

*The Budget**[English]***THE BUDGET**

FINANCIAL STATEMENT OF MINISTER OF FINANCE

Hon. Jim Flaherty (Minister of Finance, CPC) moved:

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

He said: Mr. Speaker, I wish to table the budget documents for 2006, including notices of ways and means motions. The details of the measures are contained in these documents. I am asking that an order of the day be designated for consideration of these motions.

I also wish to announce that at the earliest opportunity the government will introduce bills to implement the measures in this budget.

The budget is balanced, our spending is focused, and taxes will go down for all Canadians.

[Translation]

Budgets say something about your motivations and your goals. They say something about your priorities.

[English]

The government is focused and nowhere is it more focused than in the area of tax relief. For years, Ottawa has been overtaxing Canadians. In this budget, we deliver real tax relief for Canadians

Tax relief people can see. Tax relief that makes a difference. Tax relief they can count on.

That is the bottom line of the budget.

On the GST, effective July 1, the goods and services tax is reduced from 7% to 6%.

On child care, effective July 1, families with children under the age of six will receive a benefit of \$100 per month, per child. That is \$1,200 per year, per child.

On employment income, effective July 1, this budget creates the brand new \$1,000 Canada employment credit. This new tax credit gives each and every employed Canadian a break on what it costs to work, in recognition of expenses for things like home computers, uniforms and supplies.

On personal income tax, effective July 1, the lowest personal income tax rate will be reduced from 16% to 15.5%.

Some hon. members: Hear, hear!

● (1610)

The Speaker: Order, please. I know there is a lot of enthusiasm in the House today, but we must have some order so we can hear the Minister of Finance, who has the floor.

Hon. Jim Flaherty: Mr. Speaker, the amount that all Canadians can earn without paying any federal income tax will be increased each and every year for 2005, 2006 and 2007.

This budget will make a real difference to Canadians.

As a result of these tax reductions, approximately 655,000 low income Canadians will be removed from the federal tax rolls altogether.

Families earning between \$15,000 and \$30,000 per year will save almost \$300 in 2007. Families earning between \$30,000 and \$45,000 will save over \$500. Families earning between \$45,000 and \$60,000 will save more than \$640.

Plus, as a result of our reduction of the GST, a family buying a new car for \$30,000 will save \$300. Plus, a suburban family purchasing a new home for \$350,000 will save \$2,310.

This budget provides almost \$20 billion in tax relief for individual Canadians. There is more tax relief in this one budget than in the last four federal budgets combined.

This budget delivers more than twice as much tax relief as new spending. For every new dollar we spend, the government is returning two dollars to hard-working Canadians. There is more, Mr. Speaker.

[Translation]

Small businesses are crucial to the Canadian economy.

Approximately 87% of all Canadian businesses are small businesses. They are responsible for almost half of all new jobs created in this country.

[English]

In this budget, we are taking action to help small businesses grow. Effective January 1, 2007, the threshold for small business income eligible for the reduced federal tax rate will be increased from \$300,000 to \$400,000. The 12% rate for eligible small business income will be reduced to 11.5% in 2008 and 11% in 2009.

Helping small businesses, effective July 1, 100% of Canadian wine produced by small vintners will be exempt from duty. Effective July 1, the rate of excise duty on beer produced by small brewers will be reduced.

To excel in the global economy, Canada needs a competitive business tax system. We need to create a climate that encourages capital investment and innovation. Canadian companies have already shown they can compete with the best. Now we have to let them go for the gold.

In this budget, effective January 1, 2008, the general corporate tax rate will be reduced to 20.5% as part of our commitment to reduce this tax to 19% by 2010.

Effective January 1, 2008, the corporate surtax will be eliminated, and effective January 1 of this year, the federal capital tax is eliminated, two years earlier than originally scheduled.

● (1615)

[Translation]

I have presented a lot of big numbers. What is most important about them is what they mean for Canadians in their daily lives.

*The Budget**[English]*

For many Canadian families, right now the bottom line is that they still have to struggle to make ends meet. Canadians pay too much tax. It is holding families back. It makes it harder for small businesses to create jobs and opportunities. It discourages innovation and investment. It is limiting our productivity.

