

The Budget

I could see in the debate so far, these are two aspects of the bill that prompt people to oppose it, often fiercely.

Moreover, the bill calls for stricter controls on the import, trafficking and smuggling of firearms in Canada. It provides for stiffer sentences of imprisonment for individuals who commit serious crimes with firearms. The current minimum sentence of one year, under section 85 of the Criminal Code, would be increased to four years with this bill.

At last, certain types of handguns would now be prohibited in Canada. The bill prohibits the import or sale of handguns using .25 or .32 cartridges as well as handguns with a barrel equal or less than four inches in length. This provision applies to approximately 85 per cent of handguns in Canada.

Finally, the bill makes any violation of the provisions regarding licensing and registration a criminal offence.

There are perhaps seven million firearms in Canada today. This is an estimate, as any round figure, because no one knows for sure. Some people have had firearms for many, many years in their closets or basements. I personally have two: a small .22 calibre rifle and a 12 gauge shotgun. They are in a closet. I have not used either of these firearms in over ten years, but I think I have owned them for 20 years. No one knew that I owned firearms. Like many other Canadians, I fall in that statistical category.

It is also a fact that Canadians are in favour of firearms control. I will continue next time, Mr. Speaker.

The Speaker: You will have a lot of time to do so then, dear colleague.

SITTING SUSPENDED

The Speaker: We will suspend the sitting of the House for a few minutes.

(The sitting of the House was suspended at 4.27 p.m.)

SITTING RESUMED

The House resumed at 4.30 p.m.

The Speaker: Order. It being 4.30 p.m., pursuant to Standing Order 83(2), the House will now proceed to the consideration of Ways and Means Motion No. 20 for the budget statement.

* * *

[English]

THE BUDGET

FINANCIAL STATEMENT OF MINISTER OF FINANCE

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

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

He said: Mr. Speaker, I am tabling the budget documents, including the notices of ways and means motions. The details of the measures are included in the documents.

• (1635)

Pursuant to an order of this House, I will introduce today a bill seeking borrowing authority for the 1995–96 fiscal year. I am asking that an order of the day be designated for consideration of these motions.

The Speaker: Is there unanimous consent?

Some hon. members: Agreed.

Mr. Martin (LaSalle—Énard): Mr. Speaker, a lot of people think I should sit down now.

Mr. Speaker, there are times in the progress of a people when fundamental challenges must be faced, when fundamental choices must be made, and a new course charted. For Canada, this is one of those times. Our resolve, our values, our very way of life as Canadians are being tested.

The choice is clear. We can take the path, too well trodden, of minimal change, of least resistance, of leadership lost. Or we can set out on a new road of fundamental reform, of renewal, of hope restored. Today we have made our choice. Today we take action.

[Translation]

This is a window of extraordinary opportunity. Thanks to the hard work of millions upon millions of Canadians, our economy is now stronger than it has been for years.

Last year, economic growth in Canada was the highest of any G-7 country. We are projected to lead again this year. In the past year, 433,000 jobs have been created, and Canada's exports have never been higher. As a result, our balance of payments has improved dramatically.

Productivity has surged. Our cost competitiveness is at its highest level in more than 40 years. Canada remains one of the lowest inflation countries in the world.

Canadians want to keep it that way, and so does this government. The targets that we set with the Bank of Canada will make sure that happens.

These statistics tell a story of an economy in bloom; an economy of growth and new jobs. However, there are two clouds that loom over our country's horizon.

The first is the uncertainty that some would create over the future of Quebec. Let there be no doubt—that challenge will be met. Quebecers do not want Canada, their country, torn apart. The second cloud is the debt and deficit. Dealing with that challenge is our purpose today.

*The Budget**[English]*

This government came into office because it believes that the nation's priority must be jobs and growth. And it is because of that, not in spite of that, that we must act now to restore the nation's finances to health.

As the Prime Minister has said: "The time to reduce deficits is when the economy is growing. So now is the time". Not to act now to put our fiscal house in order would be to abandon the purposes for which our party exists and this government stands: competence, compassion, reform and hope.

