

over the next 10 years in exchange for some vague promises of a few jobs in a few places for a few people.

Therefore, the petitioners call upon parliamentarians to not proceed with Bill C-91 and to repeal Bill C-22 passed in 1987 so that Canadians will have the full benefit of lower-priced generic drugs and so that provincial and private drug plans can serve Canadians without being forced to charge higher fees or provide less coverage.

• (1520)

#### CANADA POST

**Mr. Rod Laporte (Moose Jaw—Lake Centre):** Madam Speaker, this government likes to brag about what it is doing for rural Canadians with respect to postal service and it is saying that rural Canadians appreciate that service. Well, that is not the case.

Certainly not in the town of Outlook, Saskatchewan, in my riding, where approximately 150 people have signed this petition because they are upset with Canada Post's policy of only providing residents of rural communities free delivery at the post office nearest to their place of residence. They say that this ignores the fact that for many rural residents the nearest post office to where they live may not be the easiest post office to travel to and may not be in the community where they conduct their other business.

They say this is a ludicrous policy. It does not cost Canada Post any extra money to allow people to go to the post office of their choice.

\* \* \*

#### QUESTIONS ON THE ORDER PAPER

**Mr. Jim Edwards (Parliamentary Secretary to Minister of State and Leader of the Government in the House of Commons):** Madam Speaker, I would ask that all questions be allowed to stand.

**Madam Deputy Speaker:** Is it agreed?

Some hon. members: Agreed.

\* \* \*

#### MOTIONS FOR PAPERS

**Mr. Jim Edwards (Parliamentary Secretary to Minister of State and Leader of the Government in the House of Commons):** Madam Speaker, Notices of Motions for the Production of Papers No. P-15 in the name of the

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hon. member for Saanich—Gulf Islands and No. P-20 in the name of the hon. member for Kingston and the Islands are acceptable to the government subject, to the usual reservations concerning confidential documents. These documents are tabled immediately.

#### HEALS RIFLE RANGE

##### P-15—Ms. Hunter

That an humble address be presented to His Excellency praying that he will cause to be laid before the House of Commons copies of all memoranda and correspondence between the Department of National Defence, the Department of Fitness and Amateur Sport and the Commonwealth Games Society of Victoria, British Columbia, pertaining to Heals Rifle Range being designated as the official shooting venue for the 1994 Commonwealth Games to be held in Victoria, British Columbia.

Motion agreed to.

#### CONSOLIDATED MILITARY SUPPLY DEPOT

##### P-20—Mr. Milliken:

That an order of the House do issue for copies of all studies commissioned or undertaken by or for the Department of National Defence in connection with the location of a consolidated military supply depot in Montreal as decided by the Minister of National Defence in April 1992.

Motion agreed to.

**Mr. Edwards:** I would ask that other Notices of Motions for the Production of Papers be allowed to stand.

**Madam Deputy Speaker:** Is it agreed?

Some hon. members: Agreed.

#### GOVERNMENT ORDERS

[English]

#### BORROWING AUTHORITY ACT, 1992-93 (NO. 2)

#### MEASURE TO ENACT

**Hon. Don Mazankowski (Deputy Prime Minister and Minister of Finance)** moved that Bill C-98, an act to provide additional borrowing authority for the fiscal year beginning April 1, 1992, be read the second time and referred to a legislative committee in the Economics envelope.

He said: Mr. Speaker, this afternoon our country and this Parliament open an important debate on the future course of economic policy. In these times of challenge

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and opportunity, it is most appropriate that full discussion be undertaken by all members of this House.

Parliament is where the diversity and complexity of Canada are brought together in one place by the representatives of the people from every region. This is where differing political and philosophical approaches can be put forward for public consideration.

Over the next two days I expect all members opposite to state clearly and directly what their proposals for economic policy would be. Canadians expect this of us and they deserve no less.

For my part, I will make it abundantly clear where the government stands. I will provide to the House and to the country an update on Canada's fiscal and economic situation, and I will announce a number of measures to contain the deficit and to enhance economic recovery.

This debate occurs at a time when our economy is undergoing profound change. A new economy is emerging around the world, offering new opportunities that require adjustment and restructuring.

In this environment, Canadians are seeking greater security and greater economic opportunity, for themselves and for their children. That is the overriding goal of our economic policies.

Our economic policy is to build confidence, enhance growth, create jobs, and help Canadians adjust to this period of transition and take advantage of new opportunities.

