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Friday, February 25, 1994

Speaker: The Honourable Gilbert Parent

HOUSE OF COMMONS

Friday, February 25, 1994

The House met at 10 a.m.

Prayers

GOVERNMENT ORDERS

[*English*]

BORROWING AUTHORITY ACT, 1994-95

Hon. Sergio Marchi (for the Minister of Finance) moved that Bill C-14, an act to provide borrowing authority for the fiscal year beginning on April 1, 1994, be read the second time and referred to a committee.

The Speaker: The hon. Parliamentary Secretary to the Minister of Finance and a brand new father, I might add.

Mr. David Walker (Parliamentary Secretary to Minister of Finance): Mr. Speaker, because of the birth of my second child, I have not had an opportunity to speak in the House at length, so I would like to congratulate you on your election as Speaker. I am probably the last member of the House to do this formally, sir, but I would like to congratulate you on your new position. I also congratulate your colleague, who has now taken the chair, and thank you for making things go so smoothly in the first weeks of this House. Thank you again.

I welcome the opportunity to speak at second reading of Bill C-14, the borrowing authority bill. I urge the House to proceed with this legislation as quickly as possible so that new borrowing authority will be in place at the beginning of the new fiscal year.

(1005)

Before speaking directly to the measures in the bill, I would like to put this legislation in its proper context. The amount of borrowing authority requested in the bill is directly connected to the financial requirements set out in the budget presented earlier this week by the Minister of Finance. The information required to deal with the financial aspects of the bill is set out in the budget.

It is extremely important that this bill be passed as quickly as possible. Without borrowing authority early in the new fiscal year, there will be severe constraints placed on the government's

financing program. Essentially the government would be limited to using section 47 of the Financial Administration Act which restricts funding to short-term funds.

No bond issuance will be permitted except to funding maturing issues of which there are very few in the first quarter of 1994 and 1995. Any delay in the passage of this important bill beyond the end of the current fiscal year therefore could prove costly to the government and Canadian taxpayers, and would expose the government to the additional interest rate risk implied by higher short-term funding.

With the large financing program, delaying bond financing will also be potentially disruptive of the capital market which could result in higher debt servicing charges. It is critical that borrowing authority be secured as soon as possible after the budget.

In granting the borrowing authority requested in this bill, hon. members should keep in mind that the budget takes strong action to bring government finances under control. The measures announced in the budget are an essential part of this government's action plan to revitalize Canada's economy.

We do not put forward this request to borrow money lightly. We know there are real costs involved in adding to the country's debt burden. That is why we have taken real action by proposing the most substantial spending reductions by a government in the last 10 years.

As well, in charting Canada's fiscal course in this budget we have relied on cautious, prudent projections of economic growth for this year and next. Consequently the deficit projections are much higher than those given to the House last April.

The economic projections presented in the budget are based on a consensus of private sector forecasts and are in stark contrast to the overly optimistic, some might say unrealistic, expectations of growth presented in some previous budgets, expectations that have resulted in deficit forecasts that were wrong by tens of millions of dollars.

For our part we have served notice that we are committed to changing the way government does business. One aspect of this is the use of prudent projections of economic growth to generate budget numbers that Canadians can trust.

The 1994 budget actions, coupled with the moderate economic growth we are projecting, will reduce the deficit from \$45.7

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billion in 1993-94 to \$39.7 billion in the coming fiscal year. A further drop to \$32.7 billion is expected in 1995-96. As a percentage of Canada's economy, the deficit will fall from 6.4 per cent of gross domestic product for this year to 4.2 per cent of gross domestic product in 1995-96. Looking further ahead, the budget sets the deficit on a path to meeting the government's interim deficit target for 1996-97: 3 per cent of GDP or some \$25 billion.

In setting this course of responsible deficit control, the government has put the emphasis on actions that will support economic renewal and confidence. Most important, we have emphasized reductions in government spending. Net expenditure cuts will total \$17 billion over the next three years and while we have proposed some measures to increase revenues there are \$5 in spending cuts for every \$1 in new revenues.

The 1994 budget sets in motion the most comprehensive fundamental change in decades. However, change is not always comfortable. It is not always easy and is tempting to attack. This change is vitally needed because it focuses on three essential goals that directly answer the priorities expressed by Canadians during our first ever series of public budget consultation conferences.

Canadians said they wanted action to restore our country's economic vitality and to create the jobs so many people desperately need. This budget addresses those needs.

We are accelerating regulatory reform and GST reform because Canadians told us they want government to get off their backs and relieve them of the dead weight of over-regulation and red tape. Canadians also told us they want a government committed to lowering taxes that stand in the way of hiring and growth. Therefore, we will roll back UI premium rates in 1995 to their 1993 levels. This will save industry almost \$300 million a year. Due to this action there should be some 40,000 more jobs in the economy than could otherwise be expected if premiums were allowed to rise.

(1010)

The budget also funds new strategies to promote small business and technological innovation, key engines of a successful economy in today's global arena.

We are acting to get the banks working better to provide finances for small businesses. We are also reforming the way government approaches science and technology. We are taking steps to give small business access to technology and to allow it to afford dedicated engineering support. We will be developing a strategy for the information highway and we will be issuing a policy paper on science and technology so that we can work with Canadians to develop a clear statement of government priorities in this crucial sector.

During our consultations, Canadians also said they want reform of our social security system to ensure it is fair, compassionate and affordable, a reform that delivers incentives for work and creates jobs and opportunities.

That reform has been launched by the Minister of Human Resources Development. The budget takes important steps to begin meeting this challenge. The link between the length of time a person works and UI benefits is being strengthened. Assistance is being enhanced for those with dependents. These and other actions will reduce the costs of the program by \$2.4 billion next year. This will allow us to bring UI premiums down.

The consultations also delivered a third blunt message. People told us to get government finances under control and make government more effective, cost conscious, and less of a burden that undercuts job creation and entrepreneurship.

The government understands that these are obligations we must accept, not options. The budget reduces the deficit with this in mind. Using prudent economic assumptions, the actions in the budget set the deficit on a clear path to bring it down to the target we set out in the red book of 3 per cent of Canada's economy in three years.

The budget also includes freezing both public service and parliamentary salaries for a further two years. I must say as a personal aside that this is the first announcement I have given to my family, including my wife who is in the hospital and watching this, that in fact my salary has been frozen for another two years. I hope she takes it in good spirit.

Defence spending will be cut by nearly \$2 billion more. That is in addition to the \$1.7 billion saved by cancelling the EH-101 helicopters over the next three years. Subsidies for businesses and grants and contributions to interest groups will also be reduced.

The government will reduce the operating budget of the government departments by \$400 million in the next fiscal year with savings rising to \$620 million annually in 1995-96 and beyond. Total savings and cuts in government operations will rise from \$468 million in 1994 to \$1.6 billion in 1996-1055 97.

[*Translation*]

Grants and contributions paid by the government, including international assistance and grants to small businesses, will also be reduced to achieve \$253 million savings during the fiscal year starting next April. These savings will reach \$409 million the following year.

The government also undertook a vast restructuring of our social security system in order to improve it and make it better suited to the needs of the time, while making sure it remains affordable.

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Within this framework, we have major objectives in two areas: unemployment insurance reform and social security transfers to the provinces.

[*English*]

The new rules will strengthen the link between work history and the ability to collect benefits, and will enhance benefits to those with lower incomes and those who are supporting dependents.

Federal transfers to provinces currently total some \$40 billion annually with some \$14 billion of that related to social security programs. The budget calls for a two-year period of predictability and modest growth in these transfers.

During this period the federal government will co-operate with the provinces in setting reforms and testing new approaches with extensive public consultations and input along the way.

(1015)

However, the budget makes it clear that social security transfers will be no higher in 1996-97 after reform than they are this year. This will save the federal government at least \$1.5 billion in 1996-97.

The challenge of the deficit is not only one of spending, it is also one of revenues. The government knows that Canadians believe taxes are already too high and we agree with them. Our priority as a government is to stimulate the economy to create growth which will help curb the deficit and allow us to reduce taxes in the years ahead.

The tax and deficit relationship is a two-way street. A higher deficit will lead to higher taxes, while a lower deficit will lead to lower taxes. To reduce the deficit now some revenue increases are necessary. The government has decided that the fairest way to raise revenue is to broaden the tax base and to bring greater equity and fairness to the tax system.

The \$100,000 lifetime capital gains exemption will no longer be available for gains realized after budget night. For individuals, the full value of employer paid life insurance premiums will be taxable. The income tax credit provided to persons over the age of 65 will be income tested. I should note that only one senior in four will be affected by this change.

A number of changes are also being proposed to the corporate tax system to make it fairer and to better target the tax assistance made available to certain businesses. They include: a reduction in the GST tax credit and the business income tax deduction for meals and entertainment expenses; the elimination of certain tax preferences aimed at small business that are enjoyed by some large private corporations; a change in the tax treatment of certain security transactions by financial institutions; and the elimination or reduction of certain regionally based investment

tax credits that have not been cost effective in attracting new investment. The proposed changes will add \$575 million to federal coffers in 1994 and almost \$1.4 billion the following year.

In bringing down this budget the government is pursuing a balanced approach, weighing a number of concerns and targeting a number of goals: to create jobs; to stimulate economic growth; to reduce the deficit; and to encourage the long-term financial viability of the social programs that define this country.

There are some voices that might call for a different balance, some views which are focused on one issue or another instead of the complete picture. This government asks them to think again.

As the Minister of Finance put it during his address; for those who would have us spend more, Canadians deserve to know where the money would come from. And for those who demand we cut more, Canadians deserve to be told the extent to which that would hurt growth, hurt jobs, hurt the less fortunate. It is with this in mind that we have asked the House for authority to borrow the funds we require in Bill C-14.

I would now like to go into some detail as to the elements of this bill. Like borrowing bills in recent years, this bill contains three basic elements: authority to cover financial requirements for 1994-95; exchange fund account profits; and a contingency reserve. In total, the government is requesting authority to borrow \$34.3 billion for the 1994-95 fiscal year.

In addition, there is a provision for an additional borrowing authority of \$3 billion to provide for borrowings conducted in this fiscal year under section 47 of the Financial Administration Act.

I would now like to touch briefly on the main provisions of this bill. First, there is the provision for \$30.2 billion of authority to cover our anticipated requirements for borrowing to meet the net financial requirements set out in the budget.

Second, there is provision in the bill to cover \$1.1 billion of exchange fund account earnings which give rise to additional Canadian dollar borrowing requirements. This is because these earnings, although reported as budgetary revenues, are retained in the exchange fund account. They are not available to finance ongoing operations of the government.

Third, there is a \$3 billion reserve, the same amount requested in borrowing authority bills in the last six years. This reserve provides for unforeseen contingencies such as foreign exchange transactions, seasonal swings in borrowing requirements and delays in passing the future year Borrowing Authority Act.

(1020)

There is also a provision to cover the funding of bills issued in 1993-94 under section 47 of the Financial Administration Act, up to a cap of \$3 billion. Without this clause these refundings

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would be charged against regular 1994–95 borrowing authority, even though the money was raised in 1993–94 fiscal year.