● (1640)

The debt and the deficit are not inventions of ideology. They are facts of arithmetic. The quicksand of compound interest is real. The last thing Canadians need is another lecture on the dangers of the deficit. The only thing Canadians want is clear action. Therefore let me go directly to the bottom line.

Last year, in our first budget, we laid out a firm course of action. We said that we would reduce the deficit in this fiscal year, 1994-95 to no more than \$39.7 billion. We now estimate that the underlying deficit for the current fiscal year will be about \$35.3 billion, or \$4.4 billion below our target.

[Translation]

We will still be well under the target, even after booking certain one-time charges related to some of the major reforms contained in this budget.

Looking ahead, we pledged in our last budget that the deficit in 1995-96 would not exceed \$32.7 billion and would be reduced to 3 per cent of GDP—now estimated to be \$24.3 billion—by 1996-97. It is now evident that unless we take further direct action, those deficit targets will not be met.

[English]

This is because interest rates are higher today than anyone thought they would be. Therefore based on prudent economic assumptions and with very sizeable contingency reserves in place, we could face shortfalls of \$5 billion from our deficit target in 1995-96 and \$10.6 billion the year after. Those gaps must be closed. With this budget, we are closing them.

We will hit our deficit target for 1995-96. We will hit our target for 1996-97. And of equal importance, the downward track established by the actions taken in this budget will continue in the years thereafter.

Taking the next two fiscal years together, this budget delivers cumulative savings of \$15.6 billion, with spending cuts for \$13.4 billion. Going beyond to 1997-98, the reforms we are introducing today will continue to pay off with further savings totalling \$13.3 billion.

Over the next three years, the actions in this budget deliver almost seven dollars of spending cuts for every one dollar of new tax revenue. This budget will deliver cumulative savings of \$29 billion over the next three years, of which \$25.3 billion are expenditure cuts. This is by far the largest set of actions in any Canadian budget since demobilization after World War II.

These measures will have a very significant impact on the level of government spending in the future.

By 1996-97 we will have reduced program spending from \$120 billion in 1993-94 to under \$108 billion. Relative to the size of our economy, program spending will be lower in 1996-97 than at any time since 1951. The impact of these measures on the fiscal health of this country will be significant and substantial.

By 1996-97, our financial requirements, that is, what we actually have to borrow from the markets, will be down from \$30 billion last year to \$13.7 billion, or 1.7 per cent of GDP. That percentage is lower than what is projected for the United States, for Germany, for Japan. In fact, it is lower than what is projected for all of the national governments of every country of the G-7.

● (1645)

Perhaps most importantly, in that same year the debt will no longer be growing faster than the economy. The debt to GDP ratio will have begun to decline and we are committed to keeping this ratio on a permanent downward track.

We face a historic challenge in this country and this is a historic response. We have always said that meeting our targets was the least we could do, not the best we would do. That is why it is so important that this year we will have beaten our deficit target by a substantial amount. And looking ahead, building on the advice of the finance committee of this House, for which I am very grateful, we have deliberately chosen economic assumptions that are once again more cautious than those of most private sector forecasters. Once again, we are backing up our assumptions with substantial contingency reserves of \$2.5 billion in 1995-96 and \$3 billion the year after.

This means that even if interest rates go up next year by almost one and one-half percentage points, more than our already cautious assumption, our fiscal position will be fully protected. But it means something else which is very important. If we do not need our contingency reserve, it will not be spent. It will go to reducing the deficit further. This is what happened in 1994-95. And because of our prudent economic assumptions, one should not be surprised if it happens in 1995-96 and 1996-97 as well.

If interest rates and income growth conform to the average private sector forecast, the deficit in 1996-97 could be brought down below \$19 billion, in fact some \$5.5 billion less than this budget projects.

The Budget

We have always said that our 3 per cent interim target was a station on the way, not our ultimate destination. Interim means interim. Canadians want more than temporary fiscal remission. They want full fiscal health. It is absolutely essential that once we meet our interim target we do not stall. We will continue to set firm, short term deficit goals, rolling two-year targets until the deficit is erased.

