this legislation will allow the electronic filing of these applications, which will increase the efficiency as well.

It is important to note that although there is a serious reservation concerning the question of fees this is a piece of legislation on which we feel that the New Democratic Party, and we are happy to see that the Liberals are also on board on this, can agree with the government that it is something that is long overdue.

I hope the government will take note of this because this is not a rare occasion in which all parties say they agree with a bill, with a certain legislation. We hear constantly from the government that the opposition is always in opposition and never says that the government does anything right. It is against the law of averages that this government could do everything wrong. Now and then it is going to stumble upon something which needs doing and which is done right. This is one of those rare occasions.

I wish the government would learn the lesson from this piece of legislation and in the future have a great deal more pre-consultative exercises in which it meets with the actual people concerned with the legislation.

Mr. Lewis: It is inclusive.

Mr. Edmonston: One of my friends, the hon. minister, talks about inclusiveness. Perhaps the word is inclusiveness but I think it is just consultation. We need to talk to the people of this country, not at the people of this country. We need to make sure that what we are doing here is absolutely necessary and improves the situation. I think this does.

I am proud to be a member of this Parliament in which we can all agree upon something. I hope that in the future we will see other pieces of legislation that allow us to do the same thing.

The Acting Speaker (Mr. DeBlois): Is the House ready for the question?

Some hon. members: Question.

The Acting Speaker (Mr. DeBlois): Is it the pleasure of the House to adopt the motion?

Some hon. members: Agreed.

Motion agreed to, bill read the third time and passed.

[*Translation*]

SUSPENSION OF SITTING

The Acting Speaker (Mr. DeBlois): In accordance with the agreement reached earlier today, I now suspend the sitting of the House until 4.30 p.m.

The sitting of the House was suspended at 4.14 p.m.

SITTING RESUMED

The House resumed at 4.33 p.m.

Mr. Speaker: Pursuant to Standing Order 83(2), the House will now deal with Ways and Means Motion No. 30 which derives from the financial statement.

* * *

• (1635)

[*English*]

THE BUDGET

FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

Hon. Don Mazankowski (Minister of Finance) moved:

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

He said: Mr. Speaker, at the outset I would like to take this opportunity to express my sincere appreciation to the thousands of Canadians who have communicated with me in the preparation of this budget. I would also like to thank the many who participated in the pre-budget consultation process and all those who gave me the benefit of their thoughts, ideas and suggestions in the preparation of the budget.

I also want to say thank you to my colleagues on this side of the House, and indeed to all members of the House of Commons who have from time to time offered suggestions, sometimes in the crossfire of debate. Excellent suggestions have come from the House and from my cabinet colleagues. I want to thank them very much for their support. Most of all I want to thank the Prime Minister for his constant support and guidance and particularly for the confidence that he has expressed in me in discharging this very important position. I want to thank him very much for his ongoing support, advice and good counsel. I hope that it has been put to good use in this particular budget.

Today I am presenting a budget that will deliver: no new taxes; no tax increases; more than $30 billion in spending cuts and other measures; zero real growth for federal spending on programs and services; the lowest federal program spending as a share of the economy in more than 30 years; the elimination of all new federal borrowing within five years and a strong, positive initiative for a co-operative national attack on all government debt.

Since my hon. friends across the way did not get it all let me repeat it in French.

[*Translation*]

Speaker. No new taxes and no tax increases. More than $30 billion in spending cuts. Zero real growth for federal spending on programs and services. The lowest federal program spending in 30 years. The elimination of all new federal borrowing within five years and a federal-provincial attack on the public debt.

[*English*]

The goal of this budget is to free the economy for more job creating growth by steadily reducing the burden of deficits and debt. Today I will also outline a process to bring federal and provincial governments together to work toward that goal.

There is only one taxpayer. Canadians want a national solution to the national debt problem and they want their governments to act now.

• (1640)

This budget sets out a responsible, achievable course of action. It builds upon the actions in previous federal budgets but recognizes that a problem that began two decades ago cannot disappear overnight.

It also underlines that by working together as governments and as Canadians we can make an immediate and fundamental change for the better in the prospects of our economy, our country and our people.

This budget is presented at a time of unprecedented concern about the collective spending and borrowing habits of our governments. Canadians are justified in their concerns. They know that a household cannot keep running up credit card bills and borrowing to pay interest. They have seen what happens when governments act as if they are exempt from the same basic rules of common sense.