Members should note that the provision cannot be used to generate additional borrowing authority for 1994–95. Next year's borrowing authority is only increased by the amount of section 47 borrowings actually transacted in 1993 up to a maximum of \$3 billion.

There are some minor technical provisions in the bill that more clearly link fiscal year borrowing authority with fiscal year borrowing requirements. One provision provides that 1994–95 borrowing authority may only be used after the 1994–95 fiscal year begins. Another provision stipulates that the borrowing authority covers the full fiscal year beginning April 1, thereby ensuring refunding authority for the securities maturing in fiscal year 1994–95.

Until this bill is passed we may continue to use any amount of the non-lapsing reserve provided for in the Borrowing Authority Act, 1993–94. This bill when passed will cancel all borrowing authority remaining from fiscal year 1993–94. Also, it will deduct from the basic amount of borrowing authority sought any borrowing authority for 1993–94 that is used in 1994–95. This prevents any use of the 1993–94 non-lapsing reserve effectively adding to borrowing authority in 1994–95.

As background information I would like to review the government's debt operation in the current fiscal year up to the end of January. At this point in the domestic debt program about \$25 billion in new net market debt has been issued. Of this total, \$21 billion was in the form of marketable bonds, \$5.5 billion in treasury bills, and \$925 million in real return bonds.

The real return bond program was first announced in October 1991 and is a modest and cost effective diversification of a debt program. The bonds offer investors a real rate plus an inflation compensation component.

I would like to report to the House on last fall's Canada savings bond campaign. That campaign with bonds bearing an interest of 4.25 per cent had total sales of \$5.4 billion. After taking into account the Canada savings bonds that matured or were redeemed in that period, net purchases of new bonds amounted to \$842 million.

Regarding foreign currency debt, outstanding Canadian bills increased by U.S. \$2.7 billion to \$4.7 billion at the end of January. These are short-term U.S. dollars denomination bills which are issued from time to time in the U.S. market to fund Canada's foreign exchange reserves. In addition, a yen 80 billion bond issued in 1986 matured in July 1993.

In January the government launched a U.S. \$2 billion five-year floating rate note. This issue will be used to pay down outstanding Canada bills thereby diversifying the source of U.S. dollar funding of Canada's exchange reserve. It will not increase the level of reserves or Canada's overall indebtedness.

In summary, the bill is straightforward and contains no unusual provisions. All the information needed to deal with it is before the House in the budget, the main estimates, and related documents.

I therefore urge the House to proceed with this legislation as quickly as possible so that new borrowing authority will be in place at the beginning of the new fiscal year and the government's regular borrowing program can proceed as the fiscal year begins.

Borrowing authority is a normal part of the operations of the government. I urge all members to support this bill.

[*Translation*]

Mr. Pierre Brien (Témiscamingue): Mr. Speaker, I suppose I should welcome this opportunity to speak to the Budget but I cannot say I approach this task with a lot of enthusiasm, because there is little to be satisfied with, especially when we have a situation whereby the end of the next fiscal year, we will have a deficit of at least \$40 billion. I said at least, and I will get back to this later on.

(1025)

We now have a bill before the House to provide borrowing authority. I would like to take a few moments to discuss this, because a substantial part of the debt or the interest on the debt is paid abroad. That is the most problematic aspect of the debt, and it is something that is not always clearly understood. Interest paid to Canadians is fed into the economy, so this is a lesser evil. Not so in the case of interest paid abroad.

Take, for instance, someone who borrows \$1,000. Mr. Speaker, suppose you were to lend me \$1,000. You can see my credit is good, and I pay back the loan as agreed, so you are satisfied. If I want to borrow another \$1,000 next year, there will be no problem. However, if you notice I have trouble meeting my payments so that you are not sure you will be paid back, you will start having second thoughts about the matter.

If later on, I want to borrow money again, you will say: Fine, but I want a better return on my investment. Interest increases according to the risk involved, according to a basic financial principle.

That is what we are seeing today in the case of Canada, and that is why although interest rates on short-term loans are low, rates on long-term loans are not going down.

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We must borrow to service the debt. The financial markets want a certain yield, and that is why our long-term interest rates are not going down as much as we would wish, which prevents us from investing in a vigorous economic recovery.

For all these reasons, the government will have to put its financial house in order, which is not the case in this budget. This year again, the government failed to act.

I remember how I reacted to last year's budget. It was a disaster. The government postponed many important decisions for another year. Under the circumstances, it was decided to let the future leader of the Progressive Conservative Party and the government make these decisions. This year, with a new government, a newly-elected government with wonderful objectives and nice campaign speeches, we expected a more vigorous approach. It did not happen, and I will give some more details later on.

I heard an analyst give a very good explanation of the situation this week on the Radio-Canada program *Le Point*. She said that the government must put its financial house in order as soon as it comes to power. During its first or second year. The government failed to do it the first year, and we can only hope it will not let us down next year. This is a serious matter.

The longer a government is in power, the harder it gets to make budget cuts. I remember talking to someone who had been a member of the Quebec cabinet, and he told me: Pierre, when you are elected, you have about six months to do some real house cleaning, because after that it becomes extremely difficult. I found that illuminating.

I hoped that in its first budget, the government would have done more. Spending cuts are not as significant as they would have us believe. The famous five-for-one rule, which says for each dollar of additional revenue, we cut five dollars in spending, should be changed to read: "We will cut five dollars in our spending estimates". This is not the same, because as we can see in the budget votes, expenditures are not going down. We are now at around \$122 billion, and it will be like that for the next three years. Granted, in real terms—these figures are nominal values—there will be some reduction in real value.

I will also mention a few positive aspects of the budget. I looked around and found one I want to mention particularly, which is the decision to introduce a permanent program that will allow first-time homebuyers to use RRSP funds to purchase a home. It is a positive measure that was supported by our party and the Reform Party and by Liberal members as well. In fact many people wanted to see this become a permanent measure, and that is now the case. Bravo! That was a good decision.

Another good decision was to roll back unemployment insurance premium rates to \$3, but not until 1995. It is a good decision for next year.

That was the good news.

I admire my Liberal colleagues who must spend 20 minutes discussing the positive aspects of the Budget. I admire them because personally, I could do it for only two or three minutes. That is quite an achievement, Mr. Speaker.

(1030)

Now, on to the deficit. I looked up a number of figures, not to give you a personal history, but to give you a history of the state of our public finances since the year of my birth. In fiscal year 1971, the government recorded a deficit of \$379 million.

Let me quickly give you some figures. In 1972, the deficit stood at \$614 million; 1973 was a positive year; in 1974, the deficit stood at \$672 million and this is when things started to snowball. In 1975, the deficit increased to \$1 billion. By 1978, it had surpassed the \$10 billion mark. The situation improved slightly in 1979 and 1980, when the deficit fell from \$16.2 billion to \$11.5 billion. One could have thought that we were on the right track, but no, the deficit continued to spiral upward.

The deficit in 1982 was \$14.9 billion. By 1983, it had increased to \$29 billion, with no relief in sight. The situation improved slightly during the mid 1980s, but the upward spiral continued in 1992 and 1993. The extremely high deficit, which stood at \$34 billion for the 1992 fiscal year, increased to \$40 billion for the 1993 fiscal year. This year, it will stand at \$45 billion, while projections for next year put the deficit at \$40 billion.

It should be noted that the projected deficit for this year was not \$45 billion, but rather \$32 billion. Talk about a forecasting error! If a person in the private sector were to make this kind of mistake, he would certainly be out of a job. Of course, you will say that the government was indeed defeated and turfed out of office. However, I sincerely hope that my Liberal friends will deliver on their promises.

I want to talk a little about this year's \$45.7 billion deficit. After the elections, the Minister of Finance lost no time announcing to us that the deficit would be worse than anticipated. You may recall that during the election campaign, our leader, Mr. Bouchard, spoke of a \$40 billion deficit for this year during a very lively debate on the CBC. His comments created quite a stir during the campaign.

Once in office, the Minister of Finance announced that the deficit was larger still, around the \$46 billion mark, somewhere between \$44 billion and \$46 billion. One has to understand that of these \$46 billion, close to \$4 billion are non-recurring expenditures, that is expenditures which the government will not have to incur next year. Therefore, we are really talking about a deficit of \$41.7 billion or \$42 billion.

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In addition, I have not taken into account the fact that the government will be making more prepayments this year, which will allow it to post more expenditures to this year's budget. Since they are blaming the deficit on the Conservative government, they might as well make it as large as possible, while they are at it. Then they can say next year: "See, we reduced the deficit from \$45 or \$46 billion to \$39 billion". Reality and the facts prove that this is not quite the case. This budget takes the deficit, which is hovering at about \$42 billion tops, and reduces it to a projected \$40 billion. And what are the real facts? Well, it is highly likely that the real deficit will not be much lower than last year. Given that the economy is expected to grow this year, this is cause for some concern.

When I look 10, 15 or 20 years down the road, I try to imagine what the country's financial state will be and the outlook looks very gloomy. How much interest will we be paying on the debt? Will 50 cents of every tax dollar be going to pay the interest on the debt?

It should come as no surprise to you that young people are very cynical about the political process and about the future. How can they be confident? Their future is being mortgaged big time! They wonder how we are going to get out of this mess and puts things right. It should come as no surprise to you either that a growing number of Quebecers have expressed doubts about the federal system which has created this unresolvable debt crisis.

This year, in its budget, the government has shied away from making the hard choices, preferring to postpone matters for another year. It amazes me that budgets always seem to paint a rosier picture of the future.

(1035)

With the Tories, forecasts were always for five years and invariably, the graphs showed the deficit miraculously dropping, by the fourth or fifth year, to very reasonable levels. I do not know how they managed to do that, but they did.

Now, the Liberals and their Minister of Finance are telling us that, for the sake of transparency, forecasts will be on a three-year basis. But again, things start to look up only in the second or the third year, never the first one.

This budget should be telling us what is going to happen during the first year. We will see. So much is unpredictable or very hard to predict. How can the Minister of Finance make reliable forecasts over three years when major consultations are ongoing in areas such as human resources and the GST for instance? If financial guidelines are not in place, how can he predict with any accuracy what is going to happen in terms of the economy? One can wonder.

Somehow I get the uneasy feeling that this alternative to or improvement on the GST could be used to generate additional revenues to even things up. As for consultations on human

resources, financial criteria seem to have been clearly established already. What is the use of consulting then, if the goals of the reform have already been set? Take unemployment insurance for example. This budget provides criteria and guidelines in that area. Is all the work done by this committee, all its distinguished members and all the people who will be consulted be for nothing? I am afraid that they might work hard for nothing, that decisions have been made already.

About this year's deficit, I would like to add this: it is a record. Never in the history of this country has a higher deficit been forecasted, never. The past cannot vouch for the future and I certainly hope that it will be the case here because it would be catastrophic.

In the past, the Department of Finance has had some difficulty forecasting economic performance, and that is putting it mildly. Now, the Minister of Finance is telling us: "We are going to use much more realistic forecasts for a change". Let me say a few words on these forecasts.