The Prime Minister said two days ago that balancing the books is our goal. In government short term targets are the surest way to zero. They are the most effective spending control anyone could impose on a government. They keep our feet to the fire. They make it impossible to postpone needed action and they prevent fanciful, foolish forecasts.

The government wants Canadians to be able to judge it not on its rhetoric but on its results.

[*Translation*]

The targets we set are crucial. But how we get to our targets is every bit as important. Because the fact is that if we are to ensure durable fiscal progress, building towards budget balance—that can only happen if we redesign the very role and structure of government itself.

If we secure that reform, it will continue to pay off in 1997–98 and every year thereafter. Indeed, as far as we are concerned, it is this reform in the structure of government spending—in the very redefinition of government itself—that is the main achievement of this budget.

• (1650)

[*English*]

After extensive review this budget overhauls not only how government works but what government does. We are acting on a new vision of the role of government in the economy. In many cases this means smaller government; in all cases it means smarter government.

We are dramatically reducing subsidies to business. We are changing our support systems for agriculture. We will be putting government activities on a commercial basis wherever that is practical and productive.

[*Translation*]

We will be overhauling the unemployment insurance system as part of our social security reform, and reforming the system of transfers to the provinces—putting it on a basis that is more in line with the actual responsibilities of the two levels of government.

[*English*]

It is essential that our effort be guided by clear principles and values. First, we believe it is crucial that the government get its

own house in order. Our budget must focus on cutting spending, not raising taxes.

Second, government must define its role in a way that mirrors our priorities as a people. Blind cuts are bad cuts. Canadians need a budget designed to promote growth and jobs.

The third principle is frugality. Governments do not have money. They are given money, money from the pockets of Canadians from coast to coast to coast, and so government must behave as if every dollar counts because every dollar does.

Finally, we must never, ever lose sight of the need to be fair, fair among our regions and fair among individual Canadians.

[*Translation*]

If our purpose is to get the economy right, we need to redesign the role of the government in the economy to fit the size of our pocketbook and the priorities of our people. What is that role? It is to provide a framework for the private sector to create jobs, to see an aggressive trade strategy as central to Canada's industrial strategy. And it is initiatives such as the Prime Minister's, in Asia and Latin America, that will create opportunity for thousands of Canadians here at home.

[*English*]

What is the role of government in the economy? It is to ensure that the nation's finances are healthy. It is to do what only government can do best and leave the rest for those who can do better, whether they are in business, labour or in the voluntary sector.

This budget puts our priorities into action. It does so after a top to bottom review of all departments of government led by the Minister responsible for Public Service Renewal. As a result we will be able to reduce departmental spending dramatically over the next three years while maintaining the services that are truly needed by Canadians.

[*Translation*]

For example, between this fiscal year and 1997–98, annual spending will go down by \$1.6 billion at Defence, \$550 million for international assistance, \$1.4 billion at Transport.

[*English*]

Over the next three years spending will be cut by more than \$600 million at natural resources, almost \$900 million at HRD, over \$200 million at fisheries, almost \$900 million in the industry portfolio, more than \$550 million in the regional agencies, nearly \$450 million at agriculture. In short, overall departmental spending will be cut by almost 19 per cent in just three years.

Let me emphasize, this is not a slowdown in the increase of spending max as cuts. These are not the cuts of yesteryear. These are real cuts in real dollars.

The Budget

• (1655)

In the last recession every household, every business, every volunteer group in this country was forced to face up to hard choices and real change, but the Government of Canada did not. In this budget we are bringing government size and its structure into line with what we can afford.

[*Translation*]

As a result of the cut-back and reform of programs, the President of the Treasury Board has announced that the public service will be reduced by some 45,000 positions over three years, with 20,000 being eliminated by the summer of next year.

Because so many of those affected have given so many years of valuable services to Canadians, we are committed to downsizing the public service as fairly as possible.

In some departments the scope for savings has been less than in others. For example, we are responding to Canadians' concern about public safety in their communities by strengthening gun control and largely maintaining existing levels of support for law enforcement, the justice system and correctional services.