All of our efforts have been directed at investing in growth through sound monetary and fiscal policies, the opening up of markets, streamlining government, building the skills of Canadians, and encouraging private sector enterprise and initiative as the basis for economic progress.

In response, Canada's economy performed particularly well from 1984 to the onset of the recession in 1990. We led the G-7 in job creation and were second only to Japan in economic growth. However, our most recent economic progress has been slowed by a stubborn world-wide recession, and world recovery has been weakened by economic restructuring, excessive debt, and trade uncertainties.

All this has contributed to a painful adjustment which has slowed world economic growth from 4.3 per cent in 1988 to only 1 per cent this year, the lowest rate of growth the world has seen since 1982.

Canada is not immune to these realities. Next to Germany we are the major industrial country most dependent upon exports. When world growth slows, when commodity prices fall, when world unemployment increases, Canadians cannot escape these consequences.

As a result, far too many Canadians are without work. Far too many others fear for their future as economic restructuring takes place around the world. We need to act to restore confidence and to rekindle hope.

There are those who would have us believe that an economy weakened by too much government debt can be strengthened by creating even more government debt. This approach was wrong in the 1970s. It was wrong in the 1981-1982 recession. It would have been wrong last February. And it would be wrong today.

The simple fact is that large government deficits, federal and provincial, and high foreign debt limit our room to act.

We must act responsibly. That does not mean that we cannot respond. The essence of governing is choosing. There are choices to be made and we are prepared to make them in the best interests of all Canadians.

To make intelligent choices, we must face facts. We must deal with the world as it is, and not as we might wish it to be. We must recognize that globalism is a fact of life. This increases our choices in the goods and services we buy. It increases our opportunities in new markets that we can sell to. But it also increases our interdependence and our competition.

In this increasingly interdependent world countries that turn inward and cling to the old ways of doing business will finally have no future.

The new world economy brings intense pressure to compete. Those who can, will prosper. Those who cannot, will stagnate.

This is not an ideological statement. It is a fact. Some may think that competition is a dirty word, but if we fail

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to recognize reality we will miss new opportunities. We will sit on the sidelines while the world marches forward.

It is because Canadians can compete and win that we have a duty to encourage that competition. If we face facts, realistically, pull together, and address our challenges head on, we will continue to grow and to prosper.

As I have made clear, this government is not prepared to sacrifice steady, responsible progress for quick fixes that promise relief today at the price of misery tomorrow.

Canada's experience has clearly demonstrated that higher spending and greater deficits will not create lasting jobs. They lead only to higher interest rates in the short term and higher taxes down the road.

• (1530)

Our government will continue to work to put in place a sound fiscal structure and to address the issues of productivity and competitiveness. This is the approach that was recommended by the private sector task force on prosperity.

We will achieve this by continuing to invest in growth on behalf of all Canadians. We will continue to invest in policies to make our economy work better. We will further strengthen our investment in people. We will make additional investments in public infrastructure and we will continue to invest in open trading markets. We will continue to invest in sound monetary and fiscal policies, and we will invest in partnerships for growth with the provinces, with labour and with business.

These kinds of investments take time to bear fruit. They are not easy, change never is. However, there are pay-offs and they are starting to appear. At 1.4 per cent, we have the lowest inflation rate among the G-7 countries this year.

With productivity up by 2.6 per cent so far this year we have made major gains in controlling costs, and this improves our competitiveness. Our trade performance is showing the results. Canada's merchandise trade surplus, one of the keys to reducing our current account deficit, is up by almost \$2 billion from last year.

We all recognize that recovery from the 1990-91 recession is painfully slow, not only here in Canada but around the world. Therefore, I expect average growth

this year to be about 1 per cent. We know that we cannot have a powerful recovery when world growth is stagnating, but our investments in growth are positioning Canada for renewed world growth.

Some of the encouraging signs are as follows: real output increased by 1.4 per cent in the third quarter of 1992; domestic demand, including consumer spending, housing and investment in machinery and equipment, has increased by about 5 per cent; the composite leading indicator continues to improve; employment has increased in five of the last six months; consumer confidence is rising—it has now reached its highest level since the fourth quarter of 1989; real exports are up by more than 6 per cent over the first three quarters of this year; and exports to the United States are at record levels, up by 10.5 per cent this year over last.