In his financial forecast, he has announced more realistic growth rates and interest rates. One area where his forecast is questionable however is inflation. In that regard, he has failed to listen to all the economists who have provided him with forecasts. They were all around 2 per cent, but the Minister of Finance chose to use a rate of 0.8 because that was just what he needed. A 2 per cent rate is much more realistic, especially if slight economic growth is expected. Whether we like it or not, growth always causes some inflationary pressure, and 2 per cent inflation is not too terrible. But no, he chose to use 0.8 per cent. That particular figure is questionable.

But there is one which is even more questionable. You know, when you make forecasts, you use a long mathematical equation, one perhaps as complex as for equalization. You put numbers in, then say: "Let us change the figures to get more realistic results". But there is a major mistake, a major flaw in this equation. The government expects a 1 per cent growth in the economy or economic activity to generate a 1.2 per cent increase in public revenue during the first year. I find that hard to believe.

In the seventies, at a time when revenue did grow slightly, a 1 per cent growth in the economy could make public revenue increase by as much as 1.5 per cent. Things changed drastically in the eighties. Now, when the economy grows by 1 per cent, public revenue increases by a mere 0.5 per cent. Last year, it actually decreased. Why would there be an increase this year, as the minister is announcing? I am having a very hard time figuring how and why the Minister of Finance, who is so concerned with transparency, can keep such a parameter in his mathematical model.

He may have changed some figures, the figures for growth rates and interest rates and used more realistic figures in the model, but he did not change the basic figure.

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(1040)

That is why I can tell you right away that, if the Minister of Finance does not review this question, he will never achieve his objective of bringing the deficit down to 3 per cent of GDP within three years, because he overestimates revenue growth. We can see it in his approach, in the fact that there will be no major deficit reduction this year; he is banking on economic growth to do his job for him but it will not happen.

A very simple explanation is to look at the size of the underground economy. We do not need to go very far. We only have to walk around in our ridings and look around us to realize the extent of people's involvement in the underground economy and how much this economy represents. According to the most conservative estimates, it is at least 8 to 10 per cent. But it is probably a lot closer to 15 to 20 per cent. If we put it at between 8 and 20 per cent, Mr. Speaker, it is already enormous. The government loses billions of dollars to the underground economy every year.

The minister includes these billions of dollars in his revenue growth forecasts as though this phenomenon did not exist. The underground economy is very difficult to estimate and very complex. One must work with aggregates such as the money supply and that is very difficult.

It seems that the Department of Finance has done a study on the underground economy but it refuses to publish it. Why? Because it might have to include it in its forecasts, which would make this exercise much more difficult.

I heard the Minister of Finance say that if things did not go the way he wanted, he would make every effort next year to bring the deficit down to the level he wants. I told the people around me to get ready for a budget statement sometime this year, because the minister will have to take this phenomenon into account and he will then have to redo his calculations and make new choices.

The minister does not talk about it much but he did something that was rather wise. He kept much bigger reserves than his predecessors, about \$2.5 billion, and that was wise. Last year, his predecessor kept reserves of only \$300 million and he would have needed much more. The Minister of Finance is to be congratulated on that score, but even this reserve will not be enough to offset losses due to the underground economy, that he continues to include in his revenue growth forecasts.

When they say they will cut spending, they go all out, Mr. Speaker. They were saying two for one at the beginning. The Minister of Finance told us before the holidays that, for every additional tax dollar collected, he would cut \$2. He was told that it was not enough, that it would not make a big enough impact in the budget. Now he says that, for every additional tax dollar,

they will cut \$5. How come next year's expenditures will be slighter higher at around \$122 billion, when at least hundreds of millions of dollars in extra taxes will be collected?

I cannot figure out how they arrived at that figure. We should have been closer to \$118 billion or \$119 billion in expenditures. They did not make real cuts; they simply lowered the forecasts made by their predecessors. That is a rather complex but fascinating exercise. If we compare budgetary votes, which are the most significant measurement, with operating expenditures in nominal terms—even including inflation, which is hard to take out—, we can see that there are no major cuts.

I was reading an article by Claude Picher of *La Presse*, who wrote on budget day, "Tonight, when Mr. Martin will tell you that it is impossible to put government finances on a healthier footing without increasing taxes, you can quote some government expenditures," and he gave the following examples: National Capital Commission, \$90 million; Canadian Intergovernmental Conference Secretariat, \$7 million; Human Rights Commission, \$18 million; Offices of the Information and Privacy Commissioners of Canada, \$6 million; International Development Research Centre, \$117 million, and so on. There is a whole bunch of them.

This government never agreed with our proposal to systematically review all government spending, let alone the whole tax system.

(1045)

I feel like saying this to the Minister of Finance: It is funny, in the budget he said that he would refer the issue of family trusts to the Standing Committee on Finance, which is already overloaded, for consideration, at the suggestion of my colleague, the Official Opposition's finance critic. How come that is the only one of my colleague's suggestions that he took, and that he is trying to embarrass him by saying that it is his own suggestion?

My colleague suggested much more; he suggested setting up a committee to examine all public spending, item by item, and to deal quickly with the matter of family trusts. He said so many times. But no, instead they choose one small element, family trusts, to refer to a committee for study. That is not what we wanted; we wanted to look into the whole tax system, the government's tax expenditures and its uncollected tax revenue.

The minister had fun telling us that there was already a minimum corporate tax. I am eager to talk to him about it again so that he can explain to me how it works. I am not sure that his officials agree with him that it really exists, far from it. And then he listened to a suggestion from a fellow member. My colleague made several suggestions to him, and all have fallen into oblivion. He is trying to distort what he said by telling us that it is what the opposition wanted. We wanted much more than that, we wanted a lower deficit.

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We wanted and expected—and that is my next point—the government to do much more for the economic recovery—much more. We expected more from a Liberal government which talked constantly about jobs, jobs, jobs during the election campaign. The Prime Minister repeated that everywhere he went.

Let us look at the predicted unemployment rate. Even with the infrastructure program next year, it will go down only 0.1 per cent. How come? This infrastructure program will generate many temporary jobs, Mr. Speaker. We must not think that the municipalities will be able to continue doing the work at the same rate forever after. And there is a maintenance cost associated with it. But it will not be enough. Those people will not stay on the labour market. We must take additional action so that after a year or two or three, we have a sounder economic support structure.

It is true that the government alone cannot create employment, but it must still at least create a more favorable climate and send a signal. Cutting its spending further would have been a clear signal and made people say, “The government is doing its part, so we can give it a little more credibility. We will do more too”. But that is not the case, it is the status quo.

They talked to us a lot about small and medium-sized businesses and the Bank Act during the election campaign, and where is it in the Budget? A series of words: the government will consider, a parliamentary committee will review, the banks are considering, means will be developed, etc., etc. We will study, analyze, recommend, we will see, we will analyze and probably nothing will be done. Nothing will be done.

How is it that for unemployment insurance, they were able to put a reform on the table quickly and in other fields, they will have to analyze and consider? Clearly, the main point in the finance minister’s budget is to get money from people on UI. It is very clear; that is the main point in his budget. He was not able to examine other spending more thoroughly, for lack of time and imagination. That is why many people have trouble distinguishing this government from its predecessor when it comes to their budgets. Except for the colour of the documents and of the book behind it, not much is different. It is very disappointing.

I will come back to another cut that could almost be called savage which they made. I will quote a sentence from the red book: “We will reduce public spending by abolishing unnecessary programs, tightening procedures and eliminating duplication, all in co-operation with the provincial governments”. “Co-operation with the provincial governments”: that is something we can read in many places in the speech from the throne and the budget and the red book and many other statements.

Where is the elimination of administrative overlap in this budget? We could even include inter-departmental overlap within the same level of government.

(1050)

When I say overlapping, I am referring to two different types: interdepartmental and intergovernmental. Nothing was done about this. Studies presented to the Bélanger—Campeau Commission in Quebec estimated that these overlappings cost \$2 to \$3 billion annually. Over a ten-year period, they amount to somewhere between \$20 and \$30 billion. Yet nothing was done. The government cuts \$400 million in the operating expenditures of the federal administration. This is a very minor cut. It is like doing surgery for terminal cancer. This is very disappointing.

Yet, this is what the red book said. Indeed, there is no mention of a timetable. But I doubt very much that the government will succeed. It should send a signal. Let us not forget that this government will probably soon have to deal with a referendum in Quebec. It will have to show that they can reduce this overlapping. They have not even started doing so. How very disappointing!

As regards jobs, aside from the infrastructure program, the other major initiative announced to promote job creation is simply unbelievable and beyond logic. Indeed, the government says that the \$3.07 rate for UI premiums is bad for the economy and will therefore lower that rate to \$3.00 at the beginning of 1995. But let us not forget one thing: who set the rate at \$3.07 in the first place? The same government, last December, when it decided to take out \$800 million to finance its infrastructure program. Now it is telling us that this rate is bad. The government is telling us that it will lower that rate and create 40,000 jobs in the process. But using the same logic, it means that 40,000 jobs were lost this year because of the government’s initial decision. The infrastructure program may create 60,000 to 65,000 jobs, but there will only be a net gain of 20,000 to 25,000 jobs, and not 100,000 as seems to be implied in various government documents.

There is inflation. You do not hear much about it regarding the economy, but there is a lot of verbal inflation when it comes to quoting figures and numbers. So, this is the other major government initiative: next year it will correct this year’s mistake. But the government will not admit its mistake. Rather, it says that the rate was bad for the economy, without ever taking the blame or even apologizing to Quebecers and Canadians by saying: Look, we made a major error in judgment when we decided to set that rate.

In terms of helping small and medium-size businesses and promoting research and development, Quebec is not getting its fair share, while in Canada as a whole, we do much less than our major competitors to promote R and D. I thought the government would send a clear message that, from now on, this would be one of its priorities; that it would start investing a lot this year in these programs and that it would do even more in the future. But this sector is not even defined as a priority. If it is not considered as such in theory, how can it possibly be perceived as a priority in reality? I heard someone say in this House that people should phone their bank managers and ask them to be

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more co-operative with small and medium-size businesses. I am not sure that this approach will bring about very good results.

The government had said that it would amend the Bank Act to help those who have funds invested in small and medium-size businesses. But it did not do it. Instead, the joint committee on industry and finance will examine the issue. I do not feel lost here because I was studying before coming here and I feel I am still at school because we are always told that this or that issue will be looked at. In school, I sometimes felt that the work was useful, but I am not always convinced it is the case here. I feel that decisions are made before studies or reviews are undertaken.

I want to point out another important issue. In their red book, the Liberals talked about tax fairness. In their budget, they say that all classes will be affected: the rich, the poor as well as the middle class. Everyone will have to make sacrifices. But it would be an understatement to say that I am outraged by the measure affecting senior people. I find it very hard to accept that a senior is considered a rich person if his or her annual income is \$26,000 or more.

(1055)

Between \$26,000 and \$49,000, they gradually lose their age credit. These people are being told to contribute \$490 million over the next three years, while during that time, according to a conservative estimate, we could get at least \$350 million annually by taxing family trusts. That is one billion over three years, and twice the amount we will get from senior citizens.