Here is what happens: Taxpayers pay more and more for less and less service from government because interest eats up a growing share of the tax dollar. Those higher taxes act as a break on the economy. Less economic activity means less growth and fewer jobs.

Home owners pay higher mortgage rates because government borrowing drives up the price of money. Higher interest rates discourage investors and consumers and that too means less growth and fewer jobs.

Finally, in an effort to maintain a standard of living that we no longer earn, we rely more and more on foreign lenders. This leaves Canada with less and less control of its own economic future and the income that we do earn goes increasingly to pay interest to foreigners.

Canadians want to keep control of their future. They want their governments to have the means to maintain vital social support services and the flexibility to respond to emerging priorities. Less borrowing, lower taxes, more jobs and more choice: that is the direction in which people want to go. That is the direction in which this government is going.

This government has been and is fully committed to helping Canadians build a stronger economy that creates jobs and that can adapt, compete and prosper in a new more competitive and rapidly changing global economy.

That is why we have continued to move forward on policies such as bold trade initiatives to secure and expand access to markets; innovative job training measures to help Canadians adapt to a changing work place; tax reforms to increase incentives for work, investment and prosperity and regulatory reform and privatization to reduce the burden of government and improve efficiency.

Most of all, we must and will continue with our firm, responsible spending control policies. That is of fundamental importance as we set forth on this debate. Since 1984-85 we have made real progress in a changing, uncertain world economy. We have cut the average annual growth of federal program spending from 13.8 per cent to 14.1 per cent. We have cut the federal deficit from 8.7 per cent to 5.1 per cent as a proportion of our national income.

We have turned an operating deficit into an operating surplus. This means the government now spends less on programs and services than it raises in revenues and has done so for the last six years.

Over the past few years, a persistent and painful global economic slowdown has repeatedly forced governments, businesses and households in Canada and indeed around the world to adjust their plans for the future. This has hastened the basic restructuring of our economy in response to global economic change.

To help Canadians cope with the economic downturn and adapt to global competition, we took firm action in the February 1992 budget and the December statement.

We cut personal income taxes. We enriched and restructured the child benefit system to help families with low or moderate incomes. This is injecting $1.7 billion into the economy this year alone.

We introduced the Home Buyer's Plan to help Canadians buy or build homes using funds from their RRSPs. More than $1.4 billion of these funds have been invested in homes by 148,000 Canadians.

We increased our already substantial support for small businesses, the prime source of new job creation in Canada. They are now creating more new jobs.

We substantially improved access for small business to financing by overhauling the Small Businesses Loans Act. Indications are that banks will lend more than an additional $1 billion to small businesses this year.

• (1645)

We increased to $3.8 billion our investment in Canada's most important resource, the knowledge and skills of its people. This will benefit more than one million Canadians this year alone.

We announced major new strategic capital investments in Canada's national transportation and communication networks. A start is now being made on infrastructure projects creating 15,000 person-years of employment with an additional 15,000 to come from further projects to be announced in the weeks and months ahead.

We provided tax relief for manufacturers and since August manufacturing shipments have grown at an annual rate of almost 15 per cent. In February unfilled orders increased 5 per cent, the largest increase in almost five years.

These measures are being funded out of savings from last year's budget and the December statement. They have been implemented and they are working. The bottom line is jobs; 200,000 full-time jobs created since last August.

In December, following on the Prosperity Initiative, we set aside an additional $400 million over five years for further tax changes in three areas which are important to economic growth and job creation.

Today I am proposing tax changes to improve the treatment of rapidly depreciating new equipment; strengthen the ability of Canadian firms to access new technologies and improve the effectiveness of incentives, particularly for small innovative companies. The details of this initiative are contained in the supplementary information which I will be tabling.

In response to representations on the equity capital needs of smaller knowledge-based firms, we will also explore ways to develop mechanisms to encourage investors to support local companies and at the same time lend their expertise to help the companies succeed.

In 1992 we broadened and deepened the Expenditure Control Plan which was introduced in the 1990 budget. We did not increase taxes for Canadians, but we did cut departmental operating budgets. We cut cabinet ministers' salaries and froze salaries for MPs and all public servants. We reduced grants and subsidies to most organizations by 10 per cent and we streamlined government by eliminating or restructuring agencies, commissions and boards. We also took action to control unemployment insurance costs.

