Petro-Canada

Canada, and my impression is that in the minds of some members it has become so sacred that it can be compared to the golden calf in the Bible. They just about worship Petro-Canada. I feel that any time we are so taken up with anything, we are in tremendous danger.

I am sorry the hon. member from Saskatchewan has left the chamber, because time and time again I hear members of the NDP talk about the potash industry which has been nationalized in Saskatchewan and what a great thing that is. If anything scares me, it is that Petro-Can can become like the potash industry in Saskatchewan. It scares the daylights out of me, because when the government of Saskatchewan took over the potash industry—every year I use great amounts of potash—what we found was that the price of potash doubled. If it means that when a government takes something over, the result is that the price doubles, then that scares me.

There is no control when the government takes anything over, there is no one who has the right to question government. Has anyone ever had the right to question the government of Saskatchewan with regard to potash? When I think about Petro-Canada staying in the hands of government, the way it was started, I am appalled.

Let me put something on the record. In August of 1976 Petro-Canada purchased Atlantic Richfield for the sum of $340 million. I am not so much concerned with the sum as with the principle. Then they also bought Bay Petroleum Limited. The purchase of Pacific Petroleum in November of 1978 was accomplished differently. Rather than use government cash, it used government credit. Petro-Canada issued redeemable, non-voting preferred shares at the bank to raise the required $1.4 billion for the takeover. The Petro-Canada Act prevents Petro-Canada from issuing preferred shares, so it was done through a subsidiary. If any private business in this country ever attempted to act in this manner, the opposition parties would raise a big outcry at what was going on. But when the government does it, nobody has the right to cry out except the opposition, and that does not change. I am sure that when our government was in opposition they cried out against such a principle which is contrary to every business principle. This is what I am afraid of.

They talk about PetroCan being a window for the industry. If that is so, then let us compare it with business. Tell me what business would ask a person with whom they were involved to be their window? Would the government be unbiased in such a situation? In every other area there are rules and regulations to control this, but all of a sudden we are talking about an industry that the government owns, and all business principles fall aside.

I imagine that PetroCan could change—and that is another possibility that I see—with the whims of government. I say that the Conservative party is as much in danger here as are the opposition parties. It does not matter what party is in government. My reason for saying this is based on the experience I have had with government since 1968. I realize that perhaps this government is not to be compared with any other government, but in principle it operates in the same way. So long as civil servants control an industry for which they are not responsible, it suffers. If a person is not directly responsible for the spending he does, he is not as interested. That is why it is so tremendously important that we allow Canadians, who will be directly responsible, to own shares in PetroCan. I find that most exciting.

Also, I know that PetroCan, the energy industry in Canada, is a most lucrative business and will be so for years to come. I cannot imagine why the opposition would want to stop Canadians from having an opportunity to become shareholders in the most lucrative business in the country. It is most exciting to own and be part of this country, and I can imagine the enthusiasm with which the Canadian public will want to buy shares in the greatest industry in this country.

Some hon. Members: Hear, hear!

Mr. Deputy Speaker: The hour provided for the consideration of private members' business has now expired. I do now leave the chair until eight o'clock at which time, may I remind hon. members, the House will consider the ways and means motion of the Minister of Finance (Mr. Crosbie).

At six o'clock the House took recess.

• (2000)

AFTER RECESS

The House resumed at 8 p.m.

GOVERNMENT ORDERS

[*English*]

THE BUDGET

FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

Hon. John C. Crosbie (Minister of Finance) moved:

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

He said: Mr. Speaker, as I begin my first budget speech I wish to express my thanks to the Prime Minister (Mr. Clark) for entrusting me with this heavy responsibility, and to express my thanks to my colleagues and to the officials in my own department and in the other departments involved for their assistance to me in this budget. I also wish to take the opportunity to express my appreciation to the members of the government caucus for their support.

An hon. Member: Up to now.

Mr. Crosbie: Do not worry, gentlemen.

As well, I wish to express my appreciation to the electors of St. John's West who have given me their confidence in four provincial elections since 1966 and who elected me on October 18, 1976, and on May 22, 1979, to represent them in this national institution. My three years in this House have been active and rewarding. I have come to know the country and members on all sides of this House in a way that convinces me beyond all doubt that Canada has immense possibilities. What do we need to realize them? All we need is the initiative, the willingness to work hard, the spirit of enterprise and the risk-taking and vision of our forefathers, whether English or French, or of other nationalities who came to settle in our part of the new frontier of North America.

[*Translation*]

My dear friends, a new era is opening before us. We will meet an extraordinary challenge. We will achieve the potential of the most beautiful country in the world.

[*English*]

Some hon. Members: Hear, hear!

Mr. Crosbie: This is an "achieve our potential" budget. This is a realistic budget that faces the facts and sets out our view of how Canada can realize its potential. Laurier said that the 20th century belonged to Canada. That prophecy may not yet be realized. But if our fiscal and energy policies are adopted, the 1990s will indeed belong to Canada.

This budget is a "first" in several respects. It is the first which it is my privilege to present to this House; the first of the new government; the first federal budget ever presented by a Newfoundlander; and the first Progressive Conservative budget in 17 years. Perhaps most important, it is the first budget of a new era in the economic and financial affairs of this country—an era of new realism and an economic climate to provide improved opportunities and incentives for Canadians.

Since last May, I have met with finance ministers from many countries. I have discussed our economic and fiscal problems with my provincial colleagues. I have listened to the views of business and labour leaders throughout Canada. I have sought advice from economists in universities, research institutes and business corporations.

All these contacts and the independent advice offered at the Tokyo Summit by the IMF, the OECD and the Economic Council of Canada—

Some hon. Members: Oh, oh!

Mr. Crosbie: Hon. gentlemen do not know what those initials represent. All these contacts have strengthened my conviction that four overriding considerations should guide this budget.

• (2010)

The first is that the Canadian economy has great potential and offers brighter prospects than almost any other country in the world. Second, our economic performance, which has been disappointing during the 1970s, can be improved substantially by improving the framework of economic incentives for private individuals and firms. Third, to be successful our policies must face realistically the problems posed by energy costs and shortages and the huge and swelling budget deficit which we inherited from our Liberal predecessors. And finally, our policies must focus more than in the past ten years on the medium and longer-term potential and opportunities of the country and less upon fine-tuning in the short run and the political subterfuges of the moment.

The need for a new approach is apparent from our experience during the 1970s. In broad terms, the performance of the economy has been about half as good on average as during the 1960s. Our rates of price inflation and unemployment have been roughly twice as high and our rate of productivity growth has fallen by half. Over the past five years, productivity growth, the essential source for increases in the living standards of Canadians, has approximated zero.