However, we must interpret these signs cautiously. The world economy is still going through a difficult period. The recent instability in financial markets will hurt Canada's fourth quarter growth numbers. However, as the fundamental strengths of Canada's economy become more apparent the exchange rate should become less at risk and interest rates should come down considerably during the course of 1993, with short-term interest rates averaging about 6 per cent over the year.

Our improved competitive position, the easing in interest rates that our excellent inflation performance permits, a pickup in the U.S. economy, and the measures that I will announce today will contribute to stronger growth next year. I expect average growth of about 2.5 per cent for 1993.

I expect inflation will remain below 2.5 per cent in 1993. I expect improved employment prospects with an increase of about 300,000 jobs over the course of the year.

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

**Mr. Mazankowski:** Mr. Speaker, I now wish to turn to a number of measures that I am proposing to assist economic recovery and invest in economic growth.

One of the things that we will continue to do is to make government leaner and more efficient. We have made government smaller and more supportive of the private sector in a number of important ways. For example, government operating costs after inflation are

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more than 20 per cent lower than when we came into office.

In the last budget 46 agencies, commissions and boards were eliminated or restructured. The Prime Minister has instructed all ministers to identify further candidates for action by February 1993. Since 1985 we have dissolved 14 Crown corporations and undertaken 23 privatization initiatives, and we intend to proceed with further privatization.

We have deregulated critical economic sectors to increase competition and we are modernizing all federal regulations. We are eliminating those that no longer serve a public policy purpose and we will streamline others so that they will not stifle creativity and efficiency.

Agriculture Canada, Transport Canada and Consumer and Corporate Affairs Canada were directed to review and publicly justify their regulatory regimes in the last budget. All three found ample room for improvement, and as an example Agriculture Canada reviewed 58 sets of regulations. Fifteen were eliminated in whole or in part, four are being sunsetted, and 38 will be modernized. Building on this result the Treasury Board has announced that 19 other departments, along with six agencies, will complete their own reviews by April 1993. What we are seeking in all of these areas is a lower-cost, more efficient government that can work in partnership with the private sector to benefit and serve all Canadians.

I now turn to tax reform. An important part of modernizing and streamlining government has been to modernize our tax system. For the long-run competitive health of our economy our single most important tax reform initiative has been the replacement of the outdated and economically destructive manufacturers' sales tax with the GST. The old tax favoured imports, hurt Canadian exporters and penalized new business investment. The GST has helped our manufacturers and our exporters.

The Canadian Manufacturers' Association reports that the GST has saved its members \$3.5 billion. This is important assistance to activity and jobs in difficult times. The Canadian Exporters' Association reports that the tax has improved our competitive position. This has contributed to our strong export position. Major retailers

have confirmed that the prices of the majority of their goods dropped after the introduction of the GST.

The GST is not raising more revenues than the old tax. By law every penny of net GST revenue goes to the Debt Servicing and Reduction Account, where it can be used only to pay the interest on the debt and ultimately to reduce our debt. We are continuing to work to simplify the GST. Last week my colleague, the Minister of National Revenue, announced changes to streamline the administration of the GST. I will soon be announcing further measures to make the tax fairer and easier to comply with.

The government will also act to ensure that those who owe tax—both sales tax and income tax—make their payments, and do so in a timely way. We will give careful consideration to the Auditor General's recent comments in this regard.

Sales tax harmonization represents a major opportunity to reduce the burden of government on the private sector, particularly on small business. I therefore urge my provincial colleagues to join with me in a renewed effort to align our sales taxes, not only with each other but with the reality of the tough, competitive world in which our business people must operate.

I now turn to the small business sector. Small businesses are the primary engine of employment growth. Between 1979 and 1990 small business created more than 2 million full-time jobs. This is more than 80 per cent of the total created during that period. Over-all, Canada's federal tax system for small business is one of the most favourable in the world. Compared to the United States our tax rates are lower, our R and D incentives are more generous, and our taxes on dividends and capital gains on investments in small businesses are much lower.

Yet today the small business community is undergoing serious financial and competitive pressure. Much of this pressure, as I indicated before, comes from the need of the provincial and federal governments to get their act together, whether it is on the GST, other taxes, government spending, or regulation. Some small businesses are finding that the over-all regulatory and tax environment is friendlier south of the border and we must deal with that.

The fact is that much of what needs to be done to address this problem is in the domain of provincial and municipal governments, but the federal government can

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do something and we will assist small business where we can.

Therefore, I am proposing today a small business employment and investment package to help small businesses across the country modernize, attract financing, grow and create jobs.

