

*The Budget—Mr. Lalonde*

certainly did go out and did attempt to seek information. The question now before you is whether that was a simple research operation, or was it in fact intended to intimidate and deny the Leader of the Official Opposition the opportunity to exercise his responsibilities as the law requires?

It being four o'clock, Mr. Speaker, I would prefer to continue with this matter tomorrow.

● (1600)

## GOVERNMENT ORDERS

[English]

### THE BUDGET

FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

**Hon. Marc Lalonde (Minister of Finance)** moved:

That this House approves in general the budgetary policy of the Government.

He said: My budget today is dedicated to building a strong and growing economy—an economy that will generate lasting, meaningful jobs for all Canadians who want to work, an economy that will provide the economic opportunity and security all Canadians seek.

My budget puts into action the program for growth, opportunity, security and partnership outlined in the Speech from the Throne.

We find ourselves in a markedly improved international and domestic environment. World economic recovery is taking hold. The threats to the financial system have been contained through the close co-operation of governments, the international institutions and the world banking community. Protectionist pressures worldwide remain a potential threat. In this area, as on the financial front, my colleagues and I are working actively with other governments to promote a more stable and more predictable international environment.

On the domestic front the record is impressive by any standard. In the June 1982 budget, my predecessor established the 6 and 5 Program to reduce significantly the inflation that was destroying our economy. That goal has been met. In my April budget, my goal was to secure the recovery. That goal has also been met. Growth has been stronger, inflation lower, and our employment higher than forecast last April. When we compare our economic recovery to that of other countries, Canada is faring better than most. Our economy, growing steadily and surely, is expected to be among the leaders in the industrial nations this year.

These are solid achievements. Yet none of us can be satisfied when more than 1.4 million Canadians—our children, our relatives, our friends and neighbours—want to find jobs and cannot.

[Translation]

### BUDGET STRATEGY

My budget is aimed at creating jobs through partnership. The private sector must be the main creator of jobs. But the government can help—by providing assistance where desirable, by lightening the burden of administration where feasible and by leading directly where necessary. Ultimately, the confidence of Canadians—consumers, savers and investors—and the creative energy and entrepreneurship that flow from this confidence, will shape our future.

In my consultations with Canadians in all walks of life and in all regions, I have been encouraged by the sense of realism they bring to our economic and human challenges. There has been a renewal of confidence throughout the country—confidence in our economic potential and confidence in our ability to achieve that potential. At the same time, we increasingly recognize that our future prospects depend, fundamentally, on a strong, co-operative and responsible partnership among Canadians and between Canadians and their governments.

[English]

Today I shall propose new initiatives to strengthen this partnership. Although I shall refer to these initiatives in detail later on, let me indicate the general thrust of some of them.

The accomplishments of the 6 & 5 Program are a remarkable example of what Canadians can do when we all work together. Thanks to the success achieved, we shall, in 1984, be able to maintain our commitment to wage and price restraint but with a more flexible approach.

To secure the jobs we need, we must become more efficient, more productive, and more aggressive in world markets. I shall announce significant measures to improve our productivity and competitiveness, and our ability to export.

The principal generators of jobs in this country are the hundreds of thousands of small and medium-sized businesses.

**Some Hon. Members:** Oh, oh!

**Mr. Lalonde:** I am glad the Conservatives are at long last recognizing this. I shall take steps to ease their administrative burdens by simplifying the tax system. Increasing the economic security of Canadians will strengthen confidence and help boost growth and job creation. I shall propose innovative measures to increase the security of homeowners and I shall announce comprehensive measures to reform the Canadian pension system, including assistance to those in greatest need.

● (1610)

This budget is fiscally responsible. It is designed to provide leadership in moving beyond economic recovery to economic expansion. It will lead us toward growth in incomes and jobs. Most important, it does so by public support to private initiative.

Private initiative depends on confidence. Confidence in turn is fostered by consistency and continuity in government policy.

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My objective as Minister of Finance has been and remains straightforward: to keep the economy growing, so that Canadians who want to work can find productive and meaningful jobs. My policies have been consistently directed towards this end.

Securing growth and jobs depends on our success in four basic areas: reducing and controlling inflation; increases investment; reducing the government's deficit and improving our competitiveness and productivity. I want now to report the progress we have made on inflation, investment and the deficit, and our prospects for the coming years. I shall return later to competitiveness and productivity in more detail.

[Translation]

## CONTAINING INFLATION

Canadians can be proud of our collective achievement in bringing inflation down from almost 12 per cent in June 1982 to 4.5 per cent at the end of last year.

The government's 6 and 5 Program has contributed substantially to this this achievement. Restraint in federal wages and prices has helped to lead inflation down. Canadians were challenged to support the federal government's leadership in their own wage and price decisions. They have responded positively and enthusiastically. Inflation, after three years in double-digits, averaged 5.8 per cent in 1983, the lowest annual rate in a decade.

The 6 and 5 Program has been supported by responsible fiscal and monetary policies. These policies will continue to be directed at facilitating real growth, while resisting inflationary pressures.

The 6 and 5 Program, however, will begin to phase out at the end of June.

Over the course of the last few months, I have benefited from consultations with labour and business groups, with other associations, with Members of Parliament, and with my provincial counterparts. Canadians recognize that the program has been instrumental in moving from a 12-per-cent world of recession to a 5-per-cent world of recovery. They have urged the federal government to maintain strong leadership in the continuing battle to contain inflation. Most cautioned, however, that simply extending the program could create distortions that might do more harm than good.