This deteriorating performance reflects a number of factors, some beyond our control. These include international developments such as the huge increase in energy prices and the unhappy combination of slower economic growth and general price inflation found in most countries, including the United States. In addition, domestic developments such as changes in the composition and location of the population and changes in labour force participation have been outside the control of government.

In addition to these unavoidable influences, however, part of the reason for our disappointing economic performance during the past decade has been the failure of governments, particularly the federal government, to face up to economic reality and to make the most of the country's opportunities. In my view, one of the main reasons Canadians elected a new government last spring was to set a new and realistic course for this country. This I and my colleagues are determined to do even if it means risking some unpopularity, hopefully short-term. We are committed to the proposition that in the longer run good economics is good sense and thus good politics.

CHALLENGES FACING THE NEW GOVERNMENT

What are some of the challenges we face as a government charting a new course? There has been little or no productivity growth during the past five years. This year prices have been rising at almost 10 per cent. This is the seventh year in a row in which prices have been rising in the range of 7½ to 11 per cent. Unemployment is about 7½ per cent, below the rate in 1977 and 1978, but still high, especially in certain regions of the country, such as my own native isle, Newfoundland.

In addition, two yawning "gaps" large or Liberal gaps, have emerged in the economy, the Government of Canada deficit and the deficit in the current account of the balance of international payments. At present, federal government expenditures exceed revenues by 25 per cent and the size of the deficit exceeds the total size of the budget in our centennial year of 1967. Our current account deficit is equal to over 2 per cent of the Gross National Product, that is, over 2 per cent of the total value of all the goods and services produced by our country. This is the highest deficit ratio among the major industrialized countries. As a country and as a government we must face the fact that we have to pay our bills and cannot continue by borrowing ever more at the expense of our future.

Because of these deficits our interest rates have increased excessively, private borrowers have been crowded out of the domestic market for funds and our Canadian dollar has depreciated. Our ability to undertake new initiatives to promote the development of the country would be all but eliminated if we were not acting to reduce these deficits.

Our recent experience proves again that simply printing money and increasing government expenditures and the deficit does not help. Such actions only make our difficulties worse. A disciplined and realistic fiscal and monetary framework is essential. It is evident that a system of incentives in both the private and public spheres is critical. Individual choice in response to positive incentives is much more effective than attempts by governments to persuade, dictate and direct. A major priority in this and our subsequent budgets will be to create a system of incentives that will encourage Canadians to work, to save, to invest, to take risks in Canada, to become more efficient in production and to conserve energy and other scarce resources.

THE MAIN FEATURES OF THIS BUDGET

Tonight, I fulfil our election promise by providing detailed projections of our revenues, expenditures and deficits out to 1983-84. Hon. gentlemen opposite are shocked. They are not used to hearing the truth. I am also releasing a paper which sets out and describes the economic assumptions on which the fiscal projections are based.

[*Translation*]

Mr. Speaker, tonight I achieved what I most dearly wanted to accomplish. As promised, I reduced the budget deficit and the financial needs of the government dramatically. I am confident that this courageous action on the part of our government will give our economy, at long last, a new lease on life.

[*English*]

Some hon. Members: Hear, hear!

Mr. Crosbie: They are going to be crossing the floor before I finish, Mr. Speaker.

Some hon. Members: Oh, oh!

Mr. Crosbie: I will now set out the main elements of this budget.

The fundamental objective of our fiscal plan is to bring about a steady reduction in our deficits. Our cash requirements will be cut in half from almost $10 billion this year to less than $5 billion by 1983-84.

To achieve this objective, a tight ceiling is placed on our expenditures. We will limit growth to 10 per cent a year. This means little growth in expenditures after allowing for inflation.

[Mr. Crosbie.]

I now refer to a series of major new measures in the energy field to achieve our goal of self-sufficiency in oil by the 1990s.

Let me make the situation as clear as I can. The revenue and expenditure figures relating to 1980-81 and the following fiscal years are based on the assumption that we will conclude an agreement with the oil and gas producing provinces on our new energy policy and on oil and gas pricing. The agreement involves oil and natural gas price increases over the years 1980-84 so that prices rise at a measured pace toward 85 per cent—only 85 per cent—not the old 100 per cent of the previous regime—of the lesser of U.S. levels at Chicago or the international price.

The Government of Canada intends, in connection with any increase in oil and natural gas prices, to ensure that excess profits are not made by the industry as a result of accelerating prices but that the industry has an adequate rate of return and retains the necessary revenues for continuing exploration and development of new energy sources. We intend to ensure, through our new energy tax, that the Government of Canada obtains roughly half of the returns from oil and gas price increases that exceed $2.00 per barrel and 30 cents per thousand cubic feet per year. On this basis the Government of Canada will have sufficient revenues from the increases in oil and gas prices to carry into effect energy programs, conservation programs and offset programs to assist the regions and people of Canada.

● (2020)

The exact form of our energy tax has not yet been fully worked out—

An hon. Member: Why?

Mr. Chrétien: After seven months? Why are you having a budget?

Mr. Crosbie: It has not yet been fully worked out. Because this is a process of consultation, not of running roughshod over the provinces as did the last government.

But it will be a tax sufficient to give the Government of Canada the revenues we have indicated we need from oil and gas price increases to carry out the programs we consider necessary. I have every confidence that the agreements now being reached will go forward and that a new energy tax will be in place before July, 1980.

Because of the absolute necessity of further encouraging our people to use fewer oil products, to conserve oil products now having to be imported in ever larger quantities and at ever greater prices as our own domestic supplies dwindle, and in order to raise badly needed revenues for the Government of Canada in a manner that also serves another vital national purpose, an excise tax of 25 cents a gallon is imposed on gasoline, diesel and other transportation fuels effective tonight.

An hon. Member: Deals all over the place.

Some hon. Members: Oh, oh!

Mr. Crosbie: After the crocodile tears are over, I will carry on.

This tax will not apply to heating oil in the home or elsewhere.

Some hon. Members: Hear, hear!

Mr. Crosbie: The tax will apply to all users of transportation fuels and will replace the current tax of seven cents a gallon on gasoline which applied only to non-commercial users. Thus the increase is 18 cents a gallon for those using gasoline for personal use only. Farming, commercial fishing and urban public transit systems will be entitled to a rebate of ten cents per gallon and so will be taxed effectively at 15 cents.

All federal proceeds from the new energy tax and a substantial part of the proceeds from the excise tax will be returned to the economy in the form of direct measures to assist in developing alternate energy sources, conservation methods and to assist regions and people in Canada in absorbing these higher costs.

