This bill which says the department can use whatever revenues it generates in the expenditures within its department is not correct. I cannot use the word lie, so I had to say it is just a fib in the legislation.

Mr. Iain Angus (Thunder Bay—Atikokan): Mr. Speaker, I realize it is very difficult for you to hear, given the volume of the background noise in the House today as we are awaiting the budget.

In the few minutes I have available, I realize that I will not be able to do more than just start my remarks. One of the reasons we are continuing to debate Bill C-91, when it was thought that it was going to pass very easily, that it was only housekeeping measures, is that it was discovered that there is a key clause in the legislation that would allow the government wide-open latitude to charge user fees, to impose new, almost tax regimes on the various components of the government operation.

One in particular is that of the Minister of Transport in terms of the marine industry. Many of us in this House are concerned about its long-term viability. In fact, we are concerned about the short-term viability of the maritime industry, whether it be on the west coast of B.C., the Great Lakes, the St. Lawrence River or the east coast.

This legislation if passed in its current form, particularly clause 6, will make it more difficult for a lot of our industry to survive. In doing so, it will also make it more expensive for many sectors of our economy—the grain sector, the iron ore sector, the coal sector, the potash sector, the forest industry, all of which must rely on at some point in time the shipment of their goods by ships whether it is domestically or internationally. This particular clause 6 will allow the government, through the Minister of Transport and his policies of cost recovery currently working their way through the system, to put the maritime industry in jeopardy.

We might ask why the government is doing so. Why is this particular clause include in this particular bill?

If I can go back to 1985 and another bill, the amendments to the Canada Shipping Act, the government at that time tried to include in the bill a specific cost recovery clause, clause 4. We successfully defeated that clause. We got the government to withdraw it. Through the back door it is now trying to do with this bill what it failed to do with with Bill C-75. There seems to be some confusion in the government's own minds as to what is needed. In responding to the maritime ministry, the Minister of Transport and the President of Treasury Board say that they currently have the legislative authority to enact user pay.

• (1630)

In a letter dated December 17, 1990 to the President of the Treasury Board, the Minister of Transport said the following: "It is my understanding that no new legislative authority is necessary to permit implementation of the department's proposals should it be decided in due course to do so. In the opinion of the Department of Justice, the existing section 19 of the FAA provides a sufficient legal foundation".

The question I must ask is: If they do not need it today, why did they feel they needed it back in 1985 under Bill C-75, the amendments to the Canada Shipping Act?

The government really needs this particular clause in order to have a solid legal basis for implementing the cost recovery measures currently being proposed by the Government of Canada through the Minister of Transport.

It is obvious to me from all the communications I have received from the industry and the communities involved that this particular bill is a serious threat to their economic viability. I indicated yesterday during the clause by clause debate at report stage that the clause should be withdrawn and that we would be quite prepared to proceed to receive third reading as long as that particular clause was deleted from the bill.

I do not know how much time I have left, but perhaps, Mr. Speaker, you might want to call it 4.30.

Mr. Speaker: It being 4.30 p.m., pursuant to order made on Monday, February 25, 1991, the House will now proceed to Ways and Means Motion No. 18.

* * *

THE BUDGET

FINANCIAL STATEMENT OF MINISTER OF FINANCE

Hon. Michael Wilson (Minister of Finance) moved:

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

He said: Mr. Speaker, my previous budgets have introduced a wide range of fundamental economic and fiscal reforms. Today, I will propose further far-reaching initiatives.

Our policies have been challenging for Canadians and for the government. But they are essential to help our country manage the risks and seize the opportunities of a rapidly changing economic world.

The world economy continues to grow more fiercely competitive. A relentless tide of economic change is having profound effects on people, industries and countries. While the opportunities have increased, so have the risks.

Since my last budget, rising uncertainty has taken a heavy toll on both economic confidence and performance in Canada and around the world.

We have seen international stability shaken by military hostilities in the Persian Gulf and by political upheaval in Eastern Europe and the Soviet Union.

[*Translation*]

Vital negotiations to open up world trade have encountered serious problems, posing large risks to Canada's trade-oriented economy.