[English]

I am confident that wage and price decisions in the private sector this year will not contribute to renewed inflationary pressure, and I am therefore not proposing a new guideline for the private sector. As well, effective January 1, 1985, Family Allowance payments, Old Age Security payments, public service pensions, and income tax brackets and deductions will again be adjusted on the basis of actual increases in the cost of living.

I recognize, however, that all levels of government have a fundamental responsibility to continue to exercise discipline in their own wage and price decisions.

The federal government will continue its leadership role. I am today affirming our commitment to continue wage and price restraint.

The existing policy of limiting price increases for goods and services sold by the federal government, Crown corporations and federally regulated industries will be extended for a third year. The price guideline will be reduced from 5 per cent to 4 per cent for this period.

Mandatory wage controls in the public sector will not be extended.

As urged upon us by the public sector unions and many others, the government is prepared to resume collective bargaining when the legislation expires. I want to say clearly that we shall bargain hard. We shall bargain responsibly. We shall bargain fairly. No catch-up payments will be allowed. And we shall observe four major principles in our negotiations.

Federal compensation settlements will contribute to reducing inflation and be fiscally responsible.

They will be based on total compensation comparisons with the private sector, that is, factors such as job security, pensions, hours of work and other benefits will all be considered.

They should not exceed the private sector in compensation for comparable jobs.

They will be designed to ensure that settlements encourage increased productivity and improved performance, and recognize relative job responsibilities.

Should it become apparent in specific cases that arbitration awards in the public sector or wage settlements in our Crown corporations are excessive, when measured against these principles, or that reasonable wage settlements cannot be obtained without lengthy and disruptive strikes damaging to the public interest, then the government will ask Parliament to legislate a wage settlement.

As well, my colleague, the President of the Treasury Board (Mr. Gray), will undertake consultations with labour and other interested groups on proposals to amend the Public Service Staff Relations Act. This Act establishes the framework for collective bargaining in the federal public service. It has not been updated since its introduction in 1967. Both the government and public sector unions will wish to consider changes to modernize it.

[Translation]

For 1984 as a whole, I expect inflation to average about 5 per cent, compared with 5.8 per cent in 1983. The economic projections I shall table with this budget suggest that further reductions in inflation will be made through the mid-1980s. The policies I have just announced will ensure that federal wage and price decisions contribute to this outcome. I expect other levels of government and the private sector to continue to do their part.

## INCREASING INVESTMENT

New jobs will come from the expansion of business and industry throughout Canada, to meet the needs of Canadians and customers abroad. This expansion will require new investment.

Public investment, particularly by the federal government, will give a strong boost to the recovery over the coming year. Led by the Special Recovery Projects, our capital expenditures will increase by more than 25 per cent over the course of 1984.

Business investment declined by about 9 per cent in 1983, which is a smaller decline than I had forecast last April. Over the past year, however, significant progress has been made in restoring the financial health of the business sector. The strength of the recovery, lower inflation and interest rates, and higher productivity all helped to bring about a strong rebound in business profits. It must be stressed however that profits are still below historical levels, but they are on their way back. This growth in profits, together with much stronger stock markets and the tax incentives to assist private investment that I introduced in my April budget, have helped businesses to make considerable progress in restoring the strength of their balance sheets. These positive developments are beginning to pay off in stronger investment programs.

Equipment investment picked up in the second half of last year, and I expect it to grow strongly this year, increasing by about 7 per cent over its 1983 level. Stable interest rates and rising consumer demand should encourage business to replace and expand its stock of machinery and equipment. Plant construction should begin to grow again in the second half of this year. In 1984, I expect total business investment to grow by 2¼ per cent. Beginning in 1985, and continuing through the medium term, business investment is projected to be a major source of economic growth in Canada.

• (1620)

[English]

## REDUCING THE DEFICIT

As business investment increases, the government's financial requirements must be reduced.

In April, I estimated that the government's deficit for the 1983-84 fiscal year would be \$31.3 billion. My current estimates for revenues and expenditures show only slight changes from those I presented to Parliament last April.

The changes to projected revenues and expenditures will result in a deficit for the current fiscal year of about \$31.5 billion. Government financial requirements will total about \$27 billion.

The deficit has provided considerable support to the welfare of individual Canadians and to the promotion of economic activity through the difficult period of the recession and the first year of recovery. Current financial requirements have been financed without pushing up interest rates as a result of strong savings and weak business investment. But government

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deficits must be reduced as investment recovers and the economy expands.

I remain committed to bringing the federal deficit down in a way that does not damage our economic prospects. The fiscal strategy I set out last April has proved itself to be the right course of action.

In the coming fiscal year, taking into account the impact of the measures proposed in this budget, the deficit will fall by almost \$2 billion to \$29.6 billion. The government's financial requirements will be \$25.6 billion.

In the medium term, the deficit will continue to fall, consistent with the strategy set out last April, from over 8 per cent of gross national product this year to about 4.7 per cent by 1987-88. Financial requirements will fall even faster. They will drop from 6.9 per cent of gross national product this year to 3.4 per cent by 1987-88.

[Translation]

## SECURING GROWTH AND JOBS

Creating employment for Canadians wanting to work is a prime national objective. The progress we are making in reducing inflation, increasing competitiveness, restoring investment and reducing the deficit is showing up in growth and jobs.

The first year of economic recovery has been stronger than I forecast last April. We have achieved about 3 per cent real growth in 1983, rather than the 2.3 per cent I predicted. Employment also grew more rapidly than expected. About 400,000 jobs were created during 1983.

The government is making a major contribution to ease the pain and hardship of unemployment, and to speed up the creation of new jobs.

