitating deficits and debt. Not only have we squandered the resources that have been ours but we have squandered the resources that rightfully belong to the generations that will

come after us. To say it bluntly we are up to our neck in debt. As of today there is no plan or consensus on how we are going to overcome this national disgrace.

The federal debt is now 70 per cent of the gross domestic product and the annual deficit of the federal government as the minister said today is 6.2 per cent of the gross domestic product, not to mention the provincial deficits on top of that. The interest on the federal debt now consumes 31 per cent of total federal government revenues and I quoted the Auditor General's report in my reply to the speech from the throne when he said that hard choices lie ahead.

Recognizing these hard choices I issued a challenge to the Minister of Finance to balance the budget by the end of this Parliament. We have a crisis on our hands and the Minister of Finance has a choice in this budget. He can dare to be great or he can play it safe down the middle with more taxes and a little less spending which is a timid, anaemic approach to the problem.

(2145)

The Minister of Finance has a hard choice to make. I think it is a simple choice. He can choose mediocrity or he can choose to rise above mediocrity to reach beyond himself and lead this nation out of a dark tunnel of deficits and debt into the sunshine of renewed prosperity.

History has always given the accolades to the leaders who rise to the challenge and buries the rest in footnotes beside the ignominy of their failure.

There is a parallel that some may refute but which is worth considering today. At the end of World War II the federal government had an accumulated debt equal to 108 per cent of its GDP. Soldiers were returning from the war without jobs. Unemployment was high. Industry was going through a rapid transformation as defence industries scaled back dramatically and in many cases closed down completely.

While it turned out to be the dawn of an era of unprecedented growth and prosperity, who would have known that in 1945?

The government basically had one thing going for it and that was the savings of the cost of the war effort which today we would call the peace dividend.

At that time also Europe had to be rebuilt and was rebuilt under the genius of the Marshall Plan.

The financial future must have looked bleak to the federal government of 1945 but it used the peace dividend to generate lasting jobs and wealth throughout the country. That prosperity seemed to be assured and never ending. When we look at the statistics we find it came to an end in the early 1970s when Mr. Trudeau and his Liberal government were running this country.

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Mr. Trudeau had a vision of what he called the just society that would eliminate poverty and inequality in this land. The cost of eliminating poverty is equal to the price of success in the long run.

Mr. Trudeau and his Liberal government introduced generous welfare programs, social programs, and benefit entitlement programs that discouraged many from working. He paid for them all with borrowed money.

The point is that he paid for them all with borrowed money. In so doing he created a debt society and not a just society. I do not think the taxpayers would have been nearly as accommodating had they been given the bill at that time. The seeds of our present dilemma were sown when program spending blossomed to 125 per cent of all government revenues and when you add interest costs on top of that total expenditures rose to 155 per cent of all government revenues.

I referred to my parallel of today's problems with those facing the government at the end of World War II. Federal debt was intolerably high, unemployment was a major problem, industry had to restructure but at the end of the war there was a peace dividend.

Today we need the money that can be saved from the restructuring of our social programs to set this country on a course leading to renewed prosperity. In other words, we need a deficit elimination dividend.

Using information from the Auditor General's report in the 29 years from 1946 to 1975 the GDP of this country increased 12.5 times from \$12 billion to \$152 billion and during that same period the federal government debt only doubled from \$13 billion to \$27 billion.

I believe that if the Minister of Finance makes serious cuts in government spending and makes a serious commitment to balancing the budget by the end of this Parliament then the private sector will pick up where the public sector leaves off and will create thousands of long term wealth producing, tax paying jobs in a similar vein to the 1950s and 1960s.

This time around at the end of the cold war it is the economies of eastern Europe that have to be rebuilt. China and the Pacific Rim countries can absorb all our exports that are competitively priced. Mexico, which is now part of NAFTA, should be considered a consumer of our products as its standard of living rises rather than our competitor.

Our technological advantage can be the driving force of that economic growth and renewed prosperity.

(2150)

If we put our trust in the entrepreneurial spirit of Canadians there is more opportunity for job creation in this country than there are Canadians to fill the resulting jobs.

Remember that the Auditor General said that hard choices lie ahead. I also think of Shakespeare and his advice to the minister of finance. He said there is a tide in the affairs of men which, taken at the flood, leads on to fortune.

Will the Minister of Finance rise to the challenge and commit this Liberal government to amending the errors of the previous governments and commit to balancing the budget by the end of this Parliament or will the minister dwell in the land of mediocrity and give us a few more taxes and a little less spending while we watch his vision cause this country to slide down into the realm of third world economies?