For the next year I am proposing that most small businesses increasing employment will be able to do so with no increase in unemployment insurance premiums. New businesses starting up in 1993 will pay no UI premiums in that year. This assistance will reduce the cost of additional employees by up to \$1,600 each. It will be delivered in a simple way with a minimum of paperwork. More than 900,000 firms, indeed 95 per cent of all firms in Canada, will be able to benefit from this measure. The government, not the UI fund, will finance this measure.

• (1540)

I am also proposing a new 10 per cent investment tax credit for small business. It will apply to investments in machinery and equipment for small businesses engaged in manufacturing, construction, farming, fishing, mining, oil and gas and long-haul transportation. It will apply to investments made after today and before 1994.

I am also announcing measures to help small businesses secure financing. In the February budget I proposed that the ceiling for loans to individual businesses under the Small Businesses Loans Act be doubled from \$100,000 to \$200,000. I am announcing today that this ceiling will be further increased to \$250,000. As well, the government will work to broaden the application of the act to include some forms of working capital.

I am also announcing changes to simplify and expand investment in small business by RRSPs and Labour-Sponsored Venture Capital funds.

The Small Business Financing Program announced in my budget last February will be extended for two more years until the end of 1994. This provides low interest commercial financing for viable small businesses in difficulty. I am serving notice to Canada's banks that I expect them to make a special effort to play a constructive role in ensuring the success of this program.

We all know that small and medium-size businesses play an important role in Canada's home building industry. In my last budget I introduced a home buyers' plan to allow Canadians to use RRSP savings to help buy homes. This program has been an unqualified success, generating economic activity in all regions of Canada.

More than 130,000 withdrawals have been made under the plan. I am announcing today that in view of the positive response I am extending the plan for another year.

I am also announcing measures to assist activity in the resource sector. The first \$2 million of Canadian development expense by junior oil and gas companies will be treated as Canadian exploration expense for the purpose of flow-through share financing, raising its write-off rate from 30 per cent to 100 per cent. This will be a welcome measure.

Changes will also be introduced to benefit the mining sector. New mines or major expansions of existing mines are now allowed to fully recover their capital investment before paying any federal income tax. The Income Tax Act will be amended to provide more flexibility for mining and oil and gas companies to utilize their non-capital losses. These measures will help to put Canada's small businesses in a better position to meet their competitive challenges, to grow and to create jobs.

I now turn to research and development. The Canadian Manufacturers' Association recently noted: "The next ten years will bring about more changes in the way business is done than we have seen in the past 50".

Therefore effective R and D will be a key to successfully meeting the challenges of the next decade and the next century. Canada now has more generous tax incentives for R and D than any other G-7 country. In my last budget I proposed to improve them even further, after consulting with R and D performers.

I am today announcing changes to allow the tax rules to better reflect how R and D is actually performed in the business community. As indicated in the February budget, they will provide additional support of \$230 million over the next five years to Canadian companies undertaking research and development.

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In addition, there are several other areas where the tax system can be modified to help Canadian businesses adapt and grow. Some problem areas have been identified.

The first is the tax treatment of equipment, such as computers, that becomes obsolete quickly due to rapid technological change.

Second, the ability of some firms to use their R and D investment tax credits fully.

Third, the ability of Canadian firms to gain access to new technologies.

Fourth, tax based impediments to growth of small innovative companies.

These concerns have been raised in our discussions with the business community as part of the prosperity consultations. In consultation with industry, we will examine modifications to address these areas in the coming months and actions will be announced in the budget. I have set aside \$400 million over the next five years to finance changes to address these issues.

In addition, funding will be increased for the highly successful Industrial Research Assistance Program which provides technology support and financial assistance to businesses. My colleague, the Minister of Industry, Science and Technology, will also be taking steps to streamline delivery and ease of access to federal technology programs and services.

Funding will also be extended for long-term research, building on the best of the results achieved under the networks of the Centres of Excellence Program, a very good program I might add.

We will strengthen our investment in people.

In a world where capital, information, goods and even services flow easily across national borders a nation's competitive advantage is increasingly being found in the skills of its people.

As has been recently noted, nations once competed for control over natural resources. Today they compete to produce the best educated labour force.

Keeping up with this competition is a major challenge. In one generation, Canada's young people have been exposed to more scientific and technological advance-

ment than their parents or grandparents in their entire lifetime.

We have invested in skill development and training by setting up the Canadian Labour Force Development Board and by refocusing the UI system from passive income support to active skill building.