As you know, and as you will see in the weeks to come, they are very sensitive about this. Senior citizens who depend on their pension cheque for their income have so little that they want to keep the age credit. They spent all their lives working hard, and now they are under the gun. Did this generation of senior citizens put us in the financial situation we are in now? I doubt it. Pitting one generation against the other is certainly not my intention, but the odds are it was probably the generation between theirs and mine that put us in the financial mess we are in today.

However, the generation that holds the reins of power, the so-called baby boomers, has decided to cut spending on senior citizens. I can only hope they will be just as eager to take these cuts when it is their turn. Quite frankly, I do not like this.

This reminds me of another measure in the budget, which is about abolishing the capital gains exemption on the first \$100,000. Many Canadians have taken advantage of this exemption. At one time it was \$500,000. Today, people in my generation are being given a signal that they will not have this tax

incentive to become part of the upper middle-class or the wealthy class.

We are prepared to do our fair share to pay off the debt, in addition to whatever we will be asked to do in the future. However, it is just not true that today's wealthy Canadians are being affected by this measure. Many Canadians have already used the exemption, and in fact, capital gains that have accrued since 1985-86, for instance, will not be taxed. So this measure applies starting today or rather the day before yesterday. It will not produce a lot of revenue, and certainly not as much as the Minister of Finance indicated in his forecast, and we are going to monitor that very closely.

People already expected this to be retroactive and were doing their transactions before the budget, because of all the advanced publicity. These types of measures do not always identify the groups that are affected. About the fiscal fairness that will be needed to fight the underground economy, I think there is a false perception among members opposite that we can deal with the underground economy by modifying the GST. They keep harping on the GST, but the GST was merely the last straw and not what created the underground economy in the first place. There is a whole set of measures that make people feel they are not getting their money's worth, and that is what drives people into the underground economy. They have the impression they are getting a fair deal this way.

The government keeps saying it will change the GST, and this may make matters even worse, depending on how they do it. We will watch this very closely, but they will have to take a much broader approach to this problem, an approach on tax reform that will cover the range of measures that provide the government with tax revenue.

There is nothing in this budget to restore fiscal fairness. The government will not meet the objective of the Minister of Finance to bring the deficit down to 3 per cent of GDP, because it is not sending a clear signal that the issue is fiscal fairness. I find that very disappointing.

In concluding, I want to evaluate the three objectives mentioned in the budget of the Minister of Finance. First: to build a framework for economic renewal to help business succeed and to turn innovation into a more effective engine of Canadian economic growth. That sounds wonderful, but I could find no indication of this in the budget. In the budget the government says it will evaluate, analyse, recommend, study, and so forth. That is it, Mr. Speaker. I am still looking. We may find it in future budgets. So that was the first objective in this year's budget.

The second objective. To put in place a responsible social security system that is fair, affordable and adapted to the needs of Canadians. I thought this was more or less the mandate of the Human Resources Committee, but we can see that the budget

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defines the financial parameters. It says we must meet these objectives while working within current financial constraints. Here again we can wonder to what extent the objectives will be reached, given the cuts in unemployment insurance.

(1100)

The third point, and this is a major one, is: improve public finances to allow the government to concentrate all its energies on helping Canadians adapt to a demanding and changing world. If improving public finances means ending the next fiscal year with a deficit of more than \$40 billion, this is a failure. This point by itself deserves a zero mark.

To conclude, the government is boasting that it is bringing to life the commitments of the red book. It says that this budget is the red book. Now, people say that there is nothing in this budget, and that makes us realize that the content of the red book was in effect zilch, nothing and no hope.

I thank you for your patience, Mr. Speaker, and I will conclude by saying that I am deeply disappointed by this budget.

The Speaker: It being 11 o'clock a.m., pursuant to Standing Order 30(5), the House will now proceed to statements by members, pursuant to Standing Order 31. The Chair recognizes the hon. member for St. Catharines.

STATEMENTS BY MEMBERS

*[English]***BROCK UNIVERSITY**

Mr. Walt Lastewka (St. Catharines): Mr. Speaker, I rise in the House today to congratulate Brock University on its 30th anniversary. The university is central to the Niagara Peninsula and is an excellent centre of higher learning.

The theme for Brock University's 30th anniversary is: "Big enough to matter and small enough to care". The university certainly lives up to this theme. The business, the arts and teacher education programs have excellent national reputations. The new school of entrepreneurship is a unique, progressive, small business initiative. The university remains small enough to provide personal time and attention to students throughout their important education years.

I welcome all members of the House and all Canadians to visit Brock University for its open house on Sunday, March 6. Special mini workshops, demonstrations and other events will take place at the university that day.

Again I congratulate Brock University on its 30th anniversary.

*[Translation]***FRANCOPHONES IN THE ARMED FORCES**

Mr. Philippe Paré (Louis-Hébert): Mr. Speaker, yesterday the Prime Minister informed this House that the matter of the closure of the Collège militaire royal de Saint-Jean was not raised in the Liberal caucus. This college is the only francophone military college in North America. If in fact the matter was not raised in caucus, then I condemn all Liberal members from Quebec for not defending the interests of the province and for not defending the French fact in the armed forces.

The closure of the only French-language military college in Canada will mark the end of a 50-year-long struggle for francophone equality in the Canadian armed forces.

* * *

*[English]***THE BUDGET**

Mr. Jake E. Hoepfner (Lisgar—Marquette): Mr. Speaker, I rise in the House today to share the concerns of my constituent, Betty Maxwell, of Neepawa, Manitoba, who comments: "The government has given us a middle of the road budget and with the economic traffic we have that is a very dangerous place to be. We have a budget that is long on rhetoric and short on substance".

Instead of attacking government spending with serious cuts it is actually increasing spending. If this increased spending only brings unemployment down one-tenth of 1 per cent in the first year, it confirms that previous governments by overspending \$500 billion have put us at this rate of unemployment.

This budget is very reminiscent of those of previous governments with rosy predictions and miscalculations that Canadians have never been able to rely on. With optimistic forecasts for growth and lack of deficit reduction, it is back to the old philosophy of counting the chicks before they are hatched.

* * *

WINTER OLYMPIC GAMES

Ms. Shaughnessy Cohen (Windsor—St. Clair): Mr. Speaker, I take this opportunity to draw the attention of the House to the outstanding achievements of a constituent of the riding of Windsor—St. Clair.

Chris Lori is captain of both the two and four man Canadian bobsled teams and is representing Canada this weekend in Lillehammer in the four-man bobsled events. Chris has been a member of the national team since 1985 and was overall World Cup four-man champion in 1990. In the 1992 games in Albertville, France, he came within .04 seconds of a bronze medal in the four-man event.

(1105)

The dedication of both Chris and his team mates, Sheridan Batiste, Chris Farstad, and rookie Glenroy Gilbert, will stand them in good stead this weekend as they face off against the best in the world.

On behalf of the people of Windsor—St. Clair I wish Chris, his team and all Canadian Olympians who will be competing in the final two days of the Olympics the best of luck. I congratulate them in advance for their outstanding achievements.

* * *

RAIL LINE ABANDONMENT

Mr. Murray Calder (Wellington—Grey—Dufferin—Simcoe): Mr. Speaker, the Canadian National Railway has applied for abandonment of a rail line in my riding known as the Meaford subdivision, 33 miles of track between Collingwood and Barrie.

There are two private companies willing to purchase the line but will not because of an Ontario NDP labour law known as bill 40. The future of this rail line and the jobs that depend on it are being jeopardized by this regressive Ontario labour law.

When the tracks are torn up they are rarely put back down, and some more of Canada's heritage dies.

* * *

CRIME STOPPERS

Mr. Glen McKinnon (Brandon—Souris): Mr. Speaker, on January 22 I was arrested and released on bail by the Brandon Crime Stoppers Association. My charge was allegedly making the Progressive Conservative Party of Canada look like a luxurious outhouse known as a two-seater.

I am currently released, providing sufficient bail is raised. Money is raised by such fund raising events to rally the public, the police and the media in a collective campaign against crime. Anonymous tips lead to arrests of suspects and these cash payouts for valuable information are funded by volunteer contributions and fund raisers.

Crime Stoppers is an extremely cost effective organization. Since 1985 in Manitoba over \$1 million in contraband has been recovered and \$3.5 million in personal property.

I commend the volunteers associated with Crime Stoppers and encourage all members of the House to support, promote and contribute to their local Crime Stoppers program.

[Translation]

FRANCOPHONES

Mrs. Madeleine Dalphond—Guiral (Laval—Centre): Mr. Speaker, in addition to making disparaging remarks about the small region of Lac—Saint—Jean, the Prime Minister reminded us yesterday of how his education tour of Canada made him discover what Canada was really about.

What country is he talking about? Does the Prime Minister not realize that francophone communities outside Quebec are facing assimilation? These communities still have to fight to preserve their language and culture while often not even having access to post-secondary education in French.

The people of Quebec have no problem with going outside the province when they want to learn to speak English, but they know full well that true French education is only possible in a francophone environment.

What the Prime Minister is proposing for the students of the Collège militaire royal de Saint—Jean is a sprinkling of classes in French in a completely anglophone environment. That is the picture of Canada the Prime Minister is painting for francophones.

* * *

[English]

BILINGUALISM

Mr. Chuck Strahl (Fraser Valley East): Mr. Speaker, the Reform Party has come under criticism for presenting petitions on behalf of constituents calling upon Parliament to hold a referendum on bilingualism.

I inform the House that a total of six Liberal members have also presented these petitions. They are the members for Dauphin—Swan River, Simcoe North, Winnipeg St. James, Leeds—Grenville, St. Catharines, and Moncton from whom two petitions were received.

I remind the House whether or not members agree with the petitions' subject matter, members of all parties are duty bound to present the petitions of their constituents. To use the tabling of these petitions to suggest that Reform is in any way anti—Quebec or anti—French is entirely incorrect. The practice leads to needless antagonism and public misunderstanding.

It is an unfortunate demonstration of traditional politics, the kind of politics that divides the House and the nation, the kind of politics that the Reform Party wants to change.

* * *

GUNS AND AMMUNITION

Hon. Warren Allmand (Notre—Dame—de—Grâce): Mr. Speaker, last week the Minister of Justice gave us excellent

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briefings on the new gun control administration and in particular on the requirements for the safe storage of weapons and ammunition.

We were told that it is just as important to secure the storage of ammunition as it is to secure firearms. On the other hand, we also learned that approximately 3,000 firearms were stolen or lost in the last reported year.

(1110)

In these circumstances I urge the minister to amend the law to require a firearms acquisition certificate for the purchase of ammunition. This would make it more difficult for those with stolen or illegally acquired weapons to use those weapons.

Experience shows us that the more we restrict the availability of guns and ammunition, the fewer crimes are committed with guns and ammunition.

Right now it is easier to buy a box of bullets than it is to buy a case of beer.

* * *

EUTHANASIA

Mr. Harold Culbert (Carleton—Charlotte): Mr. Speaker, the House is a place for discussion and debate of issues affecting all Canadians.