We have delivered. Program spending in 1992-93 is on target with the December forecast and $500 million below the target in last year's budget.

As we all know, during 1992 the world economy grew more slowly than expected. The result for Canada was lower than expected growth, lower revenues and higher deficits. For 1992-93 revenues were more than $9 billion lower than forecast in February 1992. Regrettably these lower than expected revenues have brought the deficit for 1992-93 to $35.5 billion, $1.1 billion higher than forecast in December. I am disappointed by this setback and share the concern expressed by the moans of the members opposite. We must take action and we are taking action.

We are taking corrective action to keep the 1993-94 deficit on target at $32.6 billion and we are tackling the medium-term deficit challenge with aggressive new action. I hope I have the support of hon. members across the way.

This budget sets out a five-year plan to eliminate new borrowing by further cutting back spending and by making government leaner and more efficient. The key to the plan is this: Federal government program expenditures will be held to zero real growth, that is growth no greater than inflation.

The measures in this budget extend and reinforce the actions in the December statement. They will yield combined savings of $3.8 billion in 1993-94, rising to $7.9 billion in 1997-98. All told, these measures will save $30.7 billion over the five-year period.

I want to emphasize again there are no tax increases in this budget. We believe that there are only two ways to reduce the deficit: higher revenues and lower spending. The right way to get the deficit down is by cutting spending. The right way to get revenues up is to encourage more economic growth and we cannot do that by raising taxes.

• (1650)

The first priority in reducing spending cuts is to cut the operating costs of government. Since 1984-85 these costs have been tightly and repeatedly restrained. As a result, operating costs have declined to just under 15 per cent of total program spending in 1991-92. The real cost of delivering programs has been cut by a full 14 per cent.

To further reduce the cost of government, I am announcing the following actions:

Departmental operating budgets, including reserves for contingencies and new initiatives, will be cut by an additional $300 million in both 1993-94 and 1994-95, rising to $1.2 billion in 1997-98. Including the wage freeze and the operating budget reductions in the December statement, the reduction by 1997-98 will amount to 10 per cent. Total savings will be $7.5 billion over the five-year period.

These are significant cuts. They will force increases in productivity but will also result in reduced service levels and the closure of offices and points of service. To improve efficiency while cutting costs, the federal government will have to employ fewer people. These are very challenging and difficult circumstances, but clearly it is in this area that we must extract greater efficiencies.

Defence spending will be frozen in real terms beginning in 1994-95. Together with the actions taken in December, this will generate savings of $361 million in 1993-94, rising to $2 billion in 1997-98, for a total of $5.9 billion over the five-year period.

Funding for the research councils will be held to 1.5 per cent annual growth rate after 1994-95.

The same constraint of 1.5 per cent annual growth will be placed on government spending on international assistance. Canada's efforts in this area will continue to compare favourably with those of other major industrial countries.

Most of the grants and contributions already reduced by 10 per cent this year and next will be reduced by 15 per cent in 1995-96 and 20 per cent thereafter. This measure underlines the need for greater self-reliance on the part of advocacy groups and other private sector organizations.

We must also ensure that we obtain maximum value for the money we spend by reducing economic distortions and ensuring that we meet the global competitive challenge. Working closely with the affected parties, the government has begun a process of reform in the area of western grain transportation; and it intends to pursue reform in the application of Atlantic freight subsidies and in the dairy industry. To facilitate reform, the government is prepared to direct back to these sectors savings from the deepening of the cuts in grants and contributions.

In the December 1992 statement, funding for regional development was reduced by 10 per cent for both 1993-94 and 1994-95. This reduction is now being extended. In addition, this funding will be reduced by a further $90 million in 1993-94, rising to $100 million per year beginning in 1994-95. Over time there will be a shift from grants to repayable contributions. This will provide a pool of funds for new regional development projects and reduce the need for government financing. By 1997-98, the yield from the repayment of contributions will amount to at least $100 million per year, and that will be available for projects for funding in all regions of Canada.

In addition, the government will not renew economic and regional development agreements in both forestry and mining as they expire over the next few years. We will also review the future of ERDA agreements in other sectoral areas.