The \$3.5 billion we spend on training and adjustment does make a real difference to the lives of hundreds of thousands of individuals across the country.

Our programs have helped individuals cope with change, while assisting the adjustment to new opportunities. A good example of this is the Northern Cod Adjustment and Recovery Program. The collapse of the northern cod stock in Newfoundland required a moratorium on fishing to rebuild the stock for future years. Over 20,000 Newfoundlanders were affected. The government is responding by supporting incomes in the short run, by helping individuals build new skills so that they can become self-reliant, and by helping restructure the fishing industry to put it on a sustainable basis.

As the Prime Minister recently announced, support for the Unemployment Insurance Development Uses Fund will increase to more than \$2.2 billion next year from \$1.9 billion last year and from a level of \$500 million in 1990. This fund invests in people by helping them to upgrade their skills. This program has been a real success story. This year 450,000 people will benefit from the program. This will increase to more than 500,000 next year. The additional funds will be used to provide special services to workers who lose their jobs after a long-term attachment to the labour force.

I am announcing further measures today that will strengthen our investment in people and the future of this country.

To lay the foundation for a stronger training culture in this country we need the joint commitment of employers and workers to develop training strategies. To facilitate this the government will make funding available to help create permanent skill councils in particular sectors of the economy. Priority will be placed on the important task of developing occupational standards so that training will be more relevant to industry's needs. Government funding of \$250 million over five years will be used strategically to lever a national private sector driven effort. The government will develop tax incentives to

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help defray the costs of training workers to meet these occupational standards.

My colleague, the Minister of Employment and Immigration, will be elaborating on the government's labour market initiatives later in this debate.

We will make additional investments in public infrastructure.

The quality of a nation's infrastructure can provide an important competitive advantage in the new global economy. Highways, rail lines, air services, communications and information systems can become critical factors in location decisions.

Further strategic investment will be undertaken in all regions to strengthen our national transportation systems and communications networks. In order to ensure work begins in 1993 the government will commit \$500 million over the next two years to a strategic investment program.

• (1550)

Federal assistance will be provided for an immediate start on priority highway projects in New Brunswick and Nova Scotia. With the co-operation of these two provinces we anticipate a significant beginning can be made toward the development of the Atlantic expressway.

Advanced engineering and environmental work on the Prince Edward Island fixed crossing project will be undertaken to allow construction of this \$800 million project to begin in the spring. This will directly create an average of almost 1,000 jobs each year over the construction period and will provide enormous spin-off benefits for the economy of Atlantic Canada.

[*Translation*]

Federal bridges in Montreal will be upgraded. In addition, funding will be made available for co-operation with the Government of Quebec on strategic improvements to the highway system in that province.

[*English*]

Federal roads and roadworks in western Canada's national parks will be upgraded.

Grade separations and other investments will be undertaken to improve the efficiency and safety of our national rail system, particularly in southern Ontario.

Air navigation systems across the country will be improved. The federal government will provide resources for early procurement and the first phase of installation of microwave landing systems in Canadian airports.

Airports in the north will be improved.

The Prime Minister recently announced the government's commitment to developing one of the most exciting and most important infrastructure projects: a high speed national electronic highway. The government will set aside funding for the Canadian Network for the Advancement of Research, Industry and Education project, which will use fibre optics to allow the rapid exchange of vast amounts of information among Canada's scientists, engineers and educators. It will expand Canada's technological capabilities and benefit many sectors in the Canadian economy.

Over the next five years this initiative will result in investments in national infrastructure of more than \$2 billion. It will directly generate 4,000 to 5,000 jobs each year.

In addition, we are ready to proceed with a successful proposal to upgrade terminals 1 and 2 in Toronto using private financing. This project will be undertaken at a pace which will not undermine the airlines' effort to return to profitability. This project is expected to create between 2,000 and 3,000 direct jobs each year throughout construction. My colleague, the Minister of Transport, will be providing further details on this important initiative.

We will continue to invest in broadening trade opportunities.

As we in this House all know, trade is our lifeblood. Exports generate 30 per cent of Canada's economic activity and account for one in four jobs. Our ability to trade successfully makes us a wealthier country, with greater choices available to Canadians.

Broadening our trading opportunities requires improved access to markets, under clear and fair rules.

The Canada-U.S. Free Trade Agreement has proven a success. Canadian exports to the U.S. have increased by \$16 billion since the FTA was introduced and are now at record levels. This strong export performance was achieved in spite of slow growth in the U.S. economy and a strong Canadian dollar.

