



# House of Commons Debates

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VOLUME 133

NUMBER 161

1st SESSION

35th PARLIAMENT

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OFFICIAL REPORT  
(HANSARD)

**Tuesday, February 28, 1995**

**Speaker: The Honourable Gilbert Parent**

# HOUSE OF COMMONS

Tuesday, February 28, 1995

The House met at 10 a.m.

[English]

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*Prayers*

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## MAIN ESTIMATES, 1995-96

**Hon. Arthur C. Eggleton (President of the Treasury Board and Minister responsible for Infrastructure, Lib.):** Mr. Speaker, today I presented the 1995-96 main estimates for the Government of Canada.

[Translation]

They are the second main estimates of the 35th Parliament containing the expenditure plans of the government for the next fiscal year.

[English]

They reflect the government's commitment, as the Minister of Finance outlines in the budget, to restrain spending, streamline operations and change fundamentally what government does and how its programs and services are delivered.

(1010)

The main estimates lay out details of \$164.2 billion in total planned budgetary expenditures for the next fiscal year. This includes \$116.2 billion stemming from existing legislation and \$48 billion in expenditures for which we are seeking parliamentary authority.

The main estimates are the first step in carrying out the expenditure plan set out in the budget.

Yesterday we heard the Minister of Finance announce an expenditure plan amounting to \$163.5 billion in 1995-96. As I mentioned, the main estimates that I have tabled today total \$164.2 billion for 1995-96.

The difference between these two figures is explained by the fact that the main estimates do not include the impact of the proposed legislation that is needed to implement some of the budget expenditure cuts that the Minister of Finance talked about yesterday, nor do they include some other technical adjustments which are set out in part I of the estimates.

Program spending in the budget which excludes the cost of interest on the public debt will decline to \$114 billion in 1995-96. It will go down to \$107.9 billion in 1996-97, down 10.8 per cent from \$120.9 billion in 1994-95. This is as a result of the program review and previous budget measures.

## ROUTINE PROCEEDINGS

[English]

### MAIN ESTIMATES, 1995-96

A message from His Excellency the Governor General transmitting estimates for the financial year ending March 31, 1996, was presented by the President of the Treasury Board and read by the Speaker to the House.

**Hon. Arthur C. Eggleton (President of the Treasury Board and Minister responsible for Infrastructure, Lib.):** Mr. Speaker, I would also like to table in support of the estimates part I, the government expenditure plan.

In addition, I will table with the Clerk of the House on behalf of my colleagues part III of the estimates consisting of 78 departmental expenditure plans. We distributed these documents to members of the standing committees to assist in their consideration of the spending authorities sought in part II of the estimates.

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### HOUSE OF COMMONS

**The Speaker:** I have the honour to lay upon the table the expenditure plan in relation to the 1995-96 estimates for the House of Commons.

\* \* \*

[Translation]

### GOVERNMENT RESPONSE TO PETITIONS

**Mr. Peter Milliken (Parliamentary Secretary to Leader of the Government in the House of Commons, Lib.):** Mr. Speaker, pursuant to Standing Order 36(8), I have the honour to table, in both official languages, the government's response to several petitions.

*Routine Proceedings*

[Translation]

The budget cuts spending. It demonstrates that we will continue to reduce the deficit and continue to meet our fiscal targets.

[English]

The budget focuses on the need to cut government spending and to improve the economic climate so that job creation can flourish. The program review is a central part of the budget and a key element in our jobs and growth agenda. The government launched the review to pinpoint the programs and services that are no longer useful or that could be delivered more efficiently or effectively by others.

We have seen the results in the budget reducing the federal role in some areas and highlighting the programs and services that other levels of government or the private sector could provide.

By 1997-98, and this is important, departmental spending subject to the program review will decline by some 19 per cent relevant to 1994-95 which is very key in our meeting our deficit target of 3 per cent of GDP in three years and of course going beyond that.

I will give some examples of how the government is implementing the program review in an environment of declining resources. First, the government will focus on its essential responsibilities. For example, Transport Canada will concentrate on developing policy and legislation and setting and enforcing standards for safety and security. As a result some of the department's activities such as its air navigation services will be commercialized. In addition, transportation subsidies will be reduced or eliminated and the remaining operations will be made more efficient.

Second, the government is reducing federal and provincial overlap. For instance, Fisheries and Oceans Canada will negotiate the transfer of its freshwater programs with the provinces and concentrate on conservation and the sustainable use of the fisheries and oceans and other resources.

Third, the government will use new technology to become more efficient. As an example, Environment Canada will automate its atmospheric environment services. The department will also be looking into providing weather services in a more effective and efficient fashion.

Fourth, we are promoting self-reliance by shifting away from direct subsidies to business. The regional agencies will move from direct subsidies to providing loans with more emphasis of course on small and medium size enterprises.

Fifth, the government will recover its costs by charging or increasing service fees to those who benefit directly from them, a move that is fair to taxpayers in general. Such charges include

fees for immigration, agricultural inspection, drug testing and drug certification.

Sixth, we will merge similar programs for more efficiency. For instance, Fisheries and Oceans Canada and Transport Canada will take steps to integrate the coast guard and fisheries surveillance fleets.

What I have just outlined shows that we did not shy away from tough decisions. We are focusing on the key functions of the federal government and we are going to get them right.

(1015)

Inevitably the transition from trying to be all things to all people to offering Canadians fewer but high value programs and services will mean a smaller federal workforce. As a result of reshaping the government and the transfer of some functions to other sectors, the government will reduce the public sector workforce by as many as 45,000 jobs over the next three years. That is the largest workforce reduction by the federal government since it returned to peacetime operations after the second world war.

[Translation]

I have announced a program of options that will help employees to move successfully to new lives outside the Public Service. This program, which is comparable to private sector plans, will be fair to employees as well as fair to the taxpayer.

[English]

It will allow us to make the program changes and meet the fiscal targets in the budget. For the remaining programs and services the government will provide services that balance the interests of taxpayers with those of the clients who are receiving them. It will seek cost effective ways to deliver quality programs and services that improve service and efficiency where it can.

Across the government, departments and agencies are responding to the challenge of innovation. The results of the program review and the initiatives I mentioned demonstrate that government is intent on being more efficient and focusing its energies and resources where they are most needed while living within its means, and that means what Canadians can afford. We have a very dedicated professional public service I know can deliver those services.

The government is committed to fiscal responsibility. We will continue to manage changing priorities by reallocating resources. The overhaul of the expenditure management system that I announced recently will help departments adjust their programs to operate with their reduced resources. It will also provide parliamentary committees with the information that they require to carry out their mandate to examine the future year expenditure plans and priorities of the various departments and agencies.

*Routine Proceedings*

[*Translation*]

Our ultimate objective is to deliver quality programs and services with the resources Canada can afford. These Estimates are evidence that we are on the right track.

**Mr. Richard Bélisle (La Prairie, BQ):** Mr. Speaker, the minister has just tabled the 1995-96 Main Estimates. The Main Estimates represent a total of \$164.2 billion in expenditures. The minister explained that program spending in the Budget will decline from \$120.9 billion in 1994-95 to \$114 billion in 1995-96 and \$107.9 billion in 1996-97, a reduction of 10.8 per cent.

Where will the \$13 billion in program spending saved over a two-year period be applied? It will be used mainly to finance rising debt charges which during the same two years will increase by nearly \$9 billion, assuming that the economy is in good shape, inflation is practically zero and interest rates remain at reasonable levels. What we have is an increase of 20.7 per cent in debt charges over the next two years, almost twice the reduction in program spending announced by the minister.

Nearly 75 per cent of all these efforts, of all these program cuts will merely go towards servicing the debt, which will cost us more than \$50 billion in charges in 1996-97.

In 1994-95, debt charges represent 33.6 per cent of budgetary revenues. In 1996-97, these debt charges will represent 36.6 per cent of budgetary revenues. Make no mistake, despite program review and previous budgetary measures, the debt marches on.

Program review merely transfers billions of dollars from Canadian citizens to investors who finance a debt that is increasing steadily.

(1020)

The minister also said that by 1997-98, departmental spending subject to the program review will decline by 19 per cent relative to 1994-95. What the government did not say is that most of the money saved will be used to finance the cost of servicing the debt, as I said earlier.

The government keeps telling us it is reducing overlap between federal and provincial levels. In fact, the government is transferring the debt and the bills without transferring the corresponding authorities and tax points.

For instance, the Department of Fisheries and Oceans will divest itself of its inland waters programs. In fact, this has been going on for some time in Eastern Canada. Why not transfer authority over the fisheries outright, as requested by the provinces concerned?

The government has not withdrawn from areas under provincial jurisdiction or transferred the corresponding tax room to the provinces. There are still two departments of Health and two

departments of Human Resources Development responsible for social programs in each province.

If the government had withdrawn from areas under provincial jurisdiction, it could have saved billions of dollars more on its operating expenditures, while at the same time eliminating costly overlap on the federal side.

The government wants to promote autonomy by eliminating direct subsidies to business. These subsidies, which total \$3.8 billion today, will still add up to \$1.5 billion in three years' time. Why not get rid of them now, since the business community and business groups, including the Conseil du Patronat du Québec, have been asking the government to abolish them outright?

The government also intends to charge fees for a number of government services. On paper this sounds great, but will charging every adult who applies for immigration to Canada a fee of \$975 really reduce the deficit? Charging people this amount when they come here seeking a better life strikes us as mercenary, to say the least.

The budget proposes a 30 per cent reduction in dairy subsidies over the next two years. Quebec, which receives 50 per cent of these direct subsidies, will bear the brunt of this measure. Farmers in Western Canada whose subsidies are cut will receive compensation but not in Quebec.

We are also told that 45,000 positions in the public service will be cut in the next three years and yet this is barely enough to slow down the debt rate. The government says it is determined to be fiscally responsible, but the debt keeps growing as it did under Wilson and Mazankowski.

Why were positions not targeted for cuts in departments and organizations where there is an overlap with the provinces? A significant proportion of staff cuts will, in fact, be made in departments like National Defence and Transport, where there is no overlap with the provinces.

If the government was really serious about flexible federalism, it should have demonstrated its intention, when tabling the budget, to withdraw from areas of provincial jurisdiction. By remaining in these areas, it retains the right to impose its standards and its regulations.

Much greater cuts should have been made now, but more judiciously, so that less would have to be cut in the future and the deficit could be eliminated completely by 1997-98. This way, the cost of the public debt would not represent nearly 50 per cent of program expenditures as it will in 1996-97. The cuts planned for next year in transfers to the provinces and the cuts that will have to be made to programs in two years' time will hurt, but, unfortunately, they will serve only to maintain the cost of the public debt below \$50 or \$55 billion dollars at that time. Difficult decisions are always put off until later.

The main estimates for the Office of the Auditor General are down by 5.2 million dollars, a little over 10 per cent. The bulk of

*Routine Proceedings*

this reduction, \$4.4 million, results from the review of government programs, whereas program review is one of the cornerstones of government operations. Is this not somewhat paradoxical?

The budget of the Auditor General is cut when the role of this department is expanding, and the government is telling us that the Auditor General will publish as many as five reports a year. The existing legislation will have to be amended, in any case. It provides that the Auditor General may publish one annual report and three supplementary reports. Let us give the Auditor General the funds he needs to do his job, instead of cutting his budget as his role expands.

(1025)

[English]

**Mr. John Williams (St. Albert, Ref.):** Mr. Speaker, I noted in the statement by the President of the Treasury Board that he says: "What I have just said shows that we didn't shy away from tough decisions" and "this government is committed to fiscal responsibility".

The government thinks it is just a case of more taxes, more taxes, more taxes. Then it says: "We're going to do some cutting all across the board". However, on looking at the estimates we find the spending of the government is going up again for the second year in a row. Of course the previous government did it every year before that.

Every year spending goes up. The government says it is cutting. It is cutting the programs it delivers to the people of Canada because the amount of interest paid on the national debt is getting out of control. That is why when we add the two together, spending goes up.

Let us get the job done. Let us get the budget balanced and let us stop the growth of interest during the first three years of this Liberal government. It is going to cut services to Canadians from \$120 billion down to \$108 billion. However the interest on the debt will go from \$38 billion to \$51 billion, which more than offsets all the cuts that are going to be made. That situation is going to continue. Spending will go up and services to Canadians will go down.

**Mr. Silye:** In their last year they will spend more money than in their first year: 158.7 to 158.

**Mr. Williams:** Mr. Speaker, we also find out about the great commitment for looking after social programs. The government is going to cut social spending by 7.3 per cent. If we look at the cultural programs, it is going to cut them by 6.9 per cent.

Let us get the priorities straight here. Surely we should be protecting the core of social programs and the cultural programs should be set aside until we get the deficit under control. Surely

these are the types of things that a prudent manager would be focusing on in a government that is trying to do the difficult job of balancing the budget.

I noticed the Auditor General's budget is going to get cut by 10 per cent. He manages his department responsibly. He says he can do with 10 per cent less. He is the one that points out all the waste and mismanagement right across government. Surely if he can cut by 10 per cent, every other department could get cut by 10 per cent.

That is what the Reform Party has been saying all along. There are cuts; there is waste; there is mismanagement that can be done away with in departments without cutting social programs.

We find there are some increases however. It is not just cut, cut, cut all the way. Enterprise Cape Breton Corporation in eastern Canada gets an increase of 69 per cent, from \$10 million to \$17 million. It seems a little difficult to explain why one particular area, one particular minister in one particular department can receive an increase of 69 per cent when everybody else has to do with a little less.

The minister tells us he is going to transfer the freshwater management of fish to the provinces. We thought: "This is going to be great. Now we are going to see some downsizing in the department". However, in the Department of Fisheries and Oceans, spending goes up from \$775 million to \$896 million, an increase of \$121 million in spending as it divests itself of its responsibilities.

**Mr. Hermanson:** There are no fish.

**Mr. Williams:** And there are no fish. However we do have 123 executives in that department. As we transfer and divest the responsibilities, the proposal does not call for any decrease in the number of executives. We have to get this straight. We start cutting at the top before we get down to the bottom.

We have talked about the other place that spends a lot of money. I see the estimates are going to give them even more money this coming year. It is a small increase but nonetheless it intends to spend more money in that other place. We have said to start at the top. Start with MPs' pensions. Start with the House of Commons, the Senate and so on.

(1030)

There are a lot of unemployed people in this country. We need to help people create jobs and we find that \$427 million is going to be spent on our Canadian identity. We would much rather spend this kind of money creating private sector jobs and reducing taxes than spending it to protect our Canadian identity that in many cases has withered away through the multicultural programs that we spend hundreds of millions of dollars on.

Last fall the President of the Treasury Board said that we would have to wait until the budget was announced before he would give us a report on the money we spend on special interest groups. I did not hear anything in the budget yesterday about special interest groups. Another half a billion dollars of government money is being wasted. We could have cut in that area rather than cutting back on the core social programs.

We have a bad record on megaprojects. The Lloydminster heavy oil upgrader cost over \$500 million and was supposed to be a great deal. We bailed out of that a couple of months ago and sold our \$500 million interest for \$42 million. Not good business. With the Regina heavy oil upgrader we walked away from our loan guarantee at a cost of \$125 million. Hibernia, the biggest one, is now going to cost \$5.8 billion. This government is going to put in \$3.6 billion, 62 per cent of the cost and we are going to have 8.5 per cent of the equity.

We have major problems in the way this government runs the finances of this country. When we go through these estimates we are going to find many things. We are going to tell Canadians about the waste, the mismanagement, the protection of jobs at the top and the elimination of jobs at the bottom. We have to tell Canadians what this government is doing. Over the next few months we will be raising these questions at committee.

#### REFERENCE TO STANDING COMMITTEES

**Hon. Arthur C. Eggleton (President of the Treasury Board and Minister responsible for Infrastructure, Lib.):** Mr. Speaker, pursuant to Standing Orders 81(4) and 81(6), I move:

That the main estimates for the fiscal year ending March 31, 1996 laid upon the table on February 28, 1995 be referred to the several standing committees of the House as follows:

Since the list is rather lengthy, I would ask that it be printed in *Hansard* at this point without being read.

**The Acting Speaker (Mr. Kilger):** Is it agreed?

**Some hon. members:** Agreed.

[*Editor's note: List referred to above is as follows:*]

**To the Standing Committee on Indian Affairs and Northern Development**

Indian Affairs and Northern Development, Votes 1, 5, 10, 15, L20, L25, L30, 35, 40, 45, 50 and 55

**To the Standing Committee on Agriculture and Agri-Food**

Agriculture and Agri-Food, Votes 1, 5, 10, 15 and 20

**To the Standing Committee on Canadian Heritage**

Canadian Heritage, Votes 1, 5, 10, 15, L20, 25, 30, 35, 40, 45, 50, 55, 60, 65, 70, 75, 80, 85, 90, 95, 100, 105, 110, 115, 120, 125, 130, 135, 145 and 150

#### *Routine Proceedings*

**To the Standing Committee on Government Operations**

Canadian Heritage, Vote 140  
Governor General, Vote 1  
Parliament, Vote 1  
Privy Council, Votes 1, 5, 10 and 35  
Public Works and Government Services, Votes 1, 5, 10, 15, 20, 25, 30, 35 and 40  
Treasury Board, Votes 1, 5, 10 and 15

**To the Standing Committee on Natural Resources**

Natural Resources, Votes 1, 5, 10, L15, 20, 25, 30, 35, 40, 45 and 50

**To the Standing Committee on Environment and Sustainable Development**

Environment, Votes 1, 5 and 10  
Privy Council, Vote 30

**To the Standing Committee on Foreign Affairs and International Trade**

Foreign Affairs, Votes 1, 5, 10, 15, 20, L25, L30, 35, 40 and 45  
Public Works and Government Services, Vote 45

**To the Standing Committee on Finance**

Finance, Votes 1, 5, L10, L15, L20, 25, L30, 40 and 55  
National Revenue, Votes 1, 5 and 10

**To the Standing Committee on Fisheries and Oceans**

Fisheries and Oceans, Votes 1, 5 and 10

**To the Standing Committee on Health**

Health, Votes 1, 5, 10, 15, 20, 25 and 30

**To the Standing Committee on Human Rights and the Status of Disabled Persons**

Justice, Vote 15

**To the Standing Committee on Industry**

Atlantic Canada Opportunities Agency, Votes 1, 5 and 10  
Finance, Votes 45 and 50  
Industry, Votes 1, 5, 10, L15, L20, 25, 30, 35, 40, 45, 50, 55, 60, 65, 70, 75, 80, 85, 90, 95, 100 and 105  
Western Economic Diversification, Votes 1 and 5

**To the Standing Committee on Justice and Legal Affairs**

Justice, Votes 1, 5, 10, 20, 25, 30, 35, 40 and 45  
Privy Council, Vote 40  
Solicitor General, Votes 1, 5, 10, 15, 20, 25, 30, 35, 40, 45 and 50

**To the Standing Committee on Human Resources Development**

Human Resources Development, Votes 1, 5, 10, 15, 20, 25, 30, 35, 40, 45\* and 50

**To the Standing Committee on Procedure and House Affairs**

Parliament, Vote 5  
Privy Council, Vote 20

**To the Standing Committee on National Defence and Veterans Affairs**

National Defence, Votes 1, 5, 10, 15 and 20  
Veterans Affairs, Votes 1, 5, 10, 15 and 20

**To the Standing Committee on Public Accounts**

Finance, Vote 35

**To the Standing Committee on Transport**

Privy Council, Vote 15  
Transport, Votes 1, 5, 10, 15, 20, 25, 30, 35, 40, 45 and 50

**To the Standing Joint Committee on Official Languages**

Privy Council, Vote 25

**To the Standing Committee on Citizenship and Immigration**

Citizenship and Immigration, Votes 1, 5, 10 and 15

**To the Standing Joint Committee on Library of Parliament**

Parliament, Vote 10

*Routine Proceedings*

(Motion agreed to.)

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**PETITIONS****DANGEROUS OFFENDERS**

**Mrs. Jan Brown (Calgary Southeast, Ref.):** Mr. Speaker, I rise before this House once again to present the 17th petition in this course of action undertaken on behalf of constituents who wish to halt the early release from prison of Robert Paul Thompson. April 11, 1995 is the date set for the parole hearing.

The petitioners I represent are concerned about making our streets safer for our citizens. They are opposed to the current practice of early release of violent offenders prior to serving the full extent of their sentences.

The petitioners pray that our streets will be made safer for law-abiding citizens and the families of victims of convicted murderers.

(1035)

**HUMAN RIGHTS**

**Mrs. Rose-Marie Ur (Lambton—Middlesex, Lib.):** Mr. Speaker, I wish to table a petition signed by constituents of Lambton—Middlesex and duly certified by the clerk of petitions, pursuant to Standing Order 36.

The petitioners pray and request that Parliament not amend the Criminal Code as proposed in Bill C-41, the human rights code, the Canadian Human Rights Act or the charter of rights and freedoms in any way which would tend to indicate societal approval of same sex relationships or of homosexuality by including the undefined phrase of sexual orientation.

**GUN CONTROL**

**Mr. Leon E. Benoit (Vegreville, Ref.):** Mr. Speaker, pursuant to Standing Order 36, I have the honour on behalf of constituents of Vegreville to table three petitions in the House today.

In the first petition the petitioners request Parliament to support laws which will severely punish all violent criminals who use weapons in the commission of a crime. They also request Parliament to support new Criminal Code firearms control provisions which recognize and protect the rights of law-abiding citizens to own and use recreational firearms. They request Parliament to support legislation which will repeal and modify existing gun control laws which have not improved public safety or have proven not to be cost effective or have proven to be overly complex so as to be ineffective or unenforceable.

I present this petition on behalf of my constituent, Stan Chevrax, and the people who signed the petition.

**THE FAMILY**

**Mr. Leon E. Benoit (Vegreville, Ref.):** Mr. Speaker, in the second petition, the petitioners request Parliament to oppose any legislation that would directly or indirectly redefine the family, including the provision of marriage and family benefits to those who are not family with family being defined as those individuals related by ties of blood, marriage or adoption, where marriage is the legal union of a man and a woman.

**HUMAN RIGHTS**

**Mr. Leon E. Benoit (Vegreville, Ref.):** Mr. Speaker, in the third petition, the petitioners pray and request Parliament not amend the Canadian Human Rights Act or the charter of rights and freedoms in any way which would tend to indicate societal approval of same sex relationships or of homosexuality. This includes not amending the Canadian Human Rights Act to include in the prohibited grounds for discrimination the undefined phrase of sexual orientation.

**Mr. Bob Mills (Red Deer, Ref.):** Mr. Speaker, I present a petition today signed by 30 people, 21 from my constituency.

Although the petitioners and I do not have the same beliefs, I present to Parliament today on their behalf a petition that calls upon Parliament to amend the Canadian Human Rights Act to prohibit discrimination on the basis of sexual orientation.

I believe in complete equality with no special status to any group.

**TAXATION**

**Mr. Jim Abbott (Kootenay East, Ref.):** Mr. Speaker, it is my pleasure to present to this House a petition containing approximately 3,900 signatures.

The petition is almost presented late because the petitioners pray and request that Parliament reduce government spending instead of increasing taxes and implement a taxpayer protection act to limit federal spending.

It is interesting that out of an area population in the town of Golden which only has 2,371 households, four women went around and collected 2,500 of the 3,900 signatures on this petition. There was a tremendous amount of pressure on the government. The reason I say it is almost presented late is that unfortunately, although the tax increases were limited, they were nonetheless there.

**ASSISTED SUICIDE**

**Mr. Dick Harris (Prince George—Bulkley Valley, Ref.):** Mr. Speaker, pursuant to Standing Order 36, I am pleased to

present two petitions today. The first petition was circulated by Mrs. Barbara Gobbi of my riding of Prince George—Bulkley Valley and contains a number of names.

The petitioners pray that Parliament ensure that the present provisions of the Criminal Code of Canada prohibiting assisted suicide be enforced vigorously and that Parliament make no changes in the law which would sanction or allow the aiding or abetting of suicide or active or passive euthanasia.

I am pleased to say that I personally support this petition.

RIGHTS OF THE UNBORN

**Mr. Dick Harris (Prince George—Bulkley Valley, Ref.):** Mr. Speaker, the second petition was also circulated by Mrs. Barbara Gobbi of Prince George and contains a number of names.

The petitioners humbly pray that Parliament enact legislation which will protect the unborn children of this country. The petitioners humbly pray and call upon Parliament to do so.

Here again I personally support this petition.

(1040)

GUN CONTROL

**Mr. Bob Ringma (Nanaimo—Cowichan, Ref.):** Mr. Speaker, I am pleased to present two petitions, both on the subject of firearms control.

The first petition asks that Parliament support laws that will severely punish all violent criminals who use weapons in the commission of a crime. It also asks to support new legislation that recognizes and protects the rights of law-abiding citizens. It further asks that legislation be supported that will repeal and modify existing gun controls which have not improved public safety or have proven not to be cost effective.

The second petition on the same general subject area asks Parliament not to enact any further firearms control legislation, regulations or orders in council.

TAXATION

**Mrs. Diane Ablonczy (Calgary North, Ref.):** Mr. Speaker, I have the honour of presenting four petitions today on behalf of the citizens in my riding of Calgary North.

The first petition is asking this government not to increase taxes. The citizens who signed this petition feel they are already overburdened with taxes and are asking that the burden not be increased.

ASSISTED SUICIDE

**Mrs. Diane Ablonczy (Calgary North, Ref.):** Mr. Speaker, the second petition is from people in Calgary North. They ask that the government not change the Criminal Code to allow assisted suicide.

*Routine Proceedings*

SPOUSAL BENEFITS

**Mrs. Diane Ablonczy (Calgary North, Ref.):** Mr. Speaker, in the third petition citizens are saying no to spousal benefits being extended to same sex couples.

HUMAN RIGHTS

**Mrs. Diane Ablonczy (Calgary North, Ref.):** Mr. Speaker, in the last petition, 105 citizens of Calgary North protest the inclusion of sexual orientation as a prohibited ground of discrimination in the charter of rights.

I am pleased to say that I will be representing my constituents' views on these issues to this House over the coming months.

TAXATION

**Ms. Roseanne Skoke (Central Nova, Lib.):** Mr. Speaker, I have three petitions pursuant to Standing Order 36. On behalf of 72 constituents in Nova Scotia and New Brunswick, I wish to table a petition with respect to the subject matter of GST and income tax.

ASSISTED SUICIDE

**Ms. Roseanne Skoke (Central Nova, Lib.):** Mr. Speaker, the second petition is presented on behalf of 26 constituents of Digby county, Nova Scotia.

The petitioners pray that Parliament ensure that the present provisions of the Criminal Code of Canada prohibiting assisted suicide be enforced vigorously and that Parliament make no changes in the law that would sanction or allow the aiding or abetting of suicide or any activity designed to terminate human life.

I concur with this petition.

HUMAN RIGHTS

**Ms. Roseanne Skoke (Central Nova, Lib.):** Mr. Speaker, the third petition contains 107 signatures. Twenty-five signatures are from Edmonton, Alberta and 82 signatures are from Nova Scotia, including Digby county.

The petitioners pray and request that Parliament not amend the human rights code, the Canadian Human Rights Act or the charter of rights and freedoms in any way that would tend to indicate societal approval of same sex relationships or of homosexuality, including amending the human rights code to include in the prohibited grounds of discrimination the undefined phrase of sexual orientation.

I concur with this petition.

GUN CONTROL

**Mr. John O'Reilly (Victoria—Haliburton, Lib.):** Mr. Speaker, pursuant to Standing Order 36 it is with great pleasure that I rise today to present a petition signed by 1,025 people from such places as Minden, Haliburton, Eagle Lake, Wilberforce and Bobcaygeon in the riding of Victoria—Haliburton.



*Routine Proceedings*

It draws the attention of the House of Commons to gun control. It asks Parliament not to pass into law any of the government action plans for firearms control which deal with the registration and prohibition of firearms and to find other and better means to reduce the incidence of violent crime in Canada.

\* \* \*

[Translation]

**QUESTIONS ON THE ORDER PAPER**

**Mr. Jean-Paul Marchand (Québec-Est, BQ):** Mr. Speaker, I rise on a point of order with respect to Question No. 93, which I tabled in this House on October 19. There are two parts to this question. Not only did it take three months to get a response, but, when I finally got it, last Friday, it was only half an answer. I am still awaiting the other half.

What I got was a short paragraph of two lines telling me to go and find it myself. The response was: "Look it up yourself". I went, in fact, to see for myself. What is in the library is a sort of dog's breakfast. Moreover, it is not even up to date. My question concerned federal government properties in Quebec in 1994, and the information I had to look for dated back a number of years.

(1045)

I wonder how such flagrant disregard for the rules of this House is tolerated. How is it such long delays are permitted? How is it possible to provide incomplete answers and abuse members' privileges? Is this the result of budget cuts or is this another attempt to deny us access to information? Is silence the watchword?

I want information and I cannot get it.

**Mr. Peter Milliken (Parliamentary Secretary to Leader of the Government in the House of Commons, Lib.):** Mr. Speaker, the hon. member for Québec-Est has raised this question on several occasions, too often, I must say.

He got a good answer. On Friday, I tabled in the House a 1,450 page answer to his question. Apparently, he has not read it all.

As for the second part of his question, those 1,450 pages contained the answer. It is as follows: "The Minister of Public Works and Government Services has not identified any riding in particular. However we have a copy of the 1992 real property holdings directory, which includes a list of federal real property in the province of Quebec and the rest of Canada and can be obtained from the Library of Parliament or through a member of Parliament".

This information is available to anyone. It can be obtained from the Library of Parliament. There is no need to prepare an

answer to be tabled here in the House when a copy of the same information is available at the Library just down the hall.

The hon. member can go there himself; there is no need to table such a document here in the House given the expense entailed in making copies.

**Mr. Loubier:** Oh, oh.

**Mr. Milliken:** As the opposition finance critic, the hon. member for Saint-Hyacinthe-Bagot should bear in mind the costs—

**The Acting Speaker (Mr. Kilger):** Order, please. I heard the parliamentary secretary's answer. Let us now get on with the other questions.

[English]

**Mr. Milliken:** Mr. Speaker, I wanted to answer the point of order first.

Question No. 116 will be answered today.

[Text]

Question No. 116—**Mr. Cummins:**

With regard to Dr. Paul LeBlond, Joe Scrimger and David Brander-Smith (members of the Fraser River Sockeye Public Review Board inquiring into the government's management and enforcement on the Fraser River), (a) what benefit or remuneration did Paul LeBlond receive from the Departments of Fisheries and Oceans, Environment and Transport from the more than \$1 million in contracts received by Seaconsult Marine Research Limited since 1984, (b) what benefit or remuneration did Paul LeBlond receive as a member of the fisheries and oceans Fisheries Resource Conservation Council, (c) what reports has Paul LeBlond undertaken on behalf of the government in addition to the demanning of lighthouses and cancellation of weatherships, (d) what submissions or proposals have been submitted to the Department of Fisheries and Oceans and its Institute of Ocean Sciences by Joe Scrimger in 1993 or 1994 and (e) what remuneration did David Brander-Smith receive as director of the advisory board for fisheries and oceans Institute of Ocean Sciences and what recommendations and advice has the board given during his term as a member of the board?

**Mr. Peter Milliken (Parliamentary Secretary to Leader of the Government in the House of Commons, Lib.):** I am informed as follows:

(a) The Departments of Fisheries and Oceans, Environment and Transport have no information on this subject.

The financial information requested is privy to the company, Seaconsult Marine Research Limited, and the parties contracted by them, and therefore the company or Dr. LeBlond should be approached directly for any clarification of these details.

(b), (c) and (d) The information requested can be found in the answer to Question No. 85 tabled February 24, 1995.

Please note that Dr. LeBlond has also assisted Natural Sciences and Engineering Research Council of Canada (NSERC) staff to provide input into a Department of Fisheries and Oceans survey on the use of research platforms by co—

ordinating input from the university research community. These activities were not remunerated; they were done voluntarily.

(e) The director's advisory board for the fisheries and oceans Institute of Ocean Sciences (IOS) was established in 1991, at which time David Brander-Smith was appointed chairperson. The board has conducted an extensive review of IOS programs, defined core programs, and assisted the director with prioritization of the program and development of information exchange with stakeholders. Recently, the board has been active in providing advice on coping with program reduction strategies and budget reductions. The board is composed of individuals from commercial, recreational and native fishing interests, university, other government, environmental and oil and gas sector representatives. The objective of this board is to provide a vehicle for allowing stakeholders an opportunity to input to the development and direction of the department's ocean science program. During the time that Dr. Brander-Smith was chairperson, November 1991 to November 1994, the board provided advice in the following key areas:

Program priority determination for the institute stressing the identification of scientific excellence and productivity, separating core activities from other activities, as well as how well programs address key priorities;

Development of a strategy and implementation of a critical program review (peer review/client review) of IOS;

The need for an external scientific review of programs;

Identification of key IOS clients and contacts and intensified consultation with those clients seeking feedback on client perceptions and needs, and identifying ways of improving service and developing more formal information sharing arrangements;

Development of a communications program aimed at sharing information on program activities with clients, the public and within and between government departments;

Strengthening IOS use of partnerships and networks for co-operation, information sharing and communication; and

Placing high priority on initiatives to encourage efficiency and effectiveness, as well as developing innovative sources of funding.

The remuneration portion of this question has been answered in the response to Question No. 85 tabled February 24, 1995.

[English]

**The Acting Speaker (Mr. Kilger):** The question as enumerated by the parliamentary secretary has been answered.

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**Mr. Milliken:** I ask, Mr. Speaker, that the remaining questions be allowed to stand.

**The Acting Speaker (Mr. Kilger):** Shall the remaining questions stand?

**Some hon. members:** Agreed.

**The Acting Speaker (Mr. Kilger):** I wish to inform the House that pursuant to Standing Order 33, because of the ministerial statement, Government Orders will be extended by 22 minutes.

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## GOVERNMENT ORDERS

[Translation]

### THE BUDGET

#### FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

The House resumed from February 27 consideration of the motion that this House approves in general the budgetary policy of the government.

**Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ):** Mr. Speaker, I am pleased to rise again today, the day after the budget, to state the official opposition's views on the budget brought down yesterday by the Canadian Minister of Finance.

The budget before us consists of the usual downloading of the deficit by the federal government onto the provinces, which harms not only the very poor, persons on social assistance, the unemployed, students and senior citizens but also, as of next year, will also harm all Quebec and Canadian taxpayers, all the while— and this is the most unacceptable part—sparing big business, banks which are given a further reprieve, notwithstanding a minimal increase in the taxes they must pay this year.

Businesses and banks benefit from federal tax breaks as well as from the government's subsidies while everyone everywhere, the provinces, the most destitute people, taxpayers, as of 1996, will pay more and more for the laxness and incompetence of this government.

(1050)

This budget entails first of all a decentralization of the federal deficit, a decentralization of the federal bill starting with cuts in federal transfers for post-secondary education, health and welfare.

This government is definitely proceeding in an underhanded, harmful way in 1995. There will be no cuts in 1995. It is easy to see why, this is the referendum year. There will be no cuts so Quebecers will be led to believe that this government is doing a

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fine job. Because it is the referendum year, the true picture is not being given; they hide the extent of this government's failure in 1995. But as of 1996, look out, then we will feel it, then it will start to hurt. The Minister of Finance is asking us to go above and beyond tightening our belts, he is asking us to tighten them to the last notch and to avoid taking deep breaths.

In 1995, the federal axe is going to lop \$2.5 billion off of federal transfer payments to the provinces; in this year, Quebec alone will be hit by a drop of over \$700 million in transfer payments. Worse yet, with the referendum campaign safely behind them, the federal government will cut \$4.5 billion in transfer payments in 1997; for Quebec alone this will mean a drop of approximately \$1 billion.

Where are we going to get the money to make up this shortfall? There is only one taxpayer in Canada and Quebec, and he or she will have to absorb this shortfall. The tax hikes in this budget which purportedly contains no tax hikes are hidden, deferred and devious. And the provinces are forced to swallow the bitter pill.

The Minister of Finance does not talk about what will happen after 1997-98. But we know what he has up his sleeve, because year after year—and he is carefully hiding this from Quebecers in this referendum year—his government will remain as voracious, as money hungry and spendthrift when it comes to public funds as it is at present in a structure that is out of sync with Quebec's and Canada's socio-economic realities. Time and time again, taxpayers end up footing the bill for the Minister of Finance's lax approach and downloading to the provinces.