With respect to major Crown corporations, operating subsidies will be reduced by $50 million in 1995-96 and by $100 million per year thereafter for both the Canadian Broadcasting Corporation and VIA Rail Canada.

As well, the unemployment insurance benefit rate will be extended at the current level.

With respect to social housing, the government, through the Canada Mortgage and Housing Corporation, will not increase its current support of about $2 billion a year for social housing. CMHC will no longer fund housing through 35-year subsidy commitments which impose most of the costs of today's housing support on future taxpayers. Funds to maintain existing housing in good repair, and scope for new commitments, will be found through increased efficiencies in program financing and delivery. CMHC's special purpose funding for shelters for victims of family violence, for housing on Indian reserves and for the integration of persons with disabilities will continue as planned.

• (1655)

There are two major areas representing about $50 billion in annual federal program spending, or about 40 per cent of the total, which have again been exempted from reductions.

Income security benefits for the elderly, programs specifically for the disabled, veterans' pensions and allowances, selected native programs, the Canadian Jobs Strategy and famine relief are all exempt from cuts in this budget.

Second, in recognition of the national nature of the fiscal problem, no additional restraint is being imposed on major federal transfers to provinces. These transfers will continue to grow at a rate greater than all other federal program spending.

Because the major federal transfers to provinces are expected to grow by 4 per cent over the next five years, provinces will receive about $9 billion more than they would have if these transfers were to be restrained to the same 1.5 per cent rate of growth as all other federal program spending. As an example, for a province like Newfoundland, allowing this higher growth rate in transfers means over $400 million more. That is almost twice the size of Newfoundland's deficit this year and it is equal to $700 for each Newfoundlander.

With respect to the Spending Control Act, as promised in the 1992 budget the government will act to reduce the control program spending limits under the Spending Control Act to reflect the impact of legislating the full funding of pensions and restructuring of the child benefit system.

In addition, the limits under the act will be further reduced by law to bring them into line with the low inflation environment and to ensure a permanent lowering of government spending. The new lower limits will also be extended to the end of 1997-98.

I turn now to the business of government operations and the need for streamlining. Like Canadian businesses, governments must reduce costs and operate more efficiently. The measures in this budget have been designed to encourage continued improvement.

To provide managers the flexibility to do their jobs and make more effective use of shrinking resources, the government will seek basic changes in the work force adjustment directive when it meets with the unions this summer for the scheduled triennial review.

The government will continue to streamline its operations and improve the cost effectiveness of its service delivery. We will make government smaller, simpler and more accessible to Canadians. Building on the streamlining actions in the 1992 budget, an additional 12 government organizations ranging from large departments to small agencies and advisory bodies are being eliminated or restructured.

We will complete the organizational merger of the two Departments of Taxation and Customs and Excise into a single new Department of National Revenue. This will provide for more effective administration of the tax system, including better use of resources to combat tobacco smuggling and to improve compliance generally. Efforts will be stepped up to ensure the taxes owing are paid and paid in a timely way.

Eight advisory and other bodies whose functions are no longer needed or can be carried out in another way will be eliminated. Two other advisory bodies, the National Advisory Council on Aging and the National Council on Welfare, will be merged.

With respect to privatization, since 1984 the government has privatized or dissolved 39 Crown enterprises and other holdings and improved operations for the remainder. The number of full-time Crown corporation employees has been reduced by nearly 90,000. Building on these initiatives, a number of organizations in various areas of government will be considered for privatization or commercialization. Details are in the supplementary information.

In the eyes of the business client, a bewildering array of federal, provincial, municipal and private sector services are being offered, leaving the impression of complexity, overlap, duplication and all-around inefficiency.

In response to these concerns I announced in the February 1992 budget several initiatives aimed at improving service. As part of this effort three pilot business centres have been established to provide a single point of contact for business services. They are now in operation in Edmonton, Winnipeg and Halifax. The government will be working with other levels of government to provide one of these centres in at least one major urban area in each province. The result will be better service for business and cost savings for governments. I am pleased to advise that at the present time there are current discussions under way with respect to the establishment of one in Vancouver, in Toronto and in Montreal.