[Translation]

As I will explain in a moment, the budget surplus is larger than projected in the 2005 *Economic and Fiscal Update*.

This government could have chosen to spend all of the extra money collected from taxpayers. But that would not have been responsible. That money will be put to best use if we return it to the pockets of Canadians.

Providing immediate and substantial tax relief for all Canadians is a priority for this government. Today we are delivering results.

[English]

In this budget we are providing 29 separate tax reductions in every area where the government collects revenue. From consumption taxes, to income taxes, to business taxes, to corporate taxes, to excise taxes: in every way the government takes money from Canadians, this government will take less of it. As for the money we do collect, we will use it more effectively, by focusing on priorities.

One of those priorities is to encourage the skilled trades. Canada is facing a serious shortage of tradespeople, so the government is taking action to encourage apprenticeships and to support apprentices in their training.

This budget creates a new apprenticeship job creation tax credit of up to \$2,000 per apprentice, for each of the first two years of his or her contract.

It also creates a new apprenticeship incentive grant of \$1,000 per year for the first two years of a red seal apprenticeship program and other programs.

We will invest more than \$500 million over the next two years in these two measures, which will benefit approximately 100,000 apprentices. I would like to thank some members opposite for their advice on these initiatives.

The cost of tools can be a barrier to Canadians interested in a career in the trades. This budget creates a new \$500 deduction for the cost of tools, and this is in addition to the new \$1,000 Canada employment credit.

We will invest \$155 million over the next two years for this cost of tools deduction, which will benefit approximately 700,000 employed tradespeople in Canada.

● (1620)

[Translation]

A good education is the key to a great future for our young Canadians. It will also provide this country with a workforce ready to work hard and get ahead.

To encourage Canadians to pursue post-secondary education, this budget provides \$370 million in new investments to foster excellence and accessibility in our colleges and universities.

[English]

Also, we are eliminating federal income tax on all income from scholarships, bursaries and fellowships.

Plus, we are creating a new textbook tax credit, which will benefit approximately 1.9 million Canadian students, at a cost of \$260 million over two years.

Still for students, and their parents, we are expanding eligibility for the Canada student loans program by reducing the parental contribution required. As a result, an additional 30,000 students will gain access to this program. Approximately 25,000 current borrowers will be able to increase their loan amounts.

This country was built by people seeking a better life for themselves and their families. They came here for opportunity and they come here for opportunity and they contribute their culture, skills and energy in return. This government will provide more help to new Canadians to get started.

Effective immediately, the right of permanent residence fee is reduced by 50%, from \$975 to \$490.

We are increasing immigration settlement funding by \$307 million.

We are taking action to establish the Canadian agency for assessment and recognition of foreign credentials.

This government is committed to supporting Canada's resource industries.

In this budget, we are removing the tax liability faced by Canadians in the fishing industry when transferring fishing property to their children.

We will give equal treatment to people in the fishing industry by giving them the same \$500,000 lifetime capital gains exemption enjoyed by farmers and small business owners.

Last week, under the leadership of our Prime Minister, this government successfully negotiated an historic softwood lumber deal with the United States.

We will continue to support our Canadian forestry industry. Over the next two years, we will invest \$400 million to encourage the long term competitiveness of this crucial industry, to assist worker adjustment and to address the pine beetle infestation in British Columbia

● (1625)

[Translation]

This budget will help make Canada more competitive in the global market.

But we will also help ensure that Canadians affected by global economic adjustments receive support—especially older workers.

With access to opportunity, these Canadians can keep contributing their talent and experience to our economy.

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This government will undertake a feasibility study of measures to help such workers, including the possibility of income assistance and retraining. I would like to acknowledge some members opposite for their advice on this issue.

[English]

Families and communities are a priority for this government. Families are the building block of society and communities are what bind us together, but parents are finding it harder to balance work and family commitments. And some individuals and groups in our society need greater support.

For this government, supporting families means providing choice in child care for all Canadian families. It means helping everyone in our communities to live a good life and achieve their potential.