[*English*]

As a second example, the Minister of Citizenship and Immigration has made clear our commitment to a fair, affordable and well-enforced immigration policy. Therefore, a form of financial guarantee will ensure that sponsors of immigrants meet their obligations.

In addition, a \$975 fee will be charged all adults immigrating to Canada to offset the costs of immigrant services.

[*Translation*]

The measures in this budget share a common foundation and philosophy. For example, across government, we are taking major action in this budget to substantially reduce subsidies to business. These subsidies do not create long-lasting jobs. Nobody has made that case more strongly than business itself. In this budget, total spending on business subsidies will decline from \$3.8 billion in this fiscal year to \$1.5 billion by 1997-98. That is a reduction of 60 per cent in three years. Remaining industrial assistance will be targeted on the key engines of economic growth—trade development, science and technology and small and medium size business.

[*English*]

Transportation and direct agricultural production subsidies are being eliminated or substantially reduced. This is historic

change. Decades ago, even into the last century, those subsidies were put in place to respond to Canada's transportation and agricultural needs then existing. As time has passed, those needs have evolved but the subsidy structure has not. For years governments have known about the need for change but they have hesitated to act. But we cannot postpone action any longer.

To that end, subsidies under the Western Grain Transportation Act are eliminated effective 1995-96, resulting in savings of \$2.6 billion over the next five years. This subsidy evolved from the Crow rate established in 1897. It has played a pivotal role in the development of the prairie economy, but in more recent years it has come to restrict the ability of prairie farmers and their industry to adapt and to compete.

• (1700)

To facilitate this change we will make a one time payment of \$1.6 billion to prairie farm land owners to be provided for in this fiscal year 1994-95.

We will invest a further \$300 million over several years to facilitate a more efficient grain handling and transportation system. We will provide new credit guarantees to help Canadian farmers sell to non-sovereign buyers abroad.

Next, the Atlantic freight subsidies are also being eliminated, effective in the upcoming fiscal year. This will result in savings of \$500 million over the next five years alone.

The elimination of this subsidy will contribute to a better transportation system. To help ensure this, the government will set up a five-year, \$326 million transportation adjustment program that among other things will help modernize the highway system in Atlantic Canada and eastern Quebec.

[*Translation*]

Consistent with the recent decision of federal and provincial ministers of agriculture, a core national "whole farm" stabilization program will be developed, together with crop insurance and province-specific programs.

The costs of these initiatives will be shared between the federal government, the provinces and farmers themselves. This will replace current programs based on individual agricultural commodities. It will therefore encourage innovation and diversification, as well as resulting in a 30-per-cent reduction in federal contributions to agricultural safety nets. Next, the subsidy paid to industrial milk producers will be reduced by 15 per cent in 1995-96 and by a further 15 per cent the following year. The future of this program will be reviewed, in consultation with industry.

The Budget

Finally, the feed-freight assistance subsidies are being discontinued and the Livestock Feed Bureau will be wound up. A portion of the resulting savings will be redirected on a transitional basis to help adjustment in the livestock industry.

[English]

Financial support to business should only be provided if there is no alternative and a valid national need clearly exists. That is why we have made a clear public commitment that new funding for mega projects will not take place.

In the last year I have had numerous requests for the funding of such projects cross my desk and every one of these has been turned down.

In addition, with this budget we are eliminating the Public Utilities Income Tax Transfer Act. It can no longer be justified in today's fiscal circumstances.

Small businesses are the primary creators of new jobs in this country. Removing barriers to their success is a core priority for the government and for Canadians, as is providing practical assistance for them to survive and to grow.

Last year we announced that we would review the \$500,000 lifetime capital gains tax exemption for small business and for farmers. As a result of that review, we are announcing that no changes to it will be made.

We see our regional agencies as playing an important role in the creation of opportunity and long lasting jobs. However, we do not believe that handouts are the way to do it. Therefore, consistent with our new policy to sharply reduce business subsidies, assistance to firms will be provided primarily through repayable loans on terms tailored to foster genuine opportunity.