Quebecers will ultimately pay and will continue to pay because, what is left unsaid, what the federal government does not want to advertise, is that, although it downloads \$7 billion in transfer payments up-front, the federal machine remains the same.

Have any departments been abolished? No. We will still be stuck with the Department of Health, the Department of Human Resources Development and all other departments that cause duplication and overlap, for which the Minister of Finance is proposing to stiff the provinces with the bill. The tax bill that Quebecers and Canadians will have to pay in the next few years will actually increase, despite the downloading of part of the deficit onto the provinces. Quebecers, Ontarians and everyone in the country will pay more because the federal government has given up some of its financial responsibilities.

What this amounts to is that, as of next year, Quebec taxpayers—because I am addressing them in particular today—will pay dearly in the year following the referendum. They will pay dearly if they do not create a real country, a normal country, a country which will assume total control for its public finances and will take the measures needed for recovery, a country totally committed to the plan, instead of a government that slowly

demolishes its plan by arbitrary decisions, such as arbitrary cuts to transfer payments.

Quebecers will pay dearly if they do not make the choice this year that is in their best interests, which is sovereignty, a choice in favour of efficient budgeting and resource allocation. The situation is being hidden from them.

(1055)

Nor are they being told that in 1997-98, despite all of their sacrifices and all of the tax hikes they were subjected to at the hands of the Quebec or federal government, the federal debt will still be \$625 billion. Moody's has the federal government's rating under review because of the size of the debt in the mid-term and the government's lack of control over the situation.

The decision Quebecers must make is becoming increasingly clear, and became even clearer yesterday. Staying within the federal fold in the years to come pretty much boils down to this: fewer and fewer federal services and benefits; more and more offloading of deficit problems onto the provinces, which will ultimately result in tax hikes, because it is the same taxpayer; more bad news year after year; a reduction in the Quebec government's ability to do something about job creation, to put in place a plan to revitalize the economy, bring about more jobs and growth in all regions of Quebec, because we do not know what will hit us next with federal decisions. This is the scenario in 1996 if we stick with the status quo and stay in the federal fold.

Quebecers have a choice to make, a choice that will be instrumental in encouraging economic growth and employment and putting an end to the slump for which the federal government is to blame.

Not only is the Minister of Finance offloading his responsibilities onto the provinces, but he is still taking aim at his favourite targets in a feeble attempt to improve the state of Canada's finances. These targets are students, those on social assistance, the ill and the unemployed. He is still targetting the unemployed, as if they had not already paid enough since this government came to power, since this government broke its promise to help them and create jobs.

Already this year the Minister of Finance planned to cut unemployment insurance by \$2.4 billion. Next year, he was going to cut another \$2.4 billion, and now he has added a further 10 per cent cut, to the tune of \$1.5 billion, on top of the billions in cuts already announced. Is this a pro-employment position? Is this the concern for the neediest members of our society that the red book promised? The famous red book that we heard about for months on end and that they have now forgotten.

All the talk about creating jobs does not square with what we see in this budget. As far as job creation is concerned, the only program set up resulted in precious few jobs, 45,000 temporary jobs was the figure mentioned, and yesterday the Minister of

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Finance decided to cut the \$200 million remaining in the program. Jobs, jobs, jobs—is this what they meant?

My colleague from Rosemont pointed out to me this morning that the government's forecasts show unemployment in Canada holding steady at about 9.5 per cent over the next few years. The government has deliberately, for these forecasts are produced by the government, forgotten all about job creation. It even goes so far as to predict that unemployment will settle at around 9.5 per cent over the next few years. Do you know what that means for Quebec? It means an unemployment rate of 11 per cent that will not change as long as we stay with the status quo.

We went over the budget carefully and found a lot of things, one of the more astonishing being that this record unemployment rate will be achieved and maintained without any increase in productivity. And a good thing, or maybe not. If there had been an increase in the productivity forecast for the next few years, the unemployment rate would probably climb to 13 or 14 per cent in Quebec and in Canada.

(1100)

At the same time, we must be increasingly productive, improve our performance, for with the globalization of trade, the new GATT agreement and the World Trade Organization, this will be essential if we want to hold our own and capture a greater share of international markets. But the Minister of Finance does not forecast any increases in productivity.

This budget is already bad news in terms of employment, especially since the Minister of Finance tells us in his projections that in the next three years and even after that—his projections stop after a while because he is certain that we will realize how bad things are in Canada—, the unemployment rate in Canada will stay 4 per cent higher than in the U.S.

By conscientiously basing his projections on such data and turning his back on measures to promote long term jobs, the minister spells disaster. While the minister picks on the provinces by shifting onto them the burden of these odious large scale tax reforms, while he picks on students, welfare recipients, sick people and perhaps seniors—he is now putting in place a committee to review all old age security programs—, this government is maintaining undue privileges for big business and the very wealthy.

As far as business is concerned, the Minister of Finance took the trouble to denounce business subsidies in one paragraph, saying that these subsidies distort competition and that they no longer have their place in the new international order, that they result in unfair competition among nearby businesses, or at least among Canadian businesses. He strongly denounces these subsidies and then what does he do? He cuts these subsidies by 60 per cent over three years when, in the opinion of the Quebec

employers council, headed by Ghislain Dufour, who is certainly no lefty, he should have eliminated these subsidies completely and quickly. Although he agrees with this analysis, the Minister of Finance will maintain \$1.5 billion's worth of direct business subsidies in 1997.

By then, the government will have cut social housing by more than \$307 million. What compassion, what social conscience from this government, which talks about jobs, jobs, jobs, about the most disadvantaged, whose rhetoric is worthy of that of the NDP in its good years, but which, in fact, is worse than the Tories, if not very close to the Reform Party.

If at least the Minister of Finance and his government had been smart enough to slash half of the \$3.8 billion in subsidies now available to business and redistribute this amount equitably among R&D efforts in Canada to improve business competitiveness and social housing, we would have understood and applauded this better distribution of resources. Instead, not only does he maintain large direct subsidies, but he also slashes social housing and pursues the shameful reforms he started last year.

The same goes for tax reform; preferential treatment is left untouched. In 1991, several thousands of big businesses did not pay a single cent in tax to the federal government, thus depriving the federal treasury of hundreds of millions, if not billions of dollars in lost revenue. These thousands of big businesses, which still make profits despite the downturns in the economy since 1990, will continue to avoid paying their fair share of taxes. There is nothing in this budget which resembles a minimum tax, precisely so that these large businesses can still enjoy all kinds of roundabout ways to avoid paying their fair share.

As far as tax agreements are concerned, as the Auditor General himself pointed out and as we have been saying for a year and a half, there are now 16 countries considered to be tax havens, which help those businesses refusing to do their corporate duty and pay their fair share to the federal treasury. These tax havens help such businesses divert hundreds of millions of dollars by reporting fictitious losses by phoney businesses and deducting them from revenues, thus diverting money from the federal treasury.

(1105)

No changes were made to those tax havens. Quebecers and Canadians are asked to tighten their belts to the last notch, but nothing is done about such outrageous things. Do you not find anything wrong with that picture? I know you cannot answer, Mr. Speaker, but there is something wrong.

Yesterday, the finance minister—I do not know whether he had a horn to honk but he should have had one on hand—said that businesses, big businesses in particular, were contributing

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more in terms of taxation and that banks were finally going to be paying taxes to the federal government.

As regards banks, the poor banks, over the next two years, the minister plans to impose a temporary tax, not a permanent one, on them to appease public pressure. Because the public was saying: "We pay. Since 1984, that is all we have been doing: pay, pay, pay. We undergo cut after cut, while banks make profits and pay no taxes".

To respond to this public pressure and give the impression that social justice matters to him, the Minister of Finance plans, over the next two years, to collect a whopping \$100 million from them. One hundred million dollars from all Canadian banks. Just to give you an idea of the order of magnitude here, the Royal Bank of Canada, this small bank, generated a record \$1.2 billion profit this year. How much we will collect from this bank over two years? No wonder that interest rates went down slightly today. You scratch my back and I will scratch yours.

Where businesses in general are concerned, the Minister of Finance said that they will be contributing to put our public finances on a healthy footing. See how they will do so. Through a 1.5 per cent tax increase. Since businesses already pay \$18 billion to the federal taxman, this will bring their contribution to approximately 17 or 18 per cent of the tax pie. The money filling the federal coffers really comes from the taxpayers.

The business sector will pay an additional \$260 million in 1995-96, \$270 million in 1996-97 and \$280 million in 1997-98. The amount was indexed to give the impression that it had actually increased. Did you know that not only this effort represents a 1.5 per cent increase in the "tax burden" because businesses may seek ways to avoid paying it, but it is ten times less than the effort asked from the unemployed this year. Ten times less. And they tell us it is fair. There is something very wrong with this government. It is not the first time I tell you this, but I do think it is profoundly unfortunate. It makes me very uneasy.

The same deceitful practice, or just about, was applied to tax treaties. The Minister of Finance said he was acting on a request from the official opposition. Yesterday, the finance minister literally laughed in our faces. He laughed in our faces because he is not planning to eliminate the unjustified privileges enjoyed by the wealthiest of Canadian families—I am referring to family trusts—until 1999.

This reminds me of the story of the police officer who gives thieves two hours notice that he will be coming over to arrest them. By 1999, some family trusts, not all, because we never said all family trusts were bad, but those used as powerful tax planning instruments by wealthy Canadian families, will have been transferred in other instruments, instruments that the

minister has left untouched in this budget. Any tax that should have been recovered on the capital gains made on these trusts every year will be lost. In coming up with such things, the minister is laughing in our faces.

(1110)

As for duplication and squandering, it will continue. It will continue because the federal government is not withdrawing from areas of provincial responsibility. The Minister of Intergovernmental Affairs himself indicated that the federal government would continue to have its say in all areas of provincial jurisdiction. It will continue to pry into these areas, while at the same time contributing less and less.

Duplication and overlap will continue because, as I mentioned earlier, those federal departments where there is a problem will remain. When has a department ever been dismantled? Never. How can one say that duplication and jurisdictional overlap will be reduced and that the federal system is undergoing a major overhaul when nothing has changed?

This brings me to these wild layoffs in the Public Service. There are two ways to trim an organization that is too fat, which is what the federal public service is, in the opinion of the official opposition. There are two ways to streamline: the good one and the bad one.

This government is going about it all wrong. I can still see the Minister of Intergovernmental Affairs—I could have cried when I saw him—sitting comfortably at his desk, typing away on his computer, deciding how many jobs to cut in each federal department and crown corporation. Not for a moment did he think of going to talk with those concerned. Not for a moment did the minister think that behind these figures on his computers there were real people. Not for a moment did he stop and think that these people have duly elected union reps, representatives from the Public Service Alliance of Canada, with whom he could have got together to discuss his plans.

It is obvious that the public service needs to be restructured. It is obvious that it is too large. It is obvious that manpower reductions are required, but there is no need to make wild, inhumane cuts, as contemplated by the Minister of Intergovernmental Affairs, and without any guarantees. There are no guarantees.

Who says that laying off 45,000 people will result in gains, in terms of effectiveness? Who says that the low morale in the organization will not affect services to the public? What guarantee do we have, and this is important, that the Liberals across the floor, who are prone to patronage appointments, will not favour their friends by contracting work out to them? This happened in the past. Yet, there is no guarantee that it will not happen again. There is only a risk that the indiscriminate lay-offs which are

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taking place will result in a need to contract work out and that, instead of saving money, the federal government will end up spending more than ever before. That is also something which happened in the past.

We always forget that, within the public service, there are competent and experienced people who do a good job. If you contract the work out, it often ends up costing you more because you deal with businesses whose only objective is to make a quick profit at the expense of Canadian taxpayers. Let us not forget that.

As I have said several times, when the official opposition talks about trimming the fat in the federal administration, when it says that Canada is overgoverned, it does mean that the public service is too large and that there are too many public servants. However, there is a proper way to deal with that. We do not endorse indiscriminate layoffs. Even the Public Service Alliance of Canada told us that it was prepared to discuss restructuring, provided it was properly thought out, did not merely mean cuts which will end up costing taxpayers more for fewer services provided by disheartened public servants. This is a difficult situation.

I do hope that the government will again meet with PSAC officials to discuss that issue, something which it has not done since it came to office. The first thing the government did when it took office was to stop discussing, even though it had criticized the breakdown in discussions between the previous Conservative government and the unions representing public servants. This government should sit down with the PSAC. These people have suggestions to save money. They have ideas as to how the federal administration can be streamlined in an intelligent way. The government should rely on their expertise.

As regards agriculture, yesterday the minister avoided the real issues. He did not want to stir up old controversies.

(1115)

I remember one such controversy in 1982, when there was talk of amending the Crow's Nest Pass agreement. Back then, I noted that there was a very real conflict between the interests of western cattlemen or beef producers, which even differed from those of their fellow grain producers, but which were mainly at odds with those of easterners, particularly Quebecers.

In his budget, the minister eliminates the \$560-million subsidy for grain transportation to railroads in the Prairies. However, to make up for that loss, the minister will give western producers, based on their cultivated acreage, \$1.6 billion to compensate the alleged loss of land value in the West. However, the Minister of Finance and the Minister of Agriculture both forgot that the Crow's Nest subsidy created a healthy balance in Canadian agricultural production. Indeed, while western farm-

ers concentrated on grain production and enjoyed subsidized transportation of their products, livestock breeding developed in the East, particularly the dairy and pork industries.

If you break that balance by eliminating the Crow's Nest subsidy, and if you give compensation for the alleged loss of value of western lands, you overlook an important element, namely the impact of such a measure on eastern producers.

Nowhere in the budget speech is there any mention of compensation for eastern producers, particularly Quebec producers, who will also suffer. Doubly so. Indeed, not only will western producers get a \$1.6-billion subsidy to adjust, but they will also be able to use that federal money, 25 per cent of which comes from Quebec, to compete with Quebec livestock breeders. Is that the federal government's idea of fairness? Is that the nice balance between the East and the West? Things do not work that way.

Moreover, western producers will get a loan guarantee of one billion dollars, plus \$300 million to adjust to the new situation. They will receive \$3 billion to make up for the loss of the \$560-million Crow's Nest subsidy. There is something very wrong right there. It is unfair to use federal moneys, 25 per cent of which is comes from Quebec, to support the competition from out west on our own markets.

While the West will get \$3 billion, Quebec will lose \$30 million because the Budget provides for a 30 per cent reduction in dairy subsidies to eastern producers, which will affect industrial milk, cheese, yogurt, ice cream and the rest. Fifty per cent of the dairy products we consume are produced in Quebec. So the government gives \$3 billion to the West and takes \$30 million away from dairy producers in Quebec. Is that fair? Is that how the government wants farmers in Eastern and Western Canada to help put public finances back on track?

Mr. Speaker, fair is certainly not the word here. As for dairy producers, this merely adds to existing pressures, because we should remember that during the past two years, under the new World Trade Organization agreements, dairy producers in Canada and Quebec have had to face increased competition. They lost one of the basic pillars of the dairy production system, referred to as Article XI. Since that time, competition has increased steadily, as the tariffs that replace protection at the border under Article XI go down and foreign products are allowed to compete with Quebec and Canadian dairy products.

And now, the government is asking them to tighten their belts even more. Yesterday, Laurent Pellerin, president of the UPA, said that farm producers were prepared to do their fair share, but this was too much. This was absurd.

I would also like to comment briefly on the international assistance envelope.

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(1120)

Time and time again, when the members of this government were in the official opposition, they condemned the Conservative position on international assistance. Time and time again, the Minister of Finance—who was not Minister of Finance at the time—and the present Prime Minister expressed their outrage because the Conservatives were cutting international aid. What they are doing is far worse.

The Budget brought down yesterday by the Minister of Finance provides cuts totalling \$532 million in international assistance, thus exacerbating a situation where Canada is already reluctant to reach a helping hand out to the neediest international communities. When we talk about the neediest, we are talking about millions of children who are dying every day.

It exacerbates a situation that was already criticized under the Conservatives, and the cuts in international assistance continue. Not only is this government utterly lacking in compassion for the neediest in Canada and Quebec, it is even more so in the case of children who are dying daily throughout the world.

And now for National Defence. Another area where everyone has to do his fair share. The minister says the government will close the base at Saint-Hubert, in Quebec, and will cut back staff and reduce infrastructures in Bagotville, also in Quebec. His own analyst at National Defence believes that, in Quebec, the expenditures by the Department are short by some \$650 million, on average. Six hundred and fifty million dollars. This is the minimum figure.

Year in and year out, despite the size of the population in Quebec and the significance of tax contributions—Quebecers pay \$30 billion in income and other taxes into the federal coffers, we are not talking about gifts here—despite all that, defence department spending in Quebec is short annually by a minimum of \$650 million.

In addition, even though Quebec has roughly 24 per cent of the population and contributes 23.5 or 24 per cent of the federal tax base, only 15 per cent of national defence infrastructures are located there. A highly disproportionate amount compared to the demographic weight and the tax contributions of Quebecers.

Despite all of this, we are told that everyone has to make an effort. We have been streamlining for years, we have been paying for it for years. In Quebec, we have had our fill of paying for it. When they say that everyone has to pay for it, they should have a look and see what we have already paid without getting our share in Quebec of the annual expenditures and investments by the Department of National Defence. They should have thought twice before they did it. Quebecers will remember because we will constantly remind them of it.

This budget is hypocritical, as I have already pointed out, because the truth has been kept from senior citizens. They have been told that things are fine and that nothing will change within the federal plan, just when a committee is being set up—and the Leader of the Opposition raised the problem yesterday—to examine the whole problem of pensions and old age security next year. As the Leader of the Opposition and member for Lac-Saint-Jean put it so well yesterday, committees are not set up to increase pensions.

However, in 1995, a referendum year, the federalists, and the Liberal Party in particular, would lose a major argument if they tackled the seniors now—the argument that seniors' pensions would decrease if they changed governments. They did not want to do this before the referendum. They are keeping the truth from Quebec seniors just the way they are keeping it from all of the people of Quebec. And the truth is that there is no more money in the till.

The finance minister has found a way to betray the Prime Minister's promise not to raise taxes during the first two years of his mandate. Last year, his strategy of cutting the age tax credit for senior citizens brought in \$500 million in extra revenues. This year, taxes on gasoline and tobacco will bring in a total of some \$800 to \$900 million.

(1125)

This budget does not address the real problems or respond to people's real needs. Maybe the federal government will get away with it this time. Maybe the bond rating agencies will allow its credit rating to stand if the government appears to have public finances in hand. But these agencies will most surely have their eye on the provinces since the federal government has offloaded all of its financial problems onto the provincial governments. So regardless of whose credit rating is dropped, there will be an increase in interest rates when the time comes to refinance the debt, whether the federal debt or the provincial debt or Quebec's debt, the burden will still fall onto the same taxpayer.

This situation, this observation is deceptive. My Reform colleagues would do well to bear this in mind. Nor does this budget in any sense set a strong, solid course in regard to the accumulated national debt in the medium term, something which Moody's bond rating service has clearly pointed out. It is precisely the magnitude of the national debt which worries investors and has a major impact on interest rates, the lack of investments, the lack of significant job creation to recover from an unemployment rate hovering around 10 per cent. As of 1997, and I am warning my fellow Quebecers, more sacrifices will be imposed on them. The federal government will continue cutting and offloading, leaving the Quebec government the hateful task of increasing taxes or cutting spending on essential services.

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But that will not be the end of it since this budget has resolved nothing. We will always face a monstrous debt if we do not take steps of some sort toward renewal, true structural renewal, to create a new country and breathe new life into Quebec. If this is not done, we will pay for it and go on paying.

In Quebec we have the chance to start afresh, to create our own social plan, to make an honest general effort not to be at the mercy of this government's arbitrary measures year after year which result in higher taxes any way you look at it. We can decide to extricate ourselves from this system or to keep sinking with the big federal machine.

I think that Quebecers will choose to change governments, they will opt for renewal instead of the doldrums year in, year out, with no real social plan, without hope for job creation, without hope for enrichment, other than the enrichment of the federal debt.

I would like to suggest the following amendment to the Minister of Finance's budget speech; I move:

That the motion be amended by striking out all the words after the word "That" and substituting the following:

"the House of Commons reject the government's budget which systematically offloads the federal government's financial problems onto the provinces; makes no provision whatsoever to ease the tax burden of the middle class while preserving tax loopholes for wealthy Canadians and large corporations; and completely disregards the pressing needs of the unemployed and the most disadvantaged who will bear the full brunt of additional cuts to social programs". brev

(1130)

[*English*]

**Mr. Preston Manning (Calgary Southwest, Ref.):** Mr. Speaker, I rise to address the budgetary policy of the government as contained in the budget presented to the House yesterday. In doing so I wish to approach the budget not so much from the perspective of an opposition party, but more from the perspective of the people whose personal and collective interests are affected by the budget.

On behalf of Canadians, Reformers will be subjecting the budget to four major tests. The first is the employment test. Does the budget address the needs of the unemployed or underemployed in the country? The second is the social security test. Does the budget address the needs of the recipients of government services, in particular, social services? The third is the fiscal test. Does the budget meet the fiscal expectations of those putting up the money, the lenders that are being asked to put up over \$30 billion to cover the government's overdraft and the long-suffering taxpayers who are asked to put up almost \$120 billion a year? Finally there is a character test. Does the budget demonstrate the qualities of honesty, courage, fairness, leadership and integrity which Canadians have a right to expect from their government?

My colleagues will be applying these tests to the budget in greater detail than I, but let me give a summary of the results.

The finance minister says the budget meets the partisan goals of the Liberal red book and its timid fiscal target of getting the deficit down toward \$25 billion by the year 1997. While a few observers and commentators may be gullible enough to accept the red book and the 3 per cent goal as acceptable measuring sticks, at the end of the day the vast majority of Canadians will not.

If this budget is measured against the interests of the unemployed and underemployed Canadians who want real jobs, it betrays those interests because it contains no real long term stimulus to private sector job creation.

If this budget is measured against the interests of the recipients of government services who desire real social security, it betrays those interests because it does nothing to halt the diversion of funds away from social programs into massive interest payments on a growing federal debt.

If this budget is measured against the interests of Canadians who want a solid plan for deficit elimination, it betrays those interests because it only plans to get the deficit to \$24 billion by the year 1997.

If this budget is measured against the interests of the long-suffering taxpayer who wants no tax increases and spending reductions which lead to tax relief, it betrays those interests because it takes over \$1 billion more per year out of the pockets of taxpayers and lays the foundations for future tax increases.

In short, when this budget is measured against the public's interests; the interests of workers, the interests of those who depend on social services, the interests of investors, lenders and taxpayers, it betrays those interests at every turn. It is a betrayal of trust of the same order as the Mulroney and Wilson budgets of 1984-85 which missed the narrow window of opportunity to balance the budget, which comes only once to a new government, never to return again.

In delivering this sad commentary, I do not wish to be unfair to the Minister of Finance, nor overly disparage his efforts to bring in a better and more honest budget. If the Minister of Finance and his department had been given more freedom and support by the Prime Minister, they might have come clean with Canadians on what deficit spending is doing to destroy social programs. They would have made the target of the budget deficit elimination, not merely deficit reduction. However, the Prime Minister discouraged such frankness and directness and the minister acquiesced.

I believe that if the Minister of Human Resources Development had not utterly failed to provide a blueprint for reforming social spending, the finance minister might have presented the



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combination of real social reforms and spending reductions. The Minister of Human Resources Development both undermined and failed the Minister of Finance.

(1135)

I believe that if the Liberal caucus did not contain so many members that cling to obsolete notions, such as the idea that government spending is stimulative, such as the idea that Canada has a revenue problem, not a spending problem; if the finance minister did not have these living millstones around his neck he might have done better.

To be fair we do not lay the blame for this budgetary betrayal of the public interest entirely on the Minister of Finance. We believe the blame should rest even more heavily on the Minister of Human Resources Development, on the soft-headed wing of the Liberal caucus and on the Prime Minister.

As a constructive contribution to this debate, my colleagues will be applying the other tests of the budget which I have already mentioned. For example, they will apply an employment test to the budget to show how it hurts, not helps, one million unemployed and over two million underemployed in the country. As a constructive alternative they will also offer Reform's 5-R jobs program which relies on deficit elimination and tax relief to stimulate long term private sector job creation.

The 5-R jobs program is based on the premise that a dollar left in the hands of a taxpayer or a consumer or an investor or a business person creates more jobs than that dollar in the hands of a bureaucrat, a lobbyist or a politician.

My colleagues will apply a social security test to the budget to show the damage it does, especially in the long run, to those dependent on the big federal social security programs: OAS, UI, established programs funding and the Canada assistance plan. As a constructive alternative we will offer Reform's vision of a more secure society through the empowerment of individuals and communities and the decentralization of social program delivery to the levels of government closest to the people.

My colleagues will show how by applying these principles we can get more social security for more Canadians out of \$140 billion in combined federal and provincial social spending than the current government is going to get out of \$155 billion in combined social spending. The Reform alternative to the welfare state is based on the premise that a dollar left in the hands of a mother, a father, a family, a student, a senior, a front line care worker is more productive, more conducive to social security than that dollar in the hands of a distant federal government.

Finally, my colleagues will apply fiscal tests to the budget to show how it undermines the confidence of taxpayers and lenders. As a constructive alternative they will put forward the premises and calculations of our taxpayers' budget presented on

February 21 which achieves deficit elimination in three years through spending cuts alone without tax increases.

While we are extremely critical of both the character and content of the budget, in the name of workers, recipients of services, taxpayers and citizens, unlike the Bloc and others, we have a constructive alternative to offer. All of those are contained in the taxpayers' budget which we invite the media, the public and members of the House to compare and contrast with the Liberal budget.

Today I again repeat my challenge to the Prime Minister and the Minister of Finance. We want a fair, no holds barred, two on two debate; the government's budget versus the taxpayers' budget. Let us pick a night sometime in the next week or 10 days—to save money let us have it in this Chamber—but let us leave our cheering sections at home, just five people on the floor; the Prime Minister, the finance minister, myself and one of our finance critics and yourself, Mr. Speaker. Let us have only two documents on the table; the Liberal budget and the taxpayers' budget. Let the TV cameras roll and let our members, the media and the public view the exchange. Let us have a real debate and a cross-examination of the fundamental assumptions behind these two budgetary alternatives and the directions in which they lead. The issue to be decided is nothing less than which course of action will get the fiscal affairs of the federal government in order for the 21st century.

(1140)

As I said at the beginning, one supreme test must be applied to this budget above all others. That is the character test. Does the budget demonstrate the qualities of honesty, courage, fairness, leadership and integrity which Canadians have a right to expect from their government? Again, sad to say this budget fails the character test.

In the red book the government ignored and downplayed the damage that the deficit and the debt are doing to private sector job creation and continued to insist for months that government overspending, such as through the infrastructure program, was the key to job creation. It simply lacked the courage and honesty to tell Canadians that it was high deficit, debt and tax levels which were undermining the private sector's ability to create jobs for hundreds of thousands of unemployed Canadians.

Now in the budget the government continues down the same path. It ignores, downplays, even attempts to deny and cover up the irreparable damage that government overspending, the debt and the deficit, are doing to social security programs on which so many Canadians depend.

Under the budget plan the government will add over \$100 billion to the federal debt. Interest payments on the federal debt

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will rise to over \$50 billion a year, or almost one-third of the federal budget by the end of this Parliament.

Diverting taxpayers' dollars into paying \$50 billion a year in interest diverts billions of dollars directly away from spending on all other government programs, in particular social spending, since social spending is the largest part of the federal spending program.

In other words, the greatest and most real threat to social programs in Canada is not supposed and imaginary attacks by fiscal reformers, it is the chronic, unrelenting, systematic failure of a Liberal government to get the deficit to zero as quickly as possible.

Until I see an addendum to the budget that clearly projects the impact of rising debt and interest costs on social spending, the impact on seniors, on people on social assistance, on people dependent on the federal government for health care, the budget is lacking in honesty and courage. It is a cowardly and dishonest budget that fails the character test at the point where it is most needed.

This brings me to the equally important character traits of fairness and leadership. The finance minister calls for Canadians to make sacrifices in order to reduce overspending and the deficit. The budget signals future cuts, for example, in unemployment benefits, seniors' benefits, and cuts to social transfers to the provinces. He insists that the spending cuts and tax increases he will impose are guided by fairness.

As the minister has said, however, the devil is in the details. Fairness and leadership call for those at the top of the government to make the first and most visible sacrifice. For this Parliament and this government that means relinquishing the gold plated MPs' pension plan which so many Canadians find obscene and which they regard as the cardinal example of excessive spending at the top of government.

What does the government do? A few days before the budget it brings out a slightly modified MP pension plan—we call it *trough light*—which still offers MPs the most generous pension plan in the country. It contains an opting out clause directed to first time MPs, but it offers millions and millions of dollars in pension benefits to senior ministers and senior backbenchers beyond the wildest dreams of ordinary Canadians. It declares this is pension reform. It declares this is equity and fairness. It declares this is real cost cutting when in fact it is not.

This failure to practice with respect to the MPs' pension plan the principles that the government espouses in the budget points to a flaw in the character of the government.

(1145)

There is no way in which a government member can vote for the budget with its spending reductions and tax increases and

vote for the gold plated MP pension plan at the same time, without undermining the integrity of the government itself. So what will it be?

It is the intention of Reform MPs to opt out of the MP pension plan. We call upon every other member of the House to do likewise. "Opt out or get out" will be the cry in the constituencies. It is a cry which must be respected if fairness and leadership by example and integrity are to be restored to Parliament and any budget it endorses.

In conclusion, some observers of the budget will say that it brings Canada one step closer to hitting the wall, one step closer to a crisis of confidence on the part of lenders that will drive the dollar through the floor, the interest rates through the roof, grind the economic recovery to a halt and begin the complete unravelling of the social safety net.

Some will say that the failure of the government to eliminate the deficit now, when the economy is in relatively good shape, will leave Canadians virtually defenceless in the face of an economic downturn.

Some will say that the cuts necessary to balance the budget, when they inevitably come, will now be much deeper and much more destructive because the government lacked the courage to act now. Only time will tell.

However, on behalf of Canadians everywhere—taxpayers, employers, employees, consumers, recipients of services and citizens—I say to the Prime Minister, to the Minister of Finance, to every member of the Liberal cabinet, to every member of the Liberal caucus and to every senior civil servant who had anything to do with the preparation of the budget: If the country hits the wall, if the country's social programs hit the wall because of what the budget failed to do, they will be held personally, professionally and politically accountable for the consequences come hell or high water.

I move:

That the amendment be amended by striking out all the words after the word "budget" and adding thereafter the following words:

"for its failure to eliminate the deficit quickly and decisively within the life of this Parliament and by asking future generations to bear the cost of fiscal irresponsibility".

**Some hon. members:** Hear, hear.

**Mr. Elwin Hermanson (Kindersley—Lloydminster, Ref.):** Mr. Speaker, I enjoyed listening to the address by my leader, the hon. member for Calgary Southwest. It is the only address I have heard on the budget to this point in the House that actually made any sense.

(1150)

We saw a budget tabled yesterday that had some tax increases and some spending cuts. However the problem I find is that our total national debt, the GDP ratio, remains unchanged. It is still

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around 73 to 75 per cent, which means that we are not gaining any ground.

Yes, we are experiencing some pain as taxpayers. We are going to pay more to put gas in our cars. We are going to pay higher taxes and, yes, we are going to see some reduction in services. We are going to see it at the bottom. We are going to see 45,000 people cut from the civil service and very little cutting at the top. That means services to Canadians are going to be reduced.

We are going to see some pain. We are going to see some additional costs but we are not going to see any gain. We are not going to see any better future for our children in the long term.

Would the hon. member talk about the positive aspect of the Reform taxpayers' budget in that respect in light of the budget tabled by the minister yesterday?

**Mr. Manning:** Mr. Speaker, I thank the member for his intervention. He puts his finger on the core problem that has to be resolved in the House, I would hope in the course of the budget debate.

After the spending cuts that have been proposed by the minister the sad problem is that we still end up running a \$25 billion deficit at the end of 1997. The federal debt is over \$600 billion and the interest payments on that debt are over \$50 billion.

If members would work through the consequences of those higher interest costs on the rest of the social spending, particularly the social programs, they would find that does more damage to the social services network than virtually anything that has ever been proposed by anybody in terms of spending reductions.

The taxpayers' budget we presented endeavoured to get the deficit down more quickly so that the debt stops growing and this bleeding off of social program spending through interest payments ceases.

I honestly submit to the House that if people would compare those two, the pain of the cuts to get the deficit down more quickly versus the pain that will come if nothing is done and those programs are all eroded by higher interest costs, they would find it would be more advisable, more saleable to the electorate and more acceptable to Canadians to hit the Reform target of deficit elimination in three years rather than the minister's target of cut the deficit in half by 1997.

**Mr. Dennis J. Mills (Parliamentary Secretary to Minister of Industry, Lib.):** Mr. Speaker, when the member for Calgary Southwest rose to his feet today he said that he would not be approaching the debate in a partisan way. Therefore I was rather surprised the leader of the Reform Party did not acknowledge the fact that there were no personal tax increases in the budget.

I read the Reform Party's budget. I realize that I cannot show it here because it is inappropriate. It would propose a flat tax idea. As members will know, this is something I personally believed in although I call it the single tax and it has a much more progressive design than the member is proposing.

In the proposal of the leader of the Reform Party for a flat tax it is absolutely inevitable under that system that many Canadians would pay more personal income tax. How does the leader of the Reform Party square that flat tax idea with his statement that there should be no more money taken out of the personal income tax envelope?

(1155)

**Mr. Manning:** Mr. Speaker, I thank the member for his question and I will respond to it in two parts.

First, he implied that we should be thankful for the minister not increasing personal income tax. I remind the member of the fact he knows well that all these taxes come out of the pocket of the same taxpayer. Automobiles do not pay this fuel increase of 1.5 cents a litre on gasoline; people pay it. The tax increases of over a \$1 billion a year in the budget are going to be paid by real people. Ordinary taxpayers do not care much about where it is coming from. They end up having to pay it.

With respect to the member's second question on the implications of flat tax on the budgetary situation and the impact on taxpayers, I say it comes back to the concern about the total tax load. If we could get spending capped and then down to the point where we could offer tax relief, which is the whole aim of the taxpayers' budget, the total tax load on Canadians under a flat tax system or any other system would be lower than it is under the current system.

Our aim is to deliver genuine tax relief second through tax reform but first through getting the spending down, which is the root cause of high taxes.

[*Translation*]

**Mr. Roger Pomerleau (Anjou—Rivière-des-Prairies, BQ):** Mr. Speaker, I have only a brief comment and a question for the leader of the Reform Party. Among the measures affecting farmers in the east contained in this budget, there is a cut of \$32 million in funding for Quebec. Of course, the government has also made cuts affecting farmers in the west, for example the Crow rate, but it will also compensate farmers of that region to the tune of \$2.9 billion.

This measure typifies what Quebec has a problem with in this country. Money is taken from some areas and given to others, and Quebec gets none of it. Before asking my question, I cite the energy sector in Canada and Quebec as an example of this. We have three kinds of energy: petrochemical, nuclear and electric. The government made massive investments, billions of dollars

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worth, in petrochemical energy. Hibernia is an example of this. The federal government made massive investments in CANDU reactors. The federal government's cumulative investment in this project is \$12 billion, of which Quebec paid 25 per cent. Nothing was ever invested in electricity in Quebec.

This is what we say. I think that what my hon. colleague meant when he said: "We're going to hit the wall quite soon", and I fully agree with him, is that he admonishes that we are on the verge of an apocalypse, and we Quebecers say that our personal apocalypse would be to stay in this system.

Can my hon. colleague tell us his point of view on the differences between how the west and Quebec are being treated?

[*English*]

**Mr. Manning:** Mr. Speaker, I could respond to a number of points. I thank the member for his intervention. I remind him that Quebec Hydro has paid no income taxes. Nor was Quebec Hydro ever been subject to a raid by the federal government the equivalent of the national energy program, which is one of the differences between how energy has been treated in the west and how it has been treated in Quebec.

With respect to the agricultural impacts of the budget, I have heard other comments by the member's colleagues implying that there is some unfairness in the government cancelling the Crow rate and compensating western farmers to the tune of \$1.6 billion and the 30 per cent reduction on subsidies to the dairy industry, a large portion of which is in Quebec.