The benefit to Canadians will be that parents will have more choice in meeting their children's needs. People facing special challenges will not be left out. Groups with special needs will not be forgotten.

Our government recognizes that no two families are exactly alike, but all Canadian parents struggle to balance work and family commitments and to meet their children's individual needs. Whether the answer is regulated child care, a parent at home, a grandparent or a trusted neighbour, we are committed to supporting all Canadian parents in their choices.

In this budget, we are investing \$3.7 billion over two years for the universal child care benefit, which will provide all families with \$1,200 per year for each child under 6. The universal child care benefit will not affect federal income-tested benefits and will be provided as of July 1.

I would like to commend those provinces which have already stated that they would not claw back this money.

While the universal child care benefit will support child care choices by families, we also intend to invest in creating new child care spaces. This budget allocates \$250 million, beginning in 2007, to create real child care spaces as part of Canada's universal child care plan. We will work with governments, businesses and community organizations to develop a plan that works, a plan that actually creates spaces.

Every child is unique. Parents know each child is brilliant in his or her own way. They also know that sometimes children need special help to achieve their potential, but obtaining that special help can be very costly.

Canadians value compassion, respect and inclusiveness. In support of those values, effective July 1, this government is increasing the maximum annual child disability benefit from \$2,044 to \$2,300. We are also extending this benefit so that more families can qualify.

We are increasing the maximum amount of the refundable medical expense supplement to \$1,000 from \$767 for the 2006 taxation year. This supplement improves work incentives for Canadians with disabilities by helping them offset the loss of coverage for medical and disability-related expenses under social assistance when recipients move into the labour force.

Also, parents and grandparents of a child with severe disabilities face an important consideration. They need to find a way to secure their child's long-term financial security when they are no longer able to provide support. This government will appoint a small group of experts to examine ways we can help to ease this concern.

• (16:30)

There is more we can do to help children and families. For so many Canadians, like in my town of Whitby, loading up the minivan for hockey practice or carpooling to the soccer field is a familiar routine. We have all been there. For many children, it is a crucial part of their development. But it often means an added expense, sometimes a significant one, in the family budget. That is why in this budget, this government is providing a physical fitness tax credit for up to \$500 to cover registration fees for children's sports.

[Translation]

Our seniors have made this country great. We owe them our support, to allow them to enjoy their later years and to provide extra security after a lifetime of contributing to our society.

To provide increased support to Canadian seniors, this government is doubling the amount of eligible pension income that can be claimed under the pension income credit—from \$1,000 to \$2,000 starting in the 2006 tax year. This will benefit almost 2.7 million taxpayers. It will provide savings of up to \$155 for eligible pensioners. And it will remove approximately 85,000 pensioners from the tax rolls altogether.

[English]

People from many nations have built a good life in this country and contributed to its strength. But our first nations, the first people to live here, face special challenges. We must support our Canadian aboriginal communities in addressing their particular needs. We are providing \$450 million for improving water supply and housing on reserve, education outcomes, and socio-economic conditions for aboriginal women, children and families. Also, we are confirming up to \$300 million to the provinces to address immediate pressures in off-reserve aboriginal housing. In addition, we are setting aside funds to meet the government's obligations associated with the legacy of residential schools.

Not enough affordable housing has been built to accommodate individuals and families who need it. Some are homeless. We need to do more to address these pressures now. This government will allocate up to \$800 million for a major one-time investment to increase the supply of affordable housing in our cities and communities through a new affordable housing trust. To address the particularly acute housing situation in Canada's north, the government is making a one-time investment of up to \$300 million to increase the supply of affordable housing in the territories.

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● (1635)

[Translation]

Community support is essential to Canada's arts and cultural life. Encouraging more charitable giving from within the community will mean more financial support for these projects. This budget will therefore eliminate the capital gains tax on donations of publicly listed securities to charities, effective immediately. This will help create a donations pool of about \$300 million annually that can be used to support worthy charitable causes and projects.

At the same time, this budget increases funding to the culture and arts communities by \$50 million over the next two years.