The former government stated that it was never its intention to maintain indefinitely the present regime of cheap energy in Canada while the rest of the world was adjusting to the new realities. They said then that there was no practical alternative to continuing a phased adjustment to higher energy prices. They stated that this was essential to provide for future supplies and to conserve this scarce resource. The problem that they left us is that they did not have the courage to carry out their own policy. We have to act now so that Canada can be self-sufficient in all energy sources, including oil, by the 1990s and to protect Canada from chaos whenever international oil supplies are interrupted. Unlike the previous government we will not declare a policy and then fail to act.

I am announcing tonight an income-tested, refundable, energy tax credit of $80 per adult and $30 per child per year, phased in over two years, for the benefit of lower and middle-income Canadians. The cost of this measure when in full effect will be $1 billion each year.

If the opposition parties permit our mortgage interest and property tax credit legislation to be passed into law, reductions in federal personal income taxes will be $1.2 billion in 1980, rising to $2.9 billion in 1982. Federal income taxes will also be reduced in 1980 by $1.4 billion through indexing.

Investment in common stocks of businesses in Canada will be encouraged by a new investment plan, the Canadian Common Stock Investment Plan, and by changes in the Registered Retirement Savings Plan rules.

To assist small unincorporated businesses, and to recognize the contribution many wives make to running them, salaries paid to wives or husbands by such businesses will be deductible. This will be another step along the continuing road towards equal status for Canadian women.

Tax measures will be introduced to reduce the borrowing costs of small business corporations during the present high-interest situation by means of a small business development bond.

New tax incentives will encourage regional development and promote investment in Atlantic fishing vessels built in Canada.

Farmers will receive substantial relief from problems caused by the taxation of capital gains on farm land.

Income tax changes of importance to family law reform will be introduced.

A surcharge of 5 per cent on corporate income taxes will be imposed for a period of two years as a contribution from the business sector to our overwhelming need to reduce the deficit.

The super depletion allowance for frontier drilling will be extended at a reduced rate to the end of 1980 and then replaced. The write-off for Canadian oil and gas property, including land bonus payments, will be reduced from 30 per cent to 10 per cent.

Taxes on alcoholic beverages, tobacco and some other products will be increased.

Measures will be taken to eliminate certain abuses in the tax system.

Unemployment insurance contribution rates will be increased while the employment tax credit will be enriched.

THE ECONOMY

Before turning to our specific objectives for reducing the deficit and a fuller discussion of the budget measures let me review our current economic situation and the general economic environment we face over the next several years.

Output and employment in the Canadian economy were stronger in the third quarter than had been generally expected. Gross national expenditure in real terms is likely to increase by something like 3 per cent in 1979. Over the past four quarters, business investment in particular has been growing strongly, showing an increase in real terms of 12 per cent.

Job creation has also been impressive. About 440,000 more people were employed in October, 1979, than in October, 1978. More than 135,000 of the new jobs were in the manufacturing sector.

But the news has not all been good. Of particular concern was the deterioration in our balance of payments on current account. During the first three quarters of 1979, imports of goods and services exceeded exports at an average annual rate of $6.1 billion, compared to $5.3 billion in all of 1978. Export growth slowed because of the slowdown in the U.S. economy while import growth accelerated, reflecting the high level of expenditures in Canada for machinery and equipment, most of which is imported.

Consumer prices continue to show year-over-year increases in excess of 9 per cent, despite some slowing of the rate of increase in food prices. At the same time, energy and other non-food prices increased at above average rates.

Our prospects for 1980 are clouded by the recession which now appears to be under way in the United States. Although their output may actually fall, we estimate Canada's will rise about 1 per cent. This means that fewer jobs will be created in

The Budget—Hon. John C. Crosbie

Canada in 1980 than in this year, and that our unemployment rate is likely to increase to about 8¼ per cent.

The rise in energy prices will put upward pressure on the Consumer Price Index. This will tend to be reflected in continuing upward pressure on wages. There is already cause for concern in the rising trend now showing up in wage settlements.

● (2030)

We must look beyond 1980 even though forecasting is hazardous. Our policies are geared to improving the longer-run outlook for the Canadian economy and they are based on a realistic assessment of potential economic performance.

With recovery in the United States we believe that a growth rate of 3½ to 4 per cent in Canada for 1981-85 is attainable. This will mean some reduction in unemployment. But changes in the composition of the labour force, together with the influence of unemployment insurance and other social programs, have made unemployment rates in the 4 or 5 per cent range a thing of the past.

Our major challenge is to bring down the rate of inflation. This government fully endorses the Bank of Canada's policy of gradually reducing money supply growth. The government's over-all fiscal plan, and the tax measures I am presenting tonight, indicate our determination to reduce our deficit. Fiscal policy will now share in the task of reducing inflation and so provide a better balanced restraint than is the case when monetary policy is left to attempt the job alone. More funds for investment will be available for the private sector, hopefully at lower interest rates.

If confidence in our determination to reduce inflation can be fully established then the public's expectations may adjust downward. Future price and wage increases may then be lower than could normally be expected given the recent history of price inflation, the rather high levels of capacity utilization which prevail in many sectors and the impact of increases in energy prices.

The other main challenge is to improve our balance of payments position. Most projections suggest that the current account deficit will continue to widen, mainly because of the growing burden of interest payments, although it does not increase as a percentage of GNP. To do better than this we must export more and import less. We need more investment and we need more skills in order to increase our share in both foreign and domestic markets.

A major contribution to improving our balance of payments can come from energy through our new oil pricing and conservation policy which will lessen our imports of oil. As hon. members know, my colleague, the Minister of Energy, Mines and Resources (Mr. Hnatyshyn) has announced approval of the additional exports of natural gas recommended by the National Energy Board. The Board's findings are good news indeed. The intensive exploration and development effort in the Western Basin has paid off. We now have greater security of supply for our expanding domestic gas market and can increase exports. The effect on the balance of payments will be

[Mr. Crosbie.]

substantial. At today's export price, the 3.8 trillion cubic foot surplus would be worth about $15.5 billion, and this figure will be a good deal higher as export prices rise.

Let me return now to a more detailed discussion of our plans for deficit reduction.

REDUCING THE GOVERNMENT'S DEFICIT

We plan to cut the government's financial requirements from about $10 billion this year to $4.8 billion in 1983-84. There will be a reduction of $1¾ billion next year to bring the 1980-81 level to $8.2 billion, and further reductions each year thereafter. Relative to the size of the growing economy the reduction in financial requirements will be even more dramatic, falling from 3.9 per cent of GNP this year to 1.1 per cent by 1983-84. By that year we will have accomplished a substantial, if not complete, repair of the damage of the fiscal position incurred over the last five years when financial requirements were allowed to rise from $2 billion, or 1.4 per cent of GNP in 1974-75, to this year's $10 billion.