I remind the member that the dairy industry gets its subsidies from two sources. One is directly from the government but the other is from the high level of protection that supply management is offered. That subsidy comes directly out of the pockets of the consumer and not from the government. If we add the levels of subsidy we find the subsidization of supply managed industries in Quebec is as high or higher than the more free market grain trade and livestock trade in the west.

It is for members from the province of Quebec to consider that if Quebec is an independent country the capacity of Quebec to subsidize and protect to the degree it has in the past is gone and those farmers would be hurt infinitely more than they would be by any measure under the budget.

(1200)

**Mr. David Walker (Parliamentary Secretary to Minister of Finance, Lib.):** Mr. Speaker, I want to say to the leader of the third party with humour, not anything else, that if he wants to speak without props I suggest he look around here, then look around behind himself where he came to this debate fully propped for his presentation.

It gives me a great pleasure to join in the debate today, which perhaps is one of the most important times of our history, the discussion of the 1995 budget presented yesterday here in the House by the Minister of Finance.

I do not have to tell the House that it not only deals with the questions of cutbacks, with the question of some of the nitty gritty and the program review. In a fundamental way the Minister of Finance has laid out for this government and for the people of Canada how we are going to go about getting government right.

This philosophy is clear. In order to fulfil the ambitions of this government—I hope of the whole House—our job here is to provide an environment for economic growth, for creating jobs for Canadians and to see that there will be new economic wealth shared by all Canadians. In this context that we have set out the first step we must take is to make sure we get government right and we do things properly here in Ottawa.

[*Translation*]

This budget will result in considerable savings so that we can meet our red book commitment to reduce the deficit. Furthermore, if the economy does better than forecast in our extremely prudent estimates, the deficit could go down even faster.

[*English*]

This will pay off not only this year, not only next year, but because we are getting it right this time, it will pay off long into the future.

As an aside, everyone in this House should be heartened by the tremendous positive reaction. This budget has been accepted by Canadians from coast to coast, by people who are concerned about our deficit but on the other hand wanted to be given hope that the government was not going to hurt their lives unnecessarily. Yes, the price is being paid by many people in many ways in many walks of life. On the other hand, it is also gratifying that Canadians have come to a point in this development where they can say this is the right step, that we are doing the right things for Canada. International observers who do have an influence on our success have also seen that the Minister of Finance has taken the right steps and is going about putting our house in order.

This budget is different, very different from the previous Tory budgets. People ask me that question all the time. We are not just making rhetorical flourishes. We are doing very precise things. We are going to be successful. It is not a budget of promises. It is a budget of commitment. We proved last year that we can fulfil our commitments. We will prove it next year, the year after and the year after that.

Most important for people on this side of the House, this is not a Conservative budget in a fundamental way. It adheres to the Liberal legacy of nation building. It is clearly rooted in the principles of economic leadership, compassion and increased

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fairness. We will not leave Canadians with another decade of disappointments in the development of the budget and the development of their government.

Today's budget is a call for action. It is a time for opportunity and challenge. As our Prime Minister has said on many occasions, if we have to make cutbacks in government, make them while the economy is growing. The economy is growing now and now is the time for firm action.

We have seen in the past year, not because of our actions but because of the collective wisdom of Canadians and their increased confidence, over 443,000 permanent jobs created in this economy. We have seen a growth rate that far outstrips all of our fellow countries in the G-7. We have shown the way among western industrial nations about how to grow an economy.

We do not take credit for that. We understand that it is not us but we hope that we are helping to provide the environment which makes businesses and individuals confident of the future because that is the way that this economy will continue to grow.

(1205)

[*Translation*]

We also have an opportunity at the political level. Canadians clearly indicated that they wanted vigorous measures to reduce the public debt so that we can get rid of the crushing burden of high taxes and resulting interest rates.

The challenge we face is just as clear. Canada's economic future is in real danger because of the \$500 billion debt which makes us extremely vulnerable to the brutal impact of interest rates.

These interest rates have continued to rise under pressure from the U.S. and Canada. Since October, short-term rates have risen by about 2.5 percentage points.

[*English*]

It is very important to emphasize this point. I want to say to all parliamentarians here today that sometimes during the course of our committee work we wonder if it has an influence, do the ministers listen, does the Prime Minister listen, do opposition members have an influence. I think the finance committee stands out in its work as a great example of how parliamentarians contribute to the development of policy.

We went through long hearings. We heard from over 650 witnesses in the fall. We came to the conclusion that the government must be prudent, that the government must pay attention to increasing interest rates, that we must take dramatic and deliberate actions to reduce the deficit. The Minister of Finance heeded those words.

Although we seemed to be on the drastic side when we made our recommendations our warnings bore out the truth, that interest rates have gone up and made the job of this government much more difficult.

To the credit of the Prime Minister and the Minister of Finance and other colleagues in the ministry, they responded and produced a budget which showed our own willingness to reach our targets. This caution will be what propels this government to do the right thing in the years to come.

Let us stop and think. What would have happened if we had done nothing? There are voices in the country and voices on the lawn in front of Parliament which say this is really an okay situation, all this talk about deficits is some right wing plot to destroy our social programs. If we had not done anything we would have missed the mark by \$10.6 billion next year and we would have been \$5 billion higher in our deficit this year and we would have missed the mark by \$10.6 billion next year. In other words, we would be further behind than when we formed the government on the commitment to reduce the deficit to 3 per cent of GDP. The actions are necessary and we are in the process now of taking the necessary steps to rectify the situation.

In order to reach our budget targets as the Minister of Finance explained yesterday we are implementing cumulative savings over the next two years of \$15.6 billion. Over \$13 billion of these savings will be in spending cuts and there will be no increase in personal income tax rates.

As the leader of the third party said a few minutes ago, this is great news for Canada. We have to realize that we have attacked the problem of government debt while at the same time recognizing the legitimacy of middle class families, that the tax burden has shifted over the past 15 years far too much to them and therefore to their children and their ability to have economic security.

This government has listened to that message and listened very carefully and responded with prudence, responded in such a way that Canadians understand that we are putting this government in order and are calling upon them as a last resort to lend assistance.

[*Translation*]

We are also taking firm action to make the tax system fairer, close loopholes and increase the contribution of big business to the fight against the deficit.

[*English*]

Taking the next three years together, the budget delivers almost \$7 in spending cuts for every \$1 in revenues. These actions are changing the size and shape of the government by hard choices on priorities. By 1996-97 program spending will fall from \$120 billion down to \$108 billion. This is the most dramatic action seen in any government for decades.

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(1210)

The most important point of all, in 1996–97 the debt will no longer be growing faster than the economy. When the Minister of Finance says on public occasions that we are going to break the back of this, we are going to get off this treadmill, this is the key point. The debt to GDP ratio will begin to decline. That is the key for the fiscal sustainability and that will put us on a permanent downward track.

There are going to be payoffs. We want Canadians to appreciate this. This is the first step. Budgets are not made or broken on one night's announcement, they are made by Canadians adjusting themselves and departments adjusting themselves. There will be a payoff. The payoff is that we will make sure we reach our targets.

We set up substantial contingency funds: \$2.5 billion this year, \$3 billion the year after. Even if interest rates go another full percentage point higher we will still be able to reach our targets.

It is this type of caution in the pasture which has caused us to reach our target, to do better than we told Canadians we were doing, and that is what is contributing to the confidence of Canadians in their national government. We are saying things that we can do. We are not setting targets five years down the line or ten years down the line so that when a crisis occurs like Mexico everybody says do not worry about this particular short term problem, we can put it off and look after it in the future.

What we are saying in this House is that as a crisis occurs we adjust, we reduce our spending, we reach our target year after year. That is the confidence builder, not having some vague target in the future which says we can reduce the deficit to zero in three or four years. That does not help anybody. That just frustrates people. That leaves a bad taste in the mouths of the politicians who are over promising.

It is very important that every member in this House understand the responsibility that we have in the debate, that Canadians understand that we are going to reach targets and that those targets will be reached in such a way that it is done fairly and consistently. When people look back at the period of the mid–nineties it will not be like it was in the mid–eighties, there will be real accomplishment by their national government.

[*Translation*]

Our contingency reserves could play a dual role in the future. Not only will they ensure that we will meet our objectives, but, if they are not needed they will not be spent and will allow us to further reduce the deficit.

This is yet another dividend to be reaped through prudent economic forecasting.

[*English*]

If interest rates and growth do better than our forecast and conform to the private sector average the 1996–97 deficit could drop dramatically. It could be much less than projected in the budget. We could have a deficit under 2.5 per cent instead of 3 per cent of GDP.

The government is being very careful on this point. We want people to understand that our targets are realistic and if we do better it is through good luck. We are being prudent in each of our particular projections because we do not want to fall short. We think that the credibility, not of this government but of the nation, is based on targets reached year after year.

The heart of the process to achieve these goals was not done in the hurried up fashion of a Minister of Finance sitting around a table with a few officials. In my first year the minister would call me in from time to time and we were trying to figure out what could be done. We had only been in office for a few months and it was very much a learning process.

What the minister decided quite appropriately, which was supported by his cabinet colleagues, was to have a program review which in some respects sounds esoteric. A program review gave a group of ministers an opportunity to talk with each other about what they wanted to see reshaped in government, a new strategy within government. It was not to throw around programs and say, cut here and cut there. It was to say department by department, what is it that we have to get out of and what is it that we have to emphasize? How do we redevelop an industrial strategy? My colleague from Don Mills is involved with that. How do we develop a strategy on science? How do we reduce subsidies in the agricultural field? How do we make the transportation system more effective? These are not catch as catch can questions, these are hard to answer; nor are our answers this year the final answers.

(1215)

We will find this will be a progression of innovation. We will be back again and again suggesting new ways to do things. This budget is going to energize our colleagues on this side to do the right thing and to find new ways for the government to operate. I hope the opposition parties will make suggestions that we can incorporate so that we can develop a stronger and stronger national government.

[*Translation*]

Of course, we did not wait for the budget to take concrete action. Our review of agencies, offices, councils, boards and commissions—which ended in early February—will lead to the abolition of 73 of these 120 organizations. The 47 remaining entities will be restructured and rationalized. This will allow us to eliminate 665 positions held by governor-in-council appointees and save \$10 million a year.

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We could mention a lot of examples that have proven to be really fruitful in this process. Spending by fisheries and oceans will fall \$210 million over three years. We have found that there are more officials than there are active fishers. Transport will move from being an operator of the transport system to a role of regulator and policy maker.

There has been a large question raised in the minds of the public about subsidies to business.

*[Translation]*

In fact, business subsidies will be cut in every department. The reduction will affect agricultural and transportation subsidies that were established decades ago.

*[English]*

Overall the budget will cut subsidies in half, from \$3.8 billion to \$1.5 billion by 1997–98.

We will also do other measures on cost recovery, for example in dealing with immigration issues.

On the question of provincial transfers, we are taking action to reform the provincial transfer system. We think that our innovations will create a system that is more sustainable and more responsive to community needs.

In the last budget, to set the stage to show ourselves to be supportive of each of the provinces, we renewed equalization for five years. There is no change in that commitment in this budget.

For 1996–97, the other major programs, established programs financing for health and education and the Canada assistance plan, will be converted into a single, consolidated block transfer called the Canada social transfer.

*[Translation]*

It is a matter of converting the Canada Assistance Plan to the block funding system already used for EPF, thus allowing the provinces to innovate according to their priorities.

However, the budget also makes it clear that the principles in the Canada Health Act must be adhered to. And there is no change to the principle that the provinces must provide social assistance services without minimum residency requirements.

*[English]*

The introduction of the CST will see total provincial transfers reduced by \$2.5 billion next year and the year after that by \$4.5 billion. This means that the total of all major transfers to provinces in cash and tax points will be 4.4 per cent lower next year than it is today.

By comparison, the drop in federal spending will be 7.3 per cent. To put it in another perspective, the reduction by the

second year will equal only about 3 per cent of all provincial aggregate revenues. We have hit ourselves harder than we are hitting anybody else.

There are two other issues which are still outstanding: unemployment insurance and support for the elderly. I will touch on them very briefly.

*[Translation]*

Sometime this year, the Minister of Human Resources Development will be tabling legislative proposals to put in place, based on the best features of the UI program, a reformed program the emphasis of which will be on assistance rather than dependence.

(1220)

*[English]*

This reform will take place in 1996 and will reduce the size of the program by a minimum of 10 per cent. For 1996–97 this means the reform will secure savings of \$700 million. I will choose another time to speak about the payments to the elderly.

This may be a difficult budget in some ways but the optimism with which Canadians received it last night and today shows that we are on the right track and that we have the support of the country.

*[Translation]*

**Mr. Jean-Paul Marchand (Québec-Est, BQ):** Madam Speaker, I listened with interest as my hon. colleague sang the praises of the latest budget, saying that this may be the opportunity we were looking for to act aggressively to put our fiscal house in order. But would he agree with me that this budget did not come down very hard on the banks and family trusts?

All banks are asked to pay over the next two years is about \$100 million. This is really not very much when you think that banks are the businesses that have turned the largest profits over the past five to ten years. Last year alone, the Royal Bank's net profit was \$1.2 billion. And this is just one bank.

In addition, by deferring changes regarding family trusts to 1999, or five years down the road, the wealthiest segment of our society will have ample time to find another place where to put their money away to avoid any form of taxation. Considering that the government could have brought in perhaps as much as \$1 billion from these trusts alone, does the hon. member really think that his government took firm and fair action?

**Mr. Walker:** Madam Speaker, the hon. member raised two issues on which I would like to comment. First, with respect to family trusts, we have removed all tax advantages related to these trusts and reduced the allowed deferral under the 21-year rule. We are beginning immediately to take action on family trusts.

*The Budget**[English]*

There are two questions under family trusts. One is the question of income dispersed to beneficiaries which is going to be changed immediately. The other is the question of the capital tax. The 21-year rule is effective in 1999 which is the time it takes given the fact that the Conservative government eliminated the rule. There had to be a few years to allow for adjustment. On the income issue we will begin immediately; on the capital issue we begin.

*[Translation]*

On the other issue, the bank issue, we are raising a special tax on banks, which will bring in \$60 million just this year.

*[English]*

We think this is a great step forward. It will begin to deal with the banks on several issues we think they should be addressing immediately.

*[Translation]*

**Mr. Pierre Brien (Témiscamingue, BQ):** Madam Speaker, the hon. member referred to the transfers to provinces and said that, in his opinion, provinces would not be really affected, considering the cuts involved. This raises the whole issue of national standards. What will happen to standards?

The budget makes several mentions to such standards, but they are not very clear. I wonder if the hon. member could give us his own view on that issue. In his speech, the Minister of Finance said, and I quote: "Provinces will now be able to design more innovative social programs—programs that respond to the needs of people today rather than to inflexible rules".

Thus, and that is a step in the right direction, the minister does confirm that, in the past, there were some inflexible rules. But the sentence which follows is the one for which I would appreciate an explanation. It reads: "However, flexibility does not mean a free-for-all". That sentence appears in italics in the budget speech. What does the minister mean when he says: "flexibility does not mean free-for-all"?

It means that the federal government will continue to exert some control. Yesterday, the Minister of Human Resources Development, who was participating in a radio show with me, said that before the government had no control over funds but that would now change because the federal government would define standards, in co-operation with the provinces.

(1225)

We all know what joint standards mean. Therefore, I wonder if the hon. member could explain the statement to the effect that flexibility does not mean free-for-all.

*[English]*

**Mr. Walker:** Madam Speaker, I thank the member for his question. This area is both old and new in Canadian politics, that is to say, how do we transfer money to the provinces?

Essentially the federal government's strategy since the mid-1960s has been to have a program called the Canada assistance plan. It allows the provinces to access money freely if they fulfil certain federal conditions. In the 1977 EPF program, we said to the provinces that they would have block funding for post-secondary education and health as long as they conformed to the Canada Health Act.

In several discussions going back to the early 1980s the provinces have been asking for greater flexibility in the Canada assistance plan to enable them to design more innovative social programs. At the same time there is the feeling at the national level by many national interest groups that as one moves about the country support for post-secondary education is varied. The types of services available under the Canada assistance plan are varied.

We have said to let us go back to the first principles. Let us move toward a way in which we can give the provinces a wider range of flexibility through social transfers. At the same time, as a national government we have to make sure we are true to the principles we want as a Liberal government. Through the budget consultations which normally take place when the budget laws are introduced, we will have an opportunity to discuss it. I am sure the ministers of finance and social policy as well as the prime minister will want to talk about it.

**Mrs. Jane Stewart (Brant, Lib.):** Madam Speaker, I would like to congratulate the parliamentary secretary on his speech and tell him how much I enjoyed working with him on the Standing Committee on Finance.

He made reference to the fact that the work of the committee had a big impact on the minister and the results of his budget. I agree that I could see a direct reflection in the budget of the recommendations made by the committee and the details provided to us by individual Canadians. The committee provided an important venue for Canadians to participate in the debate on the budget which is so important to them.

Does the parliamentary secretary expect that the Minister of Finance will continue this participative process with the Canadian public? Will the minister ask the committee yet again to be involved in the process as we prepare for our next budget?

**Mr. Walker:** Madam Speaker, it is going to be a much more elaborate process next year, in a good sense of the word elaborate. We all learned something last year. I think we would like to start a little earlier.



*The Budget*

The consultations by the finance committee is a House order. We are mandated by the House to do these consultations. We will continue with them.

I can also point out that the government itself has changed the way that departments produce their budgets. Each committee is now going to be involved with the budget preparation. We are going to build upon last year's success. We are going to have a very strong process. The finance committee will be the centre of it, but unlike this year, we will not be the only participants. I welcome the work of other committees to make sure we improve the budget on an annual basis.

[*Translation*]

**Mr. Ghislain Lebel (Chambly, BQ):** Madam Speaker, I want to ask the parliamentary secretary if he shares my impression to the effect that there is very little in terms of job creation programs. The Minister of Finance is somewhat like a discouraged unemployed worker who sells his tool box because he feels he will never find another job.

I do not see any job creation initiatives in this budget. Rather, I am under the impression that the minister is selling his wood to pay for his stove. There is something wrong in all of this.

Can the parliamentary secretary tell us what miraculous solutions he sees to promote job creation?

**Mr. Walker:** Madam Speaker, last year we announced our infrastructure program. That program enabled us to create many jobs and implement many projects.

(1230)

This budget will allow us to pursue our job creation efforts right across the country. I am convinced that our strategy will be successful.

**The Acting Speaker (Mrs. Maheu):** I have the honour of welcoming the Leader of the Opposition among us, once again.

**Some hon. members:** Hear, hear.

**Hon. Lucien Bouchard (Leader of the Opposition, BQ):** Madam Speaker, 16 months after the October 1993 election, the government just made a very sharp turn. Indeed, the government has now stopped claiming, as it did for most of 1994, that there was no real fiscal crisis in Ottawa and that it could just surf on the wave of economic recovery, a wave which largely came from south of the border.

When a country with a debt as huge as ours anticipates, as the federal government did in its February 1994 budget, a reduction of its deficit based on totally extravagant assumptions regarding interest rates, that does not reassure anyone, let alone creditors, whether in Canada or abroad. Because of the irresponsible action of the federal government, these creditors have become

the true masters and judges of Canada's fiscal position. Since the Canadian government needs foreign lenders, the latter have had ample opportunity, in recent months, to signal the end of the party. A weak dollar and high interest rates are two phenomena that have become inseparable. At this very moment, real interest rates are among the highest we have ever known. The cause is as straightforward as it is shocking: by March 31, 1995, the federal debt will be \$546 billion or 73.2 per cent of GDP. If we add to this what the provincial debt will be on the same date, \$210 billion, the total equals 102 per cent of GDP.

This means that a country as rich as Canada has practically lost its monetary and budgetary autonomy. One third of federal revenues, \$42 billion, will be spent this year on servicing the debt.

Perhaps I may digress at this point because there is a comment I would like to make. Two billion more or less may not be that important, but I was nevertheless surprised when in his speech on October 18, 1994 before the Standing Committee on Finance, the Minister of Finance evaluated debt charges for 1994-95 at \$44.3 billion, and then reduced this to \$42 billion in his budget yesterday, although interest rates had gone up considerably since October 1994, something no one could have foreseen. This is rather interesting, and I have a distinct impression that the Minister of Finance occasionally lets politics, with a small p, play a part in his financial forecast. Yesterday's budget is certainly no exception. So much for that.

Our creditors snapped their fingers and, lo and behold, the little red book drafted by the same Minister of Finance went up in smoke. Cuts in social programs, providing for a surplus in the UI account that will be allowed to rise above \$5 billion, the savage downsizing of cash transfers to the provinces: none of this was on the red book's agenda.

On this side of the House, we talked about cutting the fat in the federal apparatus, a possible reduction in the defence budget, and getting rid of tax shelters and duplication of services by the federal government and the provinces. On the other side of the House, they just laughed and said somewhat condescendingly: Sure, we know the Bloc wants to dismantle the federal government. You want to cut \$6 billion from the government's operating budget, plus 2 billion from the defence budget, while Canada spends less on defence than any other NATO country. Now be sensible! That is what they told us not so long ago.

Yesterday, the Minister of Finance told us we were right. In three years, non statutory spending by federal departments will be cut by \$9.8 billion, in real dollars. Better late than never, although the many targets of the government's program review do not necessarily deserve the kind of treatment they get in the budget, a budget that takes a hard line on social programs and tries to manipulate the public.

*The Budget**[English]*

Listening yesterday to the Minister of Finance I was reminded of a song by Dinah Washington at the end of the fifties. Some members may remember *What a difference a day makes*, a nice soft ballad. Yesterday's budget could have been subtitled: "What a difference a year makes".

(1235)

Remember last year. Who was talking about the debt crisis, the fat in the federal government, the wasteful overlapping between federal and provincial governments, and so on? Was it the Liberals? Of course not. They were all or almost all singing together from their bible, the red book. The Prime Minister was saying: "What debt crisis? Canada is okay". A year later, sobered by the money markets which are now calling the shots—he who lends to the piper calls the tune—the same Liberals are cutting with a vengeance.

The objective of a 3 per cent deficit to GDP ratio, the alpha and the omega of budget discipline in the red book, has become a simple marker on the way to a balanced budget. No date has been set aside for this new objective, but one senses that the Minister of Finance would like to get there as soon as possible and, I would add, at almost any cost.

For example, he becomes lyrical on the possibility that the deficit could be below \$19 billion in the 1996–97 fiscal year. I would like to sound a note of caution here for two different reasons.

The first one refers to that inscrutable thing we call the future. The future has a way of messing things up. The Minister of Finance knows this very well. Just last year his interest rate forecasts were solidly off base barely two months after the budget was brought down in the House. Who predicted the Mexican crisis which began last December 21? Nobody, publicly anyway. On December 20, if we believed the pundits, Mexico was doing fine.

I am told that economists like many other respected professionals tend to follow the herd. This explains, at least in part, why their forecasts are very often interchangeable and consistently miss the turning points. All recessions have been predicted after the fact. To be more precise, one can feel uncomfortable with the budget assumption about real GDP growth. Last year the GDP growth assumptions for 1994 and 1995 were 3 per cent and 3.8 per cent. The first one underestimated it by a wide margin for it finally was 4.3 per cent, thanks in part to the strength of the American economy.

This year the assumption for 1995 is the same as last year, 3.8 per cent. This sounds a little strange in view of the fact that interest rates are projected to be so much higher this year than was anticipated last year. Already there are signs that high

interest rates are biting into consumer demand. We certainly cannot exclude the possibility of 2.5 per cent real growth this year. In such a case the Minister of Finance's plan will be set back.

But there is another reason for our caution. Real expenditure cuts are one thing and the program review is supposed to deliver them. However there are other cuts in the budget which rather fit in the smoke and mirrors category.

*[Translation]*

The budget stresses the importance of a second set of reductions involving cuts in transfers to the provinces. Transfer payments basically cover three different programs: the Canada Assistance Plan, Established Programs Financing, which includes health care and post-secondary education, and equalization. Their treatment is not necessarily the same. The federal government's calculation of these payments not only includes cash payments but also the revenue yielded by tax points transferred to the provinces under cost-sharing agreements. This makes the federal government look good. However, it has no control over what the provinces make of these tax points and can certainly not take them back: there was never any question of its doing so. What the federal government controls are cash transfers, and how they change is the true measure of federal fairness.

Here is where the federal government strikes a real blow. Convinced that, and I quote from the budget speech: "At present, transfers under the Canada assistance plan come with a lot of unnecessary strings attached, which limit the flexibility of the provinces to innovate", the federal government decided to combine them with the established programs financing into a single program, as of 1996–97, to be known as the Canada social transfer.

(1240)

This program will continue to include, in federal accounting, both tax points and cash transfers. And, for the federal government, this is the beauty of the thing. For three reasons.

The first reason is that this arrangement means a significant reduction in cash transfers, which are the only real expenditure for the federal government, and it means the government can show financial markets a more impressive record in deficit terms, while presenting a different image to Canadian public opinion, and this is the second advantage, thanks to the tax point transfer being included in the calculation.

Also according to the budget speech, and I quote: "This means that the total of all major federal transfers to the provinces in 1996–97 will be 4.4 per cent lower than they are today. That compares favourably with the reduction in spending in our

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own backyard—that is, everything except transfers to the provinces—which will be down 7.3 per cent by that same year”.

(1245)

*[Translation]*

The third advantage of launching the Canada social transfer lies in the date of ignition: not this year, but early in 1996–97, in other words, after the referendum. This point is revealing, unintentionally, of course, but revealing nonetheless. If this new program were so beneficial to the provinces, including Quebec, and if it really demonstrated the flexibility of Canadian federalism, should it not be operational by the start of the new fiscal year, that is by April 1? This way, Quebecers could examine the quality of the merchandise with their own eyes before making their historical choice in the referendum. In actual fact, there is no chance in the world this will happen. We will see why. All provinces are concerned.

*[English]*

All provinces are directly concerned about the impact of the new Canada social transfer. If one looks at the cash transfers that come with it on page 33 of the budget speech, one sees the unvarnished truth.

From 1994–95 to 1996–97 cash transfers from this program will fall from \$17.3 billion to \$12.9 billion, a \$4.4 billion drop. One needs to take into account equalization grants, which increase from year to year, to obtain the global picture for transfer payments to provinces. When one does so there is still a drop of \$3.6 billion in federal transfers to provinces over a two-year period. As a matter of fact this represents a real 14 per cent decline, not the theoretical 4.4 per cent the Minister of Finance would like us to believe, hence a more drastic decline than the one experienced by total federal program spending.

Who is going to be fooled by the pretence of such a program to define a more decentralized federal system when its sole motive is to cut federal spending? A last proof, if need be, that this is not a one-shot program but rather a constantly vanishing one. The global sum—fiscal and cash transfers—is available for the Canada transfer program in 1997–98 but not the cash transfer separately.

However, having both fiscal and cash transfers separately for each year from 1994–95 to 1996–97 makes it quite easy to produce a good estimate for the cash transfers part in 1997–98. It amounts to about \$10.3 billion or \$2.5 billion less than in 1996–97. Flexible federalism, maybe, but for whom?

This cut in the Canadian social transfer to the provinces represents more than 40 per cent of the reduction in federal program spending between 1994–95 and 1996–97. It allows the federal government to trumpet the achievement of a less than \$25 billion deficit in that last year. It may or may not raise eyebrows in the money markets, but it is almost certain that many provinces will have to accept higher deficits in order to cope with the cold wind blowing from Ottawa.

For Quebec, there is more to come and there is worse still. Information on cash transfers both before and on implementation of the Canadian social transfer shows that Quebec will suffer a net loss of nearly \$700 million in 1996–97 alone. For 1997–98, the loss will amount to nearly \$2 billion. In view of this, the budget speech is rather comic if not somewhat ludicrous. I wondered how the finance minister could have kept from laughing when reading to this House the part of his speech praising the innovative approach the provinces could take from now on in managing their social programs.

His composure and self-control must have been seriously tested when he read the following passage, and I quote: “With the Canadian social transfer, provinces will now be able to design more innovative social programs—programs that respond to the needs of people today rather than to inflexible rules”. And he continued, deadpan as ever, and I quote again: “However, flexibility does not mean a free-for-all”. The federal government is creating a program which will take \$2.5 billion from Quebec over three years, but wait, that is not all. There are still standards to be met. Big Brother is cutting and keeps on cutting, but is still issuing orders. Is this stupidity or sheer arrogance?

It takes a lot of nerve to speak to the provinces in such a tone, just before tying them up in a financial straitjacket. Good news, the minister tells them, I am cutting \$7 billion but at the same time I am letting you use your imagination. The budget and the minister do not say so, but we know very well how provincial leaders will have to use their creativity. They will have to be creative in devising new cuts to services and racking their brains to prevent their deficits from ballooning out of control.

This will be a merciless process, with a domino effect causing one level of government to fall after another. But in the end, the taxpayer will bear the brunt of it all. For the unemployed, the poor, the sick, the minister’s skilful manipulation of figures and evasion of responsibility will result in awfully concrete realities: a reduction in unemployment insurance benefits, the elimination of assistance programs, reduced health insurance coverage. That is without counting seniors, who will be informed of the results of the minister’s review of their old age pensions next year, after the referendum. At the very least, seniors must be thinking that when a Minister of Finance reviews a social program, it is not to see whether he can increase funding.

Then, there is the more specific issue of fairness toward Quebec in the implementation of certain programs. I am thinking in particular about the farming sector. Quebec’s dairy farmers have been hard hit by a 30 per cent cut in dairy subsidies. No compensation.

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Farmers from the west are faced with the elimination of the Crow rate, a grain transportation subsidy. However, they are being very generously compensated by non-taxable cash payments. Double standard. Regrettably, there is another case. We will talk more about the other cases in the next few days. In the defence sector, for example, a recent study found that Quebec is getting \$600 million less per year than the share of military contracts and spending it would get if its share were weighted according to its population.

Six hundred million dollars per year, and to top it off, Quebec does not have its quota of Canadian military bases. Already, it is getting short shrifted out of defence spending, should it not get its fair share of military bases? So what does the budget say? Another Quebec military base, Saint-Hubert, will be closed and staff at another, in Bagotville, will be cut. You may reply that there will also be cuts in the rest of Canada. No. Of course there will be cuts elsewhere, the scale is already off kilter. The latest decisions only tip the scale more in their favour. Even if we take transfer payments into account in comparing the current situation with the situation that will be created once the new transfer payment arrangements are implemented, we must draw the same conclusion.

(1250)

In Quebec, federal transfers are going to shrink away: \$7.4 billion today; in three years, \$6 billion. Another paragraph from the budget seems to predict even darker hours: "So we are prepared to address those issues by funding CAP in a similar way as we fund the existing EPF transfers for health and post-secondary education". This statement is very ambiguous. Quebec receives approximately 35 per cent of CAP's funds and some 25 per cent of EPF transfers. But if demographic considerations take precedence over those of real need in calculating the Canada social transfer, the result will of course be an additional shortfall of several hundreds of millions of dollars for Quebec.

One paragraph in the budget plan suggests that such a re-orientation is not beyond the realm of possibility. One of the justifications given for the new Canada social transfer is as follows, and I quote: "Federal expenditures will no longer be driven by provincial decisions on how, and to whom, to provide social assistance and social services". This looks very much like a pulling back from a more socially oriented approach.

And what better time to point out the very real asymmetry of Canadian federalism? If the federal government does not like the provinces forcing its hand, it could draw a line and withdraw beyond it. But for decades the provinces, particularly Quebec, have had to bow to the wishes of the federal government, with no power to keep it from interfering. It is probably in the field of health that this relative powerlessness of the provinces is the most in evidence. The budget states in no uncertain terms that the federal government will make increasingly smaller payments for health costs, while ordering the provinces, who

already carry the bulk of the financial burden, to meet the standards set out in the Canada Health Act.

Less for health, less for social assistance, less for the unemployed. When we know that the elderly now account for 40 per cent of all health care needs, and that this proportion will continue to grow, we can only conclude that this budget marks a change of direction in social policy that could indeed be described as harsh and insensitive. Is Canada so poor, is social solidarity so fragile that the poorest and most helpless in our society must bear the brunt of the necessary fight against public waste?

However, this change in social policy will not take effect tomorrow but only a year from now. The government is trying not only to impress the financial community but also to influence the results of the referendum by postponing until after the Quebec referendum all projects it is about to cut and slash. When will it clear-cut transfer payments to the provinces? In one year. New UI restrictions? They will be discussed in the fall and start in July 1996. What about the debate on income security for seniors? In the fall, with major changes already proposed for implementation at the beginning of 1997, particularly for the old age security pension.

*[English]*

One does not need to be a rocket scientist to realize that the federal government is playing the waiting game. It would dearly love to see the referendum take place tomorrow. But how could anybody decide now between two fundamental options when the federal side does not want to clarify its position on all those dossiers that it is keeping in its bosom? Does it think Quebecers have forgotten about May 1980? The trap was sprung once. It will not happen a second time. I say to those in front of me: "Clear the air. Show us what you have up your sleeve. The people want to know what you are going to offer them".

One thing at least is clear. All the hoopla about the budget led some to believe it could rekindle the flame of a new federalism where the federal government would retire from provincial jurisdictions and send the appropriate fiscal resources to the provinces. For many people the deception must be all the more cruel. The idea of a dominant central government and of 10 "infeodated" provinces is as present as ever.

(1255)

*[Translation]*

Canadian federalism encompasses financial and regulatory powers. For a long time, the federal government enjoyed both types of powers. Today, because of its meddling, it lacks financial power. That is why it holds on to regulatory powers in the name of a certain conception of the Canadian "nation" that the people of Quebec have always rejected. If the federal government manages to shift a significant part of its deficit to the provinces, it will clean up its finances, at others' expense, of course. It is already thinking about it, as the budget clearly

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shows. Many observers feel that there is an automatic link between the federal debt and the distribution of powers. Things are not so simple. Reducing the size of government is one thing, but a genuine decentralization is something else. Clearly, the federal strategy is to do the former without a serious commitment to decentralize and therefore without a coherent vision of the future relationship between Quebec and the rest of Canada. That is the budget's main lesson. It is probably a history lesson but for reasons that are the opposite of those put forward by the author.

**Mr. Ronald J. Duhamel (Parliamentary Secretary to President of the Treasury Board, Lib.):** Madam Speaker, I am pleased to rise today to speak to the budget.

Our position is very clear. International markets have reacted favourably to this budget. Of course, the Reform Party feels that the cuts do not go deep enough. They wanted the government to slash more deeply. We remember the so-called budget they tabled a few days ago—I say so-called budget because it did not generate any positive comments. They tabled this document to convince Canadians that they were competent enough to bring down a budget. All this so-called budget did was to propose deeper cuts across the country.

And then this morning, the Bloc, the official opposition, said that we cut too much or not enough. I listened to their speeches with a great deal of attention and I am not sure that I know what they want. What do they want: more cuts, fewer cuts, different cuts? I do not know.

I have just heard a comment to the effect that the Bloc's suggestion that the size of government should be reduced was held holding to ridicule by the Liberals, and now we are told that we have finally realized that there was some fat to trim after all and made cuts. Is there not a glaring contradiction between these statements?

It seems to me that there is a glaring contradiction. If I am wrong, my hon. colleagues will no doubt ask questions and clarify their position. I would be only too happy. We find ourselves today stuck between the far right and the left—I would even say the far left at times. This is not a bad position at all.

What do the people of Manitoba have to say about this budget? I thought my hon. colleagues from both opposition parties might like to know. One paper ran the headline: "Grits Axe Spending". Another headline reads: "Western Diversification to Get New Look"; this is positive feedback. This one says: "Social Safety Net Rescued", a quote from the Minister of Human Resources Development.

(1300)

And it goes on. "Tough Plan Boosts Buck, Raises Hopes". These words were not written by Liberals, I assure you. Also, "Federal Budget Turning the Corner". And this one, from Manitoba: "Budget Draws Applause". So, the response is generally positive in Manitoba. I can see my colleagues from the Bloc Quebecois are just thrilled by this positive response. I will list more positive responses in a moment.

I know how appreciative my colleagues from the Bloc Quebecois are when I mention them in my remarks, pointing out their glaring contradictions, demonstrating that the whole country, except for the official opposition party, can see some good in the budget just tabled. It is not just good, it is beyond being plain good.