• (1705)

This government is determined that small businesses will have access to the financing they need to continue being our number one creator of jobs. While some progress has been made there continue to be very large gaps in the system. We believe that Canada's banks have a special obligation to help close those gaps. That is why between now and the fall we have told the banks that we will be working with them to hammer out meaningful performance benchmarks for small business financing. Progress during the following year will be monitored against those benchmarks.

[Translation]

It is ideas today that will generate the products and the jobs of tomorrow. That is why science and technology will become a predominant focus for our business support. In the future, our science and technology efforts will be concentrated more strategically on activities that foster innovation, rapid commercialization and value-added production.

As only one example, the Medical Research Council has mounted a promising initiative to bring together private sector capital and leading academic research efforts. That is the kind

of imagination we will encourage as a government in order to stretch government's science dollars further and more effectively, so that Canada's new economy may prosper.

[English]

The government is committed to privatizing and commercializing government operations wherever feasible and appropriate. Our view is straightforward. If government does not need to run something it should not, and in the future it will not.

Today we are announcing that the Minister of Transport will initiate steps this year to sell CN. He will also commercialize the air navigation system. When market conditions are favourable the Minister of Natural Resources will sell our remaining 70 per cent interest in Petro-Canada. The Minister of Public Works and Government Services will examine divesting all or parts of the Canada Communications Group.

Let me be clear. This is not a one shot exercise. Our effort to identify other candidates for privatization will continue. This is not ideology, it is simple common sense.

Let me say one thing before leaving program review. We have accomplished a great deal over the last year. We have also confirmed something. Getting government right does not end with this budget or any other, for the essence of good government is in fact permanent ongoing program review, and we are going to provide good government.

[Translation]

Canadians make ends meet by watching their dollars every day. It is time government did the same. Last month, the government introduced a new and much tighter system to manage its spending. Departments will have to find the money for their new initiatives from existing budgets.

[English]

As another example of new and better management, in the future for the first time government departments will have to prepare three-year business plans. These plans will be subject to parliamentary and therefore public scrutiny.

Our approach to interest group funding will change as well. Some groups will continue to be funded as is. For others in a position to secure financial support from outside government, we will move toward a system based on the provision of matching funds. For still other groups, continued funding will not be possible due to our financial situation.

• (1710)

[Translation]

There is no more important task than to do everything we can to help Canadians get jobs, keep jobs or find better jobs. But the fact is that the existing structure of programs does not do that nearly well enough. That is why the Minister of Human Resources Development will be announcing the details of a new human resources investment fund. Many of the department's existing programs that foster employability will be combined under the umbrella of that new fund. A sharper focus on

The Budget

priorities, together with more efficient, streamlined services will yield substantial permanent savings.

[*English*]

We must also continue to improve the unemployment insurance program, building on the substantial reforms that were introduced in last year's budget.

As has been emphasized so often by the minister of HRD, we need to move away from passive support, away from dependence, toward active assistance, toward independence. In essence, a key job for UI in the future must be to help Canadians stay off UI.

Later this year the minister intends to table legislation that will build on the best elements of unemployment insurance to create a fundamentally reformed program that addresses the needs of our population. It is Canada's workers and Canada's businesses that pay for UI. The program of the future must be one they can afford.

Canada's strong economic performance and the UI reform which the government intends to have in place no later than July 1, 1996 will reduce the overall size of the UI program by a minimum of 10 per cent.

This overall reform combined with improvements in the administration of the UI program will secure savings for taxpayers of \$700 million in 1996-97.

[*Translation*]

Improved employment conditions are rapidly eliminating the deficit in the unemployment insurance account which had reached almost \$6 billion in 1993. With no increase in premium rates, the surplus in the account will be allowed to rise above \$5 billion through to the end of 1996. This surplus will be maintained and used as a buffer to mitigate unemployment insurance premium rate increases during periods of slow economic growth. The result of these measures will be an unemployment insurance program that does much better at investing in people, and will lead to lower, more stable unemployment insurance premium rates that will encourage the creation of jobs.

[*English*]

We will never secure the kind of structural change that we need without reforming the system of transfers to the provinces.