The government has agreed to allow a debate on euthanasia. Although there are various opposing views, I believe it is important for all members of the House to respect the current legislation governing euthanasia.

The House must set the standard of respect for law and order for our youth and for all citizens of our beloved Canada. I ask all members of the House to remember and to honour the current legislation respecting this issue.

* * *

[Translation]

FOREIGN AFFAIRS

Mr. Patrick Gagnon (Bonaventure—Îles-de-la-Madeleine): Mr. Speaker, I found out that our Minister of Foreign Affairs is going to Washington to meet with his counterpart in the Clinton administration and that the Leader of the Opposition is also travelling to that city. I realized why when I read an article in the November 29, 1993 issue of *Maclean's* magazine. The Leader of the Opposition is quoted in this article as saying:

[English]

“I think Americans are very independent”. He goes on to say:

In economic terms, Americans believe in individualism, every man for himself. What I love about Americans is their sense of liberty.

When the Leader of the Opposition is in Washington will he be talking about sovereignty or the annexation of Quebec into the United States?

* * *

[Translation]

MYRIAM BÉDARD

Mrs. Maud Debien (Laval East): Mr. Speaker, it is now the Prime Minister's turn to take credit for Myriam Bédard's wins, and in a political debate no less. He says that the Canadian Forces made a positive contribution. Mr. Speaker, some contribution!

The large number of Canadian military personnel in Biathlon Canada were ready to do anything to control her, even if it meant destroying her, according to a journalist from the *Gazette* daily newspaper. These are the same people who draft her contracts in English only. That is the Prime Minister's brand of bilingualism!

These are the same people who put roadblocks in the path of this athlete from Quebec and damaged her skis in Albertville. Does the Prime Minister know about this?

Does the Prime Minister want other examples of this positive contribution? Why does he not consult with his minister before saying such things?

* * *

[English]

CHILD MOLESTERS

Mr. Randy White (Fraser Valley West): Mr. Speaker, a terrible injustice in my riding of Fraser Valley West has been brought to my attention by one of my constituents, Sandra Wingrove. Ms. Wingrove is publicizing her name so that others might avoid the pain she and her eight-year old daughter recently suffered.

A young offender who lives in the same federally subsidized housing complex has sexually assaulted Ms. Wingrove's daughter. This child molester has been convicted twice of sexual offences and yet is still allowed to live in the complex with his mother. One must have children to qualify to live in the complex and now it seems one must be willing to expose them to this continuing danger.

Convicted child molesters must not be allowed to access our children. Again we see another case in which the criminal justice system has let us down. Yet the government does nothing.

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PARALYMPICS

Mr. Andy Mitchell (Parry Sound—Muskoka): Mr. Speaker, I rise in the House today on behalf of the constituents of Parry Sound—Muskoka to offer best wishes to 21-year old Sandra Lynes of Utterson.

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Sandra, the daughter of Pat and Kelly Lynes, was one of two Ontario athletes chosen to represent Canada in alpine skiing at the Paralympics in Lillehammer, Norway, March 10 to March 19.

The 18-member Canadian team has been training hard in Alberta and British Columbia while preparing for the Lillehammer event. Sandra will be competing in the downhill, super giant slalom, giant slalom and slalom.

If Sandra's two silver medals at the 1992 Paralympics in Albertville, France are any indication, her international competitors are in serious trouble. Congratulations and best wishes, Sandra. We are proud of you.

* * *

(1115)

DAY CARE

Mr. Paul Szabo (Mississauga South): Mr. Speaker, the economic reality in Canada today is such that in many cases both spouses of a family must work.

However, when a spouse decides to enter the workforce where day care service is necessary, the net earnings of that spouse are materially depleted due to the cost of day care. In fact, the net income generated is often not reflective of the value of the work done. As such, many working spouses would not require much incentive to leave their jobs to work in the home.

Today we need to address the acute shortage of affordable day care. We need to make it easier for a parent to personally care for young children. We need to create job opportunities. We need to provide opportunities for all Canadians to accumulate retirement income. We need to promote economic independence for all and we need to recognize the economic value of a spouse working in a home.

Accordingly, I will be introducing a private member's bill which will permit a working spouse to pay a salary to the other spouse for managing the family home and caring for dependent children. This would allow that spouse to pay into CPP and buy RRSPs. We need to recognize the value of the woman in the home.

* * *

THE BUDGET

Mrs. Elsie Wayne (Saint John): Mr. Speaker, where in the government's budget is there any hope for the people of Atlantic Canada, especially the unemployed? Where in the red book does it say seniors will have to pay more taxes?

The Liberals promised jobs, jobs, jobs. They promised to consult the communities that were possible targets for defence cuts. They promised to replace base jobs. What happened to the promises? They were not kept in my part of the country.

The Prime Minister is taking a tour of Atlantic Canada but he is leaving out New Brunswick. Is that because he is afraid to come to New Brunswick, Paul? I have to say to you, Paul, these were not the promises that you made to the people of New Brunswick.

This budget hurts those who can least afford it. The Minister of Finance got a new pair of boots I understand from the Prime Minister. I am awfully sorry that he has used them to kick the people of New Brunswick.

The Speaker: I know that the hon. member sort of slipped in the first name of one of our members here and of course I know that will not be done too often.

ORAL QUESTIONS*[Translation]***FRANCOPHONES IN THE ARMED FORCES**

Mr. Michel Gauthier (Roberval): Mr. Speaker, "the cream of the crop of francophone officers in the armed forces will be assimilated if young francophones opt for RMC in Kingston". These words were spoken, not by a nasty Quebec separatist, but by Mr. Terry Liston, the former Commander of CFB Valcartier and the current Vice-President of MIL Davie.

How can the Minister of National Defence, who says he is sick of Quebecers, claim to be the great defender of the French fact within the Canadian armed forces when according to those in the know, those who have been there, his plan to shut down the Collège militaire de Saint-Jean will unquestionably lead to the outright assimilation of francophones?

Hon. David Michael Collenette (Minister of National Defence and Minister of Veterans Affairs): Mr. Speaker, in the interview I gave to a Canadian Press reporter two days ago, I did not say that I was sick of Quebecers. What I said was that I was sick and tired of Quebecers like the Bloc Québécois members sowing the seeds of dissension among Canadians during question period here in the House of Commons.

Mr. Speaker, in light of the cuts to our defence budget, we can either choose to keep all three colleges, even though we do not need this many institutions to train officers, or we can choose to centralize operations in one institution and Kingston's Royal Military College has the best facilities for this purpose.

[English]

I have been watching with some great alarm the remarks of people in Quebec, prodded by the members on the other side on this particular issue. They are not doing the people of Quebec and Canadians a great service by inflaming what is becoming an argument that is emotional and is not based in reality.

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(1120)

French is now taught at Kingston. Forty per cent of the students at Saint-Jean are in engineering. They have to finish their education in English and French at Kingston because it is too expensive to have two or three courses in engineering.

We already have in reality a bilingual college at Kingston. The facilities are much better. If the facilities had been better at CMR de Saint-Jean, we would have centralized everything there.

[Translation]

Mr. Michel Gauthier (Roberval): Mr. Speaker, I would like to inform the minister that if he is sick and tired now of Bloc Quebecois members, he is in for a rough ride. We have four years ahead of us to put questions to him and we will continue to do so until we get some answers from him. I am sorry, but we do not intend to stop.

How can the minister seriously think that we will believe him when he says the French fact will be protected in Kingston, when according to Mr. Liston, who has firsthand knowledge of these matters, people have been saying for ten, maybe even twenty years now, that RMC in Kingston will become a bilingual institution. This is impossible, given that Kingston is located in the heart of traditional loyalist country. Does the minister really expect us to believe him?

Hon. David Michael Collette (Minister of National Defence and Minister of Veterans Affairs): Mr. Speaker, the hon. member is discounting the changes that have taken place in Canada outside Quebec since the passage of the Official Languages Act twenty-five years ago.

[English]

There has been a great change in the rest of the country as a result of the passage of the Official Languages Act put forward by a Liberal government 25 years ago.

When the hon. gentleman starts inciting those comments and starts talking about Kingston, I would ask when the last time was that he went to Kingston, Ontario. Kingston, Ontario is a very sophisticated urban centre that is very sensitive to the duality of languages in this country.

I would invite him to go to RMC and see the French language instructors, see the French language students and ask them if they feel that Kingston, Ontario is inappropriate.

[Translation]

Mr. Michel Gauthier (Roberval): Mr. Speaker, once again I feel I must reassure the minister. I did visit Kingston, Ontario, and the military college as well only three months ago.

How can the minister justify his own statements and those of the Prime Minister to the effect that the problem of the integra-

tion of francophones in the Canadian forces has now been resolved and everything is fine, when someone like Mr. Liston, who is in the know and has experienced the situation firsthand, states the following, in referring to former staff college colleagues: "In the armed forces, they prefer francophones whose allegiance lies elsewhere than with Quebec".

Hon. David Michael Collette (Minister of National Defence and Minister of Veterans Affairs): Mr. Speaker, the hon. member is quoting one former officer. Perhaps after this one-week recess, I will have found 20 or 30 former officers who disagree with the comments of the officer who was quoted yesterday and again today.

[English]

In other words, this is a typical case. I am not sick of the Bloc as individuals. Many of them are very nice. I am sick of their arguments. We have been listening for 25 years to these kinds of arguments. They can be selective. They can find one person to criticize this. I will find 30 who support us.

[Translation]

Mr. Gilles Duceppe (Laurier—Sainte-Marie): Mr. Speaker, my question is for the Minister of National Defence. I will not quote an individual but an internal report of his department, National Defence.

This report of which we obtained a copy and which was quoted in *Le Devoir* this morning shows us that merging the military colleges into a single institution will attract fewer students from the nine provinces and the territories, reduce the intake of francophone officers and reduce the level of bilingualism in the officer corps.

How can the minister seriously believe that he can protect the French fact in the armed forces when a study by his own department shows the exact opposite?

(1125)

Hon. David Michael Collette (Minister of National Defence and Minister of Veterans Affairs): Mr. Speaker, first, this is a report of the former minister, Marcel Masse.

Some hon. members: Oh, oh!

Mr. Collette: This is not a report of the Department of National Defence; it is a political report directed by the former minister.

Mr. Speaker, the hon. member forgot to quote one thing.

[English]

He forgot to quote, again selective quotes, from the report. I will quote the first section dealing with the question of one of three colleges. The committee states that it believes that the one college system is the most likely alternative to the three college system. Does the member know why? It is because it is the

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cheapest, the most effective and because of the facilities we have at Kingston. He conveniently forgot that.

[Translation]

Mr. Gilles Duceppe (Laurier—Sainte-Marie): Mr. Speaker, I would ask the Minister of National Defence how he can explain that between 1990 and 1994, the percentage of bilingual francophone officers rose from 60 to 67 per cent—these are not separatists' figures, figures are the same in French as in English—while among anglophones during the same period, the proportion of bilingual officers declined from 18 to 17 per cent.

Does the minister still agree with the Prime Minister, who said yesterday that the situation had changed a lot in recent years, while studies from his own department show the exact opposite once again?