In my April budget, I announced a \$4.8 billion Special Recovery Program to create jobs by accelerating productive investment. Half of this money is available to the private sector, to support private investment. The remaining \$2.4 billion is being spent to upgrade public facilities in key sectors of our economy and in all regions. Under the Special Recovery Capital Projects Program, work is now under way on more than 200 projects to improve our basic research capability, our harbours and wharves, our transport system, our agricultural facilities and our tourist attractions. More than \$1 billion will be spent on these projects in 1984-85. These facilities will contribute to growth across our country, provide support to private investment and create jobs for many thousands of Canadians.

In addition to the Special Recovery Program, the government has already committed over \$2.3 billion in the coming year to provide direct employment and training opportunities to almost 550,000 Canadians. This includes the additional \$400 million announced in the Speech from the Throne last December.

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Creating jobs for Canada's youth is a priority. The strength and vitality of our nation's future depend on our young people. It would be nothing less than a national tragedy if they do not have the opportunity to realize their potential. The Speech from the Throne established a Youth Opportunity Fund of over \$1 billion to help young Canadians acquire new skills and find meaningful jobs in the private, voluntary and public sectors. The Prime Minister has also announced the appointment of a Minister of State for Youth to oversee the co-ordination of programs assisting young Canadians. I am announcing today that the Youth Opportunity Fund will be increased by a further \$150 million, thus bringing the Youth Opportunity Fund to about \$1.3 billion this year.

In the coming fiscal year, the government's commitment to Special Recovery Capital Projects and to direct employment support will exceed \$3.5 billion. This is about \$525 million more than in the current fiscal year.

*[Translation]*

But we must all recognize that there are limits to what government alone can do. The jobs Canadians seek—good jobs and permanent jobs—must come from a healthy and growing economy, led by a strong and vigorous private sector.

I expect real growth in 1984 to be about 5 per cent compared with 3 per cent in 1983. Continued strong employment growth, of about 3.5 per cent, will increase the total personal income of Canadians. I am forecasting that total personal income, after inflation and taxes, will increase in 1984, after declining for the past two years. Consumer expenditure is expected to grow steadily in 1984, supported by this increase in personal income and a modest decline in the personal savings rate.

The improvement in the housing market last year will be maintained with an average annual level of new housing starts of about 170,000 units. Government capital expenditures, including the Special Recovery Capital Projects, will provide an important source of growth. Most importantly, I expect business investment to provide increasing support throughout the year, thereby providing the key building block to a sustained medium-term recovery.

Over the medium term, I expect real growth to continue, averaging almost 4 per cent a year from 1985 to 1988. Employment increases will continue to be strong. I am projecting that almost 1.6 million new jobs will be created over the five-year period from 1984 to 1988. At the same time, however, the labour force will also grow significantly, particularly in 1984 as increasing employment opportunities lead many Canadians to return to the job market. For this reason, we may not see a dramatic reduction in the unemployment rate this year. However, the unemployment rate should steadily decline and fall to about 7.5 per cent by 1988.

● (1630)

*[English]*

These forecasts are not goals. Our experience last year showed that by working together we could do better than the forecasts. Our objective should be to do so once again. The measures I am about to announce will help to achieve this outcome.

## PARTNERSHIP FOR COMPETITIVENESS AND PRODUCTIVITY

I now turn to the competitiveness and productivity of the Canadian economy.

Becoming more competitive is a critical challenge for us all. It is a challenge we must meet if we are to create new economic opportunities and new jobs.

We are making progress. In the past year, moderating costs and strong productivity growth have helped us maintain our competitive position in world markets. Our exports grew by more than 5 per cent last year, increasing our share of the world market.

In order to keep Canada growing we must better equip ourselves to compete with our trading partners, both at home and abroad. That means we must cut our costs and be more productive. We must be world class. Lately the government is committed to strengthening the world trading system. We can grow and prosper only by raising our own standards, not by self-defeating attempts to cut ourselves off from the rest of the world.

Three weeks ago the Government announced that business and labour representatives had agreed on the mandate and structure for the Canadian Labour Market and Productivity Centre. The federal government has committed about \$27 million towards its operation over the next four years. The establishment of this Centre is a welcome result of what I regard as one of the most important of the many initiatives in the budget of April 1983: the effort to develop a new national partnership of labour, management, and governments to meet the tough competitive challenges of the 80s and provide the jobs Canadians need. Such a partnership cannot be legislated; it must be based on a strong sense of shared economic interests.

I wish to thank the labour and business representatives who worked together to make the Centre a reality. I am confident that it will soon make a valuable contribution to increasing productivity and employment.

In order to help ensure that our economy remains efficient and productive, my colleague, the Minister of Consumer and Corporate Affairs, will soon introduce amendments to the Combines Investigation Act. By modernizing competition policy, the government will assist in the promotion of efficiency and growth. An effective competition policy allows for efficient producers to be successful and for the fair treatment of large firms, small firms and consumers alike. The proposed amendments will help Canadian companies meet foreign com-

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petition domestically and challenge foreign companies for markets abroad.

Today I am announcing new measures to assist Canadian workers and managers to build a more productive and competitive economy.

[*Translation*]

## EMPLOYEE PROFIT-PARTICIPATION PLAN

The key to our success is productivity. Investment in modern equipment is critical. So is education, training, and research into new techniques of operation. But equally important is "putting it all together", and putting it all together comes down to individual Canadians co-operating in the workplace to make a better product at a lower cost.