The most fundamental element in our plan to lower the deficit is severe restraint over government expenditures. We are planning to hold total expenditure growth to 10 per cent in each of the next four years. In real terms there will be no growth at all. To achieve a lower deficit next year we have had to reinforce this expenditure strategy with the tax increases introduced tonight. Continuation of this degree of expenditure restraint under conditions of more normal economic growth will bring substantial further reductions in the deficit without further tax increases.

The decrease in financial requirements of about $5 billion over the next four years results both from an increase in the government's non-budgetary sources of funds and from a reduction in the budgetary deficit. The budgetary deficit will decline each year, from $11.2 billion, or 4.4 per cent of GNP this year, to $9.1 billion, or 2.1 per cent of GNP in 1983-84.

That is an amazing decrease, Mr. Speaker, when one takes into account inflation and other expenditures. With the current level of the budgetary deficit the government's net debt is increasing at an annual rate of 20 per cent. Imagine, Mr. Speaker, 20 per cent. This, of course, implies a rising ratio of debt to government revenue and to GNP, and is a major contributor to rapid growth in interest costs which would sooner or later have to be met by higher taxes. It is not a sustainable position. This progressive reduction in deficits will bring the growth rate of net debt below 10 per cent by 1983-84. Government debt will then no longer be increasing relative to the size of the economy and public debt charges will no longer be pre-empting a larger and larger share of government expenditures.

The deficit on the national accounts basis declines very much in line with financial requirements. It is projected to fall from $10.2 billion in 1978-79 to $4.4 billion in 1983-84. On this accounting basis the consolidated position of all governments in Canada, federal, provincial and local, taken together, is expected to be in balance by 1983.

At this point I wish to make an announcement with respect to Canada's gold holdings. The great rise in the price of gold in the last three years, at a time when the other components of our official international reserves have been declining, has led to a substantial shift in the composition of our reserves portfolio. At the current market price the 22 million ounces of gold held by the Exchange Fund now constitute almost 75 per cent of our reserves. This is a far higher proportion than we have held in the past. It is also higher than the proportion now held by other industrial countries, with the exception of the United States which holds only small amounts of foreign currencies. From the standpoint of the efficient management of our reserve assets, I think it would be more appropriate if this proportion were reduced somewhat. This would provide a more balanced portfolio and allow us to invest more funds in interest-earning assets. Accordingly, I plan to sell up to one million ounces of gold in the relatively near future if the market for gold continues to be firm. Part of this may be purchased by the Mint in connection with its "Maple Leaf" coin program. The balance will be sold in the market.

LIMITING THE GROWTH OF GOVERNMENT EXPENDITURES

The 10 per cent planned expenditure growth rate is well below the nominal growth rate projected for the economy as a whole. It will mean that the ratio of federal government outlays to GNP will decline from 20.6 per cent in 1979-80 to 18.2 per cent in 1983-84. Relative to the size of the economy federal expenditures will be brought back to the level of the late 1960s.

An increasing portion of the fixed expenditure total will be devoted to new energy initiatives. Expenditure growth in all other areas combined will have to be restricted to about 9 per cent per year.

It is estimated that spending under existing major statutory programs will increase, on average, by 9.3 per cent over the next four years. The public debt charge component would be increasing much faster were it not for the reductions in deficit we are planning. Even so, public debt charges are expected to increase by 19.5 per cent or $1.7 billion next year. That is our legacy from our predecessors. Excluding this item, growth in outlays will be held to 8.1 per cent in 1980-81. Our commitment to provide substantial funds for new energy initiatives over the next several years, our desire to mount some new programs in other areas and our need to maintain reserves for contingencies mean that significant cuts will be required in existing programs. In general, new initiatives will have to be financed by reductions elsewhere. But the basic Progressive Conservative principle of support to less well off people and regions will be maintained, though programs will be re-examined and may have to be more selective.

In order to improve our control over expenditure, the government has put a new expenditure management system in place. This is described in a paper I tabled last week. I have also tabled an analysis of tax expenditures to draw attention to their importance and to the need for their control.

• (2040)

ENERGY POLICY

Mr. Speaker, energy has become an issue of fundamental concern to every Canadian. This government, under the leadership of the Prime Minister, has pursued extensive consultations with provinces on energy policy. Our objective is clear. It is to move Canada rapidly away from dependence on oil imports and towards self-sufficiency by 1990. Our goal is to achieve this in three ways:

—constrain demand for oil;

—encourage substitution from oil to other forms of energy; and

—bring on new oil supplies.

This reminds me of the Hibernia announcement today which is an example of bringing on new oil supplies.

In 1979 imports of oil will exceed our exports by about 50 million barrels a year and without new action this gap will widen rapidly. If no action is taken, by 1985 our net imports will be about 200 million barrels which valued even at today's prices would seriously undermine our balance of payments. These are the figures; these are the facts.

As long as Canada is so dependent on oil imports we will be vulnerable. Recent events in the Middle East have underlined that point for us. We must protect ourselves from international oil politics. If we do not, despite the fact that we are one of the few industrialized nations that has this potential, our children and our children's children would be right to scorn us for the desperate straits we had left them in.

We believe that the best way to begin to reach our goals is to establish realistic prices. Crude oil prices must ensure an adequate return to producers to finance needed exploration and development. Retail prices to consumers must encourage conservation. Both must be high enough to eliminate our oil trade deficit by 1990. Our own Canadian conventional oil reserves will be seriously diminished by the late 1980s. In the next 7, 8, 9 or 10 years they will be diminished and gone. We cannot wait for a cataclysm to occur.

As the Government of Canada we have a responsibility to all Canadians. The effects of more rapid increases in oil prices will be felt in every corner of the economy and by every Canadian. The Government of Canada must have the ability to soften the impact of higher prices where it is essential to do so. We want to take steps to ensure that those hardest hit by energy price increases are helped. There are interregional consequences to be addressed. The rights and aspirations of producing provinces must be respected. Industry must have an adequate cash flow. The federal government must have a fair share of the increased returns flowing from energy price increases to discharge our national responsibilities. These are the elements that we have balanced in developing an energy policy.

We are prepared, once full agreement is reached with the producing provinces, to permit oil prices to rise in stages, by $4 a barrel in 1980 and by $4.50 a year thereafter, subject to further adjustment after 1982 if necessary. Gas prices on existing flows of natural gas will rise to maintain the present 85 per cent relationship with oil but, to encourage substitution of gas for oil, distributors will pay a lower price on additional volumes calculated at 65 per cent of the commodity value of oil. The difference will be used by distributors to aid householders and industry in converting from oil to gas.