As you know, this is a tough but fair budget. Not one region or group of individuals is affected unfairly. Many people are affected, but can you say they are treated unfairly? If so, please let me know.

The Minister of Finance made a special effort to distribute budget cuts equitably amongst the various regions. I must add that this budget takes necessary steps, and I stress the word necessary, to bring the deficit under control. These are the most severe budget measures taken by the federal government in fifty years. This will ensure that the deficit is going to be brought back to 3 per cent of the GDP by 1996-97.

Consequently, the budget exceeded the expectations of international traders. I should add that this is not the budget of a Conservative government. This budget does not make indiscriminate cuts: it redefines the role of the government, so that every department can concentrate on the priorities of Canadians. This is something important. We are going to do what we have to do.

I do hope that Bloc members will be pleased to see that, following the implementation of the measures announced in the budget, overlap and duplication will be reduced. Bloc members will surely be pleased to hear that, since they talk so much about that issue.

Moreover, unlike the previous Conservative budgets, we did not target the poor, absolutely not. The Liberal Party of Canada made a commitment regarding social programs.

Later this year, the Minister of Human Resources Development will table a bill on a significantly revamped UI program designed to better meet the needs of all Canadians.

Our government is also determined to provide fair, financial protection to our seniors, who have made such an important contribution to this country's development.

There is more. As I mentioned earlier, this is a tough budget but, according to most observers, it is also fair. To reach our

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objective of deficit reduction, the following measures take effect immediately. That is very important.

First, the tax rate for large corporations goes up from 0.2 per cent to 0.225 per cent. As well, the surtax rate for companies increases from 3 to 4 per cent. Together, these two measures will generate additional revenues of \$260 million annually. All large companies with capital assets exceeding \$10 million will be affected by this tax rate increase.

The budget also provides for a temporary increase of the capital tax for banks and other large deposit institutions mentioned in Part VI of the Income Tax Act. That additional tax will bring in \$100 million over a period of 20 months.

(1305)

Another issue often discussed here in this House was that of family trusts. They were decried, but we are dealing with this problem. Family trusts will be eliminated as of January 1, 1999. The choice allowing one to postpone capital gains taxes according to the 21-year rule will be abolished.

The cancellation of that choice given the preferred beneficiaries will prevent people from using the trusts as an income splitting tool, a most profitable procedure.

My friends from the other side will no doubt be happy with these very progressive and, above all, fair measures. I can see it in their smiles. This is a measure they will applaud and praise.

There is no provision for income tax increases in this budget. I am surprised my colleagues have not commended on that. I am surprised they only pick out items that, according to them, will embarrass government.

I am also surprised that my colleagues from the other side have not mentioned that for each tax dollar, government programs will be reduced by \$7. I am enormously surprised they have not mentioned one outstanding and very important point, which is fundamental to the process launched by the government, the fact that we ensure a simple and reasonable financing which will allow us to meet the needs of Canadians while cutting programs that are not absolutely essential.

I am also surprised they did not talk about RRSPs, an issue where we certainly found a reasonable solution. As you know, there were people on both sides: those who did not want any cuts and those who wanted RRSPs to be practically eliminated. What did the government do? It cut a little; they will be frozen and increased by 1,000 \$ every year. Well-off people will be those mostly affected. I would have thought that my friends of the Bloc would have at least indicated that this was a step forward. Perhaps they will do so later on.

No taxation of dental and medical health programs. As you know, we all received letters from citizens throughout the

country who did not want these programs to be taxed, and they were not. I would have thought that my colleagues across the way would have had something nice to say about that. Perhaps they forgot. It is quite likely that they will mention that very soon.

This morning I read various press clippings from everywhere in the country. I would like to quote some of them so that Canadians know about the feelings of people who are not in politics, who do not belong to any political party in the opposition, who are looking at it in a rational way in order to give Canadians some advice.

Here is from *The Gazette*: "Belt-tightening Impresses Markets". How interesting. And "Ottawa aims to shrink deficit. Big spending cuts, modest tax hikes will be used to save \$13.6 billion".

There are others, and I know that my colleagues really appreciate the fact that I am sharing with them a rational point of view. The *Globe and Mail* says: "Family Trust to Lose Deferral". And it goes on, Mr. Speaker. "Department Spending Reduced by 19 Per Cent", *Le Devoir*, February 28. How interesting.

Then, a headline in *The Globe and Mail* says: "Ottawa Axes Business Handouts. Subsidies Being Cut by Nearly \$2.3 Billion over Three Years".

(1310)

Here, on the same page: "Women's Programs Dodge cuts". Surely, my colleagues are going to rise in favour of that measure. Let me go on. In today's edition of the *Ottawa Citizen*, one can read: "Environment Groups Offer Rare Praise to Government". How interesting.

Let me continue: "Average Consumer Escapes Brunt of Budget". That can be found in today's *Gazette*. The *Toronto Star* says: "Liberals Cut Where Tories Didn't Dare". How interesting, Mr. Speaker.

Let me continue further. Jeffrey Simpson writes, in *The Globe and Mail*: "A Fine Start in Attempting to Escape the Deficit/Debt Trap".

And on the other side of the page, still in the *Gazette*: "Historic Budget Slays the Herd of Sacred Cows". Then in today's edition of *La Presse*, one can read: "L'économie peut de nouveau respirer". That means that the economy can breathe again. "Martin Budget Good First Step, but Canadians Still Face Tough Decisions". It is true, indeed. But it is a step in the right direction.

Finally, and this is quite interesting, in a press release, chartered accountants say that they give 4 out of 5 to the federal budget. Four out of five!

*The Budget*

This morning, opposition party members were giving us perhaps 1 or 2 out of 5. I am surprised that they did not find anything good about the budget. It is beyond me. I know that some people would like to find us to identify issues close to their hearts and would like to make recommendations to improve the situation with regard to those issues. I understand that and I respect that. That is the role of the opposition. However, I do not understand why they cannot find anything positive in the whole budget. It is beyond me.

One thing that also surprises me about the Bloc is that they think that there is a federalist hiding behind each reduction and each operation. They say that it must be a prerferendum strategy, that, yes, there is something there, that there has to be something there. They think that even if there seems to be nothing, there is surely something. They imagine that there is a federalist lurking behind each comma, each period, each word, each sentence.

The budget is reasonable, fair and tough and it is also sensitive to regions. When you take the position of the far right—

[*English*]

That is the Reform Party. I talk about the extreme right, the Reform Party. The Reform Party came forward with “a budget”. Of course I did not see one positive comment from any responsible journalist across the country on it. The fact that it is going to sit here and criticize this budget perhaps lacks some substance in credibility.

Again I would invite its members if I am wrong to correct me. I would invite them as well to suggest how this document can be improved. That is the challenge I offer my colleagues from both opposition parties, the official opposition as well as the third party.

Do not just stand there and shoot at this budget. Stand up and make sound recommendations so that it can be improved for the benefit of this nation and for the benefit of all Canadians. That is the challenge.

I spent some time in opposition. I rather enjoyed it I must confess because one has a responsibility obviously to critique that which comes forward. That is fair. Surely the responsibility goes beyond simply taking particular issues where one feels that the government might be vulnerable or where one feels one might have a political advantage. I accept that. However, it goes beyond that and one has a responsibility to make concrete suggestions.

(1315)

[*Translation*]

To my friends from both parties on the other side of this House, I would like to offer this challenge. We have a number of days to debate this budget and make progress. Criticize all you want in a constructive manner but please, make suggestions that will improve what has been proposed. Make suggestions which will meet the needs of Canadians everywhere and allow us to be much more sensitive than we might have been if we had not had

a chance to share your ideas and your political wisdom had you chosen to use those qualities for something else than attacking this budget. I underline that it has been well accepted up until now throughout the country, but even more important, on international markets.

**Mr. Michel Bellehumeur (Berthier—Montcalm, BQ):** Mr. Speaker, I would like to say to the hon. member for Saint-Boniface that if we were smiling on this side, it is simply because we are always astonished to see how a government member can turn a deaf ear to politics with a small “p”, as the Leader of the Opposition said earlier.

When the hon. member says that we have found no positive elements in the budget, it is not true. I wish he had understood or listened completely to the speech that the leader of the Official Opposition gave earlier. My friend would have seen that the hon. member for Lac-Saint-Jean referred to some positive things. However, this budget does not go far enough. It contains inequities, and I will mention only three to the hon. member for Saint-Boniface because my time is limited.

The member for St. Boniface says he saw nothing unequitable or unfair in this budget. First, does he think it is fair to cut \$32 million from subsidies paid to Quebec farmers and dairy farmers and to give western farmers \$2.9 billion to compensate them for cuts that are, relatively speaking, identical? Does he think such a cut is fair? He also mentioned family trusts. Is it fair to wait until 1999 to take action in this area?

By 1999, there will be no more money in family trusts. Those persons will have found other tax shelters to protect themselves. The budget should have addressed this issue immediately.

Finally, does the member think it is normal that banks, among others, be taxed a mere hundred million dollars when a single bank, the Royal Bank, made more than \$1.2 billion in profits last year? Is it normal? Is it fair? I would like to hear what the member for St. Boniface has to say on those issues.

By the way, the member for St. Boniface quoted headlines from some newspapers in his riding. I suppose he should have, as a French speaking member, chosen at least a few headlines from French newspapers in his riding. I do not know. Maybe francophones are less well served in his province than in Quebec.

**Mr. Duhamel:** Mr. Speaker, I will start with the last comment. No French papers were published last night or this morning. That is why I did not quote any.

As for French speaking citizens of my province, yes, indeed there have been very positive improvements. I do believe that the constituents in my riding are well served by their federal member and their provincial member, as well as their municipal councillor, since we are all French speaking. We will see. Eventually we will have to go back before the electorate. I was elected in 1988, and again in 1993, and I might get elected again in 1997 or 1998. We shall see. I will let my constituents pass judgment, rather than my friend from the Bloc Quebecois.

*The Budget*

I might add, however, that I thought it was a bit mean on his part to argue that I only quoted English newspapers from Manitoba. I repeat that none in French were published this morning.

When I went through the press clippings, I quoted some in French which praised the government for the budget. I took what I could find. I will find some more and I will pass them on to you, so you can read them and perhaps change your opinion.

(1320)

**The Acting Speaker (Mr. Kilger):** I hesitate to interrupt the hon. member for St. Boniface, but I want to make sure that all comments are made through the Chair, and that hon. members do not use “you”, or “vous” in French. Hon. members must address the Chair.

**Mr. Duhamel:** As for the three specific questions on cuts in the west versus those in the east, you know, Mr. Speaker, the people from the west—Mr. Speaker, I thank you for having reminded me to address my comments to the Chair because it is my intention to do so.

That is the problem with Bloc members. They are like that sometimes. It is sad because there are people, men and women, who are very broad-minded when they want to—Here is what Westerners are saying: We had a 100 per cent cut, while in the east they suffered a cut of only 30 per cent.

This is how people think. One member said that they would receive compensation. Of course, but if their subsidies are totally eliminated, perhaps it is only right for them to be compensated.

Mr. Speaker, they do not want to consider this: compensation for having lost 100 per cent of their subsidies. But a 30 per cent reduction is not fair. Members should think about it.

As for family trusts, we are the first government to act on the issue.

**Mr. Bellehumeur:** Are you?

**Mr. Duhamel:** Patience. You see, Mr. Speaker, they want us to do everything today, even when they are not ready. In fact, this government will ensure that it is done, but without being unreasonable. When we decided to cut transfers, we did not say right now, as of midnight tonight. We are giving people time to adjust to the change. It is the sensible way to go about it. We did not smash everything at once with the government’s big hammer. We are kind. We are giving them time to adjust.

As far as banks are concerned, \$100 million is a lot more than what I have presently in my bank account. It might be a significant percentage of their revenues. Could it be higher? Of course, it could. What will the impact be? If we were to increase it a lot more, will it have a negative impact on job creation? The

problem is that they refuse to look at all the other sides of the medal. They only look at one. They keep on referring to something people dislike, such as the banks’ huge profits, and they try to exploit it. I do not find this very honest on their part.

*[English]*

**Mr. Ray Speaker (Lethbridge, Ref.):** Mr. Speaker, the hon. member for St. Boniface read from a number of newspaper articles and quoted a variety of sources that commended somewhat the budget but not in a conclusive way. It was said that it is a good first step but Canada faces challenges.

One of the major challenges that Canada and individual citizens face is the fact that the government, in its first period of administration, by 1996–97 will have placed in the laps of Canadians another \$100 billion in debt without any plan, without any indication that there is finality or an appointed time at which that debt will stop accumulating and growing. There is not one mention or indication at all to Canadians that it is going to stop.

Does the hon. member after all of his fine pronouncements have the answer to the question when the deficits will stop accumulating on the debt? Then Canadians will know the finite sum of our debt, at which point we will have to deal with it.

**Mr. Duhamel:** Mr. Speaker, I welcome the question. First, I am delighted that my colleague acknowledges there have been a number of newspaper articles—I remind myself I am not supposed to use those as props—that have seen the budget rather favourably. They said not only is it a good first step but that it is going in the right direction and that we are going to get there.

There is supposedly no plan. That is not accurate. I know my colleague is a honourable person and he is not trying to suggest anything Machiavellian. There is plan. We have indicated in the red book that 3 per cent of GDP was our objective. Once we have attained that then we are going to eliminate the deficit and start attacking the debt. My colleague knows that.

(1325)

Mr. Speaker, you know that this other Mr. Speaker is aware of that which I speak. There is a plan. It is as plain as one’s nose on one’s face, and particularly plain when I talk of myself in that way. There is a plan. We will reach that objective. Subsequent to reaching that objective we will eliminate the deficit, attack the debt, and the country will be on a sound footing.

*[Translation]*

**Mr. René Canuel (Matapédia—Matane, BQ):** Mr. Speaker, a brief comment. This budget is a little bit like venom to which sugar has been added to make it easier to swallow. Why is it that measures dealing with family trusts have been delayed until 1999, and that nothing is said about measures aimed at senior citizens?



*The Budget*

If transfers to the provinces are cut, and this is my question for the member for St. Boniface, how could it not affect the least fortunate, the poorest members of society? Back home, farmers are going to suffer a great deal. The 15 per cent cut this year added to the 15 per cent cut next year is going to hurt them tremendously. Some of them told me this morning that they could hardly manage as it was, and that with these new cuts, it was going to be hell. How can you claim that this is not like venom?

**Mr. Duhamel:** Mr. Speaker, I wish to thank the hon. member for his question. Of course, the budget will hurt some Canadians. Let me repeat that this budget is tough, but fair. I do not think that it is harder on any particular group.

There is another consideration. If I am wrong, what can we do collectively to try and counteract this? Now that a decision has been made, what can we do? Asking the reasons for a delay serves no purpose. We all know that, often, consultations must be held. We cannot simply say: "There, it is done." In other cases, time must be given to adjust to new measures. This is, in my opinion, a reasonable approach.

[*English*]

**The Acting Speaker (Mr. Kilger):** Before the hon. member begins, in the last intervention we heard from the parliamentary secretary. He referred to the hon. member for Lethbridge by his name. Of course we know that is not a practice which is customary. However, I know full well that when I am in the chair and he refers to Mr. Speaker he is not speaking to himself.

**Mr. Ray Speaker (Lethbridge, Ref.):** Mr. Speaker, in my former life as a member of the Alberta legislature I ran into the same sort of circumstance. I appreciate being recognized in the House and having the opportunity to enter the budget debate today.

Yesterday I listened very carefully and considered what the Minister of Finance presented as the government's plan for Canadians. We heard in the last election about the plan that was going to change everything for Canadians and fix all the problems. During that campaign we were presented with the red book that supposedly had all the answers to all the questions. The problem is that red book is now out of date and does not answer the questions. The red book principles were applied to the budget plan that was presented to us yesterday. It is not good enough for Canadians.

Why is it not good enough? First, if I had to define the budget and describe it, I would say that it is a budget without any conclusion, without any direction and without any real resolution of the major problem that Canadians are facing, a major problem that is only being enhanced and encouraged by the government.

(1330)

When I say that there is no conclusion, I think of the Minister of Finance in his former responsibility in his private life where he had a fleet of boats on the Great Lakes. The hon. member would never have put a boat on the lake and said: "It sits there. I do not know where it is going and I have no conclusion as to the destiny of that boat". He would not do that. Nor would anybody tell a story without having a conclusion to that story so that we understood where the story was leading us as it was being told to us. This budget does not have its conclusion.

What was the conclusion that we were waiting for as Canadians? I heard it through the media. The member for St. Boniface has said to us as he quoted a number of articles about the budget that people were responding in a certain way.

In the last week to 10 days Canadians, people in the investment community and the media had one question that was paramount in their minds: when will the deficit be eliminated? When will that deficit come to zero?

The answer to that question was not in this budget. That has had a devastating effect in my mind on the confidence of Canadians investing in this country. We do not know where interest rates are going to go, what the value of the dollar will be. We do not know the type of revenue growth that we are going to have because there is a lack of confidence. This government did not have the will nor the courage to put its administration on the line and set up a plan that would reach a proper conclusion, one that must be dealt with in this country.

What did we get out of that budget? As I said a few moments ago as I raised a question in this House, we are left with \$100 billion of added debt to the current debt in this country.

In three years of administration of this government by the time we get to 1996-97, \$100 billion will be added to the debt. Interest payments from 1994-95 to 1995-96 have gone from \$42 billion up to \$49.7 billion, over \$6 billion in one year of additional cost in terms of our interest.

The following year, in 1996-97, are those interest costs going down? No, they are not. They will be \$50.7 billion. We can imagine what that does to the budget, how that affects social programs, how that affects other priorities, how that is going to affect this government in its decision making in terms of expenditure reduction, of reducing the services of the federal government to the Canadian people.

The interest cost is out of hand and is going to continue because there is no plan, there is no conclusion in this budget. What happens after 1996-97? That is a serious question. This government does not know what is going to happen.

*The Budget*

It says that maybe in 1996–97 the deficit can go down to \$19 billion, that the 3 per cent target is \$25 billion. If we get there then we are okay in Canada. That is not true. All we need is a bit of a recession and the \$25 billion deficit will start to balloon again up to \$25 billion, \$30 billion, \$40 billion, \$50 billion. What is the consequence?

The consequence is that we could add another \$100 billion very quickly to the accumulated debt of this country. It will not only be in 1996–97, \$603 billion as the Minister of Finance told us yesterday. Most likely by 1998–99 it could be \$700 billion. Where then is our interest cost and where is the economy of Canada? We are in a disastrous position.

(1335)

This governments says do not worry, it is going to be okay, that it is going to come up with a plan to deal with it, it has two years of administration to do something. It has not done anything. In this House we wasted the fiscal year 1994–95 by a do nothing budget. This budget is not much better when we clear away some of the rhetoric that we heard. Do we know what the real expenditure reductions are—\$4.1 billion of expenditure reduction. It is heralding it as a great success.

By the time we reach the conclusion of this Parliament or the fiscal year 1996–97, that is not much of a start in dealing with the deficit. We are going to pay the consequences. The softer we are, the liberal approach that we are using is not going to work very well and Canadians are going to pay.

I want to make one more point in my last two minutes. Who pays for this? We are laying on our children and on the future generations of this country at least another \$100 billion in debt. That is a crime.

This government stands up here and says in this budget that it did not increase personal income tax. Think of the increase in personal income tax on our next generation. That is only a few years down the road. It will have to pay to pick up this accumulated debt. Think of the imposition that this government has laid on its shoulders, another \$100 billion which is its responsibility; not the Conservatives, which was the last government, it is its responsibility.

Think of the increase in personal income tax that is going to happen. Think of the corporations that will have to flee this country because they cannot pay the amount of taxes that will be imposed on them by, who knows, the next Liberal government or another government that has to come in and deal with the circumstances.

That is the crime in this budget. That is the absolute crime. Like never before we need a Reform budget, the taxpayers' budget, which said very clearly to Canadians that taxes should not be increased at this time. That is number one. Number two,

we must reduce the expenditures so that the deficit is brought to zero within a three-year period.

This is the responsibility that we should be taking in this House, not this soft hand approach that has been used and one that is leading us into terrible circumstances for the future generations of this country.

I think that has to be taken into consideration. If the government does not, it has to live with the crime. Its members have been the cowards not to deal with the problems that face them, and future generations will look back at this very difficult time that was not dealt with in a responsible way by this government.

**Mr. Julian Reed (Halton—Peel, Lib.):** Mr. Speaker, I am very curious to know what kind of discombobulated crystal ball my friend had that he looks into and is able to predict the future four or five years down the road.

I expect he predicted the decline of the Mexican peso. I suspect four years ago he predicted an anticipation of feared inflation in the United States which would raise interest rates.

I expect he must know the answer to when the budget will be balanced ultimately. The minister has taken a position, right or wrong, that he wanted to do it in two-year leaps, in two-year packages, for the simple reason that he had a better chance of predicting what was going to happen in that time.

As we all know, they did not all pan out the way they had been originally predicted. By what curious vision does my hon. friend express the question or bring the challenge to the government that somehow we should be able to say in  $x$  number of months or  $x$  number of years the budget will be ultimately balanced? My friend may be surprised that it may end up being balanced before both he and I expect.

(1340)

I would like to know how he projects into the future in the way he seems to be doing.

**Mr. Speaker (Lethbridge):** Mr. Speaker, in all of the presentations we make, whether it is policy or pronouncements in this House, our whole objective is to look forward, not backward. Perhaps that is the difference between the Liberals and the Reform Party.

We all know that when we do forecasts there is a certain amount of risk. When we have the responsibility of government we have to make the best possible projects as we can.

It is obvious that this government is going to reach its 3 per cent of GDP and leave us with a \$25 billion deficit in 1996–97. That is obvious. I think it is going to do that. That is not a tough target. That is number one.

Number two is at that period of time we will have added, as I said, \$100 billion more to the accumulated debt. That is obvious and predictable.

*The Budget*

Number three, after following that, has this government the will to make some kind of projection so that it brings the deficit down to zero? Does it have confidence in itself that it will bring the \$25 billion in 1996–97 down to a zero base within the next two years? If the government thinks it can, why does it not say it?

**The Acting Speaker (Mr. Kilger):** The member is splitting his time with his colleague from Capilano—Howe Sound. I give an undertaking to the member of the official opposition seeking the floor on a question or comment that if he should so choose on the next intervention I will recognize him.

**Mr. Herb Grubel (Capilano—Howe Sound, Ref.):** Mr. Speaker, I think that without malice it is useful on the occasion of this budget to recall what Liberals used to say on such occasions: “The budget cuts of \$6 billion out of general government programs are slash and burn. They will lower the quality of government services that Canadians expect from their federal government as a matter of sacred trust. The firing of 42,000 civil servants is heartless and without compassion”. The Liberals would have said it destroys forever the sanctity of labour contracts, it is equivalent to union bashing.

The biggest indignation Liberals in opposition would have reserved would be for the close to \$4 billion cuts in transfer payments. They would have said: “It will make it impossible to enforce national standards on health and higher education and; heartless and without compassion on welfare. This is the proverbial slippery slope where Ottawa and the upholders of standards of compassion will lose their grip. The country will fall apart. It will become just like the United States. Oh, my god. There will be beggars on the street. The poor will have to commit crime. People no longer feel like Canadians because when they move from one province to another they will get lower welfare rates, can you imagine that, inferior universities and different health standards”.

They would say the deficit problem is being solved on the backs of the poor, those least able to defend themselves. The Liberals in opposition would have said the gasoline tax increase is a tax grab and regressive because of all those with lower and middle incomes who have to use their cars to go to work. Worse, the tax measures did not tax the allegedly obscene profits of banks. They did not raise the tax on the rich or expropriate wealth by an inheritance tax.

The finance minister when he was in opposition used daily question period to ask the government to lower interest rates. He now refuses to. He did not order the governor of the Bank of Canada to lower interest rates and the debt burden. What is wrong?

(1345)

I am sure the Liberals when in opposition would have used this opportunity to remind the government of broken election promises. The regressive, expensive, annoyingly complicated

GST is still there and will be used to grab another \$2 billion from Canadians, many of whom are poor. There is still no new day care facility. NAFTA is sucking jobs to Mexico.

The rat pack would have hurled the ultimate insult at the opposition. They would have said: “They are slowly eating their red book”. For a summary indictment, these Liberals would have used: “This budget sounds like the agenda of right-wing think tanks and horror or horrors, like the program of the Reform Party”. We proudly say that this is so.

I am not a Liberal and I will not use these slogans to criticize this budget. Its shortcomings are fundamental and frightening for anyone familiar with history and the power of compound interest.

During the 1980s my economist colleagues and I would sit at the lunch table at Simon Fraser University. We discussed the successive budgets of Michael Wilson, who sounded just like Paul Martin—like the present Minister of Finance. I apologize, Mr. Speaker.

**The Acting Speaker (Mr. Kilger):** I would like to remind members to not refer to one another by name, but by riding or ministry.

**Mr. Grubel:** Mr. Wilson would say: “We had to face financial reality. We had to take tough measures that will transform the way the Government of Canada works. In doing so we have turned the corner. We have stabilized the debt to GDP ratio. The next budget will bring it down. We are well on the road to fiscal sustainability”.

I will never forget how we all agreed that the stabilization of this ratio during prosperity was not enough. Spending and tax measures to achieve this objective during prosperity will result in deficits once a recession hits again. We were right at that time, not as a matter of ideology, but of simple economic principle.

This budget is déjà vu all over again, except this time there are absolute spending cuts rather than Wilson’s magic reductions in previously inflated plans for spending increases. These cuts represent a truly major achievement for which most of the credit must go to the Minister of Finance and some of his colleagues.

The tragedy is that these cuts are too little and too late. With a debt of \$550 billion these absolute cuts achieve the same objective as did Wilson’s phantom cuts when the debt was half that size.

The cuts of \$10 billion in program spending just about match the \$9 billion in higher debt service charges on the planned debt level over the life of this budget. The expected increases in revenue due to prosperity and tax measures amount to a staggering \$12.7 billion. Yet, these revenue increases only keep constant the debt to GDP ratio.

These facts represent the key to understanding my negative views of this budget. Let me repeat them.

*The Budget*

The cuts of \$10 billion, however wrenching they may have been, just about match the required increases in debt payment of \$9 billion on the planned increased debt over this period. The expected increases in revenue due to prosperity and tax measures amount to a staggering \$12.7 billion. Yet, these revenue increases only keep constant the debt to GDP ratio.

(1350)

The reason for this bottom line is that the biggest spending category in the budget, transfers to persons, which amounts to \$37 billion is to remain unchanged. The debt to GDP ratio will never be lowered during prosperity unless this spending category is made to contribute its share to the solution of the country's crisis.

Investors who determine the fate of the dollar and the Canadian interest rate will look at the bottom lines that loom behind the rhetoric and brave actual cuts. They will ask why transfers to persons are unchanged. They will remember the traditional Liberal slogans recalled above and will connect the two. They will not be assured.

Mr. Speaker, I hope for the sake of Canada and my children and yours that my diagnosis is wrong and that Reform will never be able to say we told you so.

**Mr. Jean-Paul Marchand (Québec-Est, BQ):** Mr. Speaker, in listening to my hon. friend I do not know whether he is going forward or backward. He does give me the impression that he is definitely going backward.

Unfortunately there are some things I have to agree with. He does speak to the fact that this government has not really been firm enough in reducing the deficit which is already astronomical. It does not take a rocket scientist to recognize that the longer we delay in resolving the issue, the more pressure we are putting on future generations.

It is the youth of this country who will have to pay. We are being nice to ourselves by not really being more firm but that is where I do not agree with this hon. member. I do not share his lack of feeling and lack of compassion toward people who are getting the screw when there is latitude to demand for example that the banks contribute a bit more.

Would my hon. friend agree with me that it is unfair to ask that banks in Canada contribute \$100 million over the next couple of years when we know they have been making incredible profits over the past few years? The Royal Bank last year made \$1.2 billion net profit. We are asking these banks to contribute only \$100 million and we are cutting and slashing social programs. Does he think that is fair?

**Mr. Grubel:** Mr. Speaker, I believe on economic policy one has to take the longer run view. It does not do to penalize success like the banks have had now for a year or so after having

absorbed huge losses for many years. If we do this kind of thing, we will drive out investment in Canada.

Investment in Canada is the source of our prosperity. It is the only source that will raise our living standards by increasing productivity. Without it, it is not possible. Even new technology needs investment to be introduced.

I do not share the judgment that it is wise for the longer run fortune of this country to say to anyone, be it a bank, a corporation, a professional, a gambler, anybody who has had success: "You are not allowed to keep it because there are some people out there who did not invest, who did not have luck, who did not work as hard. They have to get their money from us".

This is not what has made this country great and it is not what will keep this country prosperous. The Reform Party and certainly I will forever defend the system that has gotten us to the standard of living to which we have proudly become accustomed.

**Mr. Dennis J. Mills (Parliamentary Secretary to Minister of Industry, Lib.):** Mr. Speaker, I listened to the member's remarks and noticed that he wanted to make some serious cuts to the social security program spending.

(1355)

I have always believed that our responsibility in this Chamber is not to spend all of our time focused on those who are advantaged but to primarily make sure that governance always has a focus on those in our community who are disadvantaged.

I want to read directly from the taxpayers' budget in brief. Under unemployment insurance cuts which is currently \$15.6 billion the member is proposing a cut of \$3.4 billion by the end of the third year.

Does the member honestly feel that it is good public policy when people are in such a very difficult circumstance of not having a job to take almost a 22 per cent decrease—those are the member's own calculations—from those people who are going through a very difficult period, specifically being unemployed? Is that good public policy?

**Mr. Grubel:** Mr. Speaker, I thank the member for raising this important point. The OECD issued a report in which it said that Canada's unemployment insurance system is an outstanding example of excessive generosity. The Auditor General has a graph which I recommend to the hon. member. It documents this generosity.

If someone in the United States earns \$100 and goes on unemployment, he gets \$20. In Europe if he earns \$100 and goes on unemployment, he gets \$30. Does the hon. member know what a person gets in Canada according to the Auditor General? He gets \$60, twice the European amount. Is there any heartlessness in taking on the suggestions by the OECD and the Auditor General to reduce this excessive generosity a little bit?

*S. O. 31*

**The Speaker:** It being 2 p.m., pursuant to Standing Order 30(5), the House will now proceed to Statements by Members, pursuant to Standing Order 31.

[English]

## STATEMENTS BY MEMBERS

[English]

### BLACK HISTORY MONTH

**Mr. Ron MacDonald (Dartmouth, Lib.):** Mr. Speaker, today marks the last day of Black History Month.

As the member of Parliament for Dartmouth I am proud to say that I represent the largest indigenous black communities in Canada, in Preston, North Preston, Cherrybrook and Lake Loon. The Preston communities have a rich and compelling history. It has contributed greatly to the culture of Nova Scotia and indeed all of Canada. Unfortunately for the rest of the country, much of this cultural heritage has been unwritten, instead being passed on from generation to generation by word of mouth.

Students of Cole Harbour High have sought to change this by using modern communications technologies. As a project for Black History Month students have created a site on the Internet's world wide web to give millions of computer users across Canada and around the world a glimpse of this rich heritage.

I ask the House to join with me in congratulating the students involved in this project for their tremendous efforts to bring Nova Scotia's black history to the world.

\* \* \*

[Translation]

### TAXATION

**Mr. Paul Crête (Kamouraska—Rivière-du-Loup, BQ.):** Mr. Speaker, we cannot accept that, in his budget, the Minister of Finance is once again attacking the poor while leaving untouched the tax privileges enjoyed by the rich in our society.

That approach, which proposes no tax reform, perpetuates inequities. There is nothing in this budget to eliminate the tax treaties signed with countries considered tax havens, thus allowing large corporations to avoid taxes. There is nothing as well about flags of convenience used by Canadian shipowners and the government itself so that they can employ foreign sailors who pay no taxes to Canada.

To top it all off, the Minister proposes to tackle family trusts only in 1999, while rich families use this loophole to avoid paying their fair share to the government. As radio anchorman Joël le Bigot said, if you hit the humble, you are ready for the federal government.

## THE BUDGET

**Mr. Monte Solberg (Medicine Hat, Ref.):** Mr. Speaker, yesterday the finance minister delivered his budget and in so doing missed a glorious opportunity.

Canadians want hope. They want truth. They want leadership. But where is the hope when we discover that the compound interest on the deficit the finance minister is projecting, on top of our already huge debt, will cancel out the savings from the cuts announced by the minister? The minister could not even muster the strength to tell us when we will have a balanced budget.

Canadians want the truth. They want to know what will happen to their social programs as compound interest continues to eat up an ever larger share of their tax dollars simply because the government could not make the hard decisions in the budget. On this issue the minister is silent.

Finally, they want leadership. They want a government that will make personal sacrifices. Canadians resent a government that cuts the public service, ups taxes and allows overspending to jeopardize old age security but does not have the character to give up what is the richest, most extravagant pension plan that taxpayers' money can buy.

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## AGRICULTURE

**Mr. John Solomon (Regina—Lumsden, NDP):** Mr. Speaker, the headline in the *Regina Leader-Post* this morning says it all in one word: devastated. This budget leaves farmers—

**The Speaker:** I would remind the hon. member not to use any props in the House, please.

**Mr. Solomon:** Mr. Speaker, this budget leaves farmers reeling in western Canada. It has the effect of a hurricane on agriculture. It will leave a trail of destruction and devastation throughout rural Canada.

It will cost rural families one-third of their net income and one-third the value of their land. Farmers work hard to put food on our tables and only ask to be treated fairly. The Liberal government responds by attacking farmers with ruthless cuts.

The minister of agriculture has betrayed rural Canadians by taking away the Crow benefit, reducing dairy subsidies by 30 per cent and abandoning more rail lines.

Farmers are now trapped between dwindling incomes and little prospect of selling their farms. The treatment the government has shown to rural Canada is unforgivable and will cause

permanent damage to what was once the proud breadbasket of this land. This is a devastating budget for western Canadians and a shameful day for a Liberal government that promised more.

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#### NATIONAL FORUM ON HEALTH

**Mr. Pat O'Brien (London—Middlesex, Lib.):** Mr. Speaker, with Canada's health care system at a crossroads, the Prime Minister has wisely established the National Forum on Health to develop a vision for Canada's health system into the 21st century. This vision must be capable of achieving a balance between care and health promotion, prevention and protection measures.

From various backgrounds and regions of the country, members of the health forum are seeking to identify national priorities and encouraging dialogue among Canadians on medium and long term health issues. Over the coming months they will focus discussion and assist in developing strategies to improve the health of Canadians.

I am proud that a member of the London community was appointed to the health forum. Ms. Shanti Radcliffe brings to the forum her experience in community based health for youth, women, seniors and immigrants. I commend Ms. Radcliffe and all members of the health forum as they help to ensure Canada has the best health care system in the world.

\* \* \*

#### THE BUDGET

**Mrs. Brenda Chamberlain (Guelph—Wellington, Lib.):** Mr. Speaker, Guelph—Wellington residents wanted responsible deficit reduction and spending cuts and the Minister of Finance has responded.

They know it is easy to cry for cuts but more difficult to ensure that any deficit reduction is fair and equitable. The budget ensures fairness. They know it is easy to criticize, but more difficult to make the good and necessary decisions which the government has made. They know that it is easy to release figures and offer ideas based on principle rather than reality. Yesterday's budget recognizes that deficit reduction will affect the lives of real people.

The people of Guelph—Wellington are not looking for the easy solutions found in 1-900 numbers and cable programs. They believe in this country and our ability to overcome our problems. They want Canada to succeed. They wanted a tough budget. They wanted spending reductions. They wanted fairness. For their sake, we have delivered.

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[Translation]

#### REFERENDUM DEBATE

**Mr. Nick Discepola (Vaudreuil, Lib.):** Mr. Speaker, a sovereign Quebec would be a country of intolerance, where democra-

cy would be trampled on and ideological dissidence could be equated with treason, depending on the outcome.

(1405)

When someone like Bourgault brands as racist the anglophones who would democratically vote against their proposal, that is one thing. When someone like Landry says that there is no place for multiculturalism in Quebec society, that is another, but when a democratically elected member of the House maintains that newly arrived Quebecers should not have the right to express their views or vote on such a vital question as the future of their country, that is unacceptable.