Innovative managers are recognizing this. Traditional management techniques are adapting to changing attitudes and rising expectations of workers. Workers today want to be informed about their company's goals and performance. They want to understand why, as well as how, things should be done. They want to participate in the decisions that affect their work environment and the security of their jobs. And they want their own contribution to the success of their company to be recognized and rewarded. Responding to these legitimate ambitions can provide substantial benefits for management and workers alike.

[*English*]

The government believes improved labour-management co-operation in the work place is fundamental to economic growth.

I am therefore proposing today to encourage this process with tax assistance for a new Employee Profit-Participation Plan.

The government will provide a tax credit of 10 per cent of the profits shared under the Plan. Sixty per cent of the tax credit will go to individual workers; forty per cent will go to the employer.

The Employee Profit-Participation Plan is designed to complement the collective bargaining process, not replace it. Experience has shown that to succeed, profit-sharing cannot be a substitute for competitive wages.

Any company wishing to establish a plan must form a labour-management committee. The details of the Plan will have to be agreed upon by both workers and management.

I shall table a paper with this budget providing details of how the Plan will work. I want to proceed with legislation that will allow such plans to begin in the 1985 taxation year. I therefore intend to consult without delay provincial governments and representatives of the business and labour communities to seek their views and co-operation.

I also intend to broaden the tax assistance available to employee stock option plans. Employee stock options are important in compensating dynamic and entrepreneurial employees. They provide such employees with incentives

directly related to their ability to increase the productivity, competitiveness, and growth of their company.

[*Translation*]

## AID-TRADE FUND

Public support can do much to enhance the role which our private sector can play in international development.

In my April budget, I stressed the importance of exports to promote recovery and expansion. I established a Special Recovery Export Financing Fund of \$180 million to enable the Export Development Corporation to provide greater assistance to exporters.

The developing countries offer many export opportunities for our private sector. However, many of these countries are experiencing unusually serious balance of payments problems which are impeding their development efforts and thus their capacity to import. Their decisions to undertake investments and capital projects often hinge on the availability of external financing on concessional terms. To respond to these needs, for our own benefit as well as theirs, we shall require closer co-ordination of our development assistance and our export financing policies.

● (1640)

[*English*]

In the Speech from the Throne, the government reaffirmed its commitment to devote 0.5 per cent of GNP to official development assistance by the mid-1980s and 0.7 per cent by the end of the decade. This commitment will require an expansion of Canada's traditional development assistance programs; it will also require new policies and new delivery channels.

In this regard, I am announcing that the government will allocate up to one-half of the increase in Canadian official development assistance, as we move towards the target of 0.7 per cent of GNP, to create a special fund in support of an expanded role for Canadian firms in developing countries. By 1990, as much as \$1.3 billion could be allocated to the fund to provide financing for projects which have high priority in recipient countries' development plans, for which Canadian firms are competitive and for which development assistance financing is required.

The government will develop guidelines for the use of this fund in consultation with the business community. The object will be to help Canadian firms to provide additional goods and services in support of Third World development and to increase the Canadian share of procurement in multilateral development projects. It will also be the government's intention to enhance industrial co-operation between Canada and developing countries.

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[Translation]

## SIMPLIFYING TAXES FOR SMALL BUSINESSES

I now want to deal with the issue of simplifying the tax treatment of small business. An important part of the government's responsibility to the private sector is to keep the rules of the game simple and clear. Far too much talent, money, and productive effort is being misspent on keeping complicated records, filling out difficult forms, and trying to understand increasingly complex legislation. The Minister of State for Small Business and I have received numerous representations about the complexity of small business taxation. With the advice of small business organizations and tax practitioners, I have devoted considerable effort to simplifying the tax system.

Tax simplification can free valuable resources for the critical tasks of running a business and making it grow. I recognize that the tax system must inevitably be complex to some degree in order to deal fairly with the wide variety of circumstances that characterize a complex economy. But I am determined to simplify it where possible. I propose to take a significant step tonight, but I recognize that more remains to be done. I intend to continue my efforts in this regard.

[English]

Canadian small businesses are the main source of entrepreneurship, risk-taking, and job creation. It is, therefore, an appropriate area to begin tax simplification. Streamlining their tax regime can be as important as the considerable financial support that the government already provides.

I shall table a paper with this budget containing proposals for a major simplification of the income tax regime for small businesses. The original purpose of the cumulative deduction account was to limit the low tax rate for small business to companies having less than \$1 million of cumulative business income. However, it meant that all small business corporations had to keep track of this account regardless of their size. The cumulative deduction account is a prime source of legislative and administrative headaches. I propose to eliminate it. This will reduce paperwork and record-keeping for almost 300,000 small Canadian companies.

The administrative burden on small businesses will be eased further by eliminating the distinction between active business income and non-qualifying business income, and by simplifying the legislation dealing with specified investment businesses, personal service businesses, and corporate partnerships.

These proposals will cut the small business tax legislation by two-thirds, shorten and simplify the tax form, and lighten the burden of record-keeping. The measures will also provide more tax savings for growing small and medium-sized businesses. In the first full year of operation, federal taxes for Canadian controlled private corporations will be reduced by \$150 million.

In my consultations on tax simplification, I heard many Canadians say that the rapid pace of change in the tax system in recent years was itself a cause of complexity. Accordingly, I want to allow time for interested parties to comment on these

measures. The paper I shall table contains detailed proposals and draft legislation. I hope to receive comments by April 15 and to introduce legislation shortly thereafter. The measures will take effect following enactment by Parliament.

## IMPROVING THE FAIRNESS OF TAX ADMINISTRATION

Canada's tax system is based on the principles of self-assessment and voluntary compliance. Because of the complexity of our tax laws, however, taxpayers often experience difficulties in completing their returns. It is becoming increasingly difficult for them to be sure they are complying with the law, and also to be sure they are claiming all the tax relief to which they are entitled.