As in a number of other countries including the United States, our economy is now in recession. Many Canadians have lost their jobs; many others have lost confidence in the economic future.

[*English*]

And this is happening at a time when some are questioning the future of Canada itself.

And yet, we must deal with the world as it is, and not as we might wish it to be.

Toward recovery

In difficult times, it is easy to lose perspective as well as confidence. But it is times like this when a clear, realistic perspective is needed to rebuild confidence and to chart a sound, sensible course of recovery.

We must not lose sight of the fact that a strong foundation exists for optimism as we face the major challenges that lie ahead.

[*Translation*]

Internationally, the vast majority of countries continue to express their powerful, common interest in maintaining a stable world order and in developing more reliable and open economic relationships.

We are a resilient, resourceful country. A stronger, more confident Canada is well within our reach, if we are prepared to work for it.

[*English*]

During the past year, we have made encouraging progress in reducing both inflationary pressures and interest rates. As a result, the prospects are hopeful for an economic recovery beginning in the second half of this year.

But we must also recognize that hope alone will not be enough.

A time for action

This time of uncertainty and risk is also a time for action, at home and abroad, to solve our problems and restore confidence in our future.

Abroad, Canada will continue to play its part in co-operative efforts to provide greater stability in political and economic affairs. As a vital part of this responsibility, we will continue to support the United Nations' effort to restore peace and order in the Persian Gulf.

Some hon. members: Hear, hear.

Mr. Wilson (Etobicoke Centre): We must and we will provide the men and women of our armed forces with all the support they need to complete this task. We must also be prepared to play a constructive role in the area after hostilities end.

Here at home, we must take further decisive action to move our economy toward early recovery and sustained growth.

* * *

RECOVERY, GROWTH AND PROSPERITY

This budget sets out a Plan for Economic Recovery—a strong, confident recovery that not only puts the recession behind us but leads us forward to continuing growth and renewed prosperity.

Our priority is action to create the essential conditions for recovery. Ours is not a plan for increased spending. That approach has been tried in the past and failed.

Some hon. members: Hear, hear.

Mr. Wilson (Etobicoke Centre): The key to recovery is lower interest rates. The Plan for Economic Recovery will bring about lower interest rates through the following actions:

We will set out clear, achievable inflation targets. Inflation will be reduced to 2 per cent by mid-decade.

Some hon. members: Hear, hear.

Mr. Wilson (Etobicoke Centre): The result of lower inflation will be lower interest rates.

We will put government finances firmly on the course to a balanced budget. We will remove the build-up of the public debt as a source of inflationary concern.

• (1640)

The Expenditure Control Plan announced in the 1990 budget will be extended.

The government will legislate mandatory program spending limits.

We will establish a Debt Servicing and Reduction Fund solely dedicated to offsetting the costs of the public debt. By law, all revenues from the Goods and Services Tax and from privatization will flow into this fund.

Some hon. members: Hear, hear.

Mr. Wilson (Etobicoke Centre): We will severely restrain the operations of government. Operating budgets will be frozen at current levels and the wages and salaries of Cabinet Ministers, Members of Parliament, all Order-in-Council appointments, and all federal public servants will be tightly restrained.

Some hon. members: Hear, hear.

Mr. Wilson (Etobicoke Centre): These measures reflect a fundamental commitment to strong, effective government management and control which will serve Canadians well for years to come.

They will ensure that we achieve key fiscal goals in line with the plan set out in my 1989 and 1990 budgets.

We will eliminate new federal borrowing in financial markets after 1993-94.

We will tightly control spending. Extending the Expenditure Control Plan will limit program spending growth to 3 per cent per year after 1991-92.

We will hold the deficit to $30.5 billion this current year and next.

Some hon. members: Hear, hear.

Mr. Wilson (Etobicoke Centre): That, Mr. Speaker, is despite the pressures of recession. In 1992-93, with recovery and lower interest rates, the deficit will fall below $25 billion for the first time in a decade.

[*Translation*]

This budget will result in a better balance between fiscal and monetary policy. It will provide the lower interest rates and greater confidence essential to our economic recovery.