[English]

Investing in infrastructure, bridges, roads and transit, is a priority for this government. A great trading country like Canada must have the best in highway and border infrastructure. Delays in moving goods to market lead to increased costs and decreased competitiveness for our Canadian businesses. As a result, the government has decided to increase our country's investment in new highways and border infrastructure. This is a long term commitment of unprecedented new investment.

We will maintain the estimated \$3.9 billion in current funding under existing infrastructure initiatives. And we will maintain the existing gas tax funding commitment under the new deal for cities and communities, and the full GST rebate and the federal portion of the HST paid by municipalities. These tax measures amount to \$7.1 billion in infrastructure support for our cities and municipalities over the next four years.

Also, over the next four years we will invest a total of \$16.5 billion in new infrastructure initiatives, including \$3.5 billion this year and \$3.9 billion next year. We will provide more than \$5.5 billion in new federal funding for the highways and border infrastructure fund, the municipal-rural infrastructure fund, the Canada strategic infrastructure fund, the public transit capital trust and the Pacific gateway initiative.

This increased infrastructure funding will support improvements across the country, including such projects as Evergreen Commons at the Don Valley Brick Works in Toronto.

As minister responsible for the greater Toronto area, I appreciate the importance of good transit infrastructure in maintaining a high quality of life. Canadians in cities are concerned about traffic congestion and the harmful emissions that come with it. This government appreciates the fact that investing in public transit infrastructure can help preserve our environment. In this budget, we are providing up to \$1.3 billion to support public transit capital investments.

Effective July 1, we are also providing a 15.5% tax credit for the cost of transit passes. A person who buys an \$80 pass each month will save up to \$150 in taxes over the year, which translates to about two months of free transit per year. This will provide a total benefit of \$370 million to Canadians who use this environmentally friendly mode of transport.

The transit pass credit will be funded from reallocation within existing resources set aside for climate change programs. A

substantial amount, \$2 billion over the next five years, will be devoted to a made in Canada climate change program currently being developed by the Minister of the Environment.

Farmers feed our cities, our country and the world.

[Translation]

They keep our rural communities strong.

[English]

But falling prices and trade disputes are causing real financial hardship. Current insurance and income support programs are inadequate.

Despite showing true resilience in the face of all these pressures, Canadian farmers need even more of our support. This year is a particularly difficult year, and we know it.

In support of our farmers and farming communities, one of the government's first actions was to accelerate disbursement of \$755 million in payments under the grains and oilseeds payment program.

● (1640)

This budget goes further. We will provide an additional \$500 million per year for farm support and to work with farmers and others to secure a more prosperous future for this important primary economic sector.

We committed to do this. But we are committing today to do even more. In recognition of the needs of farmers now, we are announcing an immediate \$1 billion additional investment to assist farmers this year.

Together, this amounts to \$1.5 billion more in new funding for Canadian farmers this year. This additional investment will help farmers as we transition to new income stabilization and disaster relief programming.

We will also replace the Canadian agricultural income stabilization program with more effective programming to meet the needs of farmers. In an immediate move to more effective programming, we will provide one-time funding under CAIS to make the program more responsive, put in place deeper loss coverage, that will be cost shared with provinces and territories.

We will also implement a cover crop protection program to help farmers deal with the damage caused by flooding of their fields.

Security is a priority for this government. Canadians want to know that we can do our part to build peace and security around the world, but our men and women in uniform have not been given the tools they need to do their job.

The men and women of the Canadian Forces dedicate their lives to serving this country. These soldiers exemplify the character and dedication of our Canadian Forces, and all our men and women in uniform deserve our gratitude and full support.

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In this budget we are investing \$5.3 billion over the next five years to provide our Canadian Forces with the support and resources they need to defend Canada's sovereignty, advance our national interests and support Canadian values around the world.

We will recruit an additional 23,000 regular and reserve personnel. We will improve basic infrastructure and housing. We will invest in the equipment needed to support a multi-role, combat capable maritime, land and air force.

Increased global security concerns present a special challenge for Canada. We must strengthen the security of our borders, while ensuring that they remain open for business. For the good of the country, we must act.