The new energy tax, to be introduced by a tax bill in this House in 1980 with a request for passage before August 1, 1980, will recoup amounts roughly equal to half of the return from oil price increases in excess of $2 per barrel annually and natural gas price increases in excess of 30 cents per thousand cubic feet annually. The technical details of this tax have still to be worked out in a co-operative effort. The additional price increases to commence on July 1, 1980, over and above the $1 increase already scheduled for January 1, 1980, will not take effect before the new tax is in place.

Producing provinces would levy their royalties on the full price increases and receive additional revenues. Over the next four years, under this projection, from 1980 to 1983 the total net revenues from oil and gas would amount to $90 billion. Of this, the provinces would receive about $40 billion and the federal government $17 billion. The industry would receive $33 billion net of all production costs and taxes. The funds flowing to the industry should be ample to support all needed new energy investments. If this does not turn out to be the case, adjustments will be made to ensure sufficient cash flow to the industry for all needed energy projects.

We need immediately, however, an added incentive to conserve our petroleum resources. Consumption of motor gasoline over the first nine months of 1979 was up 4.3 per cent. In contrast, in the United States, gasoline use was down about 4 per cent. Canadian prices of gasoline, diesel fuel, and heating oil are low by international standards. Indeed, our prices for gasoline are substantially lower than those of all major industrialized countries. They are now 30 to 35 cents per gallon lower than those in the United States. The United Kingdom is an oil producer and its prices are just about double our prices. The difference is all the more significant when it is realized that, historically, our prices have been higher than those in the U.S. by a few cents per gallon. Canadians now pay less for gasoline, when allowance is made for general price inflation, than they did 25 years ago. For example, in 1954 the price of gasoline was about 45 cents per gallon. If gasoline prices had risen as much as consumer prices in general, the price today would be about $1.20 per gallon. In fact, in large Ontario cities the price today is around $1.07 per gallon.

Some hon. Members: Oh, oh!

Mr. Crosbie: We all have to face the facts, Mr. Speaker.

Low prices have led to excessive consumption. Canadian energy consumption, per capita, is the highest in the world. Our oil supply picture is tight and fragile. Stocks of fuel are lower than last year. Any major disruption of international or domestic oil supply, or an abnormally cold winter, could lead

[Mr. Crosbie.]

to major difficulties. It could raise the possibility of rationing. To sit back and do nothing would be criminal.

In order to further energy conservation efforts and to increase revenues, I have announced tonight a federal excise tax on transportation fuels. Even with this tax, the price of these products will generally be lower than in the United States.

These measures taken in total will produce tangible results. I expect that by 1985 they will result in import savings of 100 million barrels a year, or some $2.5 billion even at today's prices.

All of the revenues from the envisaged energy tax and a substantial part of the revenues from the excise tax will be used to finance a number of energy-related measures and offsets to the impact of energy price increases. These form an integral part of our energy program. I would like to provide some examples of the programs we envisage, some of the details of which are in the supplementary budget material.

First, we will be moving quickly to set up a national energy bank. It will help fund a wide range of energy-related projects.

Second, we will provide increased funding for the Canadian Homes Insulation Program.

Third, we will be mounting a major effort to ease the burden of adjustment to higher prices in the Atlantic region. We will provide grants to compensate for the additional costs of electricity generation resulting from oil price increases in excess of $2 per barrel per year.

Lower and middle-income Canadians need some protection from the price increases. A good deal of protection is already afforded to many by the indexing of social programs and the income tax system.

In addition, the refundable energy tax credit I announced tonight when in full effect will return about $1 billion to lower- and middle-income Canadians. The credit will commence with the 1980 tax year. It will be phased in to reflect the fact that the full impact of energy price increases is not felt until later next year. One-half of the benefit will thus be claimable in 1980, with full benefits claimable in 1981 and subsequent years. Credit benefits will be reduced for families with incomes over a threshold amount. For 1980 the threshold is $21,380. For every $100 of income in excess of this threshold, benefits will be reduced by $5. When the plan is in full effect a family of four will receive the full benefits of $220 each year as long as their income is below the threshold amount. If benefits exceed a family's tax otherwise payable, the excess will be refundable to them.

OTHER TAX MEASURES IN THE ENERGY FIELD

I will now give more detail on other significant tax changes in the energy field.

The depletion allowance for frontier drilling, the so-called super depletion, expires in April of next year. It has been attracting significant Canadian participation in frontier exploration. To achieve our energy goals, it is important that efforts to find new supplies not slacken. However, under the current system, high-income individuals can receive tax benefits that are actually larger than the costs of their investments. This is not tolerable. I propose to reduce the richness of the incentive. This modified incentive will terminate at the end of 1980, at which time a new policy of the Minister of Energy, Mines and Resources for encouraging frontier exploration will be put in place.

● (2050)

I propose also to modify other aspects of resource taxation. Two types of schemes have recently developed that are resulting in undesirable tax leakage. Some non-residents have found ways of escaping tax on income from sales of resource properties. Measures are proposed in this budget to preclude this possibility. As well, rules are to be introduced to ensure that tax-exempt institutions cannot be used as vehicles to circumvent the income tax rules relating to resource taxation. Ingenuity is a wonderful thing.

Currently, amounts paid to acquire leases to explore, including bonus payments to provinces, can be written off at 30 per cent per year. The generosity of this provision has contributed to aggressive bidding up of prices for exploration rights, making it harder for small, new companies to compete. I am therefore reducing the write-off for Canadian oil and gas properties from 30 per cent to 10 per cent per year.

Finally, there is a serious anomaly in the federal sales tax on gasoline and diesel fuel. This tax is now a specific amount per gallon. It does not rise as prices rise. It will now be converted to 9 per cent of sale price to retail outlets. This change will ensure that the sales tax remains at 9 per cent on gasoline and diesel fuel as prices rise.

The two-year write-off provision for energy conservation equipment will be extended for five more years. At the same time I propose to broaden its scope to include certain solar-heating equipment, small-scale hydro projects and other conservation equipment. Solar heating is very valuable in Newfoundland, Mr. Speaker.

To encourage Canadians to experiment with fuel substitutes I am relaxing the licensing requirements under the Excise Act for the experimental production of alcohol. It is better known as gasahoil. I think that's what the name is.

TAX MEASURES

Let me now turn, Mr. Speaker, to other tax matters.

ENCOURAGEMENT TO PRIVATE SECTOR

I believe that the economic goals of this country can best be served by a revitalized private sector.

Some hon. Members: Hear, hear!

Mr. Crosbie: That has not been heard too often in budget speeches recently. Enterprise has to be rewarded, equity investment encouraged and incentives restored.