Demands have increased for Revenue Canada to provide information, assistance in the preparation of returns, advance rulings, and other similar services to taxpayers.

The Minister of National Revenue has appointed an independent expert to undertake a thorough review of the administration of the Income Tax Act. The purpose is to find out what steps need to be taken to make Revenue Canada's service more responsive to the public without detracting from fulfillment of its responsibilities. But some legislative action can be taken immediately.

In response to representations by my colleague, the Minister of National Revenue, I propose a number of immediate changes in the law that, taken together, should contribute significantly in relieving the administrative burden on taxpayers and improving the fairness of tax administration.

The quarterly tax payments are a serious burden to many senior citizens. Therefore, I am increasing the existing \$400 annual tax threshold below which individuals are exempted from having to pay quarterly tax instalments. The new threshold will be \$1,000 and will be extended to corporations. In addition, where interest on late or deficient tax instalments is less than \$25, it will not be assessed. These new thresholds will mean that tax instalment obligations, and the associated burden of paperwork, are eliminated for about 350,000 senior citizens and over 50,000 corporations, most of them small business and family farm corporations.

● (1650)

I propose a package of legislative initiatives to improve tax administration. A number are designed to facilitate the resolution of taxpayer disputes and appeals.

The period for filing formal objections to tax assessments is being extended from 90 to 180 days. In addition, rather than being required to pay taxes in dispute, taxpayers will be entitled instead to provide adequate security.

More generous provisions will be introduced relating to the awarding of costs on successful appeals to the courts. In particular, the Tax Court of Canada will be allowed to order Revenue Canada to pay up to \$1,000 of the costs of a taxpayer's successful appeal.

Further, taxpayers will have a right to a refund of any overpayment of taxes when a court decides in their favour, even if Revenue Canada further appeals the decision. There are additional relieving changes relating to taxpayer elections and waivers.

[*Translation*]

A number of major administrative initiatives are also proposed for the sales and excise tax. The government will for the first time pay interest on delayed refunds of overpayments of sales and excise tax. Manufacturers will also be permitted to claim a refund of any such taxes paid on bad debts. In addition, a formal assessment and appeal system will be introduced into the Excise Tax Act. The appeal rights of taxpayers will be protected and entrenched in the law.

These and other proposals detailed in the supplementary information address a number of serious concerns relating to tax administration and represent major improvements in the protection of taxpayers' rights and I wish to thank the Minister of National Revenue (Mr. Bussières) for his co-operation in this matter.

[*English*]

#### SALES TAX CHANGES

I am also announcing today a further change to the sales tax.

The question of whether the manufacturer's sales tax should be shifted to the wholesale level has been discussed for several years. One of the government's original objectives was to eliminate the unwarranted advantage this tax gave foreign producers competing with Canadian manufacturers in our own markets. This was particularly serious in the auto industry.

Last year I appointed a private sector committee to study alternatives. The committee has recommended that the proposed overall shift in tax to the wholesale level not be implemented. Rather, it has suggested that the government introduce modifications to the existing system to deal with specific defects. The government accepts this recommendation.

I propose, however, that the manufacturer's sales tax on highway motor vehicles be shifted to the wholesale level, effective March 1, 1984. At present, the tax on a Japanese or European car can be \$100 to \$200 lower than on a comparable car made in Canada or the United States. The change I propose will result in a small revenue decrease for the federal government. But it will ensure a uniform application of tax to all makes of vehicle and end the unfair advantage for imported overseas automobiles.

This measure among others will support growth and employment in the Canadian auto industry.

#### OTHER TAX MEASURES

I am also proposing a number of additional amendments to the Income Tax Act and to the Customs Tariff and Excise Act that will affect Canadians in specific situations. These are

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described in detail in the supplementary information I shall table with this budget.

One in particular I want to mention relates to the energy sector. While circumstances in the petroleum industry are improving, there is a need for further temporary assistance, particularly for Canadian companies that are typically among the most aggressive in searching for new supplies of oil and gas. Last April, I provided support to these companies by deferring the reintroduction of the incremental oil revenue tax for one year, from June 1, 1983 to June 1, 1984. I will be proposing to defer reintroduction for another year, to June 1, 1985.

I also propose to introduce changes to facilitate the transfer of family farms from one generation to another. These changes are in keeping with the government's commitment to the preservation of the family farm.

There has been some controversy surrounding the possible application of Section 31 of the Income Tax Act to farmers. The court decisions have clearly emphasized that farm losses are not in any way restricted for those farmers whose principal occupation is farming and I want to affirm that this is our policy intention. Those farmers whose principal occupation is farming should have no concern that their losses may be restricted. This includes farmers who have taken jobs to provide an extra source of income, as many farmers do in order to support their farm operation.

There is some question of the application of these rules to part-time or so-called hobby farmers. Many such persons have full-time or other occupations in the city but nevertheless carry on farming activities. Concern has been expressed that changing the loss rules to benefit those persons could have an adverse impact on farm prices and provide an inappropriate incentive for speculation in farm land. Before considering any specific changes to Section 31, I intend to establish a consultative group to assess the impact that changes might have on the agricultural sector.

[*Translation*]

#### PARTNERSHIP FOR ECONOMIC SECURITY

In preparing this budget, one of my overriding concerns has been to improve the economic security of individual Canadians.

Through the recession and into the recovery, this government has maintained its commitment to a wide range of programs and policies that provide an essential level of economic support for Canadians: income support programs, health care programs, economic opportunity programs. These programs help build an environment in which economic growth can be better achieved and maintained.