In this budget, the government is allocating \$101 million over the next two years to provide side arms and training for our border officers, and to eliminate work-alone posts. We are committing \$303 million over the next two years to provide secure and efficient border crossing for low risk travellers. These two measures will advance our contribution to the security and prosperity partnership of North America. We are also investing \$133 million over the next two years for the Canadian Air Transport Security Authority, and \$95 million for new measures to strengthen passenger rail and urban transit security.

• (1645)

Our government is committed to ensuring Canadians are safe in their homes and in their communities. Safe streets are a defining characteristic of the Canadian way of life and must be preserved.

In this budget, we are taking decisive action to crack down on crime. We are providing \$161 million to begin recruiting 1,000 more RCMP officers and federal prosecutors, who will focus on such law enforcement priorities as drugs, corruption and border security.

We are investing \$37 million for the RCMP to expand its national training academy to accommodate these new officers and build the capacity to train more officers in the future.

We are setting aside funds to expand Canada's correctional facilities to house the expected increase in inmates as a result of changes in sentencing rules.

We are providing \$20 million for communities to prevent youth crime, with a focus on guns, gangs and drugs.

We are providing \$26 million to give victims a more effective voice in the federal corrections and justice system and to give victims greater access to services such as travel to appear at parole hearings.

[*Translation*]

Canadians have reached a level of accomplishment few other countries can rival. Our economy has shown great resilience, and in spite of a heavy tax burden, Canadian workers and business people have shown the world what talent and hard work can do.

Looking at our current situation, Canadians have many reasons to be confident. Unemployment is at a 30-year low, we have low inflation and strong consumer confidence, and corporate profits are at record levels.

[*English*]

Private sector forecasters have raised their forecasts for growth in 2006, mainly because of stronger than expected growth in commodities prices. The level of nominal GDP in 2006 and 2007 is now more than \$20 billion higher than projected last fall.

[*Translation*]

The challenges we need to watch for are still mostly external: uncertainty about commodities prices; the risk of a sudden correction in U.S. house prices; and the impact of a higher dollar on our manufacturers.

• (1650)

[*English*]

Regarding our fiscal outlook, the federal surplus in 2005–06 is projected to be \$8 billion. As a result, the projected planning surpluses set out in this budget are significantly higher than what was presented in the 2005 economic and fiscal update.

This government will direct these surpluses to providing significant tax relief for all Canadians.

Based on the tax reductions in this budget, government revenue as a share of GDP is projected to decline from 16.4% in 2004–05 to 15.5% in 2007–08.

I am proud to say that because of this budget, growth in program spending is projected to fall below the rate of economic growth. As a result, program spending as a share of GDP is projected to decline from 13.7% in 2004–05 to 13% in 2007–08.

As a result of our debt reduction plan, the ratio of debt to GDP is projected to fall to about 31.7% by 2007–08. This will allow us to reduce the debt to GDP ratio to 25% by 2013–14, one year earlier than previously projected.

Accountability is a priority for the government. Canadians need to be able to trust their government and know their tax dollars are being well spent.

For this government, accountability means being open. It means the numbers must be presented clearly. It means we have to be frank about where we stand financially. That will mean at times that we will show unallocated surpluses, as we have for this year and next, which will be used to address future priorities.

Canadians will benefit from greater accountability in their government. They will be able to tell whether their government is being straightforward with them. They will be able to make informed judgments about what our priorities should be.

Accountability requires new checks and balances. We need to ensure the government will be answerable to Canadians. We need to take action so taxpayers can open our books and find the bottom line.

As our first piece of legislation, this government introduced Canada's first federal accountability act. This act holds the government, from the Prime Minister on down, to a standard never contemplated before.

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Today we are providing the funds needed to get these new measures up and running.

We are committing the funds necessary to establish a parliamentary budget office. This new office will ensure Canadians can get honest and straightforward information on the state of our finances from an independent source.

We are also strengthening existing means of holding the government to account by providing additional resources to the Auditor General, the Ethics Commissioner, the Information Commissioner and the other officers of Parliament.