[English]

Hon. David Michael Collenette (Minister of National Defence and Minister of Veterans Affairs): Mr. Speaker, there has been some discrepancy in the last few years because of the massive downsizing of the military put in place by the former government. It took \$14 billion out of the budget from 1989 right through to 1997. We have added an additional \$7 billion worth of cuts. Obviously there will be variations of the nature that the hon. member mentioned.

I want to tell the member that by 1997 anybody aspiring to the lieutenant-colonel rank of the military will have to be bilingual. That means we are putting on notice anglophones who want to be generals or chiefs of staff that they have to be totally and absolutely bilingual.

We have been improving the situation in the last few years. The college was opened in 1952 for the simple reason that, yes, there was a disparity in terms of the language preference of officers. However, because of the events of the last 25 years, the Official Languages Act and the appreciation in the rest of the country of the duality of Canada with respect to the French and English language and culture, there has been a great improvement. That improvement will continue even with the centralization in Kingston.

As for the last comment, I certainly agree with the right hon. Prime Minister because he had it bang on yesterday with what he said. He embarrassed those members. They will find it tough to go home on the weekend and face the people of Quebec after the blow that he dealt them yesterday.

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THE DEFICIT

Mr. Chuck Strahl (Fraser Valley East): Mr. Speaker, my question is for the Minister of Finance.

A *Globe and Mail* report today shows how the minister overstated the Tory deficit for 1993–94 and understated his deficit for 1994–95. This creates the illusion that the deficit is shrinking but in fact the real deficit is growing.

This seems to be a blind spot for successive finance ministers, both federal and provincial, who tend to blame their current deficit problems on a previous government. Canadians are growing tired of that.

Will the minister explain why he has misrepresented the facts again about the size of the deficit to the Canadian people?

Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec): Mr. Speaker, I am a little surprised at the question. I can understand perhaps why the *Globe and Mail* showed such a lamentable lack of understanding of the accounting principles by which the Government of Canada operates, but I would have thought that perhaps the hon. member opposite would have.

Let me just go through this. That editorial talks about destabilization claims: “\$2.4 billion stabilization claims already received from the provinces”. We are required to provide for those liabilities once they are known, which we have done. A \$250 million provision for the helicopter cancellation is entirely in accordance with public sector accounting principles. The reductions in the defence budget will save \$7 billion, thanks to the actions of the Minister of National Defence. The voluntary departure incentives are known, and when one knows of a liability one must record it. On the acceleration of the income tax refunds, surely the hon. member would not say that we should delay those refunds and give the money back to Canadians simply to not have that money come into this year's effort.

(1130)

What we have done is exactly in accordance with the recommendations of the public accounts committee and exactly in accordance with the Auditor General's recommendations. I am sure the hon. member opposite would rather have us follow the dictates of the Auditor General than the dictates of the *Globe and Mail*.

Mr. Chuck Strahl (Fraser Valley East): Mr. Speaker, if the minister follows all the dictates of the Auditor General we will all be much happier, I am sure.

However, we have another concern. The finance department largely with the same group of economic forecasters as with the previous government missed the mark last time by about \$10 billion in the budget projections.

Can the minister assure Canadians that this group of economic forecasters will not be out by a similar amount in this upcoming budget?

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Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec): Mr. Speaker, there are really two answers for the member.

First, as a partial answer to the hon. member, at the request of the deputy minister and senior members of the Department of Finance an outside accounting firm is essentially looking at the forecasting methods of the department.

However, there is something else. It really is not fair to blame the existing forecasters within the department. The department essentially takes a consensus of the economic forecasts within the country. What the previous government did was take the median line optimistic forecast to do its forecasting. In this budget we chose to take the median line pessimistic forecast of the consensus of economic forecasters.

* * *

[Translation]

REORGANIZATION OF THE COLLEGE IN KINGSTON

Mr. René Laurin (Joliette): Mr. Speaker, according to the information given by the Department of National Defence, a portion of the staff and students of Saint-Jean will be transferred to Kingston. These changes are over and above the relocation of teachers and several courses given in French in Saint-Jean.

Since the Minister talked about costs a few minutes ago, what will be the costs, first, of reorganizing the College in Kingston in order to increase its capacity and, second, of enabling it to fulfill its new role and new mandate as a bilingual teaching institution?

Hon. David Michael Collenette (Minister of National Defence and Minister of Veterans Affairs): Mr. Speaker, the transfer will not cost much more.

[English]

Simply, the facilities at RMC were built many years ago in the early part of this century and were designed for a much larger armed forces. There is all kinds of room to centralize the three colleges at Kingston. We may have a slight problem in terms of dormitories, but we feel that can be arranged with some of the other facilities in and around the Kingston area perhaps by moving some of the senior students out into apartments. However, that will not be a great cost.

Comparing that cost with trying to centralize everything at Collège militaire royal de Saint-Jean, that would be prohibitive. We are in the business of trying to save taxpayers money, not just for people in Ontario but for people in Quebec and for all Canadians because this government governs on behalf of all Canadians from coast to coast.

[Translation]

Mr. René Laurin (Joliette): Mr. Speaker, is the Minister telling us that the decision to close the Collège de Saint-Jean was taken hastily, without even knowing the financial implications of the reorganization of the College in Kingston?

[English]

Hon. David Michael Collenette (Minister of National Defence and Minister of Veterans Affairs): Mr. Speaker, there have been studies in the department for a number of years on the need to consolidate a number of facilities. We have done this with other bases across the country. The colleges are no exception.

I said in French a few minutes ago that the report quoted is not a report of the department. It is a report which was commissioned by the former minister who had a fixation about Quebec getting its fair share of the pie. It is true there has been a lower proportion of expenditures on defence in Quebec as a result of historical trends. However, we tried. We admit that.

An hon. member: Not enough.

Mr. Collenette: It is in the budget documents. We are not lying. The fact is that after the changes we announced this week in the budget, the proportion of defence spending in Quebec goes up 3 per cent, more than many of the other provinces in the country.

* * *

(1135)

GOVERNOR GENERAL

Mr. Myron Thompson (Wild Rose): Mr. Speaker, my question is for the Acting Prime Minister.

In reference to the question I asked yesterday regarding a Canadian representative who vacations in Arizona, it is reported that the various Challenger flights back and forth from Arizona to accommodate this person's vacation schedule cost taxpayers \$707,000 since the beginning of the year.

Will this government act to end this irresponsible use of government jets?

The Speaker: The question is set in fairly general terms. It was directed to the Deputy Prime Minister. I would presume that one of the ministers, perhaps the Minister of National Defence, would like to address himself to that.

Hon. David Michael Collenette (Minister of National Defence and Minister of Veterans Affairs): Mr. Speaker, if the hon. member had read the defence document in the budget he would have noted that we intend to look at ways we can divest ourselves of the Challenger aircraft to transport the Prime Minister and the Governor General for security reasons without

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having these continual complaints from the opposition about using these aircraft.

If we can do it more efficiently, we will. I do not think it is appropriate and part of our parliamentary tradition to criticize the Governor General or Her Majesty the Queen in the House of Commons. I hope he will not be raising these questions this summer when Her Majesty the Queen visits Canada and we transport her around.

Mr. Myron Thompson (Wild Rose): Mr. Speaker, I do not believe anyone is questioning any individual. As representatives of the Canadian people we have the right and should question the spending of tax dollars. That is what I am doing.

No one is questioning the need for security. The issue is that of the abuse and privilege demonstrated by the use of these government jets as a holiday shuttle service.

Will the Acting Prime Minister or this government rein in the flights of these snowbirds?

Hon. David Michael Collenette (Minister of National Defence and Minister of Veterans Affairs): Mr. Speaker, again a member of the Reform Party from western Canada has taken a very indecent shot at the head of state, the Governor General. That is to whom he is referring.

It is well known that the Prime Minister and the Governor General have to take these flights for security reasons. To call the Governor General a snowbird, somebody should demand an apology on behalf of the Governor General.

The Speaker: The Chair of course is always prepared to entertain questions if they are of a broad enough nature, but when the inferences get a little bit too localized, hon. members should try to phrase their questions in such a way that they bring in a broader perspective. I would ask all hon. members to please do that.

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[Translation]

THE BUDGET

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot): Mr. Speaker, this morning, under the headline "Cheap tricks for tawdry ends", the *Globe and Mail* made two allegations: First, the Minister of Finance has knowingly inflated the deficit of last fiscal year; second, a close analysis of government spending shows that the deficit for next year will not decrease, but will increase from \$41.7 billion to \$43.7 billion because of the measures announced in the most recent budget.

When will the Minister of Finance stop trying to delude the Canadian people? When will he stop covering up the fiasco in our public finances, which his budget is only making worse?

Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec): Mr. Speaker, I think the President of the Treasury Board answered this question yesterday when he said that the spending increase this year results from the debt increase left to us unfortunately by the previous government.

Now, let me answer the first question which is identical to a previous one, but I understand how these things work. I just want to add that the editorial in the *Globe and Mail* also talks about the \$2.4 billion stabilization claims received from the provinces. Unfortunately, in accordance with accounting principles, we are required to pay those liabilities once they are known. The same thing goes for the \$250 million provision for the cancellation of the helicopter contract, which we dealt with in accordance with private sector accounting principles. With regard to the significant savings arising from the defence cuts, which amount to \$450 million, we now know that we have to include them in this year's figures.

(1140)

On the issue of accelerating income tax refunds, the truth is that we have to include that money in this year's budget since we are in the process of accelerating the refunds. We have followed to the letter the measures recommended by the Auditor General. I know full well that the critic for the Bloc Québécois wants us to follow the dictates of the Auditor General, because he is always quoting him, and that is exactly what we have done.

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot): Mr. Speaker, how can the Minister of Finance, who travelled throughout Canada saying that he was going to reduce the deficit, explain that, according to the *Globe and Mail* experts, other specialists and our own figures, next year's deficit will be the highest ever recorded in Canada, at almost \$44 billion?

Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec): Mr. Speaker, all I can do is acknowledge the fact that we will have a record deficit of \$45.7 billion this year, thanks to the previous government so well represented by my colleague. As I just said, between the expertise of the *Globe and Mail* and that of the Auditor General, we will choose the expertise of the Auditor General.

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[English]

ABORIGINAL AFFAIRS

Ms. Val Meredith (Surrey—White Rock—South Langley): Mr. Speaker, my question is for the hon. Secretary of State for Training and Youth.

On February 7 two hon. members asked questions regarding native self-government and policing on reserves. Later that day

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the hon. secretary of state told CBC television: "Reformers are racist for asking such questions".

I want to know whether this is a policy of the government to label people who ask legitimate questions as racist, or merely a policy of the hon. secretary of state.

Hon. Ethel Blondin-Andrew (Secretary of State (Training and Youth)): Mr. Speaker, it is not the policy of the government to label anyone racist, but it sure would be welcomed by the government to have members on the other side show full support for the inherent right to self-government and all other aspirations of aboriginal peoples.

Ms. Val Meredith (Surrey—White Rock—South Langley): Mr. Speaker, we do have policies on self-government for the native people.