On behalf of all English-speaking and newly arrived Quebecers who have chosen to settle, to live and to raise their children in Canada and in Quebec, I demand an apology from the hon. member for Louis-Hébert.

I want to remind the Bourgaults and the Parés of this world that they also come from—

**The Speaker:** Dear colleagues, when making such statements or expressing such views, we must refrain from attacking individual members of this House. I would ask each of you not to use the names of the members of Parliament, just the names of their riding.

\* \* \*

#### OLD AGE SECURITY

**Mrs. Madeleine Dalphond-Guiral (Laval-Centre, BQ):** Mr. Speaker, yesterday, the Chrétien government announced in its budget that it intends to cut pensions—

**The Speaker:** Dear colleague, please do not use the name of the hon. member.

**Mrs. Dalphond-Guiral:** Yesterday, the Liberal government announced in its budget that it intends to cut old age pensions as early as 1997. The budget tabled yesterday is proof positive that the biggest threat to old age pensions and social programs comes from the federal government, not the Quebec government.

Judging by the government's actions, this direct attack on the elderly, the unemployed and welfare recipients is only just beginning. The chairman of the no side, Michel Bélanger, who has been trying to scare people by saying that the nasty separatists want to cut old age pensions, must truly be disheartened.

We are anxious to hear his perceptive analysis of the federal budget.

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[English]

#### INDIAN AFFAIRS

**Mr. John Duncan (North Island—Powell River, Ref.):** Mr. Speaker, the Auditor General recently stated some program spending of the department of Indian affairs fails to meet strategy objectives, exhibits management inadequacies, lacks appropriate performance and evaluation information and thus impedes accountability.

*S. O. 31*

In addition, the department has not published an annual report since 1992. This deprives us of an opportunity to properly scrutinize efficiency of program delivery.

The federal budget calls for spending reductions in all federal departments except for Indian affairs. The government is asking Canadians to share in deficit reduction yet is increasing spending by 12 per cent over three years for Indian affairs. Much of Indian affairs' program spending is outside of constitutional, legal or policy commitments.

Given these concerns, the budgeted increase in Indian affairs funding is unacceptable and unfair.

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**THE BUDGET**

**Mr. Harold Culbert (Carleton—Charlotte, Lib.):** Mr. Speaker, the Minister of Finance tabled the government's budget yesterday. This budget, along with the one tabled in 1994, established the challenge and goal of the government: to bring the deficit and debt under control.

Canadians have requested and supported a combination of cuts in government spending and the continuation of our agenda of jobs and growth: growth that has led the G-7 countries over the past year and growth that will continue as a result of this strong budget.

The measures taken in the budget ensure we will reach our deficit target of 3 per cent of gross domestic product that was outlined last year.

The minister has produced a fair and equitable budget to provide social programs for Canadians' needs and the spending reductions they require.

Congratulations to the Minister of Finance for his dedication to controlling the deficit and debt and building the confidence of all Canadians.

\* \* \*

(1410)

**AGRICULTURE**

**Mrs. Marlene Cowling (Dauphin—Swan River, Lib.):** Mr. Speaker, this has been a tough budget but it had to be done. And true to our commitment it has been done fairly.

The best time to make cuts is during periods of growth. In the agricultural sector, prices are increasing, export markets are expanding and producers are in an excellent position to adapt to change.

The buyout of the Western Grain Transportation Act, the WGTA, with tax benefits, will put \$2.2 billion in the hands of prairie farmers this year. We will ensure those dollars are paid out in a fair and equitable way.

I am confident that the men and women of Canadian agriculture will continue their proven track record of adapting to the constant changes of their industry to ensure that Canada remains a world leader in agricultural production.

\* \* \*

[Translation]

**THE BUDGET**

**Mr. Martin Cauchon (Outremont, Lib.):** Mr. Speaker, I want to congratulate the Minister of Finance for the excellent budget he tabled yesterday. It seems that the money markets were pleased with the resolve the minister showed in his fight against the deficit and their reaction was quick.

Indeed, the Bank of Montreal, the Laurentian Bank and the mouvement des caisses populaires Desjardins have already announced a reduction in their prime rate. In light of this initial reaction we can expect a drop in mortgage rates in the short term, which will contribute to a much needed recovery in the construction industry.

Such good news should reassure Canadian consumers and sustain our present economic growth. Congratulations to our Minister of Finance and to our government for sticking to their commitments.

\* \* \*

**THE BUDGET**

**Mr. Roger Pomerleau (Anjou—Rivière-des-Prairies, BQ):** Mr. Speaker, Quebecers now know what to expect from Ottawa in this referendum year.

Far from proposing a decentralisation of powers, yesterday's budget shows that Ottawa still refuses to retreat from areas of provincial jurisdiction. In fact, Ottawa seems determined to step up its interventions, particularly in the area of job training.

The only thing the federal government has transferred to the provinces is the deficit. With yesterday's budget the federal government has tried to shift the burden of the deficit to the provinces: \$2.5 billion next year, \$4.5 billion the year after.

The federal government wants to delay until after the Quebec referendum the bulk of the cuts in transfers to the provinces and in federal services to the public. That would be the real cost of a "no" in the referendum, the real cost of the status quo.

[English]

### AGRICULTURE

**Mr. Leon E. Benoit (Vegreville, Ref.):** Mr. Speaker, Reformers have always recognized the need to cut government spending and the need to empower people to take care of themselves when they are able to do so. Reformers also believe that before cuts are made, barriers should be decreased and flexibility increased so that people are able to do well in a freer market setting. Farmers share this vision.

Yesterday Department of Agriculture spending was cut substantially. Farmers and industry leaders say these cuts will be difficult but recognize they are necessary.

I am concerned however that in moving toward a more market driven system, the government has not removed regulatory barriers and has not allowed for increased efficiencies. Without these changes farmers and industry will be crippled instead of strengthened by these funding cuts.

In order for farmers to adapt to new fiscal realities they need stability, predictability and certainty. Farmers need the freedom to recoup some of the losses incurred by this budget. The government has failed to deliver.

\* \* \*

[Translation]

### RIDING OF BROME—MISSISQUOI

**Mr. Denis Paradis (Brome—Missisquoi, Lib.):** Mr. Speaker, this is the first time I rise in this House and I want to take this opportunity to thank the people of Brome—Missisquoi for placing their confidence in me in the February 13 byelection.

I want to reiterate my commitment to make every effort possible to deliver the high level of service my constituents expect.

[English]

I am proud to join the forces of the Liberal Party of Canada in the House of Commons. I have asked the constituents of my riding to have confidence in the government. After less than a week on Parliament Hill I see the government will not let the Canadian population down.

The delicate financial situation of the country urgently needed to be addressed. A courageous and fair budget has been tabled. The country is now on the right track.

(1415)

[Translation]

Senior citizens are protected, the tax burden of low and middle income families has not increased and the government will be streamlined and better managed. I undertake to be actively involved in the job creation and economic renewal

### Oral Questions

process in the riding of Brome—Missisquoi and I want to thank my colleagues in the Liberal caucus who have already assured me of their support in the pursuit of these goals.

## ORAL QUESTION PERIOD

[Translation]

### THE BUDGET

**Hon. Lucien Bouchard (Leader of the Opposition, BQ):** Mr. Speaker, in its prebudget marketing blitz, the government announced that it would table a budget for a new Canada. The Minister of Foreign Affairs even went as far as to say, with a reformist zeal very uncharacteristic of him, that the status quo would no longer be an issue after the budget. However, what the promised decentralization really boils down to is Ottawa continuing to withdraw its funding for health, post-secondary education and welfare.

My question is for the Prime Minister. Where is this new Canada that was announced with great fanfare when all the government did yesterday was to offload \$7 billion or so more onto the provinces?

**Right Hon. Jean Chrétien (Prime Minister, Lib.):** Mr. Speaker, in the budget tabled yesterday, we decided to give provinces much more flexibility in the administration of their programs and we are trying to improve the situation for everybody. It will be easier for provinces to establish their programs themselves, provided they respect the aspirations of all Canadians, that is that there be minimum programs for all Canadians so that the dignity of persons will be respected across Canada. I think this budget reflects the willingness and capacity of this government to propose changes.

**Hon. Lucien Bouchard (Leader of the Opposition, BQ):** Mr. Speaker, how can the Prime Minister have the audacity to claim that while depriving provinces of \$7 billion he gives them more flexibility and more capacity to innovate in social programs, when provinces already have an extremely difficult time dealing with their growing expenses in the areas of health, social assistance and education?

**Right Hon. Jean Chrétien (Prime Minister, Lib.):** Mr. Speaker, provinces had been asking us for a very long time to remove certain conditions which applied to the administration of social assistance programs, and that is what we are now proposing.

As for health care services and the five conditions set in the federal Health Act, everybody in Canada agrees that they should be maintained because they are the very essence of our society and they give people access to the same health care system, regardless of one's financial circumstances.



*Oral Questions*

In any case, we had to be fair in our budget. We could not cut federal government's operating expenditures systematically and not cut transfer payments to provinces. It is only a matter of treating all government programs fairly.

**Hon. Lucien Bouchard (Leader of the Opposition, BQ):** Mr. Speaker, the Prime Minister said he tried to be fair in his budget. I wonder if he was thinking of Quebec when he said that, because criteria in documents of the Department of Human Resources Development already indicate that Quebec will bear the brunt of transfer payments reductions, with 41.7 per cent. Is that fair? Quebec is being taken to the cleaners.

**Mr. Loubier:** Yes, 41 per cent. Some fairness. Talk about fairness.

**Mr. Bouchard:** How can the government display that kind of arrogance, given the duplicity of its present attitude, on the one hand, proclaiming its determination to maintain the principles of universality and accessibility, and on the other, drastically cutting its contribution to programs?

**Right Hon. Jean Chrétien (Prime Minister, Lib.):** Mr. Speaker, program spending is being reduced at all government levels. Last December, if I am not mistaken, members of the present Quebec government, the opposition leader's friends, cut \$600 million from health programs. We are doing the same, because cuts are necessary and all levels of government must benefit from those cuts.

(1420)

**Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ):** Mr. Speaker, in his budget, the finance minister announced that all transfer payments to provinces would be rolled into a single comprehensive transfer called the Canada social transfer. He set at \$7 billion the amount of additional cuts in transfer payments in the next three years, but he did not specify how those payments would be distributed in 1997 and subsequent years.

How can the finance minister decide on such drastic cuts in transfers and casually postpone discussions with provinces?

**Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.):** Mr. Speaker, it is not a question of putting off the discussions. We are willing to initiate them tomorrow if the provinces are ready. This is quite clear. In fact, we said so during our meeting with the finance ministers. I invited the provincial finance ministers to join me immediately after the budget speech, and I am ready to meet them anytime they want. There is no question of postponing the discussions.

**Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ):** Mr. Speaker, by postponing, as the minister says in the budget, the

negotiations with the provinces on the distribution of transfer payments, is the Minister of Finance trying to conceal from Quebecers before the referendum the negative impact of the new Canada social transfer because it is Quebec which will lose the most, 41 per cent of the transfer payment cuts in 1997?

**Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.):** Mr. Speaker, to begin with, the figures mentioned by the member are totally false.

Second, if you want to know, the cuts in Quebec, in 1994–95 and 1996–97, will amount to \$350 million. These are not ridiculous figures like the ones mentioned by the member.

As for the discussions and the fact that he believes we will postpone them until after the referendum, we said in the last budget that we would inform them instead of surprising them like the former government did.

Is the member suggesting that we should proceed immediately? I believe Mr. Campeau will not be very satisfied with that.

Third, tell us when the referendum will be held, let us hold it and then we will be able to solve our problems.

[English]

**Mr. Preston Manning (Calgary Southwest, Ref.):** Mr. Speaker, in yesterday's budget the Minister of Finance pledged to get the federal deficit down to \$24.3 billion by 1997.

Meanwhile officials of the Department of Finance have been predicting to reporters and the financial markets that the deficit will then be reduced to zero by the year 2000.

However, yesterday's budget was silent on the all important question of how the minister proposes to get from a deficit of \$24 billion to zero in three years.

Will the minister tell Canadians and tell the House today how he plans to get the deficit from \$24 billion a year to zero: by increased taxes, by cuts to social programs or by both?

**Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.):** Mr. Speaker, I have said countless times in this House that in terms of government by far the best way of hitting targets is through a series of short term targets that keep government's feet to the fire.

That is by far the best kind of spending control that any government can have. It is the reason that we hit our target this year. It is the reason that we are going to hit our target next year and it is the reason that we are going to hit our target the year after.

*Oral Questions*

I will tell members what this government does not want to do, and that is bring in a budget like the Reform Party did based on phoney assumptions and false input which does not attain its objectives.

**Mr. Preston Manning (Calgary Southwest, Ref.):** Mr. Speaker, the fundamental flaw in the minister's answer is the same fundamental flaw that was in his budget yesterday.

It does not come clean about the imminent threat to Canada's social programs from rising interest payments. Under the minister's budget plan program spending will be reduced by \$12 billion over three years, yet the interest on our debt will grow by \$13 billion to \$51 billion a year in 1997. The reality is that the interest payments are growing faster than the ability to either cut or raise revenue.

(1425)

My question to the finance minister, and this is just looking for a straight figure, is can he tell Canadians how many billions of dollars per year they will be paying in interest in the year that the budget is finally valid?

**Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.):** Mr. Speaker, the member opposite knows that his question is nonsense. We have said that we are going to get to a balanced budget through a series of short term targets and therefore obviously we are looking at the ultimate thing.

I cannot believe that once again this party stands up and talks about preserving social programs when last week it brought down a budget which said that the ultimate purpose of it was to make sure that every poor Canadian stays poor and that the middle class becomes poor.

**Mr. Preston Manning (Calgary Southwest, Ref.):** Mr. Speaker, the minister claims that his budget protects social programs from unfair unnecessary cuts, but the real social cut is lurking in the massive unnecessary interest charges that this government is irresponsibly building by not attacking the deficit more quickly.

This means that when Liberal social cuts come, as they will, they will be bigger and more desperate and more destructive than Canadians could imagine.

Will the finance minister honestly admit to Canadians that he has put social programs in the gravest of jeopardy by failing to balance the budget more quickly when he had the chance?

**Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.):** Mr. Speaker, the way to clean up this nation's finances is to bring in a budget that brings federal spending down from \$120 billion in 1993-94 to \$108 billion by 1996-97.

The way to deal with the nation's finances is to have program spending at 13 per cent of the total, which is the lowest number since 1951. The way to preserve social programs is to make sure that the party which said it would claw back the old age pension from people on the guaranteed income supplement never takes power.

**Some hon. members:** Hear, hear.

[*Translation*]

**Mr. Pierre Brien (Témiscamingue, BQ):** Mr. Speaker, my question is directed to the Minister of Finance.

The budget tabled yesterday provides for additional cuts of \$7 billion in payments to the provinces over the next three years. By transferring an additional \$7 billion shortfall to the provinces, Ottawa is again downloading part of its deficit.

Would the Minister of Finance agree that the additional cuts his government has ordered in transfer payments to the provinces will inevitably cause either a reduction in services to the public or an increase in provincial taxes or a combination of both?

**Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.):** Mr. Speaker, not at all. At our meeting with the finance ministers, they asked us, first, to give them at least one year's notice: no surprises. And we did that.

Second, they asked us to cut our own spending first and to cut more than we would cut in payments to them. In 1996, for instance, there will be a 7.3 per cent cut in federal spending and only a 4.3 to 4.4 per cent cut in payments to the provinces. If we consider the province of Quebec, it is only \$350 million compared with this year. So these cuts are less than 3 per cent of provincial revenues, and I think that is reasonable.

**Mr. Pierre Brien (Témiscamingue, BQ):** Mr. Speaker, the minister's figures are wrong. He is looking at total transfers, and he knows perfectly well he is only cutting cash transfers.

Would the Minister of Finance confirm that the cuts in transfer payments to the provinces he ordered yesterday will result in a shortfall of over \$2.5 billion for Quebecers, three years from now?

**Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.):** Mr. Speaker, compared with this year, it is \$350 million.

(1430)

[*English*]

**Mr. Herb Grubel (Capilano—Howe Sound, Ref.):** Mr. Speaker, during the 1980s Michael Wilson used to deliver budgets that contained the same rhetoric and projections of stable debt to GDP ratios as did the budget tabled yesterday. As

*Oral Questions*

analysts said then and are saying now, planning for stable debt to GDP ratios during prosperity is not sufficient.

Why would not the next inevitable economic downturn again increase the deficit and once again put the country on the unsustainable path of a growing debt to GDP ratio?

**Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.):** Mr. Speaker, the hon. member's premise is wrong. First, when Michael Wilson brought down his budget his cuts were not real. As the member knows, they were simply cuts from rising reference levels.

Second, Michael Wilson did not do it according to any kind of vision of the country or sense of priorities. They were simply blind cuts across the board.

Third, Michael Wilson never hit his targets and we have.

**Mr. Herb Grubel (Capilano—Howe Sound, Ref.):** Mr. Speaker, Michael Wilson was also in the very fortunate position of having had a debt of only \$250 billion rather than \$550 billion.

The absolute spending cuts of \$10 billion in the budget just about match the expected increases of \$9 billion in the cost of servicing the debt over the projected budget period. The expected revenue increases due to prosperity and tax increases amount to a staggering \$12.7 billion.

Does the minister expect similar spending cuts and revenue increases in the next budget to simply maintain the debt to GDP ratio?

**Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.):** Mr. Speaker, as the hon. member knows, in 1996–97 the debt to GDP ratio will not only stabilize but it will commence a downward track which, may I assure the member, is going to be permanent.

The member has raised a very important question. The debt to GDP ratio is a very important target. It is one that we are very conscious of and we will keep it down.

The member refers to the level of debt that I have to deal with compared to Michael Wilson. There is another difference between Michael Wilson and me. Michael Wilson had the good fortune to take over after a Liberal government. I had to take over after the Tories.

[Translation]

**Mr. Michel Gauthier (Roberval, BQ):** Mr. Speaker, the government did not dare reveal in its budget its real intentions with regard to old age pension reform, preferring to put off yet again a study that was to be published last year.

Would the Minister of Finance confirm that his government intends to reduce old age pension benefits for thousands of Canadians and in fact limit access to the plan for thousands of seniors?

**Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.):** Mr. Speaker, not at all. The answer is a definite "no". What we do intend to do is study the Canada Pension Plan fund with the provinces, and, at the same time I am sure, they will look at the Quebec Pension Plan fund, because it is this fall that the necessary revision will have to be made. It is perfectly natural to look at them all together, with the provinces.

(1435)

I can assure you and I can assure the hon. member that we intend to protect those who are most vulnerable in our society, our senior citizens.

**Mr. Michel Gauthier (Roberval, BQ):** Mr. Speaker, you understand how surprising it would be if the Minister of Finance were to set up a committee to raise old age pensions. I would be very surprised.

Will the Minister of Finance acknowledge that if he is not revealing the terms of his proposed old age security reform right now, it is because he does not want seniors to know his intentions until after the referendum in QQuebec?

**Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.):** Mr. Speaker, legislation has for a long time included a schedule to review the Canada Pension Plan fund and the Quebec Pension Plan fund every five years. We were not the ones who established the schedule. I repeat again, tell us when you will have the courage to hold the referendum; we will resolve the problem, and then we can go on with building the country.

As you know, there are many issues to be resolved in Canada. The economy has to be managed, and perhaps I should ask the question once again. The great thinker of the great separatist movement, Richard Le Hir, stated that he was not ready to meet Quebec's liabilities as far as the debt is concerned. Is that the position of the Bloc Quebecois? Is there still a difference of opinion?

[English]

**Mrs. Diane Ablonczy (Calgary North, Ref.):** Mr. Speaker, Canadians were promised a plan by the government to preserve and protect our future social security while dealing with fiscal reality. They never received such a plan. Yesterday the budget promised yet another discussion paper from the Minister of Human Resources Development.

*Oral Questions*

My question is for the finance minister. Why should Canadians entrust social program reform a second time to a process and a minister who have done nothing but fail them in the past?

**Hon. Lloyd Axworthy (Minister of Human Resources Development and Minister of Western Economic Diversification, Lib.):** Mr. Speaker, the hon. member, once again with the hope of trying to obtain some kind of rhetorical response, does not know what she is talking about. I regret it because we are dealing with very serious matters.

As the budget clearly outlined yesterday, we have clear plans and initiatives on social reform. There will be major legislation this fall on unemployment insurance. We established a new human resources investment fund in yesterday's budget that will give us the flexibility to begin initiating now many of the reforms that were proposed.

We have already begun reorganizing the Department of Human Resources Development to begin to decentralize its delivery in a very different way so that we can begin to end duplication and overlap. We have initiated a new transfer program that will again eliminate duplication and overlap with the provinces.

It seems to me that is an awfully good start at social reform, much better than anything the Reform Party has offered.

**Mrs. Diane Ablonczy (Calgary North, Ref.):** Mr. Speaker, I did not realize the minister expected the Reform Party to do his job for him.

Speaking of serious matters, the minister knows that every dollar borrowed today means two dollars in cuts tomorrow. Worried Canadians are asking: "What will this do to our social programs?" What answer does the finance minister have to give them?

**Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.):** Mr. Speaker, it is very clear. The major difference between the Reform Party and ourselves is our deep belief in the social fabric of the country.

(1440)

There are those in the House who simply feel that cutting is an accounting trick, balancing the books and not balancing the needs of a nation. That is not the view of the government.

The government is cutting the deficit, not because we think people should be without but because we want to preserve social programs and the legacy of the Liberal Party.

[*Translation*]

**Mrs. Francine Lalonde (Mercier, BQ):** Mr. Speaker, after making cuts to unemployment insurance of \$5.5 billion over

three years in his first budget—and the unemployed have not yet fully felt the effect of these cuts—the Minister of Finance is not letting up, cutting an additional 10 per cent from the unemployment insurance budget for next year.

Does the finance minister realize that these additional cuts he has announced for unemployment insurance will deprive the unemployed of at least \$700 million more in 1996–97?

[*English*]

**Hon. Lloyd Axworthy (Minister of Human Resources Development and Minister of Western Economic Diversification, Lib.):** Mr. Speaker, the hon. member should first look closely at what was in the budget papers and at the kinds of initiatives we have talked about in reforming unemployment insurance.

The reform of unemployment insurance is a way of trying to change a system to help people get back to work, to take away many of the disincentives in the system, and to give people real resources to get good training, good counselling and good programs. To do that we can use the money from the savings we are about to introduce as part of the legislation.

The hon. member is totally wrong. The fact of the matter is that we want to convert unemployment insurance into an employment insurance fund to give people new hope, new jobs and new opportunities. That is what the reform is all about.

[*Translation*]

**Mrs. Francine Lalonde (Mercier, BQ):** Mr. Speaker, while the Human Resources Development Committee was travelling, we were told repeatedly that it was not merely a question of training but of jobs, real jobs. And yet this budget contains nothing about employment.

How does the finance minister dare demand an additional sacrifice from the unemployed, to the tune of at least \$700 million, when he has imposed a temporary tax of \$100 million over two years on banks and financial institutions although we know that the Royal Bank alone recorded profits of \$1.2 billion last year?

**Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.):** Mr. Speaker, as the minister just said, the best way to create jobs in Canada is to move away from passive support toward active assistance to give workers the tools they need.

The best way to achieve this is to reduce unemployment insurance premiums so that small and medium size businesses can afford to hire new employees. Thirdly, the best way to achieve this is to keep economic recovery rolling. We created 433,000 jobs last year, and this year, we will match that number.

*Oral Questions**[English]*

**Mr. Peter Adams (Peterborough, Lib.):** Mr. Speaker, my question is for the Parliamentary Secretary to the Minister of Industry.

Yesterday's budget established a path for solid economic growth. It lived up to the commitments that were made in the election. One of those commitments was job creation through small and medium size businesses.

Would the Parliamentary Secretary to the Minister of Industry expand on what the budget does to address the concerns of small and medium size business?

**Mr. Dennis J. Mills (Parliamentary Secretary to Minister of Industry, Lib.):** Mr. Speaker, the greatest hope we have for putting Canadians back to work rests with small and medium size businessmen and women in the one million enterprises that employ close to 70 per cent of the nation.

In the budget the Minister of Finance did three very specific things for small business. First, the small business corporate tax rate was not touched. Second, the \$500,000 capital exemption was not touched. Third and most important, the Minister of Finance announced last night that the chartered banks of the country would be brought to task for their relationship with small and medium size business.

(1445)

Today the chairman of the Standing Committee on Industry announced that within the next two and a half weeks the presidents of all the financial institutions in this country will come to the committee to report on what they are doing for small business.

That is how we will create jobs.

**Mr. Jim Abbott (Kootenay East, Ref.):** Mr. Speaker, hidden in the bowels of this Liberal budget are gas taxes, a 2 per cent interest increase on penalties, UI premium surplus revenues, and elimination of PUITTA transfers just to name a few. Does the minister admit that he is digging deeper and deeper into the pockets of middle income Canadians?

**Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.):** Mr. Speaker, we have just spent a year and have finally quite satisfactorily solved alternative fuels in terms of ethanol.

**Some hon. members:** Oh, oh.

**Mr. Martin (LaSalle—Émard):** Mr. Speaker, I wish I had never started on this. I am being sandbagged.

**The Speaker:** We have bowels on one side and bags on the other.

**Some hon. members:** Oh, oh.

**Mr. Jim Abbott (Kootenay East, Ref.):** Mr. Speaker, on a more serious note, the minister prides himself on being open. He does talk about a 1.5 cent per litre gasoline tax but surprise, surprise, there is a tax on this tax: the GST. Would he agree that this might be a tactic which would be considered deceitful by some Canadians?

**Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.):** No, Mr. Speaker, clearly not. Canadians understand quite well those areas in which the GST is applied. With the budget now behind us, we look forward to dealing with the GST question this year.

*[Translation]*

**Mrs. Pierrette Venne (Saint-Hubert, BQ):** Mr. Speaker, my question is for the Minister of Finance.

Faced with new spending cuts, the Minister of National Defence announced yesterday that the headquarters of the land component of the armed forces and the facilities at Saint-Hubert would be closed. According to the newspaper *La Presse*, because of this decision, 400 people will lose their jobs, half of those civilians.

After closing the Saint-Jean military college last year, how can the Minister of Finance justify the decision to shut down these facilities and the base at Saint-Hubert, while we know that Quebec is under-represented when it comes to armed forces facilities and spending, and is getting at least \$650 million less per year in this area than it should?

*[English]*

**Hon. David M. Collenette (Minister of National Defence and Minister of Veterans Affairs, Lib.):** Mr. Speaker, the House of Commons and Senate special joint committee on defence recommended that to save money we eliminate one command structure within the armed forces. In yesterday's budget we did that by closing air command in Winnipeg, maritime command in Halifax, and land forces command at Saint Hubert.

*[Translation]*

**Mrs. Pierrette Venne (Saint-Hubert, BQ):** Mr. Speaker, will the Minister of Finance commit to rapidly announcing adjustment measures to help these civilians find new jobs?

*[English]*

**Hon. David M. Collenette (Minister of National Defence and Minister of Veterans Affairs, Lib.):** Mr. Speaker, in last year's budget we announced the elimination of 16,500 people from national defence. Yesterday it was just under 12,000. That is nearly 30,000 people. All of these people will be eligible for the force reduction plan covering the uniformed personnel and the civilian reduction plan covering the civil servants.

*Oral Questions*

There has been a 73 per cent take up with an average payout of \$53,000 for those people announced last year. We envisage that these people will be dealt with fairly and humanely and will accept the buyout packages.

(1450)

**Mr. John Williams (St. Albert, Ref.):** Mr. Speaker, according to the budget estimates tabled this morning, Enterprise Cape Breton Corporation has a budget increase of 69.3 per cent. That is right, an increase of 69.3 per cent over last year. I thought the Minister of Finance stated yesterday that he was going to cut spending.

How can the Minister of Public Works and Government Services possibly justify this increase in spending in his own riding? Justify that to Canadians in the rest of the country.

**Hon. David Dingwall (Minister of Public Works and Government Services and Minister for the Atlantic Canada Opportunities Agency, Lib.):** Mr. Speaker, I thank the hon. member for his question.

He should be aware that the cutbacks to ACOA and Enterprise Cape Breton come to a total of \$173.5 million over a three-year period. The reductions with regard to Enterprise Cape Breton are in excess of \$2.5 million, with a 24 per cent reduction in personnel in that particular office.

**Mr. John Williams (St. Albert, Ref.):** I thought I said it was an increase of 69 per cent, Mr. Speaker.

I also noticed in the estimates that the Department of Canadian Heritage will be spending \$1.8 million on a golf course in Cape Breton.

Yesterday, the Minister of Finance said: "Cut spending". He also said that the second principle of the government is that priorities must reflect the needs of the people and that the third principle is frugality, that every dollar counts.

Does the Minister of Public Works and Government Services not understand what the Minister of Finance said, or does he refuse to give up this pork barrel way of spending?

**Hon. David Dingwall (Minister of Public Works and Government Services and Minister for the Atlantic Canada Opportunities Agency, Lib.):** Mr. Speaker, again I want to thank the hon. member for his question.

He should be aware that regional development agencies have been cut in excess of \$550 million by the Minister of Finance. All ministers of the crown and every agency of the Government of Canada has been looked at under program review. Each and every one has had to sustain a reduction.

ACOA amounts to \$173.5 million over a three year period. In that category 50 full time positions will have to be removed from the books.

**Mr. Andy Scott (Fredericton—York—Sunbury, Lib.):** Mr. Speaker, my question is for the Secretary of State for Science, Research and Development.

Yesterday's budget reflected the very serious fiscal situation we face as a government and as a nation. It is important in coming to terms with our deficit that we also continue to build the framework for future economic growth.

With that in mind, could the secretary of state advise the House how the budget affects science and technology funding and its future?

**Hon. Jon Gerrard (Secretary of State (Science, Research and Development), Lib.):** Mr. Speaker, science and technology was given priority treatment in the budget.

For example, while the budget of the Department of Industry Canada was cut by some 43 per cent, the cuts to the two granting councils which fall within the Industry Canada portfolio, NSERC and SSHRC, are only 14 per cent over the next three years. The cut to the National Research Council is only 15 per cent over the next three years.

Thus the budget is tough but fair. It has given priority treatment to science and technology which is important for our future.

**Hon. Audrey McLaughlin (Yukon, NDP):** Mr. Speaker, my question is for the Minister of Finance.

The minister has stated that a cornerstone for his budget is regional fairness. Yet today if you are a farmer, a fisher, a small business person in a rural community or a miner, this has not just been a tough budget, it has been devastating.

Will the minister agree that it is small town and rural Canada that have been held hostage by Wall Street in this budget?

**Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.):** No, not at all, Mr. Speaker.

The hon. member knows we have a debt and deficit problem. Canadians wanted us to face up to it. This action has been delayed for virtually a decade. In fact it was the very industries the member refers to and small town and rural Canada that were suffering because the Canadian standard of living was declining, not because of this budget but because governments had refused to face up to it.

In facing up to this issue we have provided rural and small town Canada with an enormous amount of hope. The hope is that now our social programs will be preserved, that the basic industries will be preserved and that Canadians will continue to create jobs. That is really what we have done in this. This is a budget for Canadians.

*Oral Questions*

**Hon. Jean J. Charest (Sherbrooke, PC):** Mr. Speaker, my question is for the Prime Minister. It concerns the proposed—

**Some hon. members:** Oh, oh.

(1455)

**The Speaker:** The hon. member for Sherbrooke.

**Mr. Charest:** Mr. Speaker, this is the longest question I have had in a long time. My question for the Prime Minister concerns page 58 of the budget plan and the granny tax.

On pension reform, the government announces it will include in its changes the provision of OAS benefits on the basis of family income. That would mean that women who are 65 and over receiving OAS would lose their OAS based on their spouse's income. Will the Prime Minister confirm this to the House of Commons?

[Translation]

**Right Hon. Jean Chrétien (Prime Minister, Lib.):** Mr. Speaker, my answer is that the hon. member's claim will not come true. At this point, we want to ensure that the pension plan is reviewed. We are required, under legislation enacted by Parliament, to meet with the provinces every five years. We must meet them this year to discuss that issue. We must ensure that Canada's pension plans can continue to exist for generations to come, as the Minister of Finance indicated in his budget yesterday.

**Mr. Jean-Guy Chrétien (Frontenac, BQ):** Mr. Speaker, my question is for the Minister of Finance. Yesterday, the minister announced that the grain transportation subsidies would be eliminated, adding that a generous compensation of close to \$3 billion, which includes direct subsidies, would be given to western producers. The minister also reduced by 30 per cent the subsidies to dairy producers, who are not so lucky since they will not be getting any compensation.

How can the Minister of Finance justify such an unfair double standard: dairy producers, most of whom are in Quebec, will not get any financial compensation, while western grain producers will?

**Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.):** Mr. Speaker, first, there is a fundamental difference between the two. Clearly, we just eliminated the Crow benefit. However, as regards subsidies to the dairy industry, the Minister of Agriculture is in Quebec City today to meet with association officials. We did not abolish that subsidy: we reduced it by 30 per cent. I have some problem with the member's point of view, but I do understand it. We have to be

consistent. We did reduce the subsidy by 30 per cent. May I quote the Leader of the Opposition when he took part in a debate with Joe Clark? Mr. Clark said:

[English]

“We have substantial subsidies of industrial milk production. As you are going to try to make an independent Quebec more competitive, would you drop those subsidies, Lucien?”

[Translation]

And the leader of the Opposition replied, and I quote:

[English]

“If you ask me yes. Yes, we should stop doing that”.

**Some hon. members:** Oh, oh.

**Mr. Jim Silye (Calgary Centre, Ref.):** Mr. Speaker, my question is for the Minister of Finance.

While normal Canadians are taking a hit in this budget, this year's spending estimates reveal that the budgets for running the Senate and ministerial offices have been increased.

Why is it that senators and politicians continue to ride the gravy train on planet Ottawa while overtaxed Canadians have to tighten their belts?

**Hon. Arthur C. Eggleton (President of the Treasury Board and Minister responsible for Infrastructure, Lib.):** Mr. Speaker, I believe the Senate line in the main estimates shows a \$1,000 increase.

I understand that the members of the other house are still looking at possible cuts, as has the House of Commons. The chief government whip announced just last week that cuts are being made in the budget of the House of Commons. Not to mention that yesterday in the budget the Minister of Finance announced 19 per cent cuts over three years. These are the most massive cuts which have been made in government expenditure in modern times. In addition to that 19 per cent, a 33 per cent reduction in the MPs pension plan has been made in one year.

\* \* \*

(1500)

**PRESENCE IN THE GALLERY**

**The Speaker:** My colleagues, I would like to draw your attention to a person in the gallery who is no stranger to this House. He is a former Speaker of this House, my brother Speaker, the Hon. Alan A. Macnaughton.

**Some hon. members:** Hear, hear.

## GOVERNMENT ORDERS

[English]

### THE BUDGET

#### FINANCIAL STATEMENT OF MINISTER OF FINANCE

The House resumed consideration of the motion that this House approves in general the budgetary policy of the government; the amendment, and the amendment to the amendment.

**Mr. John Harvard (Winnipeg St. James, Lib.):** Madam Speaker, I want to offer my congratulations to the Minister of Finance on his presentation of yesterday's budget, a budget in my opinion that was fair and balanced. I think it meets the first test that was put down by all Canadians, that it had to be fair and balanced, fair to all Canadians, all individuals and all regions. The finance minister has succeeded in doing that, at the same time making a major effort in bringing down the deficit and the debt and getting government right for the first time in a good many years.

I rise in the House today not only to address the budget which was introduced yesterday but also to comment on a disease which I see gripping Canada, a disease which becomes more visible and widespread during events like this budget debate. It is a disease born from a lack of understanding, compassion and acceptance. It is a disease which focuses on self. It is a disease perpetuated by individuals, businesses, media types and hon. members alike. I am referring to what I call the culture of victimization.

This culture is both painted and exacerbated with brushes almost exclusively from the political right. I believe that in the last 10 years there has been an alarming increase in the perception that we, each and everyone of us, is a victim. Canadians are victims. We live in fear of further victimization. In truth, I believe that this paranoia has created a society in which we are all victims of something out of necessity.

We are victims of crime. We are victims of taxes. We are victims of government. We are victims of big corporations. We are victims of interest groups. We are victims as westerners. We are victims as Quebecers. We are victims as easterners. We are victims if we speak English. We are victims if we speak French. We are rarely just people who share a single common bond. However, we do have that common bond. We all are Canadians. It is this undeniable fact that we are all Canadians upon which the Minister of Finance has based his budget.