Our government intends to be open and straightforward with Canadians regarding the finances of Canada. To that end, we will provide quarterly updates on our fiscal situation to make available the most current information.

We are making budget decisions over a two year planning horizon. Measures are to be introduced when they are affordable and ready to be implemented.

Being accountable also requires fiscal responsibility. Canadians deserve to know their money is being used effectively, efficiently and on priorities that are important to them.

That has not always been the case. Over the past five years, total program spending has grown by an average of 8.2% annually. In 2004-05 growth in spending increased by 14.4%. This growth is neither sustainable nor desirable.

Instead, our government is taking decisive action to get runaway spending under control. Our government's approach to spending control is based on the following three principles.

First, government programs should focus on results and value for money.

Second, government programs must be consistent with federal responsibilities.

Third, programs that no longer serve the purpose for which they were created should be eliminated.

● (1655)

With those principles in mind, the government is launching a review of its expenditure management system. In addition, the President of the Treasury Board will be identifying savings of \$1 billion for 2006-07 and 2007-08. Reports on both initiatives will be completed by the fall.

[*Translation*]

Restoring fiscal balance for our Canadian federation is a priority for this government.

Canadians want to keep our country strong and united. But our federation could and should work better. The federal government has been underestimating surpluses and overtaxing Canadians, while the provinces and territories have found it difficult to fund crucial services like health care and education.

For this government, fiscal balance means that the federal government and the provincial and territorial governments have to

be able to focus on their core responsibilities. They have to have the resources they need to meet those responsibilities.

Achieving fiscal balance will help ensure Canadians receive the services they have paid for. And it will help ensure our federation continues to work for the good of all Canadians.

[*English*]

There is one especially important concern this government shares with the provinces and territories and with all Canadians. Canadians cherish top quality, publicly funded, universal health care. While funding for health care has increased, wait times for treatment are also increasing.

We are committed to implementing the 10 year plan to strengthen health care. Transfers for health care will rise by 6% this year and next for an additional \$1.1 billion in 2006-07, and \$1.2 billion on top of that in 2007-08. As part of that plan, the government has already provided \$5.5 billion for the wait times reduction transfer to help ensure Canadians will receive the health care they need, when they need it.

This government will work with the provinces to develop a patient wait times guarantee to ensure all Canadians receive medically necessary treatment within clinically acceptable wait times.

We are also committed to doing our part to implement the Canadian strategy for cancer control. We will invest \$52 million per year for the next five years to help improve screening, prevention, and research activities, and to help coordinate efforts with the provinces and with cancer care advocacy groups.

We are also providing \$1 billion over the next five years to improve Canada's ability to respond effectively to pandemics and other public health emergencies.

The equalization and territorial formula financing programs help ensure that Canadians in all regions of the country enjoy an acceptable standard of living and share in the benefits of living in this great country. But the past couple of years have shown that these programs are not working as well as they should. They need to be made more effective.

We will renew these programs, taking into account reports by the Council of the Federation as well as the forthcoming report of the expert panel on equalization.

In the spirit of working cooperatively with provinces and territories, this government has decided to improve the equalization and territorial formula financing programs on a one time basis for this year.

We will allocate money to provinces and territories based on a more current set of estimates than what was proposed by the previous government. This will not only result in six provinces and one territory receiving more money than what they would have been getting, it will also ensure that no province or territory will lose funding, as they would have if we had not made this decision.

We will provide a one time adjustment of \$255 million this year for this decision.

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● (1700)

[*Translation*]

This government is determined to keep Canada strong and united.

Our founders built a flexible, federal system of government. Each generation of Canadians has done its part to respond to the hopes and challenges of their time.

This government will show leadership to ensure our federal system continues to work for the good of all Canadians.