The economy will recover in the second half of this year and grow strongly in 1992.

Restoring economic growth is essential. But we must go beyond recovery to attain our full measure of prosperity. To do this, we must find a way to get Canadians working more effectively together, in a broad national partnership to meet Canada's competitive challenges—a partnership for prosperity.

We must begin by being honest with ourselves about the challenges we face. We must see our problems as they really are.

[*English*]

The fundamental problem is this: our underlying ability to compete in the world marketplace has been falling behind that of our trading partners.

We have seen how living beyond our country's means can lead only to higher inflation, higher interest rates, less investment, lower consumer spending, slower growth and fewer jobs. All this in turn contributes to a growing burden of public debt.

It is easy to point the finger at others: business and labour at government because of the exchange rate, interest rates and taxes; or business at labour because of wage levels; or labour at business because of high executive salaries and bonuses or inadequate training.

But shifting the blame will get us nowhere. The problems are caused by us all and the solutions must involve actions and co-operation also by us all. There is too much at stake for anything less than a full, national effort.

The government will take the lead in a major national exercise to bring together the ideas and the efforts of Canadians in all walks of life and from all across our country, to strengthen Canada's ability to prosper in a tough economic world.

Before describing the budget measures in more detail, I want to be very clear about why, in a time of recession, it is necessary to call on Canadians to exercise patience and restraint.

* * *

FACING UP TO ECONOMIC REALITY

Without doubt, this is the most difficult of the seven budgets I have presented. Particularly so because of the painful economic circumstances facing Canadians today.

It is clear that the weakness in our economy continued and deepened during the last quarter of 1990. I expect the economy to stabilize by mid-year after a total decline of almost 2.5 per cent in output. The unemployment rate will exceed 10 per cent in the first half of this year and then decline as growth and employment recover.

In the months leading up to this budget, I have talked with, and listened carefully to, people from all across the country. I carried out extensive pre-budget consultations with leaders of organizations representing a variety of business, labour, social and other interests. I hear directly from individual Canadians on a continuing basis, in my visits to various parts of the country, in letters and in many other ways. I have heard the anguish of people who have lost their jobs or their businesses.

While the views that we are hearing on some of the shorter-term policy issues range widely, there is little disagreement on basic issues.

Canadians want a strong, growing economy that provides good jobs and expanding opportunities for themselves and their children. They want a government with the financial means to maintain the essential programs that help to hold this country together.

Canadians know that the deficit and the debt are serious problems that must be solved. They know that firm, determined action is needed to solve these problems. And they believe this should be carried out with the least possible adverse impact on those in greatest need.

[*Translation*]

In designing our Plan for Economic Recovery, I have been mindful of these views. One of the best things we can do to strengthen the unity of our country is to strengthen our economic union and our fiscal position. Our approach also reflects careful sensitivity to the difficulties that many Canadiens are facing today. This is evident in the fact that program expenditures will increase by 6.9 per cent in 1991-92. While this is too high in purely fiscal terms, the reason for the increase can be clearly understood in human terms.

[*English*]

Of a total program spending increase of $7.5 billion, here is where the bulk of the money will go: $3 billion for assistance to the unemployed; $1.6 billion for the elderly; and $1.3 billion for farmers in difficulty.

Some hon. members: Hear, hear.

Mr. Wilson (Etobicoke Centre): We have also allocated $600 million for national defence to meet increased responsibilities in 1991-92.

These four areas will account for more than 80 per cent of the increase in program spending.

In short, the money is going where it is needed, when it is needed.

At the same time, we have acted to ensure that our medium-term goals will not be compromised, as they must not be if we are to achieve continuing economic growth.

Let there be no doubt: The actions in this budget are tough and they are challenging. And I can assure you that government and the people who work for it will feel the pinch. We will have to give better value for taxpayers' dollars.

But Canadians know that finding the solutions to Canada's economic problems will continue to demand the participation and effort of everyone.

The Budget

In this budget I am asking Canadians to share the burden of further fiscal restraint. I fully recognize the sacrifices that many Canadians have already made in the name of restraint. I know there will be some reluctance to accept the necessity for more of the same.