The hon. Minister of Indian Affairs and Northern Development had the courtesy yesterday of offering an apology. Will the hon. secretary of state follow suit and offer the same to this House today?

Hon. Ethel Blondin-Andrew (Secretary of State (Training and Youth)): Mr. Speaker, I will not offer my apology to members opposite because I believe that the questions I stated in my comments to the press were taken out of context by the hon. member.

* * *

(1145)

[Translation]

SOCIAL HOUSING

Mrs. Monique Guay (Laurentides): Mr. Speaker, this morning, we learned that the Minister of Finance recognized yesterday at a meeting with representatives from the Front d'action populaire en réaménagement urbain that he had failed to keep his word by not providing any funds for social housing in the budget.

Would the Minister be willing to keep his word and reconsider his decision in order to restore the funds allocated to social housing?

Mr. Ronald J. Duhamel (Parliamentary Secretary to Minister of Public Works and Government Services): Mr. Speaker, I would like to thank the member for her question. I think my colleague does not realize how serious a commitment this government has towards social housing. We said repeatedly before this House that the government had, for instance, committed \$2 billion to maintain existing housing. I think that \$2 billion is a substantial amount of money and so is the \$2 million which is to be allocated to the Residential Rehabilitation Assistance Program. It is the same with other ongoing commitments which are going to be maintained. Therefore, there is nothing to reconsider. We have already made a serious commitment and we must go on from there. Of course, any positive

comments and suggestions will be welcomed and carefully looked at in all fairness.

Mrs. Monique Guay (Laurentides): Mr. Speaker, to my great regret, I must admit that our friends opposite lost their social awareness when they left the Opposition benches.

How can the minister maintain that the budget meets social housing needs, when the mayor of Montreal stated yesterday that all the mayors of major Canadian cities agree that the federal government cannot withdraw from its commitment?

Mr. Ronald J. Duhamel (Parliamentary Secretary to Minister of Public Works and Government Services): Mr. Speaker, of course, each and every city and every mayor would like to have more. Of course, we will never be able to meet all existing needs. However, we must recognize that there is a commitment. We must admit that substantial amounts of money are allocated to social housing.

Your definition of social housing is probably different from ours because the commitment is there and the money is available.

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[English]

IMMIGRATION

Mr. Jean-Robert Gauthier (Ottawa—Vanier): Mr. Speaker, my question is for the Minister of Citizenship and Immigration.

Deep concern was expressed by constituents of mine about the presence in Canada of one Hussein Sheik Abdiraham, a former minister of defence of deposed Somali leader, Siad Barre. In 1991 soldiers massacred hundreds of protesters opposed to that regime in Somali.

I would like to ask the minister of immigration to tell the House whether he has new evidence of wrongdoing by Sheik Abdiraham and, if so, are there sufficient grounds for a removal order to deport him under the Immigration Act regarding persons who have committed serious offences prior to coming to Canada?

Hon. Sergio Marchi (Minister of Citizenship and Immigration): Mr. Speaker, I would like to thank the hon. member for his question and the interest he and other members have shown.

In his question, he alluded to the fact that the Immigration Act has a section which permits the government to remove senior officials and persons of any government that were part of serious human rights violations and atrocities. The government has confirmed that the Barre regime was one of those governments.

When the story broke on this individual I instructed my officials to collect the information from Nairobi where the application originated. We have now compiled the necessary information and I have instructed my officials to immediately write a report which will trigger an immigration inquiry before

an independent adjudicator. As the member knows, anyone who is found to have violated the act or broken any laws will be the subject of a removal.

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MEMBERS OF PARLIAMENT

Mr. Randy White (Fraser Valley West): Mr. Speaker, my question is for the Deputy Prime Minister.

In a previous Question Period I asked the Deputy Prime Minister what was the purpose of a \$200,000 consultant study on parliamentarians' compensation since the government had announced its policy previous to that. The answer provided was that the government needed more information.

I was surprised to see a letter in my office yesterday on letterhead reading "Commission to Review Allowances of Members of Parliament".

When the Deputy Prime Minister stood in the House to defend the need for a \$200,000 consultant study, was she aware that the commission was going to be studying the very same topic?

Hon. Herb Gray (Leader of the Government in the House of Commons and Solicitor General of Canada): Mr. Speaker, the commission the hon. member spoke about is required to be set up after each election.

The government met the requirements of the law in setting up the commission. I am sure the study that the hon. member refers to will be a very useful input into the work of the commission.

Mr. Randy White (Fraser Valley West): Mr. Speaker, it seems to me that the government's talk about jobs, jobs, jobs is more about perks, perks, perks. We have been spending \$200,000 to date.

I would like the Deputy Prime Minister to advise the House what the cost is of studying the study, that is the cost of this commission to be put in place. I would also like to know if there is any limit to the number of studies the government plans to conduct on the same issue.

(1150)

Hon. Herb Gray (Leader of the Government in the House of Commons and Solicitor General of Canada): Mr. Speaker, in the first place, the consultant study that he spoke about was commissioned and started by the previous government.

Second, the commission which my hon. friend is complaining about is one that has to be set up after each election, according to a law passed by Parliament. The government cannot ignore a decision of Parliament to set up such a commission after each election.

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My hon. friend asked for the cost of this. This is a detailed technical question which he probably should have put on the Order Paper. In order to respond to him in a full and courteous way, I will take his question as notice and get him the information as soon as possible. In future I suggest that he check on the requirements of the law before asking that type of questionable question.

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[Translation]

ILLEGAL WEAPONS SEIZURES ON MOHAWK TERRITORY

Mr. Gaston Leroux (Richmond—Wolfe): Mr. Speaker, my question is for the Solicitor General. Based on documents tabled by the federal prosecutor for the Rutland district, in Vermont, the CBC alleged yesterday that, in 1992, arms dealers, two of them from Kahnawake, supplied 700 to 900 automatic weapons to organized crime in Canada. These guns were used to commit major crimes in Montreal, Toronto, and Vancouver.

Can the Solicitor General tell us whether he plans to intervene in Mohawk territory and seize all the illegal weapons located there, and which are used by organized crime in Montreal, Toronto and Vancouver?

Hon. Herb Gray (Leader of the Government in the House of Commons and Solicitor General of Canada): Mr. Speaker, according to the same report, police forces, including the RCMP, have already seized about one hundred weapons which had been supplied by that same network presently standing trial in the United States.

It is because this government is quite aware of the problems connected with major smuggling networks, dealing not only in cigarettes but also in firearms, that it launched an anti-smuggling action plan only three months after it came to power. We intend to enforce the law everywhere in Canada and I am confident that the RCMP took all appropriate measures in this instance.

Mr. Gaston Leroux (Richmond—Wolfe): Mr. Speaker, I appreciate the Solicitor General's answer. In support of his comments, and in view of the numerous crimes which were committed lately, could he give us at least one recent example of an arrest and prosecution case for possession of illegal arms on Mohawk territory?

Hon. Herb Gray (Leader of the Government in the House of Commons and Solicitor General of Canada): Mr. Speaker, I wonder why the hon. member keeps on raising the Mohawk issue instead of asking questions on criminal activity in this country. If he were really interested in fighting crime across the nation, he would use different wordings in his questions.

Oral Questions

[English]

IMMIGRATION

Mr. Art Hanger (Calgary Northeast): Mr. Speaker, my question is for the Minister of Citizenship and Immigration. I ask this question believing that Canadians deserve to know on what the government bases its policies.

On the 14th of this month the minister of immigration said I was incorrect in concluding that the Economic Council of Canada report argues for a 1994 immigration level of approximately 180,000 immigrants, 70,000 fewer than the government intends to accept.

Could the minister please cite for me the exact number of immigrants the Economic Council of Canada study recommends be accepted into Canada in 1994?

Hon. Sergio Marchi (Minister of Citizenship and Immigration): Quite gladly, Mr. Speaker. The Economic Council of Canada suggested the approximate 1 per cent figure. It also advocates a gradual approach toward that 1 per cent, and that is what I had cited before and is what I cite today.

Mr. Art Hanger (Calgary Northeast): A supplementary question, Mr. Speaker. Certainly the Economic Council of Canada report cites a 1 per cent figure, I believe over a 25-year span. Perhaps the minister should dedicate more time to studying his portfolio and less time to just talking about it.

(1155)

Will the minister agree to stop misleading the people by suggesting that he has specific evidence on which he bases immigration policy? Will he agree to cede to the will of the overwhelming majority of Canadians instead of the desires of a few special interests?

Hon. Sergio Marchi (Minister of Citizenship and Immigration): Mr. Speaker, I try to study as much as I can. I do not claim perfection nor does this side claim a monopoly on virtue.

Mr. Gauthier (Ottawa—Vanier): Speak for yourself.

Mr. Marchi: I have been asked to speak for myself.

Some hon. members: Oh, oh.

The Speaker: I am sure that is precisely what the hon. minister is going to do.

Mr. Marchi: Mr. Speaker, we do not speak for a few, select numbers of special interest groups. I find that statement offensive. We speak and we decide and we make policy based on the national interest. We did not hide our immigration policies anywhere. They are found in the red book; the red book was distributed across the country and we got a tremendous national majority government as a result.

Consequently we proceed in the national interest. I have cited a number of reports. The member continues to cite the C.D. Howe report, or used to, and it was quite specific in saying that at the very worst, net immigration is neutral to the economy. We are not misleading, we are simply using the facts and evidence before us to build a case.

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BRISTOL AEROSPACE

Mr. John Harvard (Winnipeg St. James): Mr. Speaker, my question is for the Minister of National Defence.

Bristol Aerospace is one of the largest employers in my riding. It employs hundreds of well trained men and women. After this week's budget, however, fears were raised that severe job losses would occur at Bristol as a result of possible changes to the CF-5 repair program for the military. This is of great concern to Bristol employees, it is of concern to me and I know it is of great concern to the minister of defence.

Can the minister tell the House what discussions he has had concerning this matter and can he offer some encouraging news for Bristol employees this morning?

Hon. David Michael Collette (Minister of National Defence and Minister of Veterans Affairs): Mr. Speaker, it is well known that we have had to cut back in a number of areas. As a result we do not need the original number of CF-5s to be refurbished. Most of them have either been completed or are in the workshops at Bristol in Winnipeg. We have had some discussions with Bristol Aerospace to see what our future requirements would be, to see what kind of arrangement we could make. We do not anticipate any immediate job losses.

However, I do have to underscore to the hon. member and the people of Winnipeg that our needs will not be as high as before the cuts in the budget last week.

* * *

[Translation]

GOVERNMENT AGENCIES

Mr. François Langlois (Bellechasse): Mr. Speaker, my question is for the Minister of Canadian Heritage.

The Professional Institute of the Public Service of Canada recently made public a report detailing the shameless waste of public funds in the management of the Canadian Museum of Nature. Glaring cases of contract antedating and contract splitting as well as many other irregularities, especially with regard to management salaries, were reported. This has prompted the Institute to ask the minister to intervene.

Can the minister indicate whether he intends to intervene to put a stop to this case of mismanagement and how exactly he plans to do that?