[*English*]

Our approach will be based on the five fundamental principles set out in the budget companion document, "Restoring Fiscal Balance in Canada". Those principles are: first, accountability through clarity in roles and responsibilities of both orders of government, including accountability of how governments raise and spend funds; second, fiscal responsibility and budget transparency by planning on annual debt reduction of \$3 billion, and fiscal planning based on accurate, timely and complete information and analysis; third, predictable long term fiscal arrangements that adequately support shared priorities, based on transparent principles and formulas; fourth, competitiveness and efficiency of the Canadian economic union to ensure rising living standards and enable governments to deliver the quality of services Canadians expect; and finally, effective collaborative management of the federation that results in practical intergovernmental mechanisms to facilitate provincial involvement in areas of federal jurisdiction and more efficient service delivery.

Extensive consultations will be conducted on this paper. We encourage Canadians to give us their views. We will involve Parliament in this national dialogue. I will meet with provincial-territorial finance ministers later this spring to begin our discussions. A first ministers meeting will be held in the fall. Budget 2007 will bring forward funding and legislation required to implement our proposals.

Of all the priorities I have mentioned today, the common denominator is prosperity. A better life for all Canadians is the highest priority for this government. To ensure our long term prosperity, we need to increase our productivity. Canadians have built a great country with many advantages. Canadians are hard workers and great innovators. But we are facing increasing competition from countries like India and China. Our workforce is aging. Government tax policies have discouraged investment and job creation.

For this government, increasing productivity and competitiveness means creating a stronger economic union across Canada and reducing barriers to trade between provinces. It means reducing red tape, reducing business taxes and eliminating the capital tax to help our Canadian companies compete in the global economy and create jobs for Canadians at home. It means investing in education, research and development. It means making sure our borders stay open for business.

The benefit to Canadians will be a higher standard of living and a greater quality of life. Canadians will have access to more and better jobs. We will be able to pay for the things we want, the things we

want for our families and the things we want for our communities and our country, like health care and education.

I mentioned in my remarks today many measures this government is taking to help build a better life for Canadians including: incentives for Canadians to enter and stay in the workforce such as the new \$1,000 Canada Employment Credit; reductions in taxes on small business; creating a climate for job creation and growth by reducing corporate tax rates; supporting competitiveness in the primary sector through measures for agriculture and forestry; making major investments in infrastructure; and providing significant support for education and training, including \$1 billion for a new post-secondary education infrastructure trust.

The government will pursue a broad approach over the coming year, building on the targeted measures proposed in this budget, to develop a strong, results-focused agenda to promote a more competitive, productive Canada for the benefit of all Canadians.

● (1705)

Yesterday, I planted a tree, a maple tree of course, with elementary school students at a new school in my riding of Whitby—Oshawa. It reminded me that this budget is also about turning a new leaf. In this budget, Canada's new government is focusing on priorities and getting results on issues that matter to Canadians.

We are doing it in a way that will benefit Canadians now and enable us all to keep reaching higher, to build and even greater country. We are doing it according to our fundamental principles: strong fiscal discipline, tax relief and a clear focus on the core areas of federal responsibility.

When we asked Canadians for their support in the election campaign just past, we made some firm commitments. In the context of a comprehensive plan, we laid out some immediate priorities. Today we are delivering on those priorities, and more.

In this budget, Canada's new government is taking action on our broader plan. We are providing significant tax relief for all Canadians. We are taking steps to ensure tax dollars will be spent responsibly.

We are investing in families, education, industries, security and infrastructure. And we are working to ensure the federation works for the good of every part of the country.

The results of our acting on these priorities will be a stronger Canada and a better life for all Canadians.

This government knows how important it is for every family to be able to meet immediate needs and to plan ahead so our children can make the most of living in a great country like Canada. The government is dedicated to that cause, in the service of all Canadians.

In this budget, we are focusing on priorities, immediate and long term, and we are delivering results.

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As I said upon rising in the House, the budget is balanced, spending is focused and taxes will go down for all Canadians.

We have a plan. Let us move forward to build a stronger and even better Canada.

• (1710)

Hon. John McCallum (Markham—Unionville, Lib.): Mr. Speaker, my question for the finance minister is a fundamental question because the budget is wrong in its fundamental premise. On page 1 of the budget, the minister talks about cutting income tax. In fact what he is doing is raising income tax for every Canadian. He talks about cutting income tax from 16% to 15.5%. Every Canadian, who filled out his or her tax form recently, will see clearly written 15%. He is increasing the tax rate for every Canadian. All his tables about effects on individual families are wrong. It is an income tax hike not an income tax reduction.