In the last election the Reform party laid out a clear and simple plan to balance the budget in three years. Now that we have been told that the deficit is significantly worse than we had imagined last fall I have given the Minister of Finance room to manoeuvre. While the choice is his, the bad news is that he will only have one chance to make that hard decision, which is that when he introduces his budget later this month I hope he can rise to the occasion and earn his place in history as the Minister of Finance who brought this country through the dark tunnel to the sunshine of renewed prosperity.

I can be done. It has been done before. Therefore, I do look forward to his budget later this month.

Mr. Simon de Jong (Regina—Qu'Appelle): Mr. Speaker, I appreciate the opportunity to participate in the debate. There is much to say and little time in which to say it, so I will immediately get to my points.

First, as a New Democrat I abhor the fact that every year some \$40 billion in public revenues goes to interest payments. I have called it a transfer of wealth to the wealthy of momentous proportions. Who gets the \$40 billion every year? A certain percentage goes to average Canadians. The vast majority goes to banks, financial institutions and the very wealthy and increasingly to offshore financial institutions.

If it just went to ordinary Canadians I would have no problem. However, the fact is that it is a transfer of wealth to the very wealthy.

The CCF party that originated the NDP had this to say in its Regina manifesto, a statement made in 1933, and I quote from this: "All public debt has enormously increased and the fixed interest charges paid thereon now amount to the largest single item of so-called uncontrollable public expenditures. The CCF proposes that in future no public financing shall be permitted which facilitates the perpetuation of the parasitic interest receiving class".

No wonder NDP or CCF governments have always balanced their budgets, particularly when you look at the history of both CCF and NDP governments in Saskatchewan under Tommy Douglas, Woodrow Lloyd, Allan Blakeney and now Roy Romanow. It is a recognition that interest payments are a transfer of

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wealth to the wealthy and inhibit the government from fulfilling its proper duties.

How did we get ourselves into this mess? What I am missing in this debate is a proper analysis of how we got over \$500 billion in debt. In 1991 Stats Canada issued a study. Stats Canada claims that 50 per cent of that \$400 billion debt at that time was due to interest payments, 44 per cent of it to decreases in revenues and only six per cent to increases in government expenditures of which social programs were only two per cent.

In other words, the increase in social spending is only 2 per cent of the national debt. The former speaker from the Reform party claims that we are living beyond our means and our social programs are too rich and that is why we are in debt, I beg to differ. Compared to other OECD countries Canada is the second lowest on what we spend of our gross domestic product on social programs, less than Holland, Italy, Ireland, Germany, Spain or Greece. We spend less as a percentage of our gross domestic product on social programs. The interest payments are 50 per cent of it. The high interest rate policies were started by a former Liberal government and continued under the former Conservative government. They escalated into momentous proportions. There was a 44 per cent loss of revenue.

(2155)

There were two reasons for that as a Statistics Canada study shows. One was that the tax breaks the Liberals gave to the very rich in the 1970s were continued under the Tories. That accounted for a big hunk of the revenue loss. Then along came the free trade agreement with the United States which cost us over 400,000 jobs so we now have 400,000 people not paying income tax. The combination of high unemployment and tax loopholes to the very rich created the loss of revenue.

I underline again that it is not increases in government expenditures, particularly in social programs, that have created the debt. It is the neo-conservative agenda of the Ronald Reagans, the Margaret Thatchers, the Brian Mulroneys and the Grant Devines. No wonder under the neo-conservative governments we see increases in debt.

Mr. David Stockwell of the United States, who was the budget director of Ronald Reagan, openly admits that they deliberately increased the deficit so that it would justify later cuts in social program funding. That is the agenda of the neo-conservatives. It is working because governments now being strangled by this growing debt and deficit have to cut back. Where do they cut back? They cut back on the poor, on the sick, on the children and on the social programs. The cutbacks are going to occur on the backs of the victims. They did not create the deficit or the debt but I am afraid they will be paying the price.

What are some of the alternatives? I do not believe the proposal of the Reform Party of zero in three years makes any sense. It never tested the proposal through an independent firm or put it through an economic model like Informetrica. In fact it predicted that over 300,000 jobs would be lost if zero in three was put into effect.

The Reform platform never talked about the loss of that revenue and how it would have further added to the deficit. There was a bit of mischief in the figures that were floated around when it comes to zero in three. The economic impact of taking \$40 billion out of the economy in a three-year period was never factored in.