The new tax incentive measures I am announcing tonight are fully consistent with and reflect the commitments we have made to the Canadian people.

EQUITY INVESTMENT

It is our policy to promote equity investment by Canadians for Canadians. I have announced tonight two important tax measures to achieve this goal.

First, I am removing the impediments to investments in common stocks by Registered Retirement Savings Plans. After 1979, capital gains realized in an RRSP will no longer be fully taxed as income when distributed but will only be taxed at half rates upon withdrawal at retirement. Dividends on shares held in an RRSP will also be taxed at half rates when the funds are withdrawn. This tax treatment will be roughly equivalent to that available if the dividends and capital gains were received directly. The measure will apply to dividends and capital gains on common shares of public Canadian companies listed on Canadian stock exchanges. The changes should result in a significant shift of RRSP funds toward common stock investments.

Second, a Canadian Common Stock Investment Plan is created for investment in the common stock of Canadian companies listed on stock exchanges in Canada. The plan is structured so that it can be administered by investment dealers and stockbrokers—the acknowledged experts in this field.

Each investor will be able to contribute up to $10,000 per year to the plan, with a lifetime limit of $100,000. In order to give the plan a good start an investment of $20,000 will be permitted in 1980. Contributions will not be deductible when going into the plan and will not be taxable when withdrawn. Capital gains on eligible amounts invested in public company shares will not be taxed as long as the investor remains in the market through his plan.

These measures will significantly lessen the impact of the tax on capital gains on common stocks. They will mitigate the impact of inflation on taxation of capital gains. Canadians will have increased incentives to own a wide range of Canadian companies.

I want to announce yet another measure concerning capital gains. Capital gains on farm land are one of the major sources of retirement income for farmers. Farmers and fishermen are, of course, the backbone of the country. Tax on those gains is now deferred as long as the farm remains in the family. But farms are not always left to family members. Starting tonight bona fide farmers may put $100,000 of taxable capital gains on farm land into an RRSP without tax consequences. This will mean that on the sale of his land a farmer will be able to receive $200,000 in a capital gain without incurring any immediate tax liability. Farmers will then also be able to take further advantage of the various options for deferring tax when their RRSPs mature. They will of course continue to be able to place up to $5,500 annually in RRSPs out of income and to acquire an income-averaging annuity contract with capital gains proceeds not rolled into an RRSP.

The Budget—Hon. John C. Crosbie

We now have some seven years of experience with the taxation of capital gains. In 1980 I estimate that federal and provincial revenues from that source could amount to over $1 billion. A number of proposals have been made, and a number of concerns expressed, regarding taxation of capital gains. I have reviewed them all. I intend to table shortly a discussion paper on the tax treatment of capital gains and will refer it to a parliamentary committee for consideration. It will deal comprehensively with this whole issue, including the question of indexing capital gains and providing special exemptions for certain gains such as those on farm land and publicly-traded Canadian shares. After I have heard the views of the committee I will consider what further action should be taken in my next budget.

Some hon. Members: Hear, hear!

Mr. Crosbie: My grandfather had five, and I expect no less.

SMALL BUSINESS

The small business sector is one of the great strengths of this country.

For the 1980 and subsequent tax years unincorporated businesses will be allowed to deduct salaries paid to spouses who work in the business. This measure is costly. It will reduce federal revenues by some $150 million a year. But, in addition to aiding small business, the measure is sound tax policy. It properly recognizes the contribution that many wives make to running small businesses and which has recently been denied.

Some hon. Members: Hear, hear!

Mr. Crosbie: Mr. Speaker, I have recently been reminded that wives are not chattels.

I recognize, Mr. Speaker, the impact of recent increases in interest rates. I want to do what I can to alleviate the situation for small business corporations. As a temporary one-year measure, small Canadian-controlled private corporations will be able to issue up to $500,000 of special bonds. Interest paid on these small business development bonds will be treated as dividends. It will not be taxable to the lending institution nor deductible to the borrower. This form of after-tax financing will substantially reduce the borrowing costs of small business corporations. I emphasize that this is a temporary measure of special benefit and so it is proper to apply a "sunset" provision to it. It will be limited to indebtedness issued before the end of 1980 with a term of at least one year and no more than five years and each borrower will be eligible for only one such bond issue at any time.

● (2100)

REGIONAL AND SECTORAL DEVELOPMENT

Mr. Speaker, I want to encourage further the important contribution that the private sector can make to regional development. I am proposing to do this by facilitating the use of selective tax incentives. They will take the form of tax contracts with firms for investment projects in the Atlantic Provinces and the Gaspé region of Quebec. This stimulant will add to the range of federal incentives now available in the designated regions of Canada. The nature of the tax incentive will be determined on a project by project basis and will be administered by the Department of Regional Economic Expansion in consultation with the Department of Finance. This selective approach will provide the flexibility to promote those economic activities which are most promising.

I also have particular measures to announce concerning the Atlantic fishing industry. After tonight, capital cost allowance on leased fishing vessels, newly-built in Canada for use in the Atlantic fisheries, may be used to reduce other taxable income. This will draw new sources of private financing into the sector and will permit an improvement in the quality of the fleet for vessels ranging in size from the long-liner to the freezer trawler.

Some hon. Members: Hear, hear!

Mr. Crosbie: For those hon. members opposite who do not know, a long-liner is a vessel of anywhere from 40 to 60 feet in length. It has nothing to do with National Sea or anyone else.

REVENUE-RAISING MEASURES

There is need for a short-term temporary tax increase to ensure that the deficit comes down. There will be a simple, straightforward corporate surtax of 5 per cent of federal taxes otherwise payable by all corporations. The measure has an explicit "sunset" clause. It will terminate at the end of 1981. It will yield some $370 million in the 1980-81 fiscal year. The advantage of this simple surtax is that it leaves intact the structure of tax rates and tax incentives. For example, small businessmen and manufacturers who pay tax at lower rates will pay a smaller amount of surtax.

I have reviewed the federal commodity tax structure. The federal levies on alcohol products have not been increased for a number of years. With inflation, the real burden of these taxes has fallen significantly. Moreover, the taxes on alcohol need to be rationalized. The tax per unit volume of absolute alcohol varies dramatically from product to product. I am proposing a series of tax changes that will reduce this disparity and will, over all, yield some $130 million in 1980-81. Taxes will rise on spirits, brandy, fortified wines, table wines and regular and light beer. Taxes will fall on sparkling wines and on malt beer. The tax increases amount to about 11 cents on a bottle of spirits, 13 cents per bottle of table wine, and 1 cent per bottle of beer.

An hon. Member: What about screech?

Mr. Crosbie: Eleven cents on a bottle of screech!