(1505)

The \$7 expenditure reduction for every dollar in new tax revenue is not a burden attributable to one type of Canadian but to all Canadians. If we are all affected, can we possibly all be

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victims? As I listened to some hon. members opposite I hear those ominous words reinforcing the notion that we are victims.

Some interest groups and even provinces which did not get what they wanted from this budget have said that this government has not been straight with them. Like spoiled children, our critics demand more for themselves with little or no regard for others. At the same time they demand greater fiscal restraint and usually expect someone else to shoulder their burden.

They tell Canadians to believe, really to expect that it is the government's responsibility to make things better for themselves. It is the government's job to make life happier: "If life is not the way I think it should be it is because that big, mean government machine will not let me succeed, for I am a victim". We have all in some way contributed to the creation of this culture in which we perceive ourselves as helpless victims.

For example, economic indicators suggest that Canadians are recovering from the recession of the early 1990s. Yet a certain trauma lingers. The Minister of Finance surpassed his 1994 cost cutting goals and yet the opposition howls. Program spending will be reduced by about \$10 billion and that is a benefit to all Canadians. The opposition howls again: "What about me?".

In many ways, and thanks to the critics, Canadians have become more dependent on government. Government is expected to ensure that we all have jobs and also accommodate our every whim. Government is even expected to bandage our scratches. We have become less reliant on ourselves and on our own abilities. Thus we have let ourselves become victims. We cannot think only of ourselves. Nor can we accept this characterization that we live in a culture of victimization.

Kennedy was right when he said our privileges can be no greater than our obligations. The protection of our rights can endure no longer than the performance of our responsibilities.

Reformers would have us slash and burn programs and services to all Canadians; let us cut deeper and indiscriminately. The political right in this country would never have conceived the notion of compassion and human understanding as demonstrated by the introduction of the new Canada social transfer to the provinces.

It is true that money to the provinces will be reduced as a means of getting our financial house in order. This action cannot and should not be viewed as an indirect means of attacking individuals. Rather, such action demonstrates our commitment to getting government right by reducing overlap and duplication.

Canadians are being presented with the opportunity to help create and develop a more mature fiscal federalism. Through initiatives like the Canada social transfer the government has met the requirements needed to accommodate citizens'



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concerns for more sustainable programs and provinces' concerns for greater flexibility.

Keep in mind that the Minister of Finance has taken into account that change requires a period of adjustment. This government has not lost sight of the individual faces which will be affected in this budget. This government does not intend to perpetuate the notion that we live in a culture in which we are victims.

Reformers in their budget played on the fears of those who see themselves as victims. Some members opposite would have us believe that if we simply cut, cut, cut then everything will be better. At the same time Reformers will not commit to one course of action. If you do not like where we have made cuts, then the response is simple: make your own cuts. They had better add up to the bottom line. Such a nonchalant, bottom line approach implies that wherever the greatest burden exists according to your own criteria, cut that. Just make sure you meet the bottom line.

It is that kind of naive analysis which perpetuates our cultural victimization. It would be wonderful to look at our own personal budgets and cut those items which seem to cost the most. Why worry about food, clothing and shelter? According to some members it is only the bottom line that counts. Why concern yourself with being human? We simply must balance the budget regardless of the social cost.

(1510)

These types of cuts to food, clothing and shelter are unrealistic on a personal level and are unacceptable at a federal level. We must evaluate what is important to us and from there determine where we can reduce expenditures. That is the approach taken by this government and by this finance minister.

Simply cutting to meet a bottom line would make us even greater victims. Sound reasoning and methodology were used to determine areas of waste, areas of duplication and areas lacking profitability. Through this realistic evaluation of Canada's economic house, the Minister of Finance has introduced an approach for fiscal responsibility which affirms the notion of cultural success. The government is not contributing to the disease of cultural victimization.

Essentially the third party would leave us to our own greed: "I live in the west, so I will cut services in the east". Let us be honest. Society cannot survive if we are ethnocentric. This type of self-absorbed regional attitude creates a slippery slope; we pick at the cultural threads of the Canadian fabric in a futile attempt to hang on.

What happens is that the fabric becomes worn and ripped. We must not continue to think we live in a cultural environment as

victims. We must not succumb to the notion that in order to survive we must be the strongest or the most resourceful.

Reformers would have us all fall prey to this logic, a logic which would throw out the social fabric and not repair it. If use of this type of logic has as its only goal the elimination of the debt, then what this approach does is forget that each and every one of us, regardless of our province or country of origin, whether from Manitoba or Prince Edward Island, whether Yukon or Nunavut, new Canadian or native Canadian, is still a member of a community.

We cannot survive if we focus on only my needs or my wants. By virtue of our tendency as human beings to exist in groups because we are social creatures we must look beyond our own shadows.

Canadians wanted and deserved a budget which espoused the virtues of fairness and equity. The minister has accomplished that goal. Both corporations and individuals are equal partners in the fight to save Canada.

We know that the Minister of Finance is serious. That is why both individuals and corporations have been brought into alignment. Through improvements to the tax system, for example, requiring professional and other unincorporated business to pay taxes on income in the year in which it is earned, just like wage earners do, this budget has actively removed barriers which have contributed to the culture of victimization.

We are fortunate that we live in a society that enables us to exist as a synergistic entity where the whole is greater than the sum of its parts or members. I will not deny that each of us has problems, some unique to a few individuals, some to a particular region of Canada, which affect all of us.

We must be able to stretch out our arms further and run faster so that we are not borne ceaselessly into the past. We must accept our responsibilities first as Canadians. We must also realize that change is not inherently bad or negative. We must realize that we are not victims but victors.

At this point I want to congratulate the Minister for Human Resources Development and fellow federal Manitoba Liberal caucus members for their hard work and commitment with regard to this budget.

Two months ago the prospect of losing air command became a horrible possibility. However, after yesterday's budget the reality for Manitobans is less severe. Only about 350 to 375 jobs will be affected as a result of air command's closure. This is a significant difference from the anticipated number of jobs which would have been lost. Although loss of air command will be difficult for Manitobans, I am confident that once the government's reasons are understood, Manitobans will be able to accept this change.

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(1515)

Acceptance will result from a sense of fair play because it was not only air command that was closed, but naval command in the Atlantic region and army command in Quebec were also closed.

I can tell members there were people in Winnipeg who thought that we would not be fair, that we might close air command but we certainly would not close army command in Quebec. It was done because the minister and the government believe in fairness.

Manitobans will be able to appreciate that we were not singled out for cuts. All regions have been affected. We cannot forget that these closures are significant to their respective regions but we will not lose sight of the fact that an entire level of management has been removed at considerable saving to all Canadian taxpayers.

The budget introduced yesterday redefines Canada and its relationship with the provinces. Canadians are entering a new era, a significant step has been taken toward eliminating the culture of victimization which we have created. At long last, government has sought to ensure that fundamental values are preserved while appreciating the inherent differences among provinces. Through the decentralization of airports in Canada, for example, the government is preserving its role of guardian but accepts the realization that people in Winnipeg, Toronto and Barrie, Ontario are able to oversee the successful operation of their local airports.

These efforts not only remove layers of bureaucracy but also serve as positive motivation for all Canadians who are able to function within a federation and not be victims of our regional identities.

There is more to government than just cutting. There is smart government which appreciates the social, cultural and moral obligations. Perhaps now we can move beyond an attitude that asks: What do you expect in a regional country? Of course we are going to complain. Perhaps the Leader of the Opposition will come to appreciate the notion of fair play and understand that Quebec may receive \$2 billion less in transfer payments but that all the provinces will experience the same kind of reductions.

Perhaps members opposite will learn something of fair play and refrain from trying to manipulate reality to suit a limited agenda. I am referring to comments made that immigrants living in Quebec should not be allowed to vote in a referendum, the question evolving to include the notion of who is a real Quebecer and who is not. We must work from our most common denominator. We are all Canadians and we should all be entitled to the pain and to the glory.

Ironically, most times, leadership is equated to economic performance. President Clinton is doing the very same thing across the border as we are doing here. He is trimming the

bureaucracy and reducing the debt. Despite President Clinton's efforts the economic outlook is not nearly as positive as it is in Canada. Yet Americans seem to believe in themselves and in their ability to overcome any adversity.

In Canada, however, we are being convinced how bad it really is. We listen to the leader of the third party, who when talking with the media uses words like dishonest, cowardly and hypocritical. I wonder how we can forget that ever-ominous threat that the chickens will come home to roost. I suspect that the grassroots are having their geese cooked. The political right would have issues decided by polls. It would be democracy by telephone. There would be no consultation, no research, no compromise or leadership. Opinion would reign supreme.

I suspect that the Reform leader would soon find out that burdening every Canadian with every decision would have a number of disastrous results, much like a grassroots guru attempting to split atoms like he splits economic hairs.

This may come as a surprise to members opposite but the reason behind democracy and having an elected representative is the notion of efficiency and leadership. To govern is to choose.

(1520)

If we are to survive we must learn to believe in ourselves and in this great country. We must accept the economic and social realities and strive for tomorrow. Some would suggest that things can only get better, but I submit to the House that it is a subjective goal.

In the eyes of the United Nations, Canadians live in the best country in the world. In a recent Swiss survey four Canadian cities were considered among the 12 best places in the world to live. Other nations and other cultures believe in and envy the Canadian reality. The question now is: Why are Canadians so cranky? Why is it that the majority of Canadians feel victimized in one way or another?

Our challenge is to create a culture not of victims but of victors. We must nurture the creation of a culture in which we act out of compassion for others, not necessarily only for monetary compensation. Success should be measured by the results, not by the amount of money spent. Let me repeat, success should be measured on the basis of results. These results must be evaluated both according to economic criteria and social criteria. That is what members opposite fail to appreciate about the minister's budget of yesterday.

When has a Reformer asked us to think of others before thinking of our own individual interests? When has the Leader of the Opposition considered the wants of Quebecers when he muses about postponing the referendum date so as to be able to manipulate the results? This is not democracy. When will Canadians be allowed to seek appreciation and elevate their

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self-esteem, receiving joy from the notion that the receiving is in the giving?

This is a budget debate, but there is more to a budget than numbers. There are the people who are affected by change.

[*Translation*]

**Mr. Roger Pomerleau (Anjou—Rivière-des-Prairies, BQ):** Madam Speaker, the hon. member used the word manipulating several times, as in manipulating facts and figures in our analysis of the budget that has just been brought down, and as in political manipulating with respect to the referendum. I may remind the hon. member that in Canada, political manipulation is what happened in 1982 when the Canadian Constitution was patriated against the will of a unanimous National Assembly in Quebec. The terms of the contract that binds us were changed. That is political manipulation.

I would like to ask the hon. member, since we have nothing to gain by staying in Confederation and, eventually, we will have a referendum, whether he thinks the budget that was brought down yesterday is likely to help matters?

[*English*]

**Mr. Harvard:** Madam Speaker, there is a body of opinion in the province of Quebec that says we are committed to the so-called status quo, that the choice in the coming referendum will be between the status quo and sovereignty.

I submit there is another choice. It has to do with a progressive federalism, a federalism that is alive, a federalism that grows and evolves. Looking at the budget you can see how the federalism we have is flexible and how it can grow. The changes recommended under the Canada national transfer program give more flexibility to the provinces, which is something they have wanted for a long time.

We in the federal government want national standards and national principles and we will have them. The budget shows that federalism, as we know it, is a living thing. It is a living organism. It changes with the times. It adapts to new circumstances. It adapts to new conditions.

(1525)

I know this will come as a great disappointment to the sovereignists that go around telling their friends that our kind of federalism is carved in stone or frozen in ice. Nothing could be farther from the truth.

[*Translation*]

**Mr. Roger Pomerleau (Anjou—Rivière-des-Prairies, BQ):** Madam Speaker, there is a lot of talk about flexible federalism. In 1980, Quebecers said no to sovereignty for

Quebec, one of the main reasons being that we were told if we voted for sovereignty, we would have a terrific problem with debt, unemployment, the deficit and taxes. Of course we said no.

In 1980, Canada's debt was \$80 billion, and now, 15 years later, it is \$550 billion. Is that progressive federalism, is that flexible federalism? Would the hon. member not agree that this much vaunted federalism is "broke"?

[*English*]

**Mr. Harvard:** Madam Speaker, when we came to power in the fall of 1993 after nine years of Conservative rule our fiscal house was in shambles. It was not in order. It has taken us a number of months to get to where we are today. However, this budget is going to get our fiscal house in order.

If there is disenchantment in the province of Quebec or anywhere in the country, it is because we had a federal government for nine years that simply would not address the nation's finances, that would not address our national problems.

This government will address those problems. The deficit and debt will be reduced systematically and methodically. In the not too distant future we will be in a situation where there will be no deficit whatsoever.

[*Translation*]

**Mr. André Caron (Jonquière, BQ):** Madam Speaker, I welcome this opportunity to speak to the budget brought down yesterday by the Minister of Finance. I want to take this opportunity to inform the public that although the Minister of Finance promised to do something about the debt and tax reform when he brought down this budget, he failed to keep his promise.

Yesterday, the Minister of Finance started his budget speech by identifying Canada's two major problems. First, the Quebec referendum and second, the debt. Upon reading the budget I have to conclude that the Minister of Finance is only considering Canada's problems. Of course Quebec seems to be a problem for Canada. What is the Minister of Finance doing and what has the federal government been doing for the past 20 or 25 years? The federal government considered the problem, looked at it, examined it, thought about it, but did nothing to resolve it.

This is somewhat the case with the debt as well. For 25 years, finance ministers have been looking at the debt. Both Liberal and Conservative ministers, including Mr. Lalonde, Mr. Wilson and Mr. McEachen have had a look at it. Each one has said, "It is really too bad, we spend more in Canada than what we earn. It is too bad. We should reduce the deficit. We must reduce the debt". And if we take a look at the tables, we see that Canada's debt has been growing for the past 20 to 25 years. We looked at the tables produced by the Minister of Finance following his budget, and the debt continues to grow.

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(1530)

So Canada is looking at its debt problem as it is looking at the problem of Quebec, at what for it is the problem of Quebec. I think that one of Canada's greatest weaknesses is that it looks at its problems, but never resolves them.

There is another problem in Canada as well, which the minister has failed to identify. It is a problem he raised in many speeches during the elections—the problem of jobs, the problem of unemployment. During the elections, Liberal Party material spoke of jobs, jobs, jobs. Today, there is no more talk of jobs, the word is debt, debt, debt and cut, cut, cut. The problem of the unemployed is far from the mind of the Minister of Finance.

Looking at my own region, my city, my riding, an industrial area which has been under direct attack for about ten years, all the restructuring, modernization of businesses, new technology, have left unemployed people who had worked for big business for years, earning average or even above average salaries. These people have been unemployed for a year for a lack of specific policies to help them get retrained. Now they are turning to welfare.

This budget contains nothing for the unemployed. It contains absolutely nothing to give them hope for the future. There is indeed talk of possibly reforming unemployment insurance while at the same time cutting the program by 10 per cent. There is also talk of reform providing for the unemployed to train for new jobs.

This seems to be a roundabout way of presenting minister Axworthy's famous unemployment insurance reform, a two-tiered unemployment insurance system, what someone in my region described as generous UIC and miserly UIC. Some people in Canada will have to make do with the miserly version of UIC. When I look at the finance minister's budget, it is these people I think of. What is new in this budget for the unemployed, persons on welfare, fully trained young people trying to find jobs?

Training is not the issue for young people. For young people, it is a point of fact: they are trained in leading edge technologies. Take the young people trained in technical fields at the Jonquière CEGEP, for example, they have been trained in every advanced technical area. These people should not have any trouble finding jobs because they are competent and have all the necessary training. But they cannot find jobs. Why not? Because there are no jobs.

There is no work for people looking for it. Even to restore employment to levels we had before the economic crisis, we would have to create 400,000 jobs in Canada. With those jobs, we will find ourselves where we were three years ago, and furthermore, this does not include newcomers on the job market.

I was surprised when the Minister of Finance said that Canada's two biggest problems were Quebec and the debt and that he did not mention unemployment.

Now to the budget: what is the verdict? This morning's papers ran stories on people who are happy and who say the economy will finally have room to breathe. That was the title of an editorial from *La Presse*. Before the budget, people were saying that these were hard times, that Canada was on the road to bankruptcy and that its credit rating was going to be downgraded. After the budget, people are now saying that things have improved, and accounting associations have given the Minister of Finance a mark of 80 per cent. Therefore, all is well. But who is telling us that this is because of the budget?

(1535)

Big business, banks and brokerage houses that sell Canadian bonds, in fact, all of the people who gain from the system. They are well paid and work in a sector where the economy is well developed: the financial sector. While this sector often does not generate much wealth, it plays with it, taking a cut from it in passing. Those people are happy.

Two insights into this comment. Firstly, these people are happy because they see that the budget contains a solution to the debt problem. Curiously, a budget that appears to close certain debt-related gaps is enough to make the other problem—that Quebec is one of Canada's major problems and may scare off potential investors—disappear. They are not saying that Canada has succeeded in solving the Quebec problem, but that Quebec is simply no longer a problem. That is something I have noted.

What do ordinary taxpayers think about the budget? I have the impression that they simply feel relieved because they avoided major cuts this time. Of course, they will pay a little more for gas. Dairy producers in Quebec will see their subsidies reduced, by \$2,000 or \$3,000 in some cases. It is still a significant amount. Some taxpayers may have to pay a little more in taxes but, in general, taxpayers feel that they have avoided the worst.

But what about all the others, those who have been forgotten, that I mentioned earlier, those looking for jobs or trying to improve their socio-economic status in Canada? Those people are not praising the budget in newspaper headlines. They are not heard. They are silent.

In the last few years, Canada's major newspapers, whether in Quebec or in English Canada, have been paying significantly less attention to those people than they did in the 1970s. Probably because owners have succeeded in selling a little more their philosophy that the state should intervene less and less and let the disadvantaged and less fortunate in society fend for themselves.

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This philosophy has spread to the newspapers where everyone has good things to say about the budget. Where are the budgets that used to take care of the less fortunate without excessive spending? This is not done anywhere in this budget.

And there are other things that must not be forgotten. We must not forget that, according to the Minister of Finance, this budget was aimed in a way at restructuring Canada to a certain extent through decentralization. They said that Canada was too centralized, that it was too costly, that they wanted to shift some responsibilities to the provinces.

They are transferring certain things to the provinces. In the next two years, they will transfer \$7 billion to the provinces for health, education and social assistance. We note, however, that they are not really decentralizing but rather transferring problems. This is not a transfer following negotiations in good faith on restructuring Canadian federalism.

More importantly, this budget will not bring about tax reform. RRSP provisions will be tightened a bit. The large corporations tax rate will rise from 0.2 per cent to 0.225 per cent, which amounts to only \$145 million. The surtax on profits will go up from 3 per cent to 4 per cent, which represents \$350 million over three years. There will be a temporary tax on banks.

(1540)

A tax which will raise about \$100 million total, from all banks, when the Royal Bank of Canada alone turned profits of \$1.2 billion this past year. What is \$100 million as compared to the aggregate of all bank profits? Peanuts.

Why does the Minister of Finance come up with such a measure, a proposal which is almost insulting to those who pay taxes? Actually, I think this may well have to do with the public perception of a shockingly low level of taxation. Next year, the banks will again turn huge profits. Given the current interest rates and the streamlining efforts of the past three or four years, banks stand to make huge profits. So, you can expect more hoopla in the press. What will the Minister of Finance have to say? He will be able to say: "But we did impose a temporary tax on them, a special tax to bring in \$100 million". That is one hundred million dollars in taxes on profits perhaps as high as \$10 billion.

That is a mere one per cent. It is somewhat insulting to those who often have to pay as much as 40 or 50 per cent of their incomes in taxes. Of course, they are probably among the wealthy.

The fact of the matter is that the budget before us has not put our fiscal house in order as it should have. The tax shelter issue remains unresolved, as do the ones raised on the French television network newscast *Téléjournal*, last week, where the situa-

tion of two individuals earning \$100,000 was compared. One hundred thousand dollars is not peanuts. These are wealthy people. The salaried worker would pay \$40,000 to \$43,000 in taxes every year, while the self-employed person earning just slightly less, thanks to all kinds of tax loopholes and tricks, and with deductions for children, would end up paying \$22,000 in taxes.

When Canadians see things like that—even though they often have little sympathy for those who earn \$100,000—when they compare the two situations, they realize that there is something wrong with our tax system.

Consequently, we feel that this budget is unacceptable because it does not include a major tax reform.

Let us now turn to the debt. Again, it would be one thing if there were some concrete results, but such results are not obvious. The Minister of Finance, who is not making whimsical predictions, currently estimates that the debt will be somewhere around \$500 billion this year, and that it will reach about \$603 billion in three years. Therefore, regardless of what the minister does, the debt will increase by another \$100 billion. The interests on that debt will increase from \$42 to \$50 billion. As well, the deficit will remain around \$24 billion in 1996–97.

So, the government talks about reducing the debt, but Canadians who are watching, and who may be prepared to make sacrifices, cannot help but think: "Sure, but the debt is still there. It will still grow. We will still have to pay high interest rates on it". Where is the improvement?

Canadian taxpayers will be even more sceptical when they find out what these assumptions are based on. These forecasts are based on the prediction that the economy will continue to grow after 1997. Therefore, the debt will continue to rise even if the economy is doing well or continues to do well over the next three years.

The budget also forecasts interest rates. I am a little surprised to see the Minister of Finance forecast interest rates two years in advance when he often fails to forecast accurately two months in advance. Whatever. Nevertheless, the budget does have to contain some numbers to make it look scientific and serious.

There is another issue that is probably scandalous and that, in my opinion, will floor the average person who ponders the issue and that is that they predict a drop in the rate of job creation. This year, it will be about three per cent; next year, it will only be about two per cent.

They forecast an unemployment rate of around 9.4 per cent. That is no low rate. In fact, 9.4 per cent represents only the unemployed workers who are included in the survey, but many of them are not. This means that regions like mine will again face real unemployment rates of 15, 16 or 17 per cent.

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(1545)

The budget tabled by the Minister of Finance offers no comfort to those who want to work to support themselves and their families.

I have two last points to make. This budget does not offer solutions to the debt problem. Why not? Perhaps because the budget is based on a number of assumptions, which do not take into account the Bank of Canada's potential influence on the monetary policy.

Many financial players say that making the monetary policy more flexible would stimulate the economy by reducing interest rates so that people could invest in and revitalize the business sector. In an approach that I would describe as doctrinaire, the Minister of Finance refuses to make any change to the monetary policy, in spite of the fact that there is no inflation, so to speak, in Canada. So, it would be time to cut some slack in that area to give the economy a chance.

I will conclude on this. I suggest there is another solution that we, Quebec sovereignists, could bring about. We think Canada is in need of economic restructuring. I think that Quebec's achievement of sovereignty, which will no doubt happen within a few years, will provide a welcome opportunity to restructure the economy, start over based on new presuppositions, review our policies and build on new bases.

For all the foregoing reasons, I will be voting against the budget.

[English]

**Mr. Paul Szabo (Mississauga South, Lib.):** Madam Speaker, I listened with interest to the member and noted one particular aspect. I do have a comment and one specific question for the member.

He asked about the young people and what is there for them, that there are no jobs. There is no question there are still a large number of Canadians, particularly young people who do not have jobs.

Governments in themselves do not create jobs; businesses, and particularly small businesses do. Over one million small businesses in Canada employ over 70 per cent of Canadians. They are the ones who are the engine of this economy. They are the ones who are going to help to create jobs. The member well knows that over the past year the government has assisted in the creation of over 433,000 jobs.

I looked at the economic statistics for the last year. The fact is our growth rate over the last year was 4.25 per cent, the highest in the G-7. According to the OECD, Canada will continue to lead the industrialized world in growth for the next two years. The unemployment rate has dropped below the 10 per cent level and in fact we have virtually no inflation.

The member concluded his remarks by getting back to the essence of why he is here. It has to do with sovereignty, the separatist question and the separation of Quebec.

Would the member not admit that the ability of Canada to move forward and to achieve economic growth and greater job creation depends a great deal on the confidence level of investors in Canada and the certainty that people have with regard to the affairs of Canada? Would he not agree that once the referendum question is dealt with, once this issue which has cost Canada so dearly over all these years is finally resolved, Canada's economic position will be much stronger?

[Translation]

**Mr. Caron:** Madam Speaker, I thank the hon. member for his comment and question.

With respect to his comment, I would just like to say that, when the Minister of Finance talks about job creation or when the Liberal Party was talking about job creation during the election campaign, they never said: "We will create 400,000 jobs". What the Liberal Party said is: "We will create jobs". And what the Minister of Finance is telling us is: "We have created 450,000 new jobs in Canada". I suggest he qualify this statement by saying "we contributed to the creation of", if we follow my hon. colleague's reasoning.

(1550)

On the issue of confidence and Quebec, I do not think that shoving our problems under the carpet will resolve anything. The Quebec issue is that of a people who wants to achieve sovereignty. I could tell you a long story, but it would be the history of Quebec, to make the point that, for us, this is a culmination. And Canada will not make this problem disappear by denying this reality. A better way of dealing with this problem would be to recognize it and look at the potential impact of Quebec's sovereignty on both Canada and Quebec.

I have the distinct impression that Canada would survive if Quebec were to secede. Why not? I think that those who say that people are reluctant to invest because Quebec wants its sovereignty are just using this as a scare tactic. Interestingly, after the defeat in 1980 and the patriation of the Constitution which was supposed to create a new order in Canada, we did not experience a major boom in the economy. I remember what happened in 1982. There was a serious recession, and that was two years after Quebecers said no in the referendum. I do not think there is a relationship between the two.

But there is something I would like to say to the hon. member in closing. As long as the issue of Quebec has not been resolved, Canada will always identify this issue as a problem. I do not think that holding people against their will, scaring them and threatening them will solve the problem. Whether the answer is yes or no in the referendum, the problem will still exist and there will still be sovereignists in Quebec who will continue to stand

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up for what they believe in because not only is it an emotional issue, but it is also a matter of interest for Quebec.

**Mr. Philippe Paré (Louis-Hébert, BQ):** Madam Speaker, for many months and in fact for a number of years, federalists have claimed that all Canada's economic ills are caused by political instability. When in recent months interest rates went up and the Canadian dollar went down abruptly, people said: It is all because of those nasty separatists.

Perhaps the hon. member would care to explain why, the day after a budget that was rather well received by the financial community, interest rates seem to be going down and the dollar seems to be going up? Why, since the Quebec problem still exists? How would he explain that?

**Mr. Caron:** I want to thank the hon. member for his question. Madam Speaker, I would say that the connection is tenuous and as far as I can see, non-existent. We heard the same excuse after the results of the referendum on the Charlottetown accord in 1992. I remember seeing certain studies, including one by the Royal Bank which said that if Canada said no or Quebec said no, that would be the end of Canada, and I remember, this was either in the study or maybe it was a political cartoon, there would be train loads of Canadians heading for the American border to take shelter in our neighbour's economic paradise. In fact, there is no connection. If you look at the economic situation and the whole issue of Quebec's sovereignty, there is no connection between the two. Often, support for sovereignty is strong while the economy is weak, but often it is the other way around.

(1555)

Unfortunately, some politicians are using this issue to make political gain. I deplore that because politics is a noble art, a noble science, a noble calling, and it is the art or the science, if you will, of government. It is the art or science of guiding and moving societies. When we use all kinds of tricks and excuses to try and get at our opponents and even resort to blackmail on these issues, I think that in addition to weakening our case, we also diminish our performance as a politician.

I want to thank the hon. member for Louis-Hébert for giving me this opportunity to say that I do think economic issues are linked to the question of Quebec sovereignty. I agree, but I do not agree that this very fact weakens the Canadian economy. I would say that people are waiting. People are waiting, and if we manage to reach a decision, I am sure the economy will recover, both in Canada and Quebec, and that we will then have the resources to restructure our economies and ensure that within Canada's present borders there are two countries that are comfortable financially and whose citizens will be able to work together.

**Mr. Raymond Bonin (Nickel Belt, Lib.):** Madam Speaker, I rise in the House today to express my support for an innovative budget that sets the Canadian economy and Canadian federal-

ism on a new course, a budget that at the same time remains faithful to the most fundamental Liberal principles. I commend the Minister of Finance on presenting a budget that strikes a balance between the need for a quick return to fiscal responsibility at the federal level and the need to maintain what identifies us as a people, the compassion of our social programs.

Since the pre-budgetary consultations began, the message from my constituents has been clear: we must tackle the deficit, but at the same time, we must be fair and equitable.

[English]

My constituents have told me unequivocally that, like each household, the government must learn to live within its means. It must concentrate on reducing the deficit by significant cuts in government spending, not by increasing the burden on the middle class.

They have also told me that they wish to see increased fairness in the taxation system and a continued protection for our most vulnerable by way of efficient and modern social programs. Those same constituents conveyed to me their belief that our social programs are in need of reform to modernize them and make them more efficient and pertinent to the realities of the 1990s.

I am pleased to state that I believe this budget to be a significant first step in achieving the delicate balance requested by my constituents. However, I must say that balance is only achievable because Canadians want and are ready to support real change, a new policy direction and a new approach to governing in Canada.

Getting government to live within its means is our first challenge. Not unlike a household, a government that lives above its means eventually faces hardship.

There can be no doubt that the accomplishments of Canada and Canadians, a nation with a small population base, are unprecedented. Canadians have banded together to build the best nation in the world. Our resource base is abundant. Our population is well educated and hard working. Our private sector is dynamic and entrepreneurial spirit abounds.

Last year we led the G-7 in growth. Our inflation is low, exports are booming and jobs are being created. Our economy is on track. The fundamentals and basic ingredients for guaranteed economic success are in place.

However, our interest rates and the currency are at the mercy of the international financial markets that speculate on our ability to control public debt and deficits. Those markets have us living under a microscope and any rumour can send our interest rates upward and our dollar plummeting. Under those conditions, Canadians live under a perpetual cloud of economic uncertainty which affects personal financial decisions as well as business decisions.

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(1600)

Year after year governments have spent more than they have taken in. We have borrowed to the point where our ability to repay is in doubt. We are now at the mercy of lenders that monitor our every move. It can be said that public policy is now judged by its impact on Canadians and on our creditors, who are more concerned with our ability to repay than our aspirations as a people. In a true sense, because of the rising debt and persistent deficit we are losing control of the public policy agenda.

The budget is unprecedented in scope and comprehensiveness. It builds on last year's initiatives and sets the stage for regaining control of public finances and the public policy agenda, signalling the eventual return to our traditional focus of building a fair and just society.

The budget significantly reduces the deficit. In three years the government will have saved \$29 billion. We will have reached the target of 3 per cent of GDP by 1996-97 and if private sector forecasts are correct, we will even surpass it. As the Minister of Finance has repeatedly stated, we must meet the deficit reduction target or risk remaining vulnerable to the speculation of the international financial markets.

The budget does more than set out a deficit reduction plan. It also defines a new approach to government, a new approach more in tune with the needs and challenges of the nineties.

When the government accepted the challenge of deficit reduction it rejected the slash and burn approach or the notion of across the board cuts. Across the board cuts of 20 to 30 per cent are not the key to deficit reduction for the simple reason that a 30 per cent cut in a bad program still leaves 70 per cent waste, whereas a 30 per cent cut in a good program just does not make sense.

A slash and burn approach to deficit reduction may achieve results, but more often than not at the expense of those most vulnerable. That is not our way. We believe in fiscal responsibility. We also believe in fairness. The government knows that in addition to deficit reduction, the machinery of government has to be renewed to better serve Canadians in a new economy.

The budget makes the federal government smaller while it lays the foundation for a government that is smarter, more efficient, more responsive and more focused on renewed priorities. That is the essence of a program review. Under program review the departments started with a simple question: In the nineties, what should a federal government do for the people? Those things a federal government should do are being analysed to determine the best way to deliver them.

The things a federal government should not do were either discarded as something that no government at any level should do or were determined to be best achieved by a level of government closer to the people. The end results are smaller

departments, \$16.9 billion in cuts from program review alone, but smarter departments with renewed mandates, a tighter focus and new priorities that will better serve the taxpayers and better support an innovative economy.

The process of reinventing the role and the machinery of government clearly demonstrates that Canadian federalism is flexible and continues to evolve to meet the changing needs of Canadians and of the new economy. We all know that well-publicized constitutional conferences at which little is produced but disagreement and divisiveness are not a viable source of change.

Change in our federation occurs incrementally, through discussion, through dialogue and through negotiation on practical issues of concern to everyday Canadians. It is at this level that Canadian federalism is flexible and responsive to the needs of all their citizens.

*[Translation]*

As a francophone from northern Ontario, I have witnessed this change. It is because of Canadian federalism, flexible federalism, that I am able to stand in this House today and speak in my mother tongue to talk of my heritage, which I have kept and enriched, and of my pride in being a French Canadian.

(1605)

The road has not always been easy, and there have been struggles on a number of occasions. However, without Canada, without federalism, the battle would have been lost from the start.

*[English]*

A critical component of program review has always been that the level of government best positioned to deliver a service should do so. Such a bold statement clearly demonstrates that the federal government wishes to actively promote the evolution of federalism because it is in the best interest of Canadians. Federalism in Canada is not about the status quo.

That federal wish is inherent in the new transfer system to the provinces. The block funding system discards the cost sharing roles to give the provinces more flexibility in delivering programs funded in part by the federal government. This measure acknowledges the need to tailor social programs to meet the specific needs of Canadians living in different parts of the country. The 4.4 per cent reduction in transfers to the provinces is a necessary measure to help the federal government meet its deficit reduction target.

However, it must be emphasized that in 1996-97 the federal government will be transferring to the provinces \$35.3 billion. I know that the majority of Canadians will agree that transfers in the order of \$35.3 billion per year confirms the government commitment to equalization payments and the support of provincially run social programs. In addition, the government is



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always prepared to meet with the provinces to establish principles which govern the distribution and the use of those transfers.

My experience at the local level has clearly demonstrated to me that much of the funds targeted for social programs are consumed by administration. The money directed to the poor is not reaching them because of the high cost of administration. With flexibility I am hopeful that the provinces will be in a position to lower administrative costs and get more money out of the hands of administrators and down to the people who need it. If properly managed, savings could even reach the 4.4 per cent of reductions in transfers.

Some provinces or provincial governments may try to characterize the cuts and transfers as a personal attack or downloading. I would remind those people that we have three levels of government, including the municipalities, but we only have one taxpayer. In the end, that one taxpayer does not draw any benefit from a provincial budget that is balanced by way of transfers from a debt ridden federal government.

Deficits and accumulated debts are common problems throughout the federation at all levels of government. We must learn to work together to solve them in the best interest of that one taxpayer.

As many of my colleagues have already mentioned, the budget is unprecedented in scope and comprehensiveness. It puts us on the right track for deficit reduction. For every \$1 of new revenues the budget will generate, there will be \$7 in cuts.

No government likes to cut but we were left with limited choices. We proceeded in what we believed to be a rational and fair way. We did not cut blindly. As I mentioned earlier, we began with non-priority areas and also sought to renew the role of the machinery of government to bring about significant savings of \$16.9 billion. We applied the principle of shared responsibility to the concept of deficit reduction. To protect the more vulnerable, we asked those who could afford it to shoulder a larger part of the burden.

For example, the budget sets out massive cuts to industrial programs, business subsidies, regional development agencies, transportation subsidies. There are also significant cuts to defence, natural resources and Canadian heritage. All in all, there were significant cuts in varying degrees in the vast majority of departments.

On the revenue side we have moved decisively to introduce new fairness into the tax system. We have sent a clear message to those able to pay that they will have to shoulder an increased responsibility for deficit reduction. For example, we have set temporary limits on RRSPs at \$13,500, affecting only those who earn in excess of \$75,000. There will be a new tax on investment income of private corporations. We will eliminate deferral of tax

on business income. We will limit some incentives. We will tax family trusts. We have increased tax on large corporations. There is a new corporation surtax. We have a new capital tax on banks. Finally, there is the gasoline tax.

(1610)

Looking at the overall picture of the revenue side I am sure the majority of Canadians will agree that we have met the criteria of fairness. I am sure that in the future we will move again to close more loopholes.