This budget sets out some key parameters. Let me be very clear. As we go forward, we are unequivocally committed to a co-operative approach. That is why, to provide predictability, we said in last year's budget that we would not change the system of major transfers before 1996-97. That is a commitment this budget maintains.

It is also why in March of last year, as one of the first acts of this government, we renewed the equalization program for five years. We are not changing it now.

• (1715)

However, some changes in other transfers are needed, changes that will address two fundamental requirements. The first is a system of transfers that is more effective in meeting contemporary needs. The second is a system that is financially sustainable.

[*Translation*]

Concerning the first requirement, we believe that the restrictions attached by the federal government to transfer payments in areas of clear provincial responsibility should be minimized.

At present, transfers under the Canada assistance plan come with a lot of unnecessary strings attached. The provinces are clearly responsible for designing and delivering social assistance programs. The current cost sharing method no longer helps us to implement these programs as effectively as possible and in tune with local needs.

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.

As a result, the core rationale for the present segregation of the three transfers into separate categories disappears. Therefore, we are combining all three into a single consolidated block transfer, called the Canadian social transfer, beginning in 1996-97.

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.

[*English*]

However, flexibility does not mean a free for all.

There are national goals and principles we believe must still apply and which the vast majority of Canadians support. Our goal must be to combine greater flexibility with continued fidelity to these principles.

The conditions of the Canada Health Act will be maintained: universality, comprehensiveness, accessibility, portability and public administration. For this government, those are fundamental.

In addition, we will maintain the existing principle that provinces must provide social assistance to applicants without minimum residency requirements.

Furthermore, the Minister of Human Resources Development will be inviting all provincial governments to work together on developing, through mutual consent, a set of shared principles and objectives that could underlie the Canada social transfer.

The Budget

This reform deals with the requirement for a better functioning system of transfers. But equally we need a system that can be financially sustained.

Our major transfers to the provinces currently amount to \$37 billion in cash and tax points. The cash portion alone represents about 21 per cent of our total program spending.

Addressing our fiscal challenge simply does not allow us to leave that spending untouched. We must establish the fiscal parameters of a new system. However, as a matter of fairness and balance, we believe that the provinces should not be expected to bear more of the fiscal burden than we are prepared to impose on ourselves. This budget meets that test.

As we have said, no changes in major transfers are being made for next year, 1995-96, even though we are taking substantial action that year to reduce our own spending.

• (1720)

For the following year the new Canada social transfer will be \$26.9 billion, cash and tax points combined. This will be about \$2.5 billion less than the projected transfer would be under the present system.

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

In 1997-98 the Canada social transfer will be \$25.1 billion or about \$4.5 billion less than what would have been transferred under the existing system. To keep that in perspective, such a reduction in transfers would equal about 3 per cent of aggregate provincial revenues.

To ensure that everyone shares in fiscal restraint it will also be necessary to subject territorial financing to reduced limits.

[*Translation*]

We believe these measures respond to the need for a more affordable and effective system of transfers. But our challenge and our commitment do not end here. With this budget, we are saying yes to the provinces' desire to sit down for a bottom-up review of the financing of both levels of government. If there are ideas to make the fiscal side of federalism more efficient, let's hear them. And if there are ways to make this federation function better, then by all means let's do it.

One of the greatest reforms ever introduced by a Canadian government has been the provision of decent support for elderly Canadians—who have given, and continue to give—so much to their families and to their country.

In recent weeks and months, there is probably no member of this House who has not received letters or had conversations with elderly Canadians who are worried that the protection their country has provided them will be eaten away.

Because of that, this government is absolutely committed to providing a fair and *sustainable* system of protection for Canada's seniors.

[*English*]

There are two pillars of the public pension system. One is the Canada and Quebec pension plans. The other is the old age security and the guaranteed income supplement.

Canadian seniors deserve to know that those public pensions will be there for them. That in turn requires reform to ensure that the pension system is sustainable in the long term.

Concerning the CPP the most recent actuarial report was released last week and it leaves no doubt that we will have to take steps to ensure that the plan continues to be sustainable. This we will do when we sit down this fall with the provinces to review the CPP.