I am proposing today important measures to enhance the economic security and confidence of Canadians.

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## IMPROVING PENSIONS FOR CANADIANS

First, I will deal with pensions. Pensions are the principal lifeline Canadians have to economic security in their retirement years. There are ways we can strengthen that lifeline.

We have had a constructive debate in this country for many years about the best way to build better pensions for Canadians. The government issued a Green Paper in December 1982. This paper was the subject of extensive review by the Parliamentary Task Force on Pension Reform, which reported at the end of last year.

Today, I want to propose actions in five important areas of pension reform.

*First*, too many retired Canadians are now receiving pensions that are insufficient to allow them to live in comfort and dignity. I refer to those single senior citizens who are now receiving the Guaranteed Income Supplement.

This government will never turn its back on those who spent their working lives helping to build this country, and who now need help themselves. In the Throne Speech, the government made a commitment to introduce legislation to increase the GIS for single pensioners. My colleague, the Minister of National Health and Welfare, will soon be introducing legislation to increase the maximum payment to this group of pensioners by \$50 a month. The payment will increase by \$25 a month on July 1 of this year and another \$25 a month on December 1. This raises the guaranteed income for elderly single individuals to more than 60 per cent of the amount paid to couples, as recommended by many business, labour and women's groups.

● (1700)

[English]

When the GIS is combined with the universal old age pension, single pensioners will be assured of a monthly minimum income of \$600, or \$7,200 a year. About 750,000 single senior citizens, three-quarters of whom are women, will benefit from the increase. The additional government support will amount to \$460 million in a full year. This \$50 increase is in addition to the \$35 which this government introduced on July 1, 1980. As a result of these increases introduced by this Government during the last four years, those elderly Canadians in greatest need will receive next year additional assistance of more than \$1 billion over and above what they would have received had we not made the changes we have in the last four years. Provision will also be made to see that persons receiving partial old age pension, most of whom are Canadian immigrants, have Guaranteed Income Supplement benefits sufficient to give them the same minimum income as other pensioners. About 3,000 pensioners will benefit in the coming year. The number will rise to about 25,000 by the end of the 1980s.

We have honoured our commitment to help those in greatest need.

I expect that provincial governments will not take advantage of this significant increase in benefits to senior citizens by reducing their own payments or increasing their charges on them.

*Second*, I intend to introduce legislation at an early date which will significantly improve minimum standards for all private pension plans under federal jurisdiction. This represents about one million Canadian workers. I shall table a paper providing details of these proposals.

The changes I am proposing will provide protection against inflation for future pensions.

They will assist mobility by ensuring that employees acquire rights to their pension benefits after two years' service instead of ten, and are allowed to take their benefits with them if they move to another job.

The changes will also broaden pension coverage for full-time and part-time workers, many of whom are women.

Indeed, they will also assist women in a number of other ways: first, by requiring pension plans to provide survivor benefits and ensuring that these benefits will not end if an individual remarries; second, by requiring the pension earned to be split between spouses in the case of marriage breakdown; and third, by ensuring that women and men retiring under identical circumstances receive equal pensions.

There will also be new provisions to assure the disclosure of information and to provide for worker representation on pension advisory committees.

Time will be needed for private plans to adjust to this new regime. I am proposing that these measures take effect no later than January 1, 1987. I will seek an earlier implementation date if that is possible. I expect provincial governments to adopt similar measures in their jurisdictions.

*Third*, with respect to the Canada Pension Plan, my colleague, the Minister of National Health and Welfare, will soon be bringing forward several specific amendments to strengthen the CPP and improve the benefits to women that the CPP provides.

These include automatic splitting of pension benefits upon marriage breakdown or when the younger spouse reaches 65, the continuation of survivor benefits on remarriage, and the raising of pensionable earnings to the average industrial wage by January 1987. Agreement of provincial governments to implement these measures will be sought as soon as possible.

A number of more extensive changes in the CPP will be discussed with the provinces beginning this summer. Among them are the introduction of a homemaker's pension in the CPP, improved survivor and disability benefits, the qualifying age for entitlements and the financing of CPP benefits.

*Fourth*, I propose to introduce a major reform of the income tax system in order to improve tax assistance for retirement saving. I shall table a discussion paper with this budget that sets out details.

It has become clear over time that a number of aspects of the tax treatment of pension savings are unfair and inflexible.



*The Budget—Mr. Lalonde*

For example, the tax system now provides significantly greater support and flexibility to Canadians building pensions through defined-benefit plans than it does to Canadians building pensions through money-purchase plans such as RRSPs. This inequity penalizes in particular employees of small businesses, farmers, fishermen, professionals and others who are self-employed.

I am proposing changes to put all pension plans on an equal footing for tax purposes, and to allow contribution entitlements to be carried forward from year to year on the basis of total career earnings. As a result, all Canadians will have comparable access to tax assistance. They will be able to save for retirement as their means permit without losing any entitlement to tax assistance. This will recognize that many Canadians, in their early working years, find it difficult to build pensions because they are saving for a home, bearing a heavy burden of family expenses, or investing to build up a business.

The new tax-assistance system will also be indexed by the average industrial wage, to ensure that Canadians are able to build tax-supported pensions that keep up with inflation and with real increases in living standards.

I am also proposing an innovative Registered Pension Account. This will create a tax-assisted individual savings vehicle to which employers and employees can both contribute funds that cannot be withdrawn until retirement. The Registered Pension Account will relieve many small business employers of complex pension administration burdens, as well as allowing employees improved pension portability.