• (1650)

In earlier times, periods of economic weakness have been occasions for Ministers of Finance to put some extra money in people's pockets, spend more on programs, and worry less about the government's fiscal situation. But in earlier times, we did not have to face persistently high deficits, high public debt and the economic damage that would result from ignoring these serious problems. Let us not forget that during the last recession, Canada's deficit doubled from $14 billion to $28 billion. We are still struggling with the problems this caused.

Our public debt is forecast to reach $400 billion by mid-year—about $15,000 for every man, woman and child in Canada. The interest alone on the debt will eat up more than $43 billion next year—more than we spend on old age security, unemployment insurance and family allowances combined.

[*Translation*]

Since coming to office in 1984, the government has waged a long, uphill battle to reduce the deficit and bring the debt under better control. The growth of the debt has been substantially reduced. The deficit, though still too high, has been cut in half as a proportion of our national income.

Throughout this period, many Canadians have become increasingly concerned about what government can do for them, about the value they are getting for their tax dollars.

This is not suprising. In 1984, the federal government was handling out $1.33 in programs and services for every dollar it collected in taxes. That was no bargain.

[*English*]

We are now paying the price, over and over again, for too many years of consuming more government services than we were willing to pay for—and borrowing to make up the difference.

We must get off this treadmill.

Some hon. members: Hear, hear.

Mr. Wilson (Etobicoke Centre): Decisions made in the 1970s and early 1980s that led to the massive debt of the 1990s have taken away many of the choices that Canadians and their governments might want to make today—choices about supporting priority programs and services or reducing taxes.

In my 1989 budget, I set out a medium-term fiscal plan to sharply reduce the deficit and bring an end to new government borrowing in financial markets by 1994-1995. My 1990 budget reaffirmed this plan and introduced a program of expenditure control to meet it. However, revenues are now lower than forecast, expenditures are higher because of the weak economy and debt charges are substantially higher.

If we did nothing to deal with this worsening fiscal situation, the deficit would be significantly higher than forecast over the next five years and the public debt would increase by at least $25 billion more in the same period. This would aggravate all of the fundamental problems that must be solved if we are to ensure a strong recovery. And if we increased our spending still further, the debt problem would be just that much worse.

Instead of lower inflation and lower interest rates, we would be sowing the seeds of higher inflation, higher interest rates and, unavoidably, higher taxes.

Instead of making more room for productive, job-creating investment, we would be crowding out that investment.

Instead of restoring the government's capacity to do the things Canadians want and need to build a stronger economy and a stronger country, we would be weakening that capacity.

Instead of building greater confidence in Canada's ability to deal with its problems, we would be assaulting that confidence in a direct and irresponsible way.

While the detailed policy choices facing the government are difficult, there is no doubt about the broad course that we must continue to follow. We must stay the course that we set out in 1984 and that we reinforced in 1989.

Some hon. members: Hear, hear.

ACTION FOR RECOVERY AND PROSPERITY

Mr. Wilson (Etobicoke Centre): The first challenge is to ensure that interest rates continue to come down. This is the key to our plan for economic recovery.

We are making real progress in the battle against inflation. As a result, interest rates have declined more than four percentage points since their peak last May. But we must now build a stronger level of certainty that a further easing of monetary conditions can be achieved and sustained.

Restoring the financial stability of government is essential to build that certainty.

Extending the Expenditure Control Plan

Sustained expenditure restraint is the key to deficit reduction and debt control. Government program expenditures must carry the burden of restraint.

In the 1990 budget, the government introduced a two-year Expenditure Control Plan that affected a broad range of government spending, with some important exceptions.

The Expenditure Control Plan will be extended. Exemptions will be continued for income support programs for seniors, families and veterans, unemployment insurance, as well as the equalization program and Canada Assistance Plan payments to lower-income provinces. Indian and Inuit programs will also be exempted.

Under the Expenditure Control Plan:

We will extend the existing 5 per cent cap on the growth of Canada Assistance Plan payments to the fiscally stronger provinces of Ontario, British Columbia and Alberta for three additional years.