I would like to take a few seconds to tell the House what the budget is not about. The government has demonstrated the courage to open the budget process to let Canadians in. Throughout the process we emphasized that we would use a balanced and fair approach.

The opposition has used this consultation process to falsely suggest that the government would impose additional taxes on the middle class. Members said we would overburden the middle class with the budget. We have not. They said that there would be a health tax. There is none. They said that there would be a dental benefit tax. There is none. They said there would be a tax on RRSPs. There is none. They said there would be a tax on lotteries. There is none. Finally, they said there would be income tax increases. There are none. I would also add that there are no increases in UI premiums.

In the end, I believe we have achieved a fair distribution of restraint among all Canadians in all regions of the country.

[*Translation*]

Madam Speaker, some individuals and groups tell us we have gone too far, while others say we have not gone far enough. I answer them by saying that we have done what we said we would: we have formulated a budget that will meet our objectives and targets for deficit reduction.

We have chosen the best route. Our budget is carefully balanced. It balances the need to control government expenditures with the need to provide the protection of social programs to our most vulnerable. Cutting too much in order to satisfy the financial circles would mean too great a cost to the disadvantaged and would weaken Canadian confidence in the economy. Cutting too little, on the other hand, would threaten our ability to pay our expenditures and make us more vulnerable to control by foreign markets.

In hard times, the provinces turn to the federal government for leadership. Unfortunately, during the last nine years, the provinces turned to the federal government for leadership, and the Mulroney government failed to provide it.

I would like to repeat the quote given by the Minister of Finance in his speech: "Government must not live in the past—Every day there are new needs to be met. If inflation is to be

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fought, unemployment countered and something done, and soon, to get Canadian prosperity back into its stride, the government must begin to plan ahead—not timidly, not tentatively—but boldly, imaginatively and courageously”.

It is no coincidence that the person with the Prime Minister is the son of the individual who made this statement. He is the person, the son of Paul Martin, Senior, who will return stability, confidence and prosperity to Canada.

Furthermore, Canadians may be assured that their federal government will provide the leadership sought by the provinces. If we are now facing a new opposition consisting of two parties, the Reformers and the Bloc Quebecois, it is because the Mulroney government did not meet the provinces' call for leadership.

For this very reason, the Liberal team will respond to this call by the provinces and these new parties will inevitably disappear.

(1615)

[English]

In conclusion, I would like to bring to the attention of the House another issue in the budget. I would like to offer the services of my riding and my region to help the Minister of Finance fulfil this commitment. Sudbury and the region of Nickel Belt have rich mines, skilled workers and all the skills and institutions in place to provide to the Government of Canada the new \$2 coin that is referred to in the budget. We would be pleased to provide that service for the rest of Canada.

**Mr. Leon E. Benoit (Vegreville, Ref.):** Madam Speaker, I have heard this member and others before him make the comment that we are targeting spending better with this budget.

The most substantial spending measure in this budget is as a result of what was not done rather than as a result of what was done. That is the increase in interest payments on the debt.

Does that mean that it is the deliberate intention of this government to target spending more to interest payments than in the past?

**Mr. Bonin:** Madam Speaker, this question has been asked so many times in the House. I will attempt to answer it differently because it seems that Reform members do not understand.

There is a balance to be offered when there is such a huge problem as we have in this country. We inherited the problem.

I like to compare it with a program I saw on TV. In New York City the underground infrastructure of the water system is so old and rusty that they cannot check to see if a valve is working. There is so much rust that the valve will break if they turn it. I like to make that comparison.

The people I share this with, the people of my riding and other ridings and the people from my party and other parties, except for the Reform Party, seem to relate that there is a danger in overkill.

Definitely, Canadians and the Liberal government would like to say let us slash and burn and there is no more debt. The only serious difficulty is it would affect human beings. That is the part the Reform Party cannot associate with. We include it in our answers and try to explain to them that they have to have some compassion. That word is used often by a good many members in this House but it is never used by members of the Reform Party.

A society with compassion is often judged by the way it treat its seniors. Taking \$3 billion out of the seniors' pockets is not my idea of compassion. I have answered the question for the people who understand. I feel like the minister or the priest who preaches to the people who do not practise. They sit there having heard the answer so many times and still they do not understand.

[Translation]

**Mr. Philippe Paré (Louis-Hébert, BQ):** Madam Speaker, I would like above all to respond to the initial remarks made by the member for Nickel Belt. He seems to regard it as quite an exploit that, thanks to Canadian federalism, he is still able to rise in this House and speak in French.

I must say, it is very difficult for me to understand how this view can be so easily accepted since the opposite would indicate assimilation. So he admits that it is exceptional that he has not been assimilated.

As he comes from a French speaking community, I find it rather difficult to understand how someone like him could say that; he is aware of the incredible rates of assimilation in Canada. In 1971, the rate of assimilation for all English speaking provinces was 27 per cent, but by 1991 it had increased to 37 per cent.

(1620)

Equally, he is a member of a government whose language commissioner recently released a totally shocking report on this government's inability to provide francophones in other provinces with services in French. He is also a member of this government which will make cuts to the CBC, no doubt equally in the French and English networks, without realizing that the French network has been discriminated against for 20 years, although audience ratings are identical and budgets are one third higher for the English network, identical ratings and identical schedules, unless I can be convinced that the English language CBC network is on the air 36 hours a day, which I would find very difficult to understand.

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I find it difficult to understand those remarks and I would like to know how he can rise in the House and praise a federal system which has created these things which are after all neither very interesting nor very praiseworthy.

**Mr. Bonin:** Madam Speaker, I am surprised to see the knowledge that my colleague opposite has cultivated regarding the situation of francophones outside of Quebec. When I first came to Ottawa, at the same time as he did, his party thought that I was one of their own when they heard me talk.

Most of these people have never ventured outside of Quebec. Most of these separatists were oblivious to the fact that there were any francophones outside of Quebec. My riding is 40 per cent francophone. I represent such a riding, and our separatist colleagues from Quebec do not even know we exist. At the end of 1978, René Lévesque came to Laurentian University in my riding in Sudbury and said to francophones outside of Quebec that Quebec had enough problems and had no time for us. That is what he said.

My colleagues from the Bloc Québécois are surprised and moved that there are francophones outside of Quebec. I will give them a little background on northern Ontario. There were nine children in my family, all francophones. I organize family picnics for the Lefebvre family in my riding, and we invite all of the descendants of my grandmother and grandfather. I recall one year where 750 people registered, all francophones. So, come out of your shell! Excuse me, Madam Speaker, I meant to tell them through you to come out of the shell in which they have been hiding.

It is never advisable to propose to separate from something you do not know. Go see the rest of Canada. Go see whether it exists, get a taste of it and you will conclude that it is worth keeping Canada together. Yes, if I rise in this House today and am so proud to speak to you in my mother tongue, French, it is because I had the opportunity to live it, to be raised in it and to speak it at university. My son is registered in a family medicine program in French in northern Ontario and my wife teaches at a French school.

Before being elected, I taught French in a French college; the new college is under construction. I was the president of a French-English school board, the majority of whose members were francophones. So do not try to tell me that francophones outside Quebec have no rights and that our rights are being taken away from us daily. We had our problems in the past, but we got to know one another instead of deciding to separate. We decided to sit down together and learn to work with one another.

I played hockey with the anglophones and I enjoyed it. They are good people. I also played in another league where everyone was French and we spoke French on the ice and in the locker rooms. We learned to work at overcoming problems, to respect

one another. The respect of one person for another is very important for a federation.

The message is not complicated. For the separatists, if you wish to separate, at least know what you are separating from, because you run a very great risk of hurting the people you represent. This is not right, because the members of the Bloc Québécois in this House do not represent the majority of Quebecers. They are playing a dangerous game and those of us from northern Ontario know it.

(1625)

With reference to Radio-Canada, I am going to tell you about one of the problems we have in northern Ontario, because I think something needs to be said. Most of our programming comes from the province of Quebec, but we would like more local programming. The propaganda we get on the television and the radio is driving us to switch to our other francophone stations in northern Ontario.

[English]

**Mr. Werner Schmidt (Okanagan Centre, Ref.):** Madam Speaker, I will be dividing my time with my colleague, the hon. member for Red Deer.

I wish to address this House on the business of the budget which was presented yesterday. I want to deal particularly with one part of that budget. It has to do with the provisions for science and technology. The hon. Minister of Finance said that the general objective of federal spending in science and technology is to build a stronger science and technology capability in Canada.

There are two funding councils through which a lot of this money goes, the National Sciences and Engineering Research Council of Canada and the Social Sciences and Humanities Research Council of Canada. Both promote and assist primarily university research and graduate education. Their budget was reduced proportionately less than those in other areas because, as he said, that reflects the importance and priority placement of R and D for this government.

The same thing happened with the National Research Council. It too was reduced, but not in the same proportion as were certain other parts. The National Research Council will have to eliminate activities of a lower priority.

From the above it is pretty clear government has demonstrated that science and technology is considered to be a strategic asset of government.

Let me quote directly from the Minister of Finance's budget plan: "High deficits and debt lead to higher interest rates, higher taxes and reduced confidence, which dampen investment and growth. The financial requirements flowing from chronic deficits, when not matched by increases in private sector savings, increase Canada's dependence on foreign borrowing, the serv-

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icing cost of which is a permanent drain on national income and future living standards. The constant financing of deficits also reduces the government's capacity to provide important public services and to make adequate investments in the area of strategic national importance, such as science and technology."

It should be clear to everyone that this budget, because it does not adequately deal with the fiscal problems of this government, will make it difficult to develop in precisely those areas upon which the future economic development of this country depends and which must take place if Canada is to compete in the global marketplace.

Concerns have also arisen with respect to the treatment of R and D expenditures on information technology generally, and in particular those incurred by financial institutions. I quote the minister again: "As an interim measure, all information technology R and D performed after budget day by financial institutions will be excluded from the definition of scientific research and experimental development pending the completion of the review of information technology R and D".

Is this specific act a discrimination against one of the major stakeholders in scientific and technological development? Or is it as Peter Cook stated yesterday in his article in the *Globe and Mail*: "Fairness to the politician does not mean burden sharing. It means goring the fewest oxen." Since there is not a large number of financial institutions and the chartered banks are by far the fewest and the largest of those, only very few oxen will be gored by this regulation.

(1630)

The question, however, is a larger one. Does this action discourage other innovators in the information technology field? That is particularly problematic in light of the Auditor General's observations that we must recognize the global economy is increasingly driven by knowledge based industries and that innovation is critical.

He goes on to detail some of the characteristics of an innovative country. He states among other things that first, innovation has become a crucial survival issue. It cannot be treated as an option. Second, innovation trends do not arise by themselves. It is generated and sustained through the efforts of people. Innovation is where the innovative spirit is. It cannot be legislated or brought about by edict. It comes from individuals and from creative and interactive communities and it thrives in an environment of encouragement and support.

Three, he says government needs to create an environment that is supportive of innovation. If not, innovators will not innovate or leave to go to places where there is support for

innovation. Four, partners in an innovative society include all aspects of our communities, all governments, communities, individuals, corporations and families. Five, he says Canada has the potential to be particularly innovative as a society because of the cultural diversity of its people. Canada could become known as an innovative country.

The Auditor General also observed that within the science and technology department there is an absence of strong leadership: "The government does not have a clear idea of precisely what it is trying to achieve in science and technology".

In response to that observation of the Auditor General, here is what the Minister of Finance said in his budget plan:

Industry Canada is developing a federal science and technology strategy. The department is drafting a national vision of science and technology through external consultations, internal review as well as an independent assessment of the national advisory board on science and technology.

Industry Canada, in conjunction with other relevant departments, is also working to increase the relevance and economic impact of the government science and technology spending; a more businesslike approach is being adopted.

This is a total statement with regard to this matter. It is vague, yet it readily admits that knowledge is where the future lies. How much money would a private investor place in a vague and wishy-washy sense of direction like that?

In this case, as in any other pursuit, it is essential that there be a clear goal as to where one is going so that one may determine the costs and know when the goal has been reached. At the moment I am afraid there is much money and a lot of activity being thrown in a particular direction but little to show for it. When resources are scarce we cannot afford such lack of accountability and irresponsible expenditure of public funds.

There are some suggestions that I would make that might be of assistance in meeting the Auditor General's message. First, in this country there are insufficient links between science and technology policy on the one hand and economic indicators on the other. Do the government policymakers ask themselves what economic indicators are being directed toward science and technology?

Second, science and technology remains internalized. While it talks about being innovative, about being an important component of economic recovery, it seems to have no idea how to activate policy to become that component. The reason for that is because any review that has come out of the department of science and technology has not had its genesis or relationship with the finance department.

In many ways science and technology and Industry Canada are having an identity crisis. They know what they want to be, an engine of fiscal recovery, but they have no idea how to get there.

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We hear much about creating stronger partnerships between government and universities, government and industry, industry and university. We have not heard a whisper about the relationship that is necessary to forge between academic scientists and economists.

(1635)

Many who comprise and compose the structure of science and technology have moved from the ivory tower of the university to the ivory tower of government. Neither is a traditional place where market value means much to the daily workings of the respective institutions.

Protected from the real world and from having to generate revenues to support their work, their objectives are fuelled by the desire to maintain the status quo. Instead they choose to believe that the granting system is sacred and necessary, that generating revenues is not within the purview of science.

However, generating revenues is a principal element in becoming an engine that drives economic recovery. We are relying on science and technology to produce products, jobs and a niche for Canada in the global marketplace. When we are told that science and technology can do that we believe it because we want it to be so. However, we want it to be happening now.

Do we have to wait another 30 years since the last science and technology review took place when nothing happened? One year from now is too long. It is time to get out of ivory towers and do it now.

We need to have a different structure, a necessary new configuration; one that places more emphasis on each knowledge worker and less concentration and centralization of services, one that joins Newfoundland to British Columbia by an information highway capable of sharing ideas of co-operative creation, of production teams equipped with expertise not limited to institutions, sectors, regions or governments. That is innovation. That will assure Canada's future. That is what we must do and we must do it now.

**Mr. Bob Mills (Red Deer, Ref.):** Madam Speaker, I rise today to give a speech that I sincerely hoped I would not have to give. In the fall the Minister of Finance promised he was going to get serious about the debt and deficit in his budget and that he realized Canadians would not accept any higher taxes.

The minister went on to conduct a much touted prebudgetary consultation process. The minister claimed again and again that he would listen to Canadians. The hopes and wishes of the Canadian public have been betrayed. It is absolutely unacceptable.

I want to talk about the tax grab of the government. Since I was elected, one of the most ironclad wishes of my constituents and the Canadian public has been that the government put a halt

to increased taxes. Canadians are already taxed to death. They are bled dry by the government.

Although the government knew all about the terrible situation it is once again sticking its fingers into the wallets of Canadians and picking them clean. Only this time, since the part of Canadians' wallets that holds the bills is empty thanks to the government, the tax man is rifling through the part that holds the change, plucking the last few loonies away from the beleaguered public.

We have a tax on gas, a tax on utilities in Alberta and taxes on corporations which get passed on to the public. This is not closing loopholes. This is not taxing the rich. These are taxes on everyone who uses a light bulb, heats their home, drives a car, farmers and consumers in general.

This is totally unacceptable. The government has been told time and again it does not have a revenue problem, it has a spending problem. Last year the government spent its way to a record setting deficit. We have now racked up a debt of over \$550 billion, costing the taxpayer close to \$80,000 a minute in interest charges.

This is unbelievable and this is what we are leaving future generations. That is the compassion we have heard some of the members talking about. There should be some compassion shown for the future. The government seems to think that overspending by 24-odd billion dollars by 1997-98 is the greatest achievement ever accomplished. Where the government gets its priorities is totally beyond me.

What did the government not understand about the message of the Canadian public which was no new taxes and fix the deficit?

(1640)

Even the Liberal Party's own personal cheering squad, the Toronto *Star* and many others, had come up with front page headlines like "Get a grip on deficit with cuts, MPs told, but don't try raising taxes, constituents say".

The government was given this message over and over again but it did not listen. I do not doubt the government has a million and one justifications for increasing taxes and I am sure the spin doctors figure they can manipulate the Canadian public into believing these taxes are in the best interests of everyone, but they are wrong.

We really feel that removing the deficit and putting in place a reformed tax system and a long term plan for the reduction of the debt will be the only way to save the programs that Canadians value.

In 1984 our debt was \$190 billion. We had a fellow come along who said he was going to fix it. By 1988 he said that he was going to fix it again and then we were up to \$370 billion. In 1993 we were told that there was such a terrible government and it had

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built up \$489 billion by election day. We were again told that it was going to be fixed.

By 1997 at the next election we will have over \$600 billion. All this and the government thinks that a \$32 billion deficit next year is a great achievement. I am sorry, I do not think that is good enough.

In the past the government has always figured that it could formulate policy and then bring it down from on high. The government thought it knew what was best for Canadians and imposed this on the public.

The last government was particularly good at this trick but we know what happened to it. As much as the government does not want to hear this piece of news, the days when Ottawa told Canadians what to do and how to live are over. It is time for the Canadian grassroots to tell the politicians in Ottawa what to do, and they better do it.

For months now the government has made its problem even worse because it told Canadians it was listening. The public was optimistic that a new day had dawned but now it knows. Now Canadians realize that the government was going to do whatever it wanted regardless of what it heard in the prebudgetary consultations.

It is politics as usual in Ottawa. The government pretends to listen to make itself look good and assures Canadians it has turned a new leaf but the illusion never lasts. This budget is the splash of cold water to the face of the public it needed to realize where the government really stands.

Tax and grab is the name of the game and wishes of the public do not matter. Shame on you, Mr. Finance Minister. You sit on your gold plated pension while future Canadians are sacrificed. Not only is it a huge shame that the government has chosen to raise taxes, but when I ask myself if it is at least taking care of the debt and deficit properly, my answer is no.

Our federal debt is around \$550 billion and it is going up by \$10 billion every few months. The interest on this debt is huge and is going up by \$80,000 a minute. Every time the interest rates go up by 1 per cent the deficit rises by almost \$2 billion. By the time the next election is held our yearly interest payments will be over \$50 billion. This is what will really threaten our social safety net and nothing else.

The international money managers are happy today because they have just been guaranteed an ever increasing source of cash. Let me put it another way. Even if there were no more interest charges on this debt ever and a single Canadian put \$10,000 per year into paying off the debt they would reduce it to zero by the year 5500000 A.D.

Faced with this debt problem, what is the government's answer? What resolute action is it going to take to save our

country from economic peril? It has promised to reduce its overspending to roughly \$25 billion per year beyond what we can afford by the time the next election is called.

This will mean that Canadians will only have another \$100 billion dollars added to the national debt, bringing it over the \$600 billion mark. Wow, what commitment and responsible action. With those kinds of fiscal skills, maybe the cabinet ministers of this government should act as financial consultants when they are looking for new jobs after the next election. I am sure financial wizards like themselves should have no problem finding a job. Maybe the savings and loan companies in the U.S. are looking for senior executives.

(1645)

In all seriousness, it boggles my mind how the government can think that it has done enough. For months now Canadians have told the government that they are willing to bite the bullet in order to address the deficit problem, but the government continues to believe that it can do things as usual; it can have its cake and eat it too. It can spend the country into the ground with big government in one breath and pretend to fight the deficit in the next.

I am sorry, but it just will not do any more. Canadians are unwilling to play the old Ottawa game. They want real change, real reform, real spending cuts and no more taxes. The message is simple but the government is not listening. The actions needed are obvious but the government is afraid to act.

Over the coming year Canada will slip further and further into debt, the dollar will struggle and upward pressures on interest rates will be the norm. As interest rates rise our growth will slow and unemployed Canadians will continue to be frustrated in their efforts to find jobs. In the past the government has been fond of blaming such problems on the previous government. That time is now over. The government has made its bed and now it is time to lie in it. The people of Canada are smart. They know the bill of goods that has been sold to them and they will not forget.

The smoke and mirrors approach of Ottawa will not sell to the provinces or to the people of Canada. Enough is enough. Start from the top. Reduce MP pensions. Reduce the number of MPs. Reform and reduce the Senate. Cut upper and middle management and stop offloading cuts on the lower end of the pyramid.

We have reached a turning point in this government, a downward turn, a turn for the worse, and the Reform party will not stand idly by. Reformers have got the message, no more tax, fix the deficit. Now is the time for us to confront the government and force it to listen. We will tell it over and over, as many times as it takes, to try to get the message through that we have a serious problem and we must address it.

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**Mr. George S. Rideout (Parliamentary Secretary to Minister of Natural Resources, Lib.):** Madam Speaker, I listened with interest to my colleague opposite. He said that the government did not listen, did not discuss and did not involve Canadians in the process of budget and budget reform in trying to strike a budget that at one time would deal with our financial crisis but at the same time not push the country into recession.

Canadians told us that they did not want us to raise personal income tax, that they did not want us to touch RRSPs and that they did not want us to tax dental plans. They wanted us to make substantial cuts in government so that it would function more efficiently. This government listened and that is what it did.

As I listened to the Reform budget I heard it take on the little guy and make it tough. That budget would impose a direct tax against Atlantic Canada, would attack ACOA and would attack those institutions which make Atlantic Canada function. It would attack seniors and senior women who would see their income taxes rise because of the budget that was put forward by the Reform party.

Did the Reform Party listen to anybody when it put forward its budget?

**Mr. Mills (Red Deer):** Madam Speaker, what we have done is really listened to the people. People are saying that they are sick and tired of government from the top down. They are saying give them programs that will let them take care of themselves at the local level.

If the hon. member had read the taxpayers' budget he would see that is exactly what it does. It puts in place things like RPSPs which allow people to take care of themselves, not depend on bureaucracy to do it and not depend on government which over 35 years has failed them; failed to guarantee the social programs and failed to provide them with services. That is what the people are saying.

(1650)

The threat is that \$600 billion and that \$50 billion in interest payment. That is the threat to all the social programs and it is going to hit everyone where we presented a budget which was going to be fair and equal to all and would have provided a solution. It will be too late by the time these people wake up.

**Mr. Paul Szabo (Mississauga South, Lib.):** Madam Speaker, I too have to comment on the member's brief speech.

The Reform Party had used the time in advance of consultation on the budget to go around stirring up so called tax revolts and really scaring Canadians by indicating the government is going to do this, the government is going to do that. As the previous member stated very clearly, the government is not

taxing RRSPs or health and dental benefits. The government did not raise personal income taxes. The government did listen.

The government reduced its spending. There are \$7 in spending cuts for every \$1 of revenue increase. The member now, in trying to salvage some face with regard to the ridiculous tax revolt incitement, is trying to rest everything on an excise tax of 1.5 cents per litre.

I have a very simple question so that all Canadians fully understand what that means. Could the member please advise the House how much that means to the ordinary Canadian in terms of going to a gas station to fill up a tank? How much does that tax cost Canadians?

**Mr. Mills (Red Deer):** Madam Speaker, the answer to that question is \$500 million, but there is a lot more to it than that. There are a lot more areas.

There is that 12.5 per cent to corporations which is going to be off loaded on to people. There are all of the changes when the money is transferred to the provinces to allow them less money, to allow them to increase their delivery of services.

We talk about long term. I am from Alberta and we had a premier in that province, Mr. Getty, who gave a budget very much like this. It was a feel good, be happy, do not ruffle anybody's feathers, try and keep everyone kind of balanced budget.

As far as consultation with the people, I would like to say that in terms of this consultation, the number of town hall meetings and so on that come about in that consultation I would gladly compare with anything that the hon. member does.

**Ms. Hedy Fry (Parliamentary Secretary to Minister of Health, Lib.):** Madam Speaker, unlike the last speaker, I think it is a great honour for me to stand today and support the budget. I am very proud of its very bold and visionary approach to fiscal management.

Throughout this budget the Minister of Finance had in effect courageously redefined Canada's system of government while at the same time maintaining the basic principles of fairness and equity.

There are some specific areas of the budget that I would like to address today, especially as they impact on British Columbians and on my constituents.

I would like to stress that this budget has fulfilled all the promises made by our government. It was tough but it was fair. This budget has ensured that the financial burdens faced by all Canadians will be distributed in an equitable manner. It started by cleaning house, by setting an example of frugality and fiscal prudence from the top.

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There is no NIMBY syndrome in this budget. We started right in our own backyard. We redefined government by downsizing, by becoming lean and efficient and by enunciating a more appropriate role for government, one that enhances growth rather than manages it.

We did this by getting out of mega projects, by cutting back on subsidies to businesses, to farms, to transportation and to mining. We feel that these sectors can sustain themselves and be competitive if we just get out of their way. They have told us this often enough and now we are doing it.

We will commercialize viable sectors like transportation so that they can be self-sustaining and so that the users pay for their services rather than all taxpayers. We will still ensure that public safety and national standards are maintained.

(1655)

This budget clearly comprises a major turning point in our economic history. In the last few years we have been straining to govern. We have been straining to survive under the cloud of a burdensome debt and a dangerous deficit.

This economic downturn we just suffered compounded the negative impacts of the deficit and the debt by affecting our credibility in world markets. Our economic sustenance was at the beck and call of investment bankers in New York and editorial writers in Washington.

We had two choices. We could continue to ride the downhill spiral toward indebtedness and even to third world status or we could take measures to change direction. We needed a revolution and this budget has provided us with one.

Over the next two years this budget will create cumulative savings of \$13.3 billion, \$11.9 of which will represent cuts in government spending. That equals \$7 of spending cuts for every dollar of tax revenue. As a result in 1996-1997 our economic growth will finally be greater than the growth in our debt.

This is a key element. It marks the turning point in our indebtedness as a nation. It means that we will be taking in more money than we are borrowing for the first time since World War II. We have finally turned the corner.

Contrary to the rhetoric spawned by the furious and impetuous reaction of opposition parties and other groups, this budget does not reduce our commitment to social programs. I think rather it enshrines it. By taking control of our finances we have regained our sovereignty and our ability to make our own decisions about the kind of social democracy we want to live in. We have empowered ourselves so that we can make decisions based on our values as a people; values of compassion and of social justice, values that see government's role as one which creates opportunity for all, one which removes obstacles and one which protects the most vulnerable in our society.

This budget will let us protect our social programs from the investment bankers and editorialists of the world. By achieving our deficit targets we are taking action to prevent New York or Tokyo from in effect running our country and defining our social programs. A Liberal government could never allow that to happen.

I am glad to see that this budget, tough as it is, was not balanced on the backs of the poor, the sick and the elderly. As Parliamentary Secretary to the Minister of Health, I am pleased to note that his budget in no way affects the medicare standards and principles that are so dear to us and that are enshrined in the Canadian Health Act. Health care delivery across this country will continue to be comprehensive, universal, portable, accessible and administered by the public. In the red book we committed to ensuring that these principles are upheld and we are keeping that promise.

Yesterday in a typical knee-jerk reaction to the speech by the Minister of Finance, the Leader of the Opposition and his finance critic stated that the budget was merely another confirmation of status quo federalism. It is clear that the Leader of the Opposition did not read the document, or if he did he did not understand it.

The budget does the exact opposite. It clearly marks the beginning of a new era of federalism and of federal-provincial relations. It is a move in the direction of a leaner, more efficient, more accountable system which recognizes provincial responsibilities and the ability to redesign and redeliver effective services at the local level; the bottom up approach that the opposition parties so often tout but are reluctant to implement.

In reading the newspapers this morning I noticed that much of the media has focused its concerns on the new system of block funding, the Canada social transfer which will result, it says, in fewer services being provided by the provinces. On the contrary, with the new system of lump sum transfer payments, our government is in effect giving the provinces greater flexibility and greater leverage in the administration of their social programs.

The federal government's role has been redefined but in a positive way. I firmly believe that these changes will provide a window of opportunity for us to set clear national standards for all social programs. This is a move that my constituents and groups across this country have advocated for years.

Instead of balkanizing the country, this move will allow us to set national objectives for education and social security like we have done so successfully with health care.

(1700)

Since its inception medicare has given over the management and administration of health care to the provinces governed by a set of principles enshrined in the Canada Health Act. This has created a health system that binds us together as Canadians, a system of which we are duly proud, a system that has freed the federal health department to concentrate on the broader issues



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that affect the health and safety of all Canadians. This is what we intend to do with the devolution to the provinces.

I trust that following his consultations with the provinces the Minister of Human Resources Development will act swiftly in proposing standards and principles that will see us act along the lines of the Canada Health Act and the standards for administration and national care we see as a nation.

The Canada social transfer will do exactly what we want it to do. We have shown by our leadership as a federal government that we can provide better, leaner and more efficient government. I believe the provinces will rise to that challenge and be able to show us that they can do just as well as we can and as we have done.

I would also like to talk a bit about the changes to the Unemployment Insurance Act that I feel are very important. I believe that one of the key issues of unemployment at the moment is in keeping with our Liberal mandate, which is to get people back to work and keep them at work. If we can concentrate our efforts on employment services and training we will do exactly that.

Those Canadians who feel very vulnerable now because they are unemployed and who are concerned that this will damage their futures should not be concerned because our move is to give them the tools and skills needed to get them back to work, to stay in work and to make us a more competitive nation. We are removing the safety net but we are providing a springboard. I think most Canadians want a springboard.

We are also cutting some funding to the unemployment insurance program. By the fall of next year the funding will be reduced by 10 per cent. This is only funding that is going to be done because of downsizing of administration and because it will automatically come from the lower unemployment rates. As the House knows, we have been creating jobs and have brought our unemployment down by two percentage points, which had not been done over the last 10 to 15 years.

We are also moving to reduce some of the abuse that I hear from all over the country is endemic in the system. That will save us \$200 million.

Furthermore we are looking to do something that is innovative and creative. We are looking to build a \$5 billion surplus in the UI fund so that we do not have to make the same mistakes we made the last time. When the cycles of recession and downturns in the economy come we will have a buffer to start so that we do not have to increase UI premiums and therefore hamstring the businesses that need to grow, to help us to sustain the economy in bad times. This is just common sense.

By maintaining a surplus we will be able to mitigate the rates and help in periods of slow economic growth. It will also help us

to encourage job creation at a crucial time when we are recovering from downturns in the economy.

In addition, I am very pleased to note that throughout the budget the government has remained totally and absolutely committed to a fair and sustainable system of protection for seniors. It recognizes the important contributions that seniors have made to Canada's social and governmental infrastructure.

I have a large seniors population in my riding. They have been very concerned that their pensions would be destroyed in the budget. I am pleased to be able to tell them that the two main pillars of the public pension system, the Canada pension and the Quebec pension plan, the old age security and the guaranteed income supplement will be maintained and improved.

In the budget the Minister of Finance has promised to sit down with the provinces in the fall to review our very shaky Canada pension plan. The Minister of Finance pledged to release a paper in conjunction with the Minister of Human Resources Development to recommend changes to the system to ensure its affordability, fairness and sustainability as many of us baby boomers move into old age.

Finally, the minister is announcing a change in the method of payment of old age security to high income seniors who have been subject to the so-called clawback. This is simply an administrative, common sense approach. If we pay out our benefits to individuals at a time every month instead of waiting until the end of the year to give in and pay back, it just prevents a lot of paperwork. That is the kind of silliness that has been costing so much money in government spending over the last few years.

(1705)

The budget has also followed through on our red book promises to maintain fairness and equity in our taxation system. The Minister of Finance has refused to balance the budget on the backs of the poor. Rather it seeks to distribute the onus of fiscal frugality to those who have traditionally not been paying their fair share.

Reforms to family trusts are a good example. I firmly believe that in times of fiscal restraint all Canadians should pay their fair share and not escape through nice old loopholes.

The budget eliminates the cap and justly so for family trusts, changes to the family trust administration and will terminate the preferred beneficiary election for trust taxation years that begin after 1995, except where the beneficiary is physically or mentally impaired. Again the government has done a sensible thing with compassion so that we will not harm those who are most vulnerable.

I recognize that family trusts have many valid non-tax objectives such as helping with succession planning, but these changes ensure that family trusts will not be used to defer capital

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gains for income splitting purposes. That is the loophole we were trying to get rid of. Once again the budget has shown that we are committed to reductions as long as they are fair.

There is more good news for my constituents in the budget such as changes to the government's role in transportation. The federal government's role in transportation is evolving from that of being an operator of the system into one that is primarily a policy maker, a regulator and a landlord with only limited operational responsibilities. Subsidies are being reduced and in many cases eliminated. Major operations will be given more commercialized forms and remainder operations will be made more efficient with greater reliance on users rather than taxpayers to pay the cost of the transportation system.

Thus the budget reduces net spending by Transport Canada and related agencies by over 50 per cent in 1997-98, from \$2.8 billion to \$1.4 billion. As a consequence the port of Vancouver in my riding and other ports across Canada will have the opportunity to thrive under the autonomy they have sought for many years now and finally become competitive.

Changes to the mining sector will have a positive impact in the long run in B.C. In the budget the federal government has decided not to renew mineral development agreements, but it also likes to emphasize that this non-renewal does not mean it has abandoned the mining sector. The mining sector has not had a fair system of taxation to assist it in different levels of mining such as reclaimed mines versus new mines. We are going to look at these issues so that we can give that sector what it needs and remove the barriers so it can thrive and become as viable as we know it can be in Ontario and in British Columbia.

I would like to comment a bit on members of the Reform Party in the House who have attacked our budget. They have said we have not done the things we should do and they have discounted our figures. They have said that we have been hypocritical.

The budget tabled by the third party was punitive and non-creative. Throughout the history of the country the Liberal Party has always been here at times of change. Whenever the country has sought to move into new areas, has sought to become a greater country or has sought to change the way we do things, there has always been a Liberal government in place to lead us into the changes.

We are moving into the 21st century. There will be many challenges for the country. We have seen we need to be competitive. We have seen we need to look at training. We need to look at employment. We need to look at jobs. We need to look at economic growth. We are focusing on economic growth. We are

focusing on the engines of growth: small business, science and technology. We are going to make the country move forward.

As always, a Liberal government has been there to help Canada to manoeuvre its way through difficult times. We will be here once again to move us into the 21st century when I know the world will look to Canada for leadership.

[*Translation*]

**Mr. René Canuel (Matapédia—Matane, BQ):** Madam Speaker, I was listening to what my colleague has just said with great interest. I do believe her Liberal roots are showing.

(1710)

It is full of sophisms. I will make a comment and then put a question to my colleague. How will it be possible to provide quality health care when transfer payments to the provinces will be cut by \$700 million next year? How will it be possible to improve health care? She spoke at length about this earlier.

If I were a young graduate, I would be very concerned tonight. If I were on income security, I would be even more concerned. If I were unemployed, I would be extremely concerned. They are talking about cutting 45,000 public service jobs, about closing military bases in Saint-Hubert and elsewhere. The extremely competent workers who will lose their jobs will surely find other jobs, but for a 24-year old graduate, it is a different matter. One job means one job, not two jobs.

Tonight, I would be very happy if I had a family trust as I would have until 1999 to avoid taxes. Nothing to worry about. If I were the Royal Bank, I would be very happy, too. I would send you a dozen roses and we would sing together. The wealthy are rejoicing while the most disadvantaged are sad.

I would ask my colleague to really explain to these young university graduates and unemployed workers how and where this budget will help create jobs quickly, when we know that it takes \$200 million away from infrastructure programs?

[*English*]

**Ms. Fry:** Madam Speaker, I would like to respond first to the statement the hon. member made about health. Many studies have shown now that the health care system is appropriately funded but that the health care system needs to be managed more efficiently. That is what we should be looking at doing.

We do not need to continue to pour money into the system. The system can provide the best health care in the world that Canadians need if we manage it. It has not been managed on sound management principles. We have not looked at the outcomes of the things we do to see whether they make a difference to the health status of the population.

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There are enough studies now to show that we can save significant amounts of money that we can put into important aspects like prevention and helping to improve the health status of the population so our children can grow out of poverty and be healthy. We know that poverty is a major determinant of ill health in the country. We need to shift our resources where they do the best and where they improve the condition. That is what we can do if we manage the system better.

I do not see that any kind of cutbacks in funding will make our health care system worse. It is a challenge for provinces to learn how to manage the system appropriately on sound principles and guidelines. I think we can do that and I think the provinces are equal to the challenge.

With regard to young Canadians who are looking for work and any Canadian who is looking for work, the unemployment insurance system at the moment has shown us that 25 per cent of Canadians across the country are functionally illiterate. Forty per cent in the maritimes are functionally illiterate. We are not looking at the traditional student any more. We are looking at adult populations, non-traditional students, who need skills and tools to get back to work.