There will also be an across-the-board increase in specific excise taxes and duties on tobacco and tobacco products of about 10 per cent. These taxes have not been increased since 1974 and their real value has also fallen. The increase on cigarettes will amount to 2.5 cents per pack of 20.

OTHER TAX CHANGES

Let me outline briefly some changes needed to tighten the law or to relieve tax burden. Details are contained in the Notices of Ways and Means Motions I will table tonight.

On the income tax side, I am introducing a number of important relieving measures in the area of taxation and family law. In future, new attribution rules will ensure that income on property transferred from one spouse to the other will not be attributed to the spouse transferring the property after the date of a written separation agreement. The deduction for maintenance payments will be extended to cover amounts paid under a court order on account of illegitimate children and common-law spouses.

For the 1980 and subsequent taxation years, the tax exemption for allowances paid to volunteer firemen will be raised from $300 to $500.

Some hon. Members: Hear, hear!

Mr. Crosbie: I have to admit that there is a slight conflict of interest here. I am an honorary member of the Goulds fire department.

The government attaches great importance to the voluntary sector. We have referred the whole matter of encouragement of the voluntary sector to a special parliamentary committee chaired by the hon. member for Fraser Valley West (Mr. Wenman). I have undertaken a review of this area, including the tax treatment of charitable donations, and will provide a paper to that committee. The recommendations of the committee will be carefully considered before my next budget.

I have also considered the vitally important matter of providing adequate and effective incentives for research and development. Our future growth is heavily dependent on how we handle this issue. Some rather complex tax incentives for R & D have only recently been legislated and I want to study these more closely before I introduce any other tax changes.

I will immediately introduce relieving measures for overseas remuneration of Canadians temporarily employed abroad. This will help the competitive position of Canadian corporations that obtain certain export contracts including construction, installation and engineering projects abroad.

I am going to introduce a number of technical changes relating to prepaid expenses, the so-called capital gains strips, deferred employee compensation plans, term preferred shares, corporate partnerships, transfers of corporate residence, options to acquire control and certain others. Many of these are designed to check tax avoidance arrangements.

Finally, I have reviewed the special capital cost allowance provisions for multiple-unit residential buildings. This tax shelter was introduced in 1974 and has been extended many times since. The pressure on vacancy rates is not now as serious as previously. Thus, I am letting this provision expire, as currently provided, on December 31 of this year.

There are also a number of tax structure changes in the federal sales tax. Manufacturers of cosmetics are not paying

their fair share of tax. I am proposing that the tax on cosmetics apply to the full sale price to retailers. I am also moving to ensure that the photo-finishing industry pay its fair share of sales tax.

Amendments will be made to ensure that the exemption from sales tax for transportation equipment does not extend to service equipment mounted on the vehicles. The exemption for aircraft will exclude aircraft used for recreational purposes and flight training and put them on the same basis as automobiles. The exemptions for containers and coverings will be modified to confine them to manufacturers only.

EMPLOYMENT PROGRAMS AND UNEMPLOYMENT INSURANCE

This government considers it essential to increase employment. We strongly believe that the jobs created should be of a permanent nature, be in the private sector and be available to those who are most vulnerable to unemployment.

The central feature of our approach will be an improved tax incentive to increase employment opportunities, particularly for the young. This will replace the current Employment Tax Credit Act and a number of other programs. It will include an $80 per week tax credit to help create jobs in the private sector for more than 100,000 people.

When this program is fully implemented, about $250 million per year in tax expenditures will be made available to the private sector for job creation for young people and for the long-term unemployed. This represents a substantial expansion from the $100 million set aside by the previous government.

We also wish to ensure that our programs respond to the differences in employment opportunities across the country. In addition to the tax credit, an amount of $50 million will be made available to initiate new measures, or to supplement existing programs, aimed at stimulating employment and economic development in Eastern Canada.

This government is committed to achieving greater consistency with insurance principles and to bringing greater financial integrity to the unemployment insurance program. To this end, effective in 1980, the costs of unemployment insurance benefits, except those associated with high regional rates of unemployment, will be financed by employer and employee premiums. The costs of job referral and related employment services will also be financed by premiums.

The weekly employee rate of unemployment insurance contributions for 1980 will be increased from $1.35 per $100 of insurable earnings to $1.60. The employer rate will be increased from $1.89 to $2.24.

This is only the first step in a comprehensive review of the unemployment insurance program started last June. Further proposals are now being developed in full consultation with provincial governments, labour and business. When these changes become effective, the premiums will be re-examined.

TRADE POLICY

In the Multilateral Trade Negotiations (MTN) we reached agreement with our trading partners on tariffs and on a number of non-tariff measures. In most cases implementation of these agreements will not require changes in legislation. With respect to customs valuation, we have not yet concluded negotiations with our trading partners.

● (2110)

We hope the results of these negotiations will provide important incentives to improve Canada's over-all economic performance. Clearly, if Canadian producers are to be exposed to increased competition at home and abroad, it will be important that we have the means to act at least as quickly and effectively as other countries to deal with unfair trading practices and imports which injure Canadian producers. This means that we should strengthen our emergency procedures, particularly on anti-dumping and countervailing duties and safeguards generally. I intend to issue early in the new year a White Paper proposing a number of changes in Canadian legislation and practice in these areas. The government will be asking that the Finance, Trade and Economic Affairs Committee be empowered to hold hearings on the White Paper.

I intend to introduce tomorrow a notice of ways and means motion to give effect to the tariff reductions agreed to in the MTN. The motion will include full details of the phase-in schedule for the reductions. The ways and means motion will also provide for the withdrawal of the benefits of the British Preferential Tariff system from the United Kingdom, Ireland and the Republic of South Africa.

Meanwhile I am introducing tonight a separate notice of ways and means motion setting out a small number of tariff changes not related to the results of the MTN.

THE BUDGETARY PROCESS

Mr. Speaker, this government is committed to open government and to ongoing appraisal of the effectiveness of existing programs and policies. I am determined that this include the budgetary process and programs based on tax incentives.

Excessive budget secrecy should be eliminated. To facilitate this process, I am taking the following steps. First, by publishing the major study on tax expenditures I am enabling Canadians to gain a better appreciation of how their government is using public funds to provide special tax incentives to particular industries and groups.

Second, I am undertaking to refer special studies on tax policy and tax system problems to a parliamentary committee for detailed review, beginning in the near future with a paper on the taxation of capital gains. I will also be referring the Report of the Commodity Tax Review Group back to the Committee on Finance, Trade and Economic Affairs so that it may complete its deliberations.

Third, in future, prior to tabling tax bills I will make available to the public a draft of the legislation so as to enable tax practitioners to make technical suggestions for improvement.