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The free trade agreement is providing opportunities for the industries of the future.

A recent study by the C. D. Howe Institute showed that Canada's export performance was strongest in those sectors which the FTA has already liberalized, with big gains in high-tech machinery and equipment and other value added products. Exports of manufactured products outpaced exports of resource based products, leading the C. D. Howe study to conclude that "many of Canada's manufacturing sectors seem to have performed remarkably well in the U.S. market under the FTA".

I am reiterating and strengthening our commitment to open trading markets.

The North American free trade agreement improves and strengthens the free trade agreement. It also gives Canadian exporters better access to the important Mexican market of 85 million consumers. We will take early action to introduce implementation legislation for the North American free trade agreement.

The GATT Uruguay round is one of utmost importance to Canada and to the world. The OECD has estimated that the reforms envisaged in the Uruguay round would eventually lead to annual income gains for the world economy of \$250 billion. We can share in that economy and so it is important that this be proceeded with.

To protect our competitive position we must seek to lower costs wherever possible. One way we can do this is by lowering tariffs on goods that we import. In response to the recommendations of the Canadian International Trade Tribunal, I am announcing that the government will reduce textile tariffs effective January 1, 1993, bringing them more in line with those of other industrialized countries.

We will continue to invest in sound monetary and fiscal policies as the only basis for sustainable economic growth.

Not so long ago Canada had one of the highest inflation rates among the G-7 countries. This year we have the lowest rate. This means that the prices of goods and services we buy are rising more slowly than in other leading industrial nations. And that is excellent news for the Canadian economy.

Low inflation protects people's purchasing power. Here is an example: Between 1980 and 1984 food prices

rose about 8 per cent per year. This meant that a basket of groceries cost 40 per cent more in 1984 than in 1979. From January to October of this year the price of food has risen by only 0.8 per cent. At this rate it would take 40 years, not 4, for a basket of groceries to increase by 40 per cent.

Another example: Low inflation protects those on fixed incomes. A pension of \$10,000 would be worth only \$4,420 after 20 years of inflation at 4 per cent. With 1 per cent inflation it would be worth almost \$8,200.

It is very clear our own history and experience in other countries demonstrate that there is no lasting trade-off between higher inflation and a strong economy. Nor is there a relationship with lower unemployment. While it takes time to adjust fully to a low inflation economy the continuing benefits make it one of the best possible investments in our economic future.

Our investment in price stability is paying off. Canadian interest rates moved down from a peak of 14 per cent in May 1990 to under 5 per cent in September as inflation and inflation pressures were reduced. These rates were among the lowest in the industrialized countries. Among the G-7 countries only the United States and Japan had lower rates.

Since September uncertainty in markets and downward pressure on our currency have pushed up interest rates, but they remain well below historical peaks. Continued good inflation performance is the clear basis for lower interest rates, and as pressure in the currency market subsides we should be able to achieve these lower rates.

Excessive government deficits, both federal and provincial, have contributed to a level of net foreign debt far higher for Canada than for any other G-7 country. This large net foreign debt, public sector and private sector, means that Canadians paid more than \$22 billion in net interest last year to foreign lenders. That is money that Canadians cannot use to develop our own economy. This adds to the economic damage done by the higher interest rates and higher taxes that result from higher government deficits.

Lowering government deficits means that more of Canadians' savings are available for private investment. It means we can invest in our future without mortgaging it to foreign lenders. The way to reduce deficits is by controlling spending, not by raising taxes. Now is not the



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time for any government to raise taxes. Canadians can make better, more productive use of their money than governments can. The more we can leave in people's pockets, the better it will be for our economy. That is precisely why I cut spending in the February budget to reduce the personal income surtax by 2 per cent: 1 per cent last July, and a further 1 per cent on January 1, 1993.

• (1600)

This measure will add \$1.8 billion to Canadians' disposable income this year and next. The January decrease will proceed on schedule, as will the reduction in the manufacturing and processing tax rate, from 23 per cent to 22 per cent. In total, the measures announced in February's budget will provide a timely stimulus of about \$2 billion in tax reductions to support economic activity over the coming year.

We also took steps to provide additional assistance to lower and middle-income families with children through the new Child Tax Benefit program. Beginning in January, this initiative will provide \$2.1 billion in additional assistance to families over a five-year period. This means, for example, that a working single parent with two children and an income of less than \$20,000 will receive about \$600 in additional assistance.