● (1710)

The new system will provide tax assistance for an adequate pension based on total career earnings. To meet this target, Canadians will be allowed to deduct their own contributions, or contributions made for them by their employer, to any registered pension plan, up to a limit of 18 per cent of total career earnings.

In the first stage of the new system, beginning in 1985, the annual dollar limit for money-purchase plans, including RRSPs, will be increased from \$5,500 to \$10,000. The annual dollar limit will rise to \$12,000 in 1986 and \$14,000 in 1987. Limits on employee contributions to registered defined-benefit plans will be removed in 1985.

With the second stage in 1988, the new system will become fully operational. In that year the annual dollar limit for contributions to all pension plans taken together will rise to \$15,500. The ceiling will thereafter be adjusted annually by changes in the average industrial wage. The fully operational system will allow individuals to carry forward their unused annual deduction entitlements to future years.

*Fifth*, I am also taking immediate action to assist farmers to build better pensions for retirement. Effective this year, a special provision will be introduced to allow farmers to contribute up to \$120,000 of taxable capital gains from the sale of a farm to an RRSP. The amount eligible will be \$10,000 for every year they have farmed the land from 1972 to 1983. This

provision recognizes the special difficulty farmers have had in providing for their retirement during the years they are building up their farm.

[*Translation*]

The new system of tax assistance for retirement saving, together with the changes I propose to the Pension Benefits Standards Act, will increase the capacity of Canadians now working to build stronger pensions for their retirement. By so doing they will help to build a strong foundation for personal economic security, while increasing savings that will support investment and growth over the medium term. This shows once again how public support for private initiative can help Canadians to help themselves, and in the process build a stronger future for all of us.

Finally, the government reaffirms its commitment to ensuring that all Canadians have adequate retirement income. It undertakes to monitor closely the reaction of provinces and the private sector to the proposals for pension reform presented in this budget. The government will be ready to discuss with them whatever additional steps may be required, and their nature and timing.

#### INCREASING SECURITY FOR HOMEOWNERS

Another area which requires attention is the security of homeowners and of prospective homebuyers. I will have three measures to announce.

Mortgage rates have fallen dramatically and have been stable for many months. Lower and stable interest rates, together with growing incomes and government incentive programs, have restored some of the confidence of Canadian homebuyers. In the past few years, however, thousands of homeowners were dealt a serious blow by mortgage interest rates that rose to unprecedented levels. The Canada Mortgage Renewal Program supported more than 20,000 Canadians in financial difficulty when they had to renew their mortgages at very high interest rates. The Canadian Home Ownership Program provided \$3,000 grants to more than 260,000 first-time homebuyers. Over the past two years, the government has provided about \$800 million to help Canadians own a home.

With the return of lower interest rates, and in response to the assistance provided in my April budget, new housing starts rebounded strongly in 1983. But many Canadians who were forced to renew their mortgages at very high rates in 1981 and 1982 continued to experience financial difficulties even after mortgage rates came down.

I am concerned about those Canadians who are trapped in such difficulties. The government has encouraged the co-operation of major lending institutions in assisting them. I have also considered, with my colleagues, the Minister of Public Works and the Minister of Consumer and Corporate Affairs, what additional steps can be taken to increase flexibility in the mortgage market, provide borrowers with better information

*The Budget—Mr. Lalonde*

and firmer rights, and protect homeowners against extraordinary increases in mortgage rates.

The government is prepared to act in three areas to strengthen borrowers' rights and to increase the fairness and flexibility of the mortgage market in order to improve the security of Canadian homeowners. These proposals are outlined in detail in a document I am tabling with this budget.

[English]

First, the government proposes a Mortgage Rate Protection Program that will provide income security to homeowners facing mortgage renewals at much higher interest rates. All Canadians will be eligible to join the plan. An individual will pay a modest fee when renewing an existing mortgage or taking out a new one. This will protect the homeowner against extraordinary interest rate increases for a further period of years equal to the original term of the mortgage. As a consequence, someone taking out a five-year mortgage and buying coverage under the program will be guaranteed that monthly payments will remain relatively stable for a 10-year period, that is, twice the duration of the first mortgage.

Mortgage Rate Protection will provide an important element of personal security to home owners and those wishing to purchase homes. My colleague, the Minister of Public Works, and I wish to consult with the financial community and housing industry on a number of administrative and technical details related to the operation of this program. These consultations should be concluded over the next month or so. Enabling legislation will be introduced as soon as details are settled. All homeowners entering new mortgage contracts after March 1, 1984 will be eligible to participate in the program.

Second, together with my colleague, the Minister of Consumer and Corporate Affairs (Mrs. Erola), I will be proposing amendments to the Interest Act. These amendments will require disclosure of interest rate information, and prepayment rights and penalties, so that all borrowers will be able to know, precisely and simply, the terms of their contract. The amendments will also guarantee a right of prepayment for all mortgages and will limit maximum prepayment penalties in a way that is fair to both borrowers and lenders. The government intends to proceed as quickly as possible. I am also asking financial institutions to voluntarily apply the proposed prepayment measures immediately to existing mortgages.

• (1720)

Finally, in order to facilitate the introduction by the private sector of mortgages that run longer than five years, and as Members know, mortgages for longer than five years have practically disappeared from the market, I shall take steps to

encourage the development of mortgage-backed securities. Longer-term mortgages can provide substantial security to homeowners by guaranteeing their mortgage costs for a considerable period of time. I am prepared to propose amendments to remove any legislative barriers to the development of mortgage-backed securities, and I intend to consult with mortgage lenders to determine whether additional measures are required to support the development of such instruments by the private sector.