The existing freeze on total per capita cash and tax transfers to the provinces under the Established Programs Financing will also continue through 1994-95. These transfers will continue to grow with provincial populations.

A number of other programs will remain frozen, including payments under the Public Utilities Income Tax Transfer Act, payments to Telefilm Canada and concessional loan financing by the Export Development Corporation.

Science and technology programs and cash payments under Official Development Assistance will grow by 3 per cent per year.

The existing 15 per cent reduction in planned funds for new social housing will continue.

Grants and contributions to businesses, interest groups and individuals will be reduced by $75 million next year and $125 million thereafter.

In summary, programs which are exempt from the extension of the Expenditure Control Plan, accounting for 60 per cent of program spending, will grow at an average annual rate of 3.9 per cent from 1991-92 to 1995-96. All other program spending will grow at an average annual rate of 1.7 per cent.

In view of our difficult fiscal circumstances, the government has decided to reconsider a number of recent decisions.

We will withdraw the previously announced contribution of $88 million to the Toronto Ballet Opera House, in line with the decision of the Ontario government.

Expenditures under the Green Plan will be spread over six years instead of five.

Funding for the Canadian Jobs Strategy will be reduced by $100 million in 1991-92.

We will delay the provision of financial support for the construction of concert halls in Edmonton and Montreal.

The cultural research institute in Montreal will be delayed.

[*Translation*]

Reforming government management

From the outset, we have recognized that fiscal responsibility by the government means fiscal responsibility in the government. Operating costs have been tightly restrained since 1984 and have actually declined in real terms. This was achieved by reducing the size of the public service, eliminating programs and improving efficiency.

This effort has ben intensified in recent years. Since December 1989, operational restraint measures have been implemented to achieve total savings of $6 billion over a five-year period. Budgets for travel, vehicles and equipment, supplies and office space have been cut. Government construction projects in the National Capital Region have been delayed.

• (1700)

[*English*]

We recognize that Canadians expect the government to bear its share of restraint. And we recognize that politicians and federal public servants must demonstrate leadership and resolve in helping the country through this difficult period. We are therefore taking further actions to restrain costs and improve efficiency.

The ministerial pay of the Prime Minister and Cabinet members will be frozen for one year.

The wage budgets of departments will not be adjusted in 1991-92 for any increases in costs arising out of new collective agreements. Departments will have to absorb any such higher costs from within existing budgets. Each increase of 1 per cent in average wage settlements across the public service could lead to a loss of about 2,000 jobs.

Over the next three years, the government is not prepared to contemplate wage increases beyond 3 per cent at an annual rate.

Rates of salary increase for the executive category in the public service, deputy ministers and heads of Crown corporations will be limited to a level no higher than the average of negotiated settlements in the federal public service.

The salaries of Members of Parliament and the Senate, which currently increase at the rate of inflation minus 1 per cent, will now increase at a rate which is the lesser of this formula or the average of negotiated settlements in the public service.

Some hon. members: Hear, hear.

Mr. Wilson (Etobicoke Centre): We will eliminate layers of management and reduce the number of senior managers in the public service by 10 per cent.

Capital spending and non-wage operating budgets will be frozen at 1990-91 levels.

We will continue to seek an agreement with public service unions on a work force adjustment policy that will permit the contracting-out of government services where this is shown to be cost-effective. If such an agreement cannot be negotiated, we will introduce legislation to permit contracting-out.

This program of restraint will generate savings of $3.6 billion over the next five years.

Let there be no doubt the government and the people who work in government will be doing their part.

Details of these and related measures will be announced shortly by my colleague, the President of the Treasury Board.

Wage policy

Mr. Speaker, I want to deal briefly with the approach the government is taking in its wage-setting policies. Continuing wage restraint is a key element of our plan for economic recovery.

As a leading employer, the government has a responsibility to ensure that public sector wage settlements do not add to inflationary pressures in the economy. To this end, the government has exercised restraint in federal contract settlements, while maintaining the principles of collective bargaining. Wage settlements since 1987 have been lower than those concluded in the private sector and by provincial and municipal governments.