The truth of the matter is that there is no simple, easy solution. There is no magic wand that in three years time it is going to be prosperity and happy days will be here again. It is not going to be that simple. To believe so is to be naive or to lie.

When we go back to the origins of why the deficit is there the answer to the solution lies in the Statistics Canada study. We must keep our interest rates down. Our long term interest rates are still too high. When we look at historical parallels every time the world has experienced high interest rates we have ended up in huge recessions and depressions.

Statistics Canada showed that we must also address the revenue side by getting fairness in the tax system, not by doing what some would suggest. Instead of adding further tax loads to the middle class and to the poor, how about the very, very rich. Over \$140 billion in profits have gone untaxed in the last nine years, \$140 billion in profits that have not yielded one cent of tax. Why are they not totally outraged in the House at the unfairness of it? This is creating the deficit that is resulting in cutbacks to the social programs and educational opportunities. That is the outrage.

(2200)

Surely another area has to be employment. When Canadians are out of work Canada does not work. Things like the free trade agreement with Mexico and increasing the tax on employment, which the increase in the UI payments surely were, are counter-productive. They do not create jobs.

I am not opposed to free trade agreements. The European model makes certain there was a level playing field in terms of social programs, environmental programs and labour costs. That makes sense, but we are now being reduced to the lowest common denominator. Common sense will tell us that at least in the short term we will lose more jobs in a period of time when we cannot afford it.

Perhaps somewhere in the future we will benefit from the free trade agreements. Certainly in the immediate sense I believe every economist agrees that we will be losing jobs. That is at a period in time when we cannot afford to lose any more jobs.

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Another suggestion I heard that made a lot of sense was the one of the member for Renfrew—Nipissing—Pembroke. The debt and the deficit in the country are killing our social programs and our public sector. That is a threat as serious to our way of life as was the last war. It is that serious. It will affect the health, welfare and future of generations of Canadians to come. There is absolutely no doubt about it.

Why not call upon Canadians of goodwill as we did in the last war when we issued victory bonds? We could have boy scouts, girl guides and every public spirited interest group trying to sell and promote these bonds so that we can buy back the debt. At least the debt would be here, not offshore.

I heard somebody earlier in the debate say that we will be spending from \$40 billion to some \$50 billion on interest payments this year. That is money out of the pockets of Canadian taxpayers. Some \$28 billion of it will go offshore. That is a total drain on and waste of the energies and the lifeblood of Canadians. We cannot continue this way. It is destroying us. Let us buy back our foreign debt so that it will be paid to Canadians and benefit Canada to some degree.

In conclusion I wish to say that for myself the issue of the debt and deficit is not a right wing one. It is an issue that should concern anybody and everybody who favours the public sector playing an important role in the social well-being of our society. As Mr. David Stockwell, former budget director of Ronald Reagan, is now saying, I believe the neo-conservative deliberately created the debt to kill the public sector.

[*Translation*]

Mr. Keith Martin (Esquimalt—Juan de Fuca): Mr. Speaker, our health care system is one of the best things provided by our great country and Canadians attach a great importance to it. Without health, enjoyment of life can be greatly diminished. The protection of our health is dependent upon two major elements: the responsibility that each one of us has to adopt healthy habits, and our national health care program. The government cannot do much about the first element, but it can do something about the second one.

[*English*]

As a physician and a consumer I believe the Canadian system of health care is indeed the best in the world. It is one of which other countries are envious and one in which any Canadian in the country can get the best of medical care free of charge.

At the foundation of the system lies the Canada Health Act which is based on five tenets: universality of care for all Canadians, comprehensive coverage of all essential services, reasonable access by both providers and users, portability of benefits from one province to another, and the administration of health care on a non-profit basis.

(2205)

The provinces and the federal government both share the management of payments. The care however, and the management of the whole system falls under the provincial jurisdiction. The federal government now provides approximately 25 per cent of the necessary funds so long as the provinces administer their health care plans in accordance with the Canada Health Act.

Over the last decade we have seen the emergence of a mounting fiscal crisis. If unchecked it will ultimately lead to the collapse of publicly funded health care in Canada.

The largest crisis which many of my colleagues have mentioned today is the mounting debt and deficit. In this country federally we have gone from \$125 billion in 1980 to over \$500 billion this year.

The amount of revenues that are required to service this obscene debt load has increased. Roughly in 1984 we were paying about 28 cents out of every dollar for interest payments. Now it is running around 33 cents. If our spending goes on as it is going on at current levels, in the year 2000, 40 cents out of every dollar will be used merely to service this debt. This means we have less and less money to spend on social programs such as health care.