[Translation]

The measures I am proposing to improve the security of homeownership will enable and encourage more Canadians to buy their own homes. This will increase their personal economic security and contribute as well to residential construction, business investment, and growth.

This budget was preceded by an extensive round of consultations with Canadians from all economic sectors and all regions of the country. These consultations are an important step in carrying out the government's commitment in the Speech from the Throne to introduce more permanent mechanisms of economic consultation.

I have found these consultations extremely valuable, and I wish to thank all those who took the time and effort to present their views to me and to my colleagues.

If there was one underlying message that came through time and again, it was the need for a period of stable and consistent economic policies. Now is not the time for a radical change in direction. People also stressed that the budget process should allow major initiatives to be presented in a way that provides for informed public comment and discussion before they are put into effect.

In line with the Green Paper on the Budget Process, issued in April 1982, the government has been steadily opening up the budget making process.

[English]

Extensive consultations have now become a permanent feature of budget making. I welcome this development. Major proposals in my last budget, such as the Indexed Securities Investment Plan and improved tax incentives for research and development, have benefited considerably from the expertise and knowledge that was brought to bear on them in post-budget consultation and comment.

My budget today continues this evolution to a more open process. The government recognizes that consultation cannot and must not be a substitute for action. But proposals, such as those I have put forward today, can be improved and refined to

the benefit of all when Canadians are offered a reasonable opportunity to comment on them.

#### CONCLUSION

I am tabling with this budget Ways and Means motions relating to all the tax and tariff changes I have proposed. I am also tabling all of the budget papers to which I have referred.

These papers on profit sharing, on tax simplification, on the mortgage market, and on pension reform, contain far-reaching proposals for action. These proposals will strengthen the partnership between government and the private sector while they expand economic opportunities and improve personal economic security for Canadians. The Government is eager to proceed with these proposals as quickly as possible. In the coming weeks, my colleagues and I will meet with our partners in labour, business and the provinces to hear their views.

#### [Translation]

Mr. Speaker, I have brought down a Budget which, I am sure, will help us make the transition from recovery to expansion, by ensuring that more industries, regions and Canadians receive the benefits of economic growth. I am thinking particularly of our young people who need jobs and of those Canadians who are retired or close to retirement and deserve proper recognition for the contributions they have made.

As Canadians, we must share the burden when times are hard, but we must also share the profits when better times come along. Above all, we must do our share to make our economy grow, by working together as true partners. My Budget opens new avenues towards an economic future that will be better and more profitable for all of us.

As businesses regain their profitability, their employees will share more directly and completely in the benefits of their work. Following the substantial simplification of their taxation system, small and medium-sized businesses will be able to use more of their time, more of their talents and more of their money to promote productive growth.

With the proposals contained in this budget, Canadian homeowners and builders will benefit from an improved confidence and a greater stability as well as from a more secure future.

Our young people will benefit from better opportunities to gain secure and satisfying employment through a substantial increase in the material resources which the government will set aside for this purpose this year.

As I have already noted, the Youth Opportunity Fund will receive about \$1.3 billion this year.

Finally, senior citizens today and in the future will be able to enjoy a larger part of the property they have acquired through their work thanks to a reform of the pension system. Farmers particularly will benefit from new and innovative measures which will help them to better provide for their retirement years.

#### *The Budget—Mr. Crosbie*

#### [English]

If Canadians are to meet the challenges of the future, we cannot be satisfied with past performance and past habits. These will not sustain us in a fiercely competitive international marketplace. We must become better than the competition—better at producing and marketing goods and services; better at working together for the shared economic interests of all Canadians.

If we measure up to that challenge, then we shall create new opportunities for Canadians to find good, satisfying, permanent jobs. We shall create opportunities for more Canadians to buy a home, to start or expand a small business, and to invest with confidence in our future. In short, we shall create the opportunities for Canadians to build better, more fulfilling lives on a foundation of economic strength.

That is the goal of the program of action I have presented today to lead Canada from recovery to expansion.

**Hon. John C. Crosbie (St. John's West):** Mr. Speaker, unfortunately I have to be truthful with the Canadian people. I can be no other way. I do not rise here tonight to deceive them by saying that this is indeed a wonderful Budget. There is a little froth on the surface of it to which the Government has been forced. There is some help for those who have suffered from the injustices of the Department of National Revenue, which of course has been caused by the people on this side of the House who pursue that issue. There are some improvements in pensions, largely because of the agitation of a Member on this side, the Hon. Member for Kingston and The Islands (Miss MacDonald) and others.

When you look at the fine print in this Budget, Mr. Speaker, you will discover that all these improvements are going to cost the Government today a net decline in revenue of only \$215 million. It is only froth on the surface of this Budget. At the same time last April this Government increased taxes to the Canadian people in the amount of \$805 million. It will cost the Canadian people \$2.4 billion in the next financial year, and the year after that it will cost \$2.9 billion. All of this that sounds so fine today will cost the Government \$215 million net while it will bleed the Canadian taxpayers four times that amount. This Government has taken the Canadian ownership charge of \$840 million without the authorization of the House. It has been put into general revenues. Otherwise, the debt for this year, which is now \$31.5 billion, would have been \$840 million more. That is the kind of deception we are used to with this Government.

● (1730)

**Some Hon. Members:** Hear, hear!

**Mr. Crosbie:** Mr. Speaker, in order to show that I am bilingual, I want to say a few words to the Minister. I am quoting from the great French author Rabelais. His last words are these: "Tirez le rideau, la farce est jouée".

**Some Hon. Members:** Oh, oh!