On one hand, the government is trying to push the engines that will drive the small and medium size business sector which will create 80 per cent of our new jobs. On the other hand, we are looking at unemployment insurance as an adjustment that will help people to get the tools and the skills they need to get back into the workforce so they can become independent contributing citizens who contribute to the competitiveness of the country. That is what we are looking to do, create opportunity; a springboard and not a safety net.

(1715)

**Mr. Jim Abbott (Kootenay East, Ref.):** Madam Speaker, when I listen to many of the Liberal members I am reminded of Eliza Doolittle. She was getting very frustrated and she finally sang a song which I believe was "Words, words, words. I am so sick of words".

I listened to the member talk about the proposal where the government is proposing to combine the money it is transferring to the provinces for health and welfare and for post-secondary education into this Canada social transfer act, then magically make \$4.5 billion disappear.

Members should know Reform made a proposal like that. However, when we talked about it, we were talking about transferring tax points, transferring the ability of the provinces to be able to fund these. This is simply downloading.

The difficulty with this plan is that the Canada Health Act and the Canada assistance plan are both etched in stone as far as the provinces are concerned. Therefore the entity under the Canada social transfer that literally goes begging with this \$4.5 billion

is post-secondary education. Post-secondary education simply disappears.

I have a very specific question for the member. Considering that members' pensions are such a monumental issue in the province of British Columbia, I know that her constituents, certainly all the people in British Columbia, would be interested to know if she intends to exercise her option of opting out of the members' pension plan, thereby showing the leadership that the people of Canada are looking for.

**Ms. Fry:** Madam Speaker, although the member made a nice little speech prior to his question that I would like to comment on, I will respond to his question first.

The hon. member is asking me if I will opt out of the pension plan because he sees it as a way of being responsible. There are many ways of being responsible. I would like to look at the whole issue. I would like to see whether it is feasible to opt out or whether I choose to do so.

Reform of pensions is a fundamental and basic issue. It has been looked at. The Prime Minister was very clear when he talked about reforming members' pensions. We have had a report from a third party that talked about a lot of reforms to pensions and to MPs incomes that I do not see the hon. member discussing in total.

It is easy to cherry pick, to take one little part of a report and comment on it. You have to look at the whole. That has been a fundamental flaw in all of the third party's policies. Its members take a little piece of a narrow strip and never look at the big picture. They never see how it impacts, whether there is a domino effect or not.

The hon. member should look at the big picture sometimes.

[Translation]

**Mrs. Francine Lalonde (Mercier, BQ):** Madam Speaker, as the official opposition critic on human resources development, since the last election campaign, I am today faced with the Martin budget. It has been one long obstacle course.

Having come this far and despite what the minister says, I know from reading his budget and listening to his speeches that, far from giving up the idea of implementing major cuts in social programs and centralizing powers, the budget before us confirms that what the central government wants most of all is to withdraw from health, education, social assistance and other social services, but to keep the sectors where it feels it must be involved, even if they are not under its jurisdiction.

(1720)

Now, without a word of warning, without any concern for efficiency, it is about to shamelessly increase duplication and overlap. During the human resources development committee's

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recent tour, many groups and individuals, more than 1,000 Canadians, came and told us basically that what they needed most was not training, although it was often requested, but rather jobs, decent jobs.

There is strictly nothing in the budget on this matter. The budget is silent for some incomprehensible reason. It is silent, while budget cuts alone lead nowhere in terms of dealing seriously with the deficit and debt problem. Yes, the minister made a step in the right direction, but you need only take a good look at the budget to see that the debt will not be reduced this year, on the contrary, and that a deficit reduction was achieved at the cost of great and extremely difficult sacrifices. Considering that a single percentage point will make \$1.7 billion difference in debt charges, it is obvious that we must not look only at cuts.

We must not for the sake of the debt, of course, but above all for the people whose livelihood depends, right now, on their jobs or the hope of getting one. All over Canada, people have told us that they were prepared to talk about social programs and social reform, but not in the context of further cuts. They told us also that Canada was no leader in terms of social programs. Recent OECD statistics clearly show that Canada's social expenditures are below OECD average, at the same level as that of New Zealand's, for the information of New Zealand admirers.

What does this budget say? It tells us that another \$7.5 billion will be cut in social programs between now and 1998. I say "another" because we must not forget that the previous budget passed in this House also provided for a \$7.5 billion cut in social programs. So, this makes two times \$7.5 billion, or a total of \$15 billion, in cuts in social programs over a period of four years. That is what we learned following a leak, when the Minister of Human Resources Development announced his project. In the end, after this whole exercise and after the bickering among Liberals, we realize that what was the plan in October is now in the Minister of Finance's budget, in spite of all these consultations.

People said: "The government can no longer cut into social programs". Yet, the expected cut is being made, in spite of the problems that it will generate. What else does this budget tell us? We see that the federal government is backing away from funding in health, education and welfare.

(1725)

I use the term "backing away" because the federal financing of these sectors is reduced to such an extent that the provinces will experience increasingly more serious problems. The merging of the old financing, education and health programs, as well

as social assistance, is called the Canada Social Transfer. This transfer hides two realities mentioned in the budget. First, because of this Canada Social Transfer, if there is a recession, the provinces will have to fully assume the additional costs related to the increase in the number of people relying on welfare. That is what I mean by backing away, Madam Speaker.

The Canada Assistance Plan, which was far from being perfect, was based on the financing, by the federal government, of provincial programs designed to help the poor. The federal government is now eliminating that structure, claiming that it will provide more flexibility. But where is the flexibility for the provinces? The federal government is not transferring responsibilities to the provinces: they already had them. Rather, it is transferring costs and, in fact, leaving the provinces to look after the problems, while knowing full well that, in the end, it is Canadians who will pay the price, and in a very dramatic way.

I will repeat a comment made by the hon. member from British Columbia who spoke just before me. She said that the government was giving back to the provinces the power to spend because they are in the best position to do so appropriately. Why is it that the government is giving back to the provinces funds which are dwindling and about to disappear? The federal government is telling the provinces to use their imagination, when it is in fact dumping its problems on them.

But there is money available, even though that may come as a surprise to you. There is a hidden fund which explains why the budget may have looked better than expected. I am referring to the UI fund and the programs financed through that fund. Quebec asked for the control of the whole manpower sector, or at least as regards vocational training. There is money for that. Where will that money go? Unfortunately, when there is money available, the federal government does not think that the provinces are in the best position to show some imagination, to know what the public's needs are, and to help Canadians. No. The federal government only recognizes the ability of the provinces when they are forced to live with cuts, to make hard decisions and to look like the culprits.

However, when the provinces could have the tools to promote employment and define meaningful strategies, then the federal government prefers to remain in control.

Thanks to the UI fund, the federal government can, in its budget, make proposals which almost go unnoticed. One such proposal is the new investment fund for human resources.

**The Acting Speaker (Mrs. Mahau):** I am sorry to interrupt the member for Mercier. You will have ten minutes after the vote.

*The Budget***YOUNG OFFENDERS ACT**

The House resumed from February 2 consideration of the motion that Bill C-37, an Act to amend the Young Offenders Act and the Criminal Code, be read the third time and passed.

**The Acting Speaker (Mrs. Maheu):** It being 5.30 p.m., pursuant to Standing Order 45(5)(a), the House will now proceed to the taking of the deferred division on the motion for third reading of Bill C-37.

Call in the members.

(The House divided on the motion, which was agreed to on the following division:)

*(Division No. 164)*

**YEAS**

## Members

Adams  
Allmand  
Assadourian  
Axworthy (Winnipeg South Centre)  
Barnes  
Bellemare  
Bertrand  
Bevilacqua  
Blondin—Andrew  
Bonin  
Brown (Oakville—Milton)  
Bryden  
Bélanger  
Calder  
Cannis  
Cauchon  
Chan  
Cohen  
Collins  
Crawford  
DeVillers  
Dingwall  
Dromiskiy  
Dupuy  
Eggleton  
Fewchuk  
Fontana  
Gagliano  
Gallaway  
Godfrey  
Gray (Windsor West)  
Harb  
Hopkins  
Iftody  
Jackson  
Keyes  
Kirkby  
Kraft Sloan  
Lavigne (Verdun—Saint-Paul)  
Lee  
Loney  
MacDonald  
Malhi  
Marchi  
McCormick  
McKinnon  
McTeague  
Mifflin  
Mills (Broadview—Greenwood)  
Mitchell  
Murray  
Nunziata  
O'Reilly  
Pagtakhan  
Parrish  
Payne  
Peterson  
Pickard (Essex—Kent)  
Reed  
Richardson  
Rock  
Scott (Fredericton—York—Sunbury)

Alcock  
Arseneault  
Augustine  
Bakopanos  
Beaumier  
Bernier (Beauce)  
Bethel  
Bhaduria  
Bodnar  
Boudria  
Brushett  
Bélair  
Caccia  
Campbell  
Catterall  
Chamberlain  
Clancy  
Collenette  
Cowling  
Culbert  
Dhaliwal  
Discepola  
Duhamel  
Easter  
English  
Finlay  
Fry  
Gagnon (Bonaventure—Îles-de-la-Madeleine)  
Gerrard  
Graham  
Guarnieri  
Harvard  
Hubbard  
Irwin  
Jordan  
Kilger (Stormont—Dundas)  
Knutson  
Lastewka  
LeBlanc (Cape/Cap-Breton Highlands—Canso)  
Lincoln  
MacAulay  
MacLellan (Cape/Cap-Breton—The Sydneys)  
Maloney  
Marleau  
McGuire  
McLellan (Edmonton Northwest)  
McWhinney  
Milliken  
Minna  
Murphy  
Nault  
O'Brien  
Ouellet  
Paradis  
Patry  
Peric  
Phinney  
Proud  
Regan  
Rideout  
Rompkey  
Serré

Simmons  
St. Denis  
Stewart (Brant)  
Szabo  
Terrana  
Tobin  
Ur  
Verran  
Walker  
Wells  
Young

Skoke  
Steckle  
Stewart (Northumberland)  
Telegdi  
Thalheimer  
Torsney  
Valeri  
Volpe  
Wappel  
Whelan  
Zed—146

**NAYS**

## Members

Abbott  
Althouse  
Bachand  
Benoit  
Bernier (Mégantic—Compton—Stanstead)  
Bridgman  
Brown (Calgary Southeast)  
Canuel  
Chatters  
Crête  
Dalphond—Guiral  
Debien  
Epp  
Forseth  
Gagnon (Québec)  
Gilmour  
Gouk  
Guimond  
Harper (Calgary West)  
Hart  
Hermanson  
Hoepfner  
Jennings  
Lalonde  
Laurin  
Leroux (Richmond—Wolfe)  
Loubier  
Marchand  
Mills (Red Deer)  
Nunez  
Picard (Drummond)  
Pomerleau  
Ringma  
Sauvageau  
Silye  
Solomon  
St-Laurent  
Taylor  
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Ablonczy  
Axworthy (Saskatoon—Clark's Crossing)  
Bellehumeur  
Bernier (Gaspé)  
Breitkreuz (Yorkton—Melville)  
Brien  
Bélisle  
Caron  
Chrétien (Frontenac)  
Cummins  
Daviault  
Duceppe  
Fillion  
Frazer  
Gauthier (Roberval)  
Godin  
Grubel  
Hanger  
Harris  
Hayes  
Hill (Macleod)  
Jacob  
Johnston  
Landry  
Lebel  
Leroux (Shefford)  
Manning  
McLaughlin  
Morrison  
Paré  
Plamondon  
Ramsay  
Robinson  
Schmidt  
Solberg  
Speaker  
Stinson  
Tremblay (Rimouski—Témiscouata)  
Venne

**PAIRED MEMBERS**

Anderson  
Bergeron  
Brushett  
Dubé  
Flis  
Guay  
Irwin  
Lavigne (Beauharnois—Salaberry)  
Mercier  
Peters  
Robichaud  
Wood

Asselin  
Bouchard  
Deshaies  
Dumas  
Goodale  
Hickey  
Langlois  
MacLaren  
Ménard  
Pillitteri  
Vanclief  
de Savoye

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(1800)

*[English]*

**The Acting Speaker (Mrs. Maheu):** I declare the motion carried.

(Bill read the third time and passed.)

\* \* \*

*[Translation]***THE BUDGET**

## FINANCIAL STATEMENT OF MINISTER OF FINANCE

The House resumed consideration of the motion, of the amendment, and of the amendment to the amendment.

**Mrs. Francine Lalonde (Mercier, BQ):** Madam Speaker, it is always difficult to pick up the momentum one had in the first part of a speech. I am sure that we lost our listeners and viewers during the vote.

I just would like to add very quickly that there is something I find very surprising in this budget, and that is the role of the unemployment insurance fund. As we saw, the federal government is withdrawing from funding health care, education and social assistance. This spring, it passed Bill C-17, which tightened up eligibility criteria so that fewer people were entitled to UI, and received smaller benefits for a shorter period of time.

The UI fund allowed the federal government to pay itself back for the loan it had made during the recession and consequently to present a more favourable picture. But this is not all. Since the government did not lower premiums but reduced eligibility, it was able to make some incredible forecasts. This year and next, there will be a difference of \$5 billion between expenditures and revenues.

What is this money going to be used for? Naturally, the government proposes, first, to reduce the deficit. Does it propose to reduce contributions, to help small and medium size businesses? No. It proposes to let a surplus of \$5 billion accumulate. What it also proposes, to finance the creation of a human resources investment fund, as the budget calls it, through a new reform of unemployment insurance, is to divert money from UI to this new fund.

(1805)

In fact, the unemployment insurance fund is the cash cow of the federal government. It will protect it from the effects of the next recession. By withdrawing from the financing of social programs and the CAP in particular, the federal government leaves the provinces in a position where they will have to deal with the consequences of a future recession and a future increase

in the numbers of the poor, while insulating itself from such consequences. How? By having surpluses in the unemployment insurance fund.

Who generates such a surplus? Companies, of course. But not any company, the ones that are labour-intensive, that is the low-tech companies, those where things are done manually. The companies where wages are the lowest. These companies and these workers contribute in a large part to the unemployment insurance fund. Companies with more technology and higher wages, because of ceilings, are exempt. And this means that the fund is financed by workers and companies which are not the main beneficiaries of the fund. Not only do they help give the federal government some protection against the next recession, they also allow it to show a lower deficit since the money is added to the federal budget. We recommended that it not be included anymore.

Finally, not only do we see more cuts in social programs, nothing whatsoever in the way of employment, and continued interference by the federal government in areas where there is money to be had and where it can call the shots, but in the case of manpower training, the federal government no longer says that the provinces know best. That is not what it says. It maintains control over job training and all manpower issues. As I said, it does not want to withdraw from areas where there is money to be had.

However, the money in the unemployment insurance fund comes from labour-intensive corporations employing a lot of low-paid workers and from these workers. Let me conclude by saying that the workers are really the ones who foot the bill since the corporations pass on their costs onto the consumer.

It is really a shame to see the federal government use this fund to shamelessly guard against whatever the future holds, while workers will have to pay more taxes and will run into more problems in the areas of health, education and welfare.

There is another important issue I want to address and it is linked to the new national standards that we can expect with the Canada social transfer. Throughout the budget speech, we are told "This is the beginning of a new era in Canada. We have finally realized that provinces know best", especially, may I add, in tough times. But there is more.

With this new Canada social transfer, the federal government will be able to withdraw during the next recession and still have the power to set new standards.

(1810)

What are we told? We are told that, for two years, this Canada social transfer will be funded at the average combined rate of CAP and EPF and that, for two years, health care standards will apply, so that the federal government will be able to withhold

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payments to provinces who do not comply. We are also told that the Canadian assistance plan, or CAP, the source of half of the social program funding in Canada, no longer exists. The only responsibility that remains is to make welfare payments without minimum residency requirements.

The bottom line is that the government, by dropping CAP, wants to be seen as generous and mindful, at last, of the role of provinces. But the fact is that the government is retreating because it can no longer afford CAP. It does not want to invest the money needed to give its share to Ontario, a province that suffered a lot during the last recession. The government was in a bind and either had to find more money, or penalize Quebec. So, it decided to put on a show of openness, but at the same time to prepare with the provinces new standards applicable, as Mr. Martin said, to the Canada social transfer.

No more cuts, no more centralizing. Let the people and the provinces take care of all the problems and the debt. But the federal government got itself some breathing space by using the money of workers and small businesses.

**Mr. Patrick Gagnon (Parliamentary Secretary to Solicitor General, Lib.):** Madam Speaker, I find it strange that the opposition critic objects to this transfer of some areas of jurisdiction to the provinces. Even though the role of the opposition is to criticize the government, in this case, it is still criticizing federalism.

We talked about the surplus in the unemployment insurance fund. Certainly, these past few years, we have been forced to review our programs, to seriously reevaluate them, in order to see where we are in these programs which have existed for more than fifty years or so. We certainly must make some adjustments. We must face the new challenges of market globalization, and I believe that the federal government is fully aware of the importance of taking some corrective measures in this regard.

I would like the opposition critic to tell us what she thinks about the fact that the government has decided to do more in counselling services, in basic training abilities, as well as in training and experience in the workplace. It also intends to do more in child care services. It is even looking at the opportunities relating to the income supplement. I would like to know if, in her opinion, these are not new ways of doing or seeing things which are highly commendable and which will certainly work towards the well-being of the people of Quebec.

**Mrs. Lalonde:** Madam Speaker, I thank my hon. colleague for his question.

First, I want to say that if I talked about surpluses in the unemployment insurance fund, it is because these surpluses are due to the cuts that have been made. However, my hon. colleague gives me the opportunity to say that what the federal government is about to do with its Human Resources Investment Fund is to provide itself with a fat account, because it will be

supplied both by the programs presently financed through the Consolidated Revenue Fund and—this is made very clear in the budget—by the reallocation of the moneys saved by a new reform of unemployment insurance.

That means that the government will provide itself with a big fund to take action in areas of provincial jurisdiction. It will not even bother any longer to try to negotiate or impose its standards, it will take action.

(1815)

The last step is the centralization in Canada of social programs since the transfer of jurisdictions, because at that time at least they sought approval by Parliament. The last step deals with direct involvement in day care services, in income supplements, because the minister's objective was to be able to take up, through federal funds, the assistance, employability and job development services, yes, but for people able to work, who from now on would not be under provincial jurisdiction but who would, because of the long term unemployed provisions, fall under the central government's control.

So, there is indeed a large reform under way, but that reform, instead of going in the direction of recognizing provincial jurisdictions, is going in the direction of giving, through funding, direct power to the central government. This government does not care about overlap and duplication. It does not care about co-ordinating its operations and setting a strategy with the provinces, which means that in fact the government will completely take over the area of manpower. Under the circumstances, it is easy to understand why it does not want to hand over manpower training to Quebec.

[English]

**Mr. Jim Abbott (Kootenay East, Ref.):** Madam Speaker, I would like to make my position very clear that I do not believe for a second that the people of Quebec, given the opportunity to vote in a referendum that is fairly put to the people, will vote in favour of separation. The member and I have a very substantial difference.

I want to put that on record because I would like to ask a question that would encompass both the possibility of her achieving her dream of Quebec separating and if not. In the issue of bringing education, hospital and the Canada assistance plan together under one roof and downloading as the Liberals are trying to do, at the same time removing \$4.5 billion which means that if we are going to maintain the same level of service, which may or may not be necessary, the taxes would then have to go up at the provincial level.

If we can just set that aside, I would like to ask a question in terms of concept because she did raise the issue of national standards. If, as I have already stated, I reject categorically the concept of a separate Quebec but nonetheless if that should transpire, how would the people of Quebec be better off considering that there would be absolutely no national standards; in

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other words there would be no joint jurisdiction between Quebec and Canada?

Second, if, as I believe is going to happen, Quebec people choose what is best for them and do stay in Canada, would Quebec and the provinces not be better off if they had the ability to raise the taxes? In other words, the federal government transfers the ability to tax the tax points to the provinces. If they were administering the programs, is that not really the fundamental problem that the BQ and the PQ are presently trying to do, to get more jurisdiction over the areas of health, welfare and post-secondary education?

[*Translation*]

**Mrs. Lalonde:** Madam Speaker, if I understood well the question of the hon. member, he is wondering if we are not asking in fact for a transfer of tax points. That was the position we adopted and the minority report of the Committee on Human Resources Development refers to a transfer of tax points.

However, it is important to make a point about standards. In all regions of Canada where the members of the Committee have travelled, it was clear that everywhere, except in Quebec, people want strong national standards. As far as they are concerned, Quebecers want, with a few exceptions, to have their own standards.

(1820)

Quebecers are a people, even though they do not always call themselves that way et they want to make their own standards. Often, those standards are higher than elsewhere for reasons I will not explain here, but it is nevertheless a fact. It is true for daycare services, it is true in the case of the Act on handicapped people, and I could go on.

But being a distinct people with regional differences, it is normal that Quebec wants to create its own standards. This is what I had to say on that issue. From a philosophical point of view, the economic or social organization is different from one people to another. You only have to study peoples as a whole or even peoples having a comparable level of social expenses to see that choices are different according to peoples, their history, their priorities or simply because they are different from one another.

It is therefore on that basis, without explaining it with rational arguments, that one can understand and defend the idea that the people of Quebec wants its own standards.

**Hon. Alfonso Gagliano (Secretary of State (Parliamentary Affairs) and Deputy Leader of the Government in the House of Commons, Lib.):** Madam Speaker, I must say that yesterday, I listened to the finance minister's speech with interest. I was expecting answers to the many questions put to me in recent months and weeks by the people of Saint-Léonard.

Indeed, all the people I met with and spoke to on the phone gave me much the same advice: "Make up your mind, do something, it is time to take action". They told me: "Put your fiscal house in order, we are on the road to ruin". They said: "Downsize the government, it is too expensive". And above all, they begged me not to raise taxes. They also said not to touch seniors. They said they wanted to continue to invest in their RRSPs because they needed them. They told me to cut subsidies to businesses, to support small and medium size businesses and to tax big corporations and banks.

The electorate in Saint-Léonard is realistic. People there are reasonable and pragmatic. They know that our future depends on the choices we are making now, in the budget the Minister of Finance tabled yesterday afternoon. They know that we must take the bull by the horns and learn to live according to our means. But above all, they know that without a drastic about-face this year, our standard of living and our future chances at prosperity are in danger.

Right at the beginning of his speech, the minister said: "Today, we have made our choice. Today, we take action". Yes, indeed. Our government chose to take the most drastic budgetary measures ever seen in 50 years to control this monster that our deficit has become. The federal government will tighten its belt and cut expenditures—all expenditures at all levels.

However, we will do so in the greatest respect of the values that Canadians hold so dear. We will promote job creation and economic recovery. We will protect the most vulnerable in our society. We will cut down on our life-style. And we will do all this without raising taxes, without cutting the old age pension and without taxing retirement savings plans.

(1825)

Today, in Saint-Léonard as in everywhere else across the country, Canadians applaud the Minister of Finance. He had the guts to do what others had promised to do for almost ten years. For too long, we have only had smoke screens. Canadians want results, solid and measurable results, and we already have some.

Last year, we promised in our first budget to reduce the deficit to under \$40 billion. Once all calculations are done, our bottom line should show that our basic deficit is some \$4.4 billion less than expected. Now those are tangible results. This is something new and exciting. For ten years, there were promises to reduce the deficit, but it never happened. And now we managed to make it happen, and we did even better than we expected.

It has been a long time since anyone saw a government overestimate its deficit. The results have been very encouraging as well, here in the House of Commons. As you know, Madam Speaker, a year ago the Board of Internal Economy adopted a plan to restructure the expenditures of the House of Commons. This plan, referred to by some—rather ironically, I suppose—as



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the Gagliano plan, was aimed at cutting our expenditures by \$5 million annually.

The big challenge was to make these cuts while at the same time providing members and their staff with the tools they need to fulfil the mandate they were given by their electorate. However, times are changing, technology has become more sophisticated and, as a result, members as well as the general public must adapt their tools to changing needs.

For instance, the advent of fax machines and electronic transmission has completely changed our requirement for messengers on Parliament Hill. We sat down and methodically analysed our requirements. We suggested new approaches and implemented our recommendations carefully and diligently.

We helped our employees by proposing generous terms for voluntary departure, which a large number accepted. We redefined tasks and ask the rest of the staff to do their share, each employee being asked to do a little more with a little less.

This morning, the President of the Treasury Board reported on the results of this plan. So far, the House of Commons has saved no less than \$5,719,500, compared with last year's budget. We have not only achieved our objective, we have already exceeded it.

But there is more. This exercise continues, since yesterday, the Speaker announced a reduction of \$1 million in the budget of the Food Services Branch of the House of Commons. Implemented over a period of three years, this measure will help reduce the operational expenditures of the House of Commons by nearly \$7 million annually.

That is what I call results. Concrete results that clearly show we mean what we say when we want to put our house in order.

We are the first to tighten our belts, and we are not asking anyone to do anything we are not prepared to do ourselves.

(1830)

The answer is simple, and everyone knows what it is. From one end of the country to the other, Canadians are staying within their budget by watching their spending every day. The time has come for all governments, including our own, to do the same.

The Minister of Finance has clearly stated our overall plan. For every dollar of additional revenue, the government will reduce its expenditures by \$7. This is an extremely bold new direction, the most cost effective seen in this country in the past 50 years.

To ensure the long term health of public finances, we must review the role and structure of government, without fail. We must centre the activities of government on the priorities of

Canadians. With this budget, we are reducing the size and structure of government to a level in keeping with our means.

As the Minister of Finance put it so well, and I quote: "Our view is straightforward. If government doesn't need to run something, it shouldn't. And, in the future, it won't".

The government is therefore going to privatize and commercialize its activities whenever possible and desirable. We will progressively divest ourselves of our interests in companies such as Cameco, a uranium company, CN, Petro-Canada, the Air Navigation System and the Canada Communication Group.

We will reduce our subsidies to business by 60 per cent—I repeat, 60 per cent—within three years. Assistance to industries which we shall maintain will be targeted to the main driving forces behind economic growth, namely expanding trade, science and technology and small business.

Almost every time I rise in this House, I remind my colleagues of the important role played by small business in our economy.

It is always with great pride that I point out that small business is the main source of new jobs in our country. Small business is ever-changing, full of vitality and creativity. It helps us recover more quickly from downturns in economic cycles and makes a major contribution to community development. It should therefore be a matter of priority to provide small business with concrete assistance to ensure its survival and growth. Better yet, we should eliminate obstacles to its success, because when it succeeds, we succeed.

Last year we announced our plan to review the \$500,000 capital gains cumulative tax exemption for farmers and small business owners. We have undertaken this review and have concluded that this exemption should be left intact.

I would like to go into a few details in this regard. Yesterday evening, the Leader of the Opposition tried to plant the seeds of fear and confusion in Quebec by criticizing the government for wishing to review certain issues which we must face in coming years.

True, the government does want to review and discuss with the provinces how to preserve our old age pension system, modernize our unemployment insurance system and maintain assistance programs for the poor.

The Leader of the Opposition said earlier that when governments undertake a review, it is always with cutting in mind. I say to my hon. colleague, this is not so. We must be careful not to make such generalizations. We must not plant the seeds of fear and confusion without any good reason. Reviewing means analyzing, examining. Consulting means looking for solutions.

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(1835)

The \$500,000 capital gains exemption for small businesses and farmers proves it.

Last year, we said that we would review the matter. After reviewing it, we said that we would keep it, that keeping it was important. Therefore, we must not scare people and have them believe that we are going to change everything and take pensions away from people just because the Minister of Finance announced yesterday that he will be reviewing the pension plan.

These organizations, like the Federal Office of Regional Development—Quebec, play important roles in economic growth and sustainable job creation. Nevertheless, we will not reach these goals by showering businesses with gifts. Everyone agrees on this point. Therefore, we are going to reduce business subsidies substantially. In the future, most assistance will take the form of refundable loans to businesses.

The repayment conditions attached to these loans will promote true expansion possibilities. They will continue to really help our small and medium size businesses, yet get the most for our taxpayers' money.

Lastly, we are determined to give our small and medium size businesses access to the financing they need to remain the primary source of job creation in Canada. I have often repeated my deep conviction that Canadian banks in particular have responsibilities in this area.

We have already taken the initiative of working with banks to correct their current shortcomings. From now until the fall, we will continue our efforts in this area in order to draw up points of reference for small business financing. We want to see concrete results in that sector as well. This process will be reviewed next year, and we have every reason to believe that this collaboration will produce valid results for our small businesses.

The budget tabled in this House yesterday by the Minister of Finance marks the beginning of a new era. It proposes a new way to manage the Canadian Confederation. It features a simpler, more efficient approach that recognizes provincial areas of jurisdiction. That is why we can say without any doubt that this budget reflects our progressive, dynamic, co-operative and pragmatic approach to federalism.

No one can accuse the Canadian government of promoting or proposing the status quo. The provinces will now enjoy greater flexibility and fewer constraints in managing their areas of jurisdiction. The Canada social transfer, which combines into a single consolidated block transfer the three separate payments the provinces used to receive from the federal government, will greatly facilitate operations. This new approach will reduce administrative obstacles for the provinces while giving them maximum flexibility in adjusting programs to users' needs. Provincial governments will no longer have to identify eligible

expenditures. They will prepare their own budgets and make their own decisions.

This initiative will simplify bureaucracy at the federal and provincial levels. There will be less red tape, fewer regulations and more results. That is what Canadians from all parts of the country expect from their federal and provincial governments alike. I admit that our budget is a tough one. The cuts announced are without precedent.

(1840)

But we no longer had any choice. If we want to maintain our standard of living and preserve our children's future, the government has to take firm measures and implement them with determination.

Nevertheless, all should recognize that the budget is also fair. We have made sure that everyone participates in the effort to correct the situation. The residents of Saint-Léonard understand that, as do all Canadians. Our budget is tough, but it preserves the essential. It respects the fundamental principle of fairness between individuals and between regions which guides Canadians. That principle forms the very foundation of our federation and makes Canada one of the best countries in the world. If you will permit me, Madam Speaker, I would like to say a few words to my English speaking voters.

*[English]*

The budget the Minister of Finance introduced last night is definitely a strong budget. The question we have to ask ourselves today is whether we had a choice. In the last few months international financial markets and our own financial institutions had sent the message that we had to put our financial house in order.

The Minister of Finance, who has the responsibility to find a balance between restoring confidence in the market and not being too harsh in cutting measures, was able to ensure that economic growth would continue. At the same time, the financial markets were looking for a commitment from the government that it was serious and meant business about putting its financial house in order.

The Minister of Finance did a very good job in presenting his very balanced budget. This morning we saw the financial markets responding, as did the media and the people. I have been a member of the House for over 10 years. It is the first time that after the presentation of a budget I have seen such positive announcements and comments in the media and elsewhere. We owe a message of congratulations to the Minister of Finance and the government for a job well done.

**Mr. Lee Morrison (Swift Current—Maple Creek—Assiniboia, Ref.):** Madam Speaker, after hearing the reassuring words of the minister I would like to be able to say I will sleep better tonight, but I cannot.

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The minister referred in his presentation to serving up illusions. The inference is that this is no longer happening to us with the present government. We have had 25 years of illusions, 25 years of rhetoric, 25 years of telling us we are going to get tough with the deficit, we are going to really move in on it this year, next year or the year after that.

What the minister forgets is that it was much easier for previous finance ministers to sell illusions than it is for the incumbent. Previous finance ministers could actually make illusory cuts and sell them, but the present minister, in order to sell an illusion, has to make real cuts. The problem is that it remains an illusion because the cuts are not deep enough.

All that is happening is that the government is making enough cuts in the projected spending for the next three years to keep even with the additional interest that it is going to have to pay on the money it already owes. The government is standing still.

It makes me think of a sailor who has been shipwrecked and is treading water madly. He sees a lifeboat about 100 yards away. Instead of trying to make it to that lifeboat he says: "That's too tough, that's too hard. I'm just going to keep right on treading water". He does and eventually he drowns. This government is treading water and Canada is drowning in debt.

(1845)

I ask the minister, what contingency plan does this government have for the time when the interest payments on our deadweight debt become so great that there is no money left to maintain social programs or even basic government services? This is the direction in which we are heading.

We are heading in a direction where there will be no social safety net. There will be no pensions. There will be no welfare. There will be no UIC. There will be nothing if the whole rotten house of cards comes tumbling down. What contingency plan does this government have?

**Mr. Gagliano:** Madam Speaker, first I want to thank the hon. member for giving me the opportunity to express my thoughts on this matter.

I understand the member. I have the same frustration. I have been in this House for 10 years. Every year we would see the Minister of Finance get up and promise to reduce the deficit, but he never did. Last year, for the first time in 10 or 11 years, a Minister of Finance stood in this House and predicted a deficit.

The government fiscal year end is March 31 and we are now at February 28. We are one month away from the end of the fiscal year and we are predicting, after accounting for everything, that the deficit will be reduced by more than what we predicted, \$4 billion more. That was the commitment we made to Canadians in the last election. It was the commitment we made to Cana-

dians when the Prime Minister took office. We said that what we say is what is going to happen because we made that commitment and we want to make sure that Canadians know.

That is why this morning financial markets and all the economic and financial analysts were very satisfied with the budget. They finally realize that we are going to have a deficit of \$24 billion next year, which is our commitment in the red book we campaigned on, of 3 per cent of the GDP. It is important to our financial markets, our financial and economic system that we make the assurance that when we predict something, when we estimate and make assumptions that we know what we are assuming and we reach those targets.

That is the first thing the Minister of Finance did in his first budget. He has continued to do it in the second budget. He has kept our commitment of 3 per cent and also has reached beyond that.

There will be a day when we will have no deficit and we can start tackling the national debt. There will be that day with this government and with this Minister of Finance.

Also, the member should not forget that besides having a financial deficit there is a human deficit. The government is not a business that can just close the door and say: "Well, too bad". This is a government. We are running a country. Besides the financial deficit there are human beings who have to be considered.

That is what the Minister of Finance and this government are doing. We are making sure we keep our commitment to reduce the deficit so that we will be able to tackle the debt and have economic prosperity in order to assist those in need. We will be able to create jobs for the youth of this country so they will have a future.

The way the Reform Party sees things, everything is black and tomorrow is the end of the world.

**Mr. Jim Abbott (Kootenay East, Ref.):** Madam Speaker, to the secretary of state, I notice in the document provided by the government yesterday called the "Budget in Brief" there is a quote on page 14: "This government is absolutely committed to providing a fair and sustainable system of protection for Canada's seniors".

I wonder if he can help us understand something here. The government has just made, I grant, real cuts of \$10 billion. The payment on interest in the time that this government has been in place has increased \$10 billion which means that we are treading water. Interest charges are increasing at a rate of 17.3 per cent. The governments have let our Canada pension plan get into a position of being underfunded \$487.5 billion on top of the \$545 billion that we are in debt at the national level; in other words, over a trillion dollars.

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Considering all this, I wonder if he would not agree with me that the words in "Budget in Brief" saying, to quote the finance minister, that come hell or high water we are going to look after our seniors are not just words.

If we are going in the hole that quickly with additional interest charges which is interest being paid on money that we have already borrowed, we are going backward so rapidly that in spite of this government's words we are not going to have the capacity to be able to look after our seniors.

**Mr. Gagliano:** Madam Speaker, let me assure the hon. member and all Canadians watching as of this moment that there will be money. The Government of Canada will be able to keep its commitments and pay pensions to seniors.

The difference is that the Reform Party sees everything black, it is the end of the world. The member acknowledged that we have made real cuts. We have a balanced budget in terms of real

cuts and it will encourage economic growth. The deficit will disappear. The deficit will be reduced by creating jobs.

What the Reform does not understand is that by creating jobs people work, pay taxes and will increase the number of dollars that will come in. The government will pay the debt.

The problem that we had in the past 10 years was the previous government committed to certain targets that were never met and the expenses were higher than revenues. For the first time in Canada our operating budget is in surplus. That is what the Reform Party does not want to understand.

[*Translation*]

**The Acting Speaker (Mrs. Mahen):** It being 6.52 p.m., and since no member wants to take part in the adjournment debate, the House stands adjourned until tomorrow at 2 p.m., pursuant to Standing Order 24(1).

(The House adjourned at 6.52 p.m.)

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