Consistent with this over-all approach, I am announcing today that the 1993 unemployment insurance premium rates for employers and for employees will be held to their 1992 levels.

We will manage spending to stay within the Spending Control Act limits. This will allow us to reduce the slippage in the deficit resulting from weaker revenues and to finance the additional investments in growth that I have announced today.

We have to keep our spending in line with our incomes. When our credit card bills get too high we have to cut back on our current spending. For Canada, the objective of this restraint is to preserve for the long term the benefits that we have all gained and continue to gain from this great land.

We are not cutting simply for the sake of cutting or because we think Canadians have not made real sacrifices. We know they have and we know that these cuts will require further sacrifice. We are asking everyone to

do a bit more so that a stronger recovery and sustained growth can be shared by all Canadians.

For the current fiscal year, operating budgets of all departments are being cut by a further 2 per cent. This has resulted in many departments imposing a hiring and discretionary spending freeze.

I am also asking my colleagues to reduce the spending on their grant and contribution programs for the balance of the year where possible. Over the balance of this fiscal year, and the next two fiscal years, almost \$8 billion will be cut in a broadly based expenditure restraint program.

Expenditures for a wide range of programs will be either frozen or reduced from planned levels. Let me elaborate.

Salaries will be frozen for the Governor General, the Lieutenant Governors, the Prime Minister, ministers, members of Parliament, senators, the federal judiciary, public servants and the employees of non-commercial Crown corporations for the next two years. Commercial Crown corporations will be asked to keep their wage settlements in line with this policy. In addition, appropriation-dependent corporations will be funded as if their wages were frozen.

Government operating budgets will be reduced by 3 per cent as of 1993-1994. Including the savings from the salary freeze, operating costs will be 5 per cent lower than planned levels in 1993-1994 and 1994-1995. These reductions are on top of the many operating cost reductions implemented over the last eight years.

Average unemployment insurance benefits will also be frozen. To do this, the UI benefit rate will be reduced for new beneficiaries from 60 per cent to 57 per cent in April 1993. The effect of this reduction will be to freeze the average benefit per recipient.

As well, persons who voluntarily quit their jobs without just cause or lose their jobs because of their own misconduct will no longer receive UI benefits.

Grants and subsidies to most organizations and interest groups will be cut by 10 per cent in each of the next two years.

Some programs will be exempted. These will include programs for the elderly, the guaranteed income supplement, spouse's allowance, programs for the disabled, war veterans' allowance, and veterans' disability pensions.

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Canada will not reduce its famine relief around the world.

In addition, I wish to inform the House and my provincial colleagues that no further restraint will be imposed upon major federal transfers to the provinces. These programs are already covered by the expenditure control plan introduced in the 1990 budget and extended in the 1991 budget.

The actions I have announced today will bring the estimated deficit down to \$34.4 billion this year and \$32.6 billion next year. The slippage relative to the February 1992 budget is largely due to the shortfall of revenues caused by a weaker than anticipated economy.

With the actions announced in this statement, program spending over the next two fiscal years will be similar to that projected in the budget. The savings from the expenditure reductions, net of the initiatives for investing in growth, rise substantially each year through 1994-95.

This will mean that spending will continue the pattern since 1991-92 of being well below the limits set out in the Spending Control Act despite the enormous economic pressures.

The expenditure reductions announced in this statement provide a considerable reduction in the structural component of the deficit. As such, the deficit should decline rapidly through the medium term on the basis of the tight control over spending in place and the stronger economic performance and the lower interest rates. It remains the government's objective to attain zero financial requirements over the medium term.

We must and we have to recognize, however, that Canada's deficit problem is a total government problem and not just a federal one. By far the larger share of government operating costs in Canada is provincial and not federal. Therefore, it is vital that all governments review their operations to cut costs, to reduce deficits and to lighten the burden on taxpayers.

Finally, we will invest in partnerships for growth with provincial governments and with the private sector. The recent constitutional discussions diverted attention from what the federal and provincial governments can do together to better co-ordinate economic policy in the interests of growth and jobs.

We will take a leadership role under the existing Constitution and urge better co-ordination of fiscal policies. We are prepared to act with the provinces to develop acceptable frameworks for public sector compensation, to eliminate waste, overlap and duplication, and to harmonize our tax systems and to reduce compliance costs on business and individuals.