• (1700)

The excessive regulatory burden has long been an obstacle to business and enterprise. In the 1992 budget the government launched a major review of regulatory programs. This initiative is well advanced. Preliminary analysis of more than 700 regulations suggests that one in four will be struck from the books. An equal number will be modified. These actions will result in substantial cost savings to the private sector and the government. My colleague, the President of the Treasury Board, will provide an update on the progress of this review later this week.

The federal government will encourage all governments to review regulatory programs with the goal of reducing overlap and duplication and ensuring maximum efficiency and benefit for all Canadians.

Reducing the compliance cost for taxpayers remains a high priority. On December 10, 1992 the government introduced a simplified system for calculating GST input tax credits. Since then we have continued to work with the small business community. We will be announcing improvements to the quick method of GST accounting which will simplify the tax for hundreds of thousands of small businesses.

Today I am also proposing measures to streamline government and improve cash management. The quarterly instalment income tax system will be modified. The result of this will provide for some 300,000 persons owing relatively small amounts of tax who will no longer have to make instalments. An additional 500,000 higher income taxpayers will now be required to pay on a quarterly basis. As well, beginning in 1994 the GST credit for individuals will be paid twice a year, in April and October, instead of quarterly. This will save $7.5 million in administration costs while delivering the same benefit to the recipient.

I turn now to the economic outlook for Canada. With the help of the measures I have described and the growing benefits of the government's wide range of economic renewal actions since 1984, the Canadian economy is improving and is poised for strong performance in the years ahead. For example, the OECD has forecast that Canada will have the strongest economic growth among the G-7 industrial countries this year and next.

In the past few months we have seen an encouraging pick-up in the pace of economic growth, employment, retail sales and a number of other key indicators. Strongest of all has been our export performance, currently the main force behind the recovery. Our export strength has been underpinned by the dramatic improvement in our cost competitiveness and our increased access to the U.S. market under the free trade agreement. Strong export performance will continue to help the recovery through 1993 and 1994.

I expect real growth to average close to 3 per cent for 1993 and to increase to more than 4.5 per cent in 1994 as the recovery becomes more broadly based. Domestic demand will be spurred by low interest rates. I expect a strong rebound in both residential investment and business investment.

Job prospects will improve steadily. I expect employment to increase by about 300,000 from the fourth quarter of 1992 to the fourth quarter of this year and more than 400,000 during 1994. These gains will be accompanied by strong growth in labour productivity resulting from extensive restructuring and the structural policy reforms we have put in place. In the near term the unemployment rate will decline slowly because of an expected increase in the labour force participation rate, but employment will grow by 1.7 per cent in 1993 and by 3 per cent in 1994.

Inflation will remain low. I expect inflation to average 2.5 per cent in 1993 compared with 1.5 per cent in 1992, which reflects the recent depreciation in Canadian currency and some provincial indirect tax increases. I expect inflation to decline once again to below 2 per cent in 1994. This sustained low inflation will help keep interest rates low and I expect further declines in long-term rates.

For the period from 1995 to 1998 our fiscal projections are based on the following economic assumptions: economic growth at an average of 4.25 per cent; a decline in the unemployment rate to 7.5 per cent by 1998; inflation averaging 1.5 per cent; and interest rates remaining low.

I believe that these are indeed prudent assumptions. They project real economic output rising over the medium term but still remaining somewhat below the economy's full potential by 1998.

Indeed there are uncertainties to be faced, but I believe that Canadians can look forward to several years of solid growth in job creation in an environment favourable for confidence, investment and business expansion.

• (1705)

I turn now to the fiscal situation. The expenditure control measures in this budget will restore the fiscal balance of the federal government over the medium term. Federal program spending will be reduced to 13.9 per cent of Canada's national income in 1997-98. That is the lowest level in more than 30 years. Excluding transfers to provinces, program spending will grow at an average annual rate of only 1.5 per cent. That is below the projected average inflation rate.

The last time that program expenditures were held at or below this level of growth was in the early fifties, 40 years ago. Furthermore this low level has been achieved on only five different occasions since Confederation. This indeed is an historical breakthrough. It is an historical plan and it is a reasonable plan.

There will be substantial year-over-year reductions in the deficit. As a result, by 1997-98—it is really amazing when you start getting to them over there they start squirming—the government will end all new borrowing in domestic and foreign financial markets and will begin to reduce its publicly held debt.