Let me now turn to the second pillar, the OAS and the GIS. Clearly it is necessary to make these pensions sustainable as well.

To ensure that our approach to the public pension system is comprehensive, the Minister of Human Resources Development and I will be releasing later this year a paper on the changes required in both pillars of the public pension system to ensure its affordability. The focus will be on fairness and sustainability. Consultations will take place once the paper is released. It is our intention that the reforms be legislated to take effect in 1997.

• (1725)

In the meantime, we are announcing today a change in the method of payment of the OAS to high income seniors who are subject to the so-called clawback rules.

Beginning July 1996, monthly OAS payments will be calculated and paid with the clawback amount subtracted, based on the prior year's tax return. This will yield one-time savings of about \$300 million.

Finally, to ensure fairness, we will be requiring Canadians who are non-residents of this country to file a statement of their worldwide income in order to continue to receive OAS benefits.

Let me turn now to the question of revenues. There is not one solitary Canadian who likes taxes. As we speak millions of Canadians pay their fair share of taxes and do so on time. However there are those who do not.

*The Budget**[Translation]*

On a priority basis, the Minister of National Revenue will be taking the following measures to step up his department's efforts with regard to taxes that are owed. For example, the interest rate charged on over-due taxes will be increased by 2 percentage points.

[English]

Next, we are announcing steps to make the tax system more fair.

The tax deferral advantages for investment income earned by private holding companies will be taken away.

The current film incentive will be changed. Rather than being a tax shelter for high income investors, a new refundable credit will be provided directly to producers of Canadian films.

Those who earn business or professional income have a tax advantage over many other Canadians. Because of special rules that allow them to select their own year end for tax purposes, those individuals are given an ongoing tax deferral. That advantage is being eliminated subject to a 10-year transition period.

We are concerned that the rules regarding the resource allowance for the mining and petroleum industries are not working as originally intended. We will be meeting with the provinces and both industries on possible improvements to or replacement of this allowance.

We will be evaluating the entire R and D tax incentive program to ensure its effectiveness.

While this review is under way no bank or other financial institution will be eligible for these incentives related to information technology.

[Translation]

Concern has been expressed about tax advantages that may exist as a result of the establishment of trusts, trusts which largely benefit high-income Canadians.

Therefore, for foreign trusts—and indeed for taxpayers who invest in foreign holdings generally—we are introducing more stringent reporting requirements.

Second, this budget eliminates all tax advantages that flow from the establishment of family trusts. That involves eliminating the potentially unfair income splitting advantages that exist. And we are repealing the previous government's amendment that allowed deferral of the 21-year rule.

[English]

Providing tax assistance to encourage Canadians to save is an essential part of our retirement income security system. We are not prepared to compromise the integrity or the purpose of that system. But equally, we must ensure that the benefits of tax assistance are shared fairly in these times of restraint, while also adhering to the key principles and purposes of pension reform.

• (1730)

One of those principles is that tax assistance should be provided for contributions to registered saving plans based on earnings up to two and one-half times the average wage and no more. Therefore, we will be reducing the upper limit on deductible RRSP contributions to \$13,500 for 1996 and 1997. That limit will then be allowed to progressively increase to \$15,500 by 1999. The maximum pension limit for registered defined benefit plans will be frozen at its current level through 1998.

We are also introducing measures to improve the overall fairness of this system by tightening some existing provisions. For example, beginning in 1996, the over contribution allowance for RRSPs will be reduced from its current \$8,000 to \$2,000.

[Translation]

Our effort to ensure an effective and fair system of taxation does not begin—or end—with this budget.

We want to make absolutely clear our ongoing commitment to tax-reform.

If we must constantly scrutinize government spending—as we must—then let it be clear we must also constantly scrutinize the fairness and effectiveness of the tax system.

[English]

Despite the size of the savings we must secure, this budget focuses almost entirely on reducing the spending of government, not increasing taxes for Canadians. That being said, spending cuts themselves get us very near to our targets, but there is a small gap we must close. Therefore, we have found it necessary to do four things.