Another interesting fact that people may not be aware of is that the amount of money the federal government spends as a percentage of total program spending has actually declined since 1970 from 10.9 per cent to 7.6 per cent. This means that the federal government itself is spending less and less money on health care regardless of anything else.

I am not taking into consideration the provincial fiscal crisis which is also going to impinge on the ability of governments to fund health care.

At the same time that the governments have been reducing their spending on health care, there is the other side of this equation. That is that the costs of medical care in this country are escalating dramatically. In fact they are going up over four times the rate of economic growth. This situation will only worsen in the future. There are many reasons for this such as an ever increasing aging population that consumes over 70 per cent of the health care dollar; technologies of intervention and equipment which are getting more and more expensive all the time; and new diseases such as AIDS which are very expensive to treat are raising their ugly heads. For all of these reasons and many more it is clear that health care in Canada is living not just on borrowed time but on borrowed money.

The health care crisis is a result again of dwindling funds and escalating costs. The problem is clear. The federal government continues to hamstring the provinces and is preventing them from getting their health care under control by using its fiscal contribution to the provinces as a wedge that will prevent them from enabling us to continue with publicly funded health care.

Government Orders

This as one can see is an unsustainable system. We must do something about it because it will ultimately contribute to the demise of health care in this country and to the suffering of Canadians. Is this a lost cause? No, it is not. There are a number of things we can do.

We must freeze federal spending for health care at 1993 levels. We need to modify the Canada Health Act to stop penalizing the provinces when they try to get their health care under control.

This suggestion is in a provincial jurisdiction but I am saying it for the record so that we can address it. We need to strike a committee to define what essential health care services are that will be covered across the country from coast to coast and we should delist other ones. Delisting services would be those services that would not be considered essential health care for Canadians.

We can make consumers more accountable. The current system encourages waste and will lead to unnecessary cost. Some suggestions have been bantered around and it is up to the provinces to decide on modest user fees and the use of deductibles. Remember, if we can save publicly funded medical care in this country, no one will go without essential health care services.

As a physician, one of the reasons I got into this was to preserve the system that we have in Canada. We do not want to get into a system like we see in the United States which I personally think is reprehensible.

We also need to inform the public of the cost of medical services. Perhaps we can do this with a statement of accounts at the time of consumption or perhaps annually or bi-annually. We also need to put a greater emphasis on health care education, particularly at the early grade school years. This will pay off in spades later on. I can guarantee that.

We also need to address health care professionals and we must educate them more, myself included, as to the cost of technologies and intervention. By and large we have not done a good enough job of that.

I would also allow the provinces to enable health care professionals to run privately funded services. This would serve two purposes. It would decrease the horrible waiting lists that we now have and ultimately it would be a win-win situation for all people those who would go private and those who would go

public. People under that circumstance would get their health care services a lot quicker than before which would mean less pain and suffering. People would go back to work sooner and it would be far more beneficial for the economy, not to mention the insurance companies whose premiums would go down.

The current hodge-podge two-tiered system of rationing that we have is the last futile attempt to correct a system that is broken and will soon sink under its myopic tenets and fiscal mismanagement.

The second topic I would like to speak about briefly in view of the Auditor General's report is how we administer foreign aid. We can look at the CIDA disaster in conjunction with this.

Some fundamental changes have been considered and I would like to suggest a few of them today.

First, no government to government aid as much of this money lands in the Swiss bank accounts of despotic third world rulers. As a result of that the heads of many of these states are some of the richest people in the world.

Second, dispense aid directly to projects on the ground administered by foreign aid workers in conjunction with local peoples.

Third, focus on helping people to help themselves.

Fourth, concentrate on small projects that incorporate and are sensitive to local customs and practices. Expensive mega projects are usually expensive mega failures.

Fifth, focus on projects that involve family planning and birth control. Perhaps the greatest threat to the welfare of all peoples on this planet is the population explosion. We are rapidly outstripping our ability to provide for ourselves and are straining our resources to their maximum and laying waste to the environment.

I would not encourage foreign aid as a lever in developing nations as it only affects those most in need.

Make no mistake that what happens in other parts of the world will one day land on our doorstep one way or another. That is inevitable.

The Acting Speaker (Mr. Kilger): It being 10.10 o'clock p.m. pursuant to order made earlier this day, this House stands adjourned until tomorrow at two o'clock p.m. pursuant to Standing Order 24(1).

(The House adjourned at 10.10 p.m.)

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