The federal government has made specific proposals to achieve this in a much more co-ordinated and open fashion in its document of September 1991. These proposals do not require constitutional amendment and we are prepared to act on them together with the provinces as soon as possible.

As well, it is time—in fact it is long past time—for concrete, comprehensive action to reduce interprovincial trade barriers with a fixed agenda and a timetable.

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

**Mr. Mazankowski:** Mr. Speaker, the federal government has pressed provinces to remove all barriers and impediments to internal trade by 1995.

I am encouraged by the progress that has been set in place by the Canadian Ministers of Agriculture. Further progress across a range of areas can only strengthen Canada's position at home and abroad.

Our emphasis on a partnership approach with other governments and the private sector reflects the reality of the economic challenges facing Canada, but it also reflects the reality of the federal government's impact on the national economy.

The federal government accounts for less than half of the total government spending in Canada. This fact should be kept in mind by those who continue to pretend that the federal government alone can turn around Canada's economy. Not even a fiscally strong federal government could accomplish that by itself. That is why we must all work together more effectively to get our economy moving strongly forward again.

• (1610)

I am therefore tabling documents, including Notices of Ways and Means Motions. Details of the measures are included in the documents. I have introduced today a bill seeking supplementary borrowing authority for 1992-93. I am asking that an order of the day be designated for these motions.

*Government Orders*

In conclusion, the question that we must ask ourselves is: How can we best deal with economic change to ensure that Canada can meet the needs and fulfil the hopes of its citizens in the years ahead?

I believe the answer is clear. We must prepare ourselves to take advantage of the opportunities that the new world economy is bringing. That has been the consistent objective of the policies the government has followed in the past eight years. I firmly believe that Canada is now in a strong position to seize those opportunities.

We have all made a considerable investment in making Canada a country that can survive and prosper in a new world economy of the 21st century. This is a country where we can generate the wealth to sustain the social programs and the safety nets that are fundamental to our sense of identity and community.

There are those who would follow policies based on the world as they would like it to be rather than as it exists. But I challenge them to show how an inward-looking Canada could help Canadians to gain new jobs and opportunities in a new world economy.

There are also those who believe that more government spending and higher government debt can solve any problem, any time, any place. I challenge them to show how deliberately driving up the debt that has weakened us can make us stronger.

Today I have announced actions that will help position Canada for renewed economic success and will assist economic recovery and strengthen the basis for sustained growth and job creation. Through these actions, we are expanding our investment in the growth and vitality of Canada's small businesses in research and development, in training and adjustment for Canadian workers, in improved infrastructure and in a sound fiscal and monetary framework. These actions will help us to deal with global interdependence, but we must also recognize our own interdependence as Canadians in business, labour, government and learning institutions in the continuing effort to modernize our economy.

I appeal to all Canadians for their co-operation as together we pursue the task of securing a positive and vibrant economy for the future for ourselves and for our children. That is, remains and must be our priority as

Canadians and as Canadians' representatives in this House.

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

**Hon. Herb Gray (Windsor West):** Mr. Speaker, in all my years in this House, I have never seen a Minister of Finance who so misunderstands what his job is all about.

At this time this minister's job is to attack unemployment, to attack the lack of economic growth and to attack the recession. Instead, what this minister is doing is attacking the unemployed.

[*Translation*]

Instead of attacking the recession and unemployment, the minister is attacking the unemployed and the jobless, those who suffer as a result of these policies.

[*English*]

The minister is attacking the jobless by taking \$2.4 billion out of the pockets of unemployed Canadians through cuts in their unemployment insurance benefits. This minister is not getting more revenue from closing the tax loopholes identified by the Auditor General. Instead, he is literally reaching into the pockets of unemployed Canadians to try to achieve his budgetary projections which were so wrong in the past so many times.

This is not an act of courage or conviction. It is a vicious attack on those least able to help themselves. The Liberals will not stand for this and certainly Canadians will not stand for this.

What is the net effect of the minister's statement? Over the next two years the Minister of Finance will take some \$7 billion out of the Canadian economy, but what is he putting back? He says he will have an infrastructure program of \$500 million over two years. He says it will create 4,000 to 5,000 jobs a year. In one day last week we had announcements of losses of three times as many jobs as this minister says he will create with his infrastructure program. In one day. The announcement was a loss of 10,000 jobs at Canadian National, hundreds at Pratt and Whitney, thousands at Dofasco. In one day this minister heard how jobs are going to be wiped out, three times as many as he intends to create over years of his infrastructure program.

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