First, the existing large corporations tax will be increased by 12.5 per cent effective immediately in order that big companies contribute more to help bring the deficit down.

Second, we are raising the existing corporate surtax from 3 per cent to 4 per cent.

Third, effective midnight tonight, the federal excise tax on gasoline will be increased by 1.5 cents per litre, raising \$500 million annually. This will restore total revenue from all federal excise taxes to approximately the level they were in 1993-94.

Finally, we are announcing today a temporary tax on the capital of large, deposit-taking institutions, including the banks. That tax will be in effect until October 31, 1996 and will raise about \$100 million.

Taken together, the revenue measures in this budget are far overshadowed by the size of the spending cuts we have made. For every \$1 raised in new tax revenue over the next three years, there are almost \$7 in spending cuts. Furthermore, in this budget, like last year's, we are not increasing personal income tax rates one iota.

The Budget

• (1735)

This budget sets this country on a sure course of fiscal responsibility and government renewal. Our task is not over and our efforts will not cease. Those who believe that the government will inevitably let up in its effort to cut costs as the next election approaches simply do not understand the conviction of the Canadian people that a deteriorating national balance sheet is no longer acceptable.

[Translation]

Constant renewal is what this country is all about. Indeed, it is the essential ingredient of a dynamic federalism.

There are those who would argue that this country, this federation, cannot change—that Canada is about the status quo. That is nonsense.

None of us is here to defend the status quo. We are here to change it. And with this budget we are.

Providing new fiscal leadership. Reducing overlap and duplication. Giving the provinces greater freedom to design and deliver services. These changes respond to positive pressures for change from across the country.

They mark a recognition on the part of us all that in this tough, competitive world, despite the differences we have, we all have so much to gain by working together—productively, rather than standing apart—destructively.

This budget faces difficult choices for all Canadians. But this year, in Quebec, some of us are also being asked to choose a country. To choose to remain proud partners in a large, reforming country. Or to become something else—smaller and alone. To embrace real change and improvement, or to join those who pretend that the road to a better future lies through fracture.

The separatist view has always been the same—its own status quo. Ignoring reform that has happened. Denying reform when it is occurring. Refusing reform when it is offered.

That is not our position. By definition, Canadian federalism is change—always improving, always progressing and today, with this budget, reaching ahead to a new phase of renewal.

[English]

It is customary at this time, when closing the presentation of a government's budget, to claim that the measures being taken have solved every problem, responded to every expectation and addressed every need. That is something we will not say today.

The fact is there is so much more that we would like to be able to do for the millions of Canadians who care little about the

world of dividends and derivatives and simply worry about making ends meet. That being said, if we believed that dealing with the deficit would do nothing to protect what we value, if we believed that it would do nothing to offer hope to ordinary Canadians, we would not be acting now because it is they who suffer when government must focus its precious resources on satisfying lenders abroad rather than real needs at home.

• (1740)

For all of us who care for the social fabric of this country, who seek a better future for our children, who are committed to the protection of our seniors and to the independence of our country, the state of the nation's finances simply has to be addressed.

[Translation]

The choice is ours. We can either dwell on our imperfections—or work together towards real improvement.

We can leave the field to those who have given up on Canada—or we can demonstrate trust in ourselves.

[English]

We believe this is the year we can turn the corner and turn the page. It may seem like a long struggle, but the light at the end of this tunnel is much nearer than any of us might think.

Canadians can have confidence now in a government that has put the era of band-aid budgets behind it.

Canadians can have confidence now that their social programs will be there for those who need them.

Canadians can have confidence now in their country being one of the most attractive places in the world to invest, creating jobs.

For too long, governments have known the need for reform and renewal; known the need, but not the will. That has been the problem with the governments of this country. This government has made its choice and it is against the status quo and in favour of a stronger country.

Let me close by quoting from another Canadian in an earlier time, a member of a previous government who, as I remember, did not particularly like finance ministers:

Government must not live in the past—Every day there are new needs to be met. If inflation is to be 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.

Mr. Speaker, those words were spoken by my father in 1957—for his time. That is what I believe we have done today, for ours.

Some hon. members: Hear, hear.