Interest payments on the debt will be reduced from a peak of 36 cents for each dollar of revenue in 1990-91 to 26 cents in 1997-98. The deficit will be reduced to less than 1 per cent of national income, down from the current level of 5.1 per cent and 8.7 per cent in 1984-85. This is the lowest level in more than 25 years.

I say to you, Mr. Speaker, and I say to my colleagues across the way: Good fiscal policy is good economic policy and sustained fiscal progress is essential for sustained economic growth and job creation.

I now turn to the issue of the national challenge of dealing with the deficit and the debt. We all know that all governments in Canada face similar financial problems. It is worth repeating once again that there is only one taxpayer.

Decisive action is required now to protect our collective ability to make choices in the future, to preserve our social programs, to create jobs and to ensure a prosperous and competitive economy. For that is the ultimate challenge that we all share.

More than ever, Canadians want all governments to work together on the challenges confronting the Canadian economy and particularly on the national deficit and debt problem, for this is truly a Canadian problem.

I meet regularly with provincial and territorial finance ministers to review the state of the economy and the country's finances. These meetings have led to a greater understanding of the fiscal situation which each of us faces. We have worked together on the costs of government and expenditure management, a review of pressures on government spending and experience in addressing these pressures. It has underlined the need for a lasting commitment to spending restraint by all levels of government.

I believe it is now time to go further. I note that a number of provincial premiers have emphasized the need for greater federal-provincial co-operation on practical solutions to Canada's fiscal problems. My conversations with provincial finance ministers have underlined this interest.

Consequently, I have invited my provincial and territorial colleagues to a special meeting in Ottawa on May 30 and 31 to begin working on a co-operative approach to the debt problem. I have spoken to each of the finance ministers personally.

• (1710)

The Prime Minister has written a letter to all the premiers supporting this initiative. Together we will discuss Canada's national debt and deficit problem and ways to develop practical approaches and practical solutions to the problem. This should be seen as a welcome initiative.

There are many possible areas for better co-operation: better sharing of information, ideas and experience; finding more efficient ways to deliver services to the public; eliminating wasteful overlap and duplication; improving harmonization; and collecting revenues more efficiently to reduce the compliance burden on Canadians.

In each and every one of these areas we can do better and I call upon all governments to join in this effort. I call upon all Canadians to support us in this very important effort.

In conclusion, Canadians want less government borrowing, lower taxes, more jobs and more choice for the future.

That is what this budget is all about. It charts a responsible, achievable course to increase the job-creating potential of our economy and to secure the financial health of government.

All governments and all taxpayers share that goal. But to achieve it will require national co-operation and sustained, concerted effort.

Canadians have faced some difficult times together. Time and again our people have pulled together to overcome adversity and build a stronger country.

Today as a country we face major economic and financial challenges. But let us remember that we are solidly on course for success. The signs of progress are growing: Canadian businesses are becoming more competitive and Canadian workers more productive; exports have surged and employment is rising again; inflation is near its lowest level in 30 years; and the deficit/debt problem is increasingly being addressed.

The foundation for growth, jobs, and prosperity in the newly emerging economy is being put into place. It is there to be strengthened and built on for the greater benefit of all Canadians.

Realism tells us that it will not be easy to win the battle against high deficits and rising debt. But experience does show us that Canadians have what it takes to succeed.

With discipline, courage, and co-operation, we can achieve success, the kind of success that will make Canada a stronger, more prosperous country for the balance of this decade and the new century to come.

Before I sit down I would like to table the appropriate budgetary documents for the House and for all members.

Some hon. members: Hear, hear.

Hon. Herb Gray (Windsor West): Mr. Speaker, this is nothing more than a stale, warmed over budget from a tired Conservative government whose members have run up a white flag in the face of this jobless recovery, surrendering 1.5 million unemployed Canadians to more years of despair and hopelessness.

This budget is a fairy tale when it comes to the debt and the deficit.

[*Translation*]

It is a fairy tale, like all other Tory budgets, when it comes to dealing with the deficit and the debt.

[*English*]

All the Conservative budgets have been fairy tales on this subject. This Conservative Minister of Finance and his predecessor were always wrong in their forecasts of what they would achieve in terms of the debt and the deficit. Why should we believe that this minister knows what he is talking about when he says Conservatives can deal with the deficit in five years?