If the minister does not believe me, maybe he will believe his own budget document. Page 218 states that the full year rate for 2005, it will be 15%; for 2006, it will be 15.25%; and for the 2007 and subsequent taxation years, it will be 15.5%. He said in his budget speech, "the numbers must be presented clearly". These numbers are totally and absolutely wrong.

Will he rise from his seat and clarify this matter to the House?

Hon. Jim Flaherty: Mr. Speaker, I know the member opposite, as the founding president of the save the GST club, is not happy today. If he wants to look at the reduction in personal income and family incomes, if he wants to look at the effect of this budget on families and on individuals in Canada, 90% of the reductions for families and individuals—

Some hon. members: Oh, oh!

The Speaker: Order, please. The Minister of Finance has the floor to give an answer to the question asked by the member for Markham—Unionville. We will have some order, please.

Hon. Jim Flaherty: Mr. Speaker, if the member opposite wants to add together the personal income tax reductions and the GST reductions in this budget, and I invite every member opposite and every member in this House to do that, he will see that the spending reductions for all Canadian families and individuals, on average, are greater than they would have been under the previous government. In fact, they are more than double what they would have been under the previous government.

• (1715)

[*Translation*]

Mr. Pierre Paquette (Joliette, BQ): Mr. Speaker, I must first emphasize that the Bloc Québécois notes the government's firm commitment to resolving the issue of the fiscal imbalance by February 2007. However, given that we are starting the debate, I would like to ask the minister why this budget does not include measures to help the manufacturing sector. This sector is currently at risk due to competition from emerging economies such as China and India. The speech mentions this competition, but nothing concrete is proposed to help the clothing, textile, shoe and furniture industries. This is my first question.

I have another question. Given that the government promised to respect Quebec's jurisdictions, I do not understand how it can

propose a Canadian securities commission. This was rejected by the Liberal government in the past. It would seem that this contradicts what the Prime Minister is saying and this could be a potential source of bickering between Quebec and the federal government.

[*English*]

Hon. Jim Flaherty: Mr. Speaker, the member asked a few questions. One related to the issue of fiscal balance and the date. The date under discussion was February 2007, a year from now.

As outlined in the budget papers, the plan is that we would proceed with a federal, provincial and territorial finance ministers conference in the spring. By that time, we would have the benefit not only of the report by the Council of the Federation, which has been received already but also the federal report, the O'Brien report, which is to come.

A report by big city mayors is still to come. The finance ministers will meet. Other ministers are to be involved as set out in the documents that all members have received. A fall meeting or a meeting later this year of first ministers will be held. All of this is designed to move this agenda forward, so that we can create more rational relationships and a well functioning Canadian economic federation.

The second question related to manufacturers and whether there was anything in the budget for them. There certainly is. With respect to small businesses, and many manufacturers are small businesses, we have fulfilled our commitments of moving from \$300,000 to \$400,000 plus the reduction in the tax.

With respect to larger corporations, there are corporate tax reductions that the party opposite had in its budget last year but somehow disappeared. Another imaginary tax reduction by the former Liberal government, among other tax promises, that never saw fruition.

The member raised another important point relating to some industries in which older workers have difficulty retraining and what could be done in that regard. We had input from some of the members of his party with respect to this. As I mentioned in the budget speech, we are going to have a feasibility study on this issue to look for possible solutions. I hope the hon. member will assist us in that effort.

[*Translation*]

Mr. Yves Lessard (Chambly—Borduas, BQ): Mr. Speaker, I would like to ask the Minister of Finance the following.

Why is there no measure in this budget to come to the aid of workers? Considerable mention is made of the contribution of workers to the economy of Canada and Quebec. Reference is made as well to the impact of the labour force on the economy. At the same time it is acknowledged that workers are affected by the current situation, as our colleague from Joliette mentioned earlier.