Fourth, I am undertaking a general review of tax measures to which "sunset" provisions might be attached. I have taken such action already in this budget.

I am convinced that a more open budgetary process is desirable. I think it can be achieved and still ensure that sensitive tax changes are not revealed in advance of the budget.

Mr. Speaker, I would now like to table projections of the government's revenues and expenditures together with explanatory notes, the notices of ways and means motions, supplementary information giving details of the measures I have proposed tonight, background material on our energy situation and strategy, and a paper setting out the economic assumptions underlying the fiscal projections. I would ask the consent of the House to include in *Hansard* the tables which provide four-year projections of the government's fiscal position on the public accounts and national accounts bases, and of the principal components of budgetary revenues.

Mr. Speaker: Order, please. Pursuant to Standing Order 41(2), the minister asks for leave to table documents, but he seeks the agreement of the House that they be printed in *Hansard* as read. Is there agreement of the House to that?

Some hon. Members: Agreed.

Mr. Speaker: It is so ordered.

[*Editor's Note: For text of the above tables see Appendix.*]

Mr. Crosbie: I thank hon. members for being so patient.

IN CONCLUSION

Mr. Speaker, I would like to conclude on a personal note. Fifty-one years ago my grandfather, Sir John Crosbie, delivered his fifth and final budget speech to the House of Assembly of what was then the Dominion of Newfoundland. The revenue of that dominion in the previous year had been $8,932,000. The expenditures had been $10,533,000. There had been a deficit of $1,601,000. In that framework, Mr. Speaker, they had administered a dominion government, built and operated a railway, created the fishery, commenced mining projects and industrial development in pulp and paper mills, started a highway system and had that year completed a drydock in St. John's. They had little in the way of resources but they had vision, confidence and courage.

How much more do we Canadians have today and how much better off are we in comparison to our own country 51 years ago. How much better off are we in comparison to nearly all of the other nations of the world today. Few have our potential or our resources, especially in energy.

An hon. Member: Your grandfather was a Liberal.

Mr. Crosbie: We have doubters opposite.

Some hon. Members: Oh, oh!

Mr. Crosbie: I have great faith in Canada. The people of Newfoundland share that faith today with renewed confidence in the fisheries and with offshore energy resources. The members of this government believe the possibilities for the future in Canada are tremendous and we are determined to create the conditions which will achieve these possibilities.

[*Translation*]

My dear friends, I trust you will see in this budget a step in the right direction. This budget faces facts. We have the choice: either Canada achieves its potential of which we can all be proud, or we go back to our bad habits of spending without concern for tomorrow. I beg of you to support this wonderful project, the achievement of the potential of our beautiful country.

[*English*]

I believe that with the measures announced tonight we are at a new beginning for Canadians. I hope that you will agree that this is a budget that faces the facts and a budget that will help Canada achieve its potential. The future truly can belong to Canada. It is up to us.

Some hon. Members: Hear, hear!

Hon. Herb Gray (Windsor West): Mr. Speaker, after listening to what the Minister of Finance (Mr. Crosbie) had to say tonight, I am sure that the people in Canada in general would not want to shake hands with him. I do not think it would be parliamentary for me to try to say what middle and lower-income people would like to do to the minister and the Conservative government after hearing his speech tonight.

Some hon. Members: Hear, hear!

Mr. Gray: What we have heard this evening is not really a budget—it is the Minister of Finance's biggest joke yet, a cruel joke on the Canadian people. How can this be a budget if it is based on an energy agreement on oil and gas pricing that does not yet exist and which may never exist?

Some hon. Members: Hear, hear!

Mr. Gray: How can this be a budget if it is based on an energy tax that does not exist, whose form is unknown, and which is not even described in the budget speech or in the ways and means motion accompanying the budget speech? The government will have to bring in another bill to implement the proposed new energy revenue tax. So much for the minister's desire to do away with fine tuning.

Some hon. Members: Oh, oh!

Mr. Gray: To the extent the budget is a real one, it is still a cruel joke on the Canadian people. The increase in energy prices and excise taxes proposed in the budget will bring inflation back to double digit levels in Canada.

Some hon. Members: Shame!

Mr. Gray: It will increase unemployment by at least 1 per cent, and certainly will not do anything for employment except reduce it. It will reduce the gross national product next year in Canada by at least one point. All Canadians will be hurt by this budget, especially lower and middle-income Canadians. They will be hurt by the higher excise taxes and the higher energy prices. These are regressive taxes and the burden of them will be most severe on the lower and middle income Canadians. But this Conservative government are willing to drive the Canadian economy into the ground in order to carry out to the utmost their commitment to their Conservative doctrinaire policy. That is more important to them, than the growth of the economy or fighting unemployment and creating more jobs. None of that matters to them except that doctrinaire commitment, that doctrinaire fear of the word "deficit".

● (2120)

This budget, to the extent that it is a budget, is one of broken promises. Remember the promise of the $2.5 billion tax cut promised by the then leader of the opposition before the election and during the election on the hustings and in this House. It is not in this speech. Instead of that $2.5 billion tax cut promised, we have an increase in taxes for lower and middle income Canadians of close to $5 billion.

This energy package is really a disguised tax increase, a mammoth tax grab on the part of the Conservative government from the Canadian people, especially lower and middle income Canadians. A few days ago the Minister of Finance said that the promise of the Prime Minister (Mr. Clark) of a $2.5 billion tax cut was a temporary aberration. After seeing this budget, I think the Canadian people will hope that it will be nothing more than a temporary aberration, a temporary aberration carrying the Canadian economy away from the path of growth and development it was on at the time the government changed on June 4.

Some hon. Members: Oh, oh!

Some hon. Members: Hear, hear!

Mr. Gray: In this budget speech the Minister of Finance talked about his concern for government spending and controlling government spending. But when in this House a few days ago he was asked about the cost of this mortgage tax credit plan, all he had to say was, "Don't worry about it. It is just a squeesly-measly couple of billion dollars". In order to pay for this plan—and he would not admit this during the debate on Bill C-20—obviously he has chosen the route of higher taxes on lower and middle income Canadians, higher taxes cancelling out benefits to people who are still hoping, in spite of Conservative higher interest rates, to benefit from the mortgage interest tax credit plan, and adding to the burden of taxes on the many more Canadians who do not benefit from this plan at all: the renters, the people with no mortgages, the people with incomes too low to pay income tax against which a tax credit can be claimed.

This is really just a "squeesly-measly" budget for Canadian workers, farmers, consumers, and small business people, when it comes to helping them to have better standards of living and to secure a chance for success in their chosen endeavours. This budget gives a little with one hand and takes away a lot with