However, given the seriousness of the fiscal situation, the government believes it must exercise further restraint in concluding wage settlements with its own employees. In taking this step, the government wishes to stress that federal employees are not being singled out for restraint. All Canadians face difficulties during the present period of recession. In the past two months alone, more than 140,000 jobs were lost in the economy. In the current situation, the government must cut back in all areas of spending, including wages.

All levels of government have a responsibility to restrain their expenditures. Let us remember that we all serve the same taxpayer—the same taxpayer who must pay the price when our spending gets out of line. And we will all share the benefits of reducing government spending—the benefits of lower interest rates, stronger growth and lower taxes.

Pay restraint is particularly important at the provincial and municipal levels, including education and health services. Wages and salaries in these sectors account for 45 per cent of all expenditures. Wage settlements in these sectors have been running ahead of inflation and our ability to pay. Some provinces have already introduced programs to limit the pay increases of their employees. It is vitally important that all provinces take part.

Wage settlements in the private sector have also been contributing to inflationary pressures. Reducing these pressures will help to lower costs and improve our competitive position. This will lead to more growth, new jobs and higher incomes.

Other management and efficiency initiatives

In addition to the measures I have described, the government will proceed with a number of other actions to streamline operations and encourage efficiency as part of our Plan for Economic Recovery.

Revenue Canada will take steps to improve the collection of tax revenues owed to the government. Changes will also be introduced to permit the recovery from tax refunds of debts owing to the government.

New cost recovery measures will be developed in the areas of transportation services and border crossings.

Privatization and Crown corporations

Since 1984, the government has privatized or dissolved more than 20 Crown corporations and improved operations of those remaining. As a result, the number of Crown corporation employees has been reduced by close to 80,000 since 1984-85. In the coming year, the government will continue to divest itself of investments no longer required as instruments of public policy.

The privatization of Petro-Canada will proceed now that legislation has passed.

Some hon. members: Hear, hear.

Mr. Wilson (Etobicoke Centre): Legislation will soon be introduced to enable the government to proceed with the sale of its shares in Telesat Canada. The government intends to privatize CN Exploration, a subsidiary of CN.

The Canada Oil and Gas Lands Administration will be disbanded and its responsibilities transferred to other departments. Petro-Canada International Assistance Corporation will be dissolved. With these actions, the last remaining institutions set up under the National Energy Program will be wound up.

The use of Special Operating Agencies will be extended to improve service and efficiency and cut costs, particularly in activities delivering services to the public and to departments. Organizations or functions to be converted to this status include the Canadian Grain Commission, Race Track Supervision, and the Patent and Trademark Office of Consumer and Corporate Affairs. Further candidates for conversion to Special Operating Agencies will be announced in due course by the President of the Treasury Board.

We will also be considering the reorganization of certain aspects of government operations in order to bring government closer to those whom it serves. For example, the National Energy Board will be relocated to Calgary.

Some hon. members: Hear, hear.

• (1710)

Mr. Wilson (Etobicoke Centre): The privatization program has been implemented to date through the Office of Privatization and Regulatory Affairs. Privatization remains a priority of the government. In keeping with our desire to streamline government operations, the functions of this agency will be redeployed. Ongoing and future privatizations will be managed by the Department of Finance under the responsibility of the Minister of State (Finance and Privatization).

Legislating spending limits

The expenditure restraint measures in this budget are crucial to our Plan for Economic Recovery. These measures build on a record of discipline that has reduced annual program spending growth to 3.7 per cent in the past five years compared with 13.8 per cent per year in the previous 15 years.

Having proven that we can manage spending responsibly, we can now provide Canadians with further assurance that future program spending will not get out of control again as it clearly was before 1984.

The government intends to impose mandatory, legislated limits on annual program spending for the next five years. By setting these limits in law, we will ensure that the budget's program spending track will be met. Flexibility will be provided only to meet a very limited set of contingencies that will be defined in the legislation.

This law will bring a significant change to the way government manages its expenditures. While the legislation will not preclude the introduction of new programs to meet new needs, it will mean that the government will