Points of Order

Hon. Michel Dupuy (Minister of Canadian Heritage): Mr. Speaker, I have spoken to the Auditor General of Canada who, as far as I am concerned, is the best-informed source. He assured me that this museum would be undergoing a special audit in a matter of months. So, when we have all the facts, as audited by the Auditor General of Canada, we will be in a position to judge.

(1200)

Mr. François Langlois (Bellechasse): Mr. Speaker, I think that the hon. minister should also maintain a direct, open and honest dialogue with the officials of the agencies involved.

In light of this new example of mismanagement, does the minister still contend to have clean hands? Will he do the responsible thing and intervene to force another agency, namely the National Capital Commission, to stop meeting behind closed doors and show more transparency?

Hon. Michel Dupuy (Minister of Canadian Heritage): Mr. Speaker, I am not sure this is a genuine supplemental, as we are moving to another subject, the National Capital Commission.

I am well aware of what is going on in the agencies in my jurisdiction. I am in constant contact with them and I frequently meet with the heads of these agencies to ensure that public funds are well spent and that programming is both serious and useful.

I have had the opportunity to talk about public consultations with the Chairman of the National Capital Commission. I was pleased to hear him assure me that, in the coming months, consultations would intensify to make sure that all the concerns of the people in the National Capital Region are taken into consideration when the Commission makes a decision.

* * *

EMPLOYMENT

Hon. Jean J. Charest (Sherbrooke): Mr. Speaker—

Some hon. members: Hear, hear.

Mr. Charest: Mr. Speaker, I am not deluding myself, it will not last.

My question is for the Minister of Finance who, I notice, tends to systematically blame the previous government, whereas the Prime Minister promised during the election campaign not to do so.

We heard today that he artificially inflated the deficit for partisan purposes. However, since he seems to be saying in his answers that he follows departmental rules, I would be curious to see if the Minister of Finance would share with this House the analyses done by his department on the impact of his budget on employment.

Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec): Mr. Speaker, when Reform members asked me practically the same question, I offered to sit down with them and, of course, with Bloc members to share all our analyses and all our information, so that we can work together on solving our financial problems.

I would be pleased to share with the hon. member our information on the impact of our measures on employment because we are very proud of them; they will really have a significant impact on employment, in comparison with the previous government's record.

[*English*]

I would like to say one thing in closing. All members of the House must be very happy to finally see the Conservative caucus united.

The Speaker: I am sure all hon. members would want this exchange to continue, but you have instructed your Speaker to terminate questions. We will now go to the next order of business.

* * *

[*Translation*]**POINT OF ORDER**

QUESTION PERIOD

Mr. Ronald J. Duhamel: Mr. Speaker, I was so eager today to reply to the question I was asked that I made a mistake. Instead of \$2 million, I should have said \$100 million over two years. I am sorry for the mistake. And I should also have mentioned the \$120 million that will be spent on other social housing programs.

[*English*]

The Speaker: I am not sure that was a point of order.

HOUSE OF COMMONS

Mr. Myron Thompson (Wild Rose): Mr. Speaker, earlier in Question Period I attempted to question the expenditures of the highest office in the land. I would like to know if I could be provided with the standing order that does not permit that. If there is a proper way of doing it I would like to know because I wish to do it in the proper manner.

The Speaker: The hon. member will have the information at his disposal. My clerks will get the information that is needed for him.

ORAL QUESTION PERIOD

Hon. Jean J. Charest (Sherbrooke): Mr. Speaker, I want to raise a point of order in relation to question period.

Routine Proceedings

You and other members of the House will have noticed that twice I rose in my place to try to get your attention to put a supplementary question to two questions asked of the Minister of Finance.

(1205)

I know members of the House would want to remember it has been a practice during question period that if there is a supplementary question to a main question and another supplementary asked by another member, the Speaker recognizes that.

Given the circumstances of the particular role in the House where there are independent members who may want to pursue a matter further, Mr. Speaker, you and the House may want to consider the practice of allowing members to ask a further supplementary question so that Parliament and question period can fulfil their true role of getting to the bottom of a matter and drawing from the government the basic information Canadians are seeking on a specific issue.

I wanted to raise that matter on one specific point of order. I will stop here, but I do have another point of order I want to raise in relation to an answer the Minister of Finance gave to my question.

The Speaker: With regard to the point of order the member raised, I am sure all hon. members would realize the Chair is always guided by the House. I would imagine on every question posed the Chair could recognize a member saying: "supplementary".

The Chair is trying to be as fair as possible in the distribution of questions. I am sure the hon. member, who is a veteran of the House, will realize where it is possible for the Speaker to accommodate members I will do my utmost to do so and see that they are recognized.

[Translation]

Mr. Alfonso Gagliano (Saint-Léonard): Mr. Speaker, as regards the point of order raised by the hon. member for Sherbrooke, I want to say that I have been here for close to ten years and it was never the custom to recognize a second or a third supplementary question. A question is asked and then followed by one supplementary.

Also, if the hon. member reads the January 18 issue of *Hansard*, he will see that not only members from the three recognized parties asked questions during Question Period, but also independent members.

I suggest that hon. member for Sherbrooke come here frequently. I am sure he will get his share of opportunities to rise.

[English]

The Speaker: A point of order was raised about the questions as we have them. We now have a committee on House affairs; it is presently meeting. I am sure all hon. members would want to

avail themselves of appearing before the committee if they have changes that could be inaugurated.

I would also ask hon. members to refrain from making any comments about attendance in the House. I know that many times it is inadvertent. I would hope all hon. members would take that into consideration.

[Translation]

Mr. Gilles Duceppe (Laurier—Sainte-Marie): Mr. Speaker, in the past—I have been here for three of four years now—I did not notice that such practice was in effect. As regards the plight of the hon. members sitting close to the curtains, we also had to live with this situation in the past. It is hard on the legs, but good for the health.

[English]

The Speaker: I would like to terminate this particular point of order. Does the hon. member for Sherbrooke have another point of order that he would like to raise?

COMMENTS DURING QUESTION PERIOD

Hon. Jean J. Charest (Sherbrooke): Yes, Mr. Speaker, I have another point of order. While I am on my feet I notice my friend from the Bloc rose for a second time to reiterate his point. I find interesting all this talk of a new Parliament and the previous government being defeated because of the way things were. All I hear from them in terms of our practices in the House is that what is being applied to us was the old system.

So much for the change, the new Parliament and the will to do things differently.

(1210)

My point of order relates to the Minister of Finance who in his reply offered to make information available to me. His reply was unclear in terms of what he exactly was committed to do. I was asking a specific question.

The Speaker: Order, please. I do not think that is strictly a point of order. I am sure the hon. member could get this information simply by—

Mr. Boudria: That is not a point of order.

The Speaker: Order. The hon. member will realize it is not a point of order. I am sure this information can be elicited in other ways.

There being no other points of order, we will proceed to the next order of the day.

ROUTINE PROCEEDINGS

[Translation]

TRANSPORTATION

Hon. Marcel Massé (President of the Queen's Privy Council for Canada, Minister of Intergovernmental Affairs and Minister responsible for Public Service Renewal): Mr.

Routine Proceedings

Speaker, pursuant to Standing Order 32(2), I have the honour to present the report of the Canadian Transportation Accident Investigation and Safety Board Act Review Commission.

[*English*]

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COMMITTEES OF THE HOUSE

CANADA'S DEFENCE POLICY

Mr. John Richardson (Perth—Wellington—Waterloo): Mr. Speaker, I have the honour to present the first report of the Special Joint Committee on Canada's Defence Policy.

This report requests the additional powers for the committee concerning the televising of its proceedings and the power to create subcommittees.

The Senate adopted the report at its sitting yesterday afternoon. If the House gives its consent I intend to move concurrence in the report later this day.

Mr. Charest: There is no consent, Mr. Speaker.

The Speaker: There is no consent but the report can be tabled.

Mr. Riis: Mr. Speaker, there have been discussions among the parties. Considering that our Olympic hockey team is to start playing its semifinals in about 90 minutes from now, I think you would find unanimous consent for the following motion:

That, notwithstanding any standing order and the usual practices of the House, the order for second reading of Bill C-212, an act to recognize hockey as a national sport, be called immediately after routine proceedings; and

That the House proceed to dispose of the bill immediately at all stages, including consideration by committee of the whole, without debate or amendment.

The Speaker: Is there unanimous consent?

(1215)

[*Translation*]

Mr. Robichaud: Mr. Speaker, consultations are under way and we are not ready to give consent before we hear the result of these consultations.

[*English*]

The Speaker: There is not unanimous consent at this time.

* * *

PETITIONS

SERIAL KILLER BOARD GAME

Mr. Don Boudria (Glengarry—Prescott—Russell): Mr. Speaker, I have the honour and privilege to present, pursuant to Standing Order 36, petitions with regard to the serial killer board game.

The petitions I am tabling today, along with others tabled previously, total some 105,552 signatures, all of them calling for a ban on the importation of this product into Canada.

[*Translation*]

Allow me to salute the particular contribution of one of my constituents, Mrs. Lina Cl  roux, who collected on her own several thousand signatures in order to ban the serial killer board game. Today, I have the honour and the privilege to table those petitions. The grand total of signatures to date is 105,552.

[*English*]

Mr. Ed Harper (Simcoe Centre): Mr. Speaker, it is a privilege for me today to present a petition from Brenda Smith of Wasaga Beach in my riding requesting our action on the distribution of killer cards. I am pleased to add it to the petition which has just previously been endorsed.

Mr. Walt Lastewka (St. Catharines): Mr. Speaker, I rise today to place before this House a petition co-ordinated by Holy Cross High School in St. Catharines and signed by almost 3,000 of my constituents in the surrounding areas.

As you know, Mr. Speaker, I have spoken in the House before about the harm to society of serial killer cards. The petitioners state that they support the efforts of Mrs. Debbie Mahaffy in her quest to have the importation of killer cards seized at the Canada-U.S. border to stop their distribution in Canada.

The cards published by Eclipse Comic Books, the True Crime Trading Cards and other publishers feature the crimes of serial killers, mass murderers and gangsters. We do not want these cards in our communities.

The petition continues: We abhor crimes of violence against persons and we believe that killer trading cards offer nothing positive for children or adults to admire or emulate but rather contribute to violence. Therefore the undersigned, your petitioners, humbly pray and call upon this Parliament of Canada to amend the laws of Canada to prohibit the importation, distribution, sale and manufacture of killer cards in law and to advise producers of killer cards that their product if destined for Canada will be seized and destroyed.

May I reiterate my support for this petition which I table in the House today and thank the member for Glengarry—Prescott—Russell for his assistance and support.

OFFICIAL LANGUAGES ACT

Mr. Andy Mitchell (Parry Sound—Muskoka): Mr. Speaker, as is my duty as member of Parliament for Parry Sound—Muskoka, I am tabling a petition in relation to the Official Languages Act signed by several of my constituents. My tabling of this petition in no way is an indication of my position on this issue.

*Routine Proceedings**[Translation]*

Mr. Plamondon: Hypocrite. You are a hypocrite.

The Acting Speaker (Mr. Kilger): Order, please.

Mr. Plamondon: You too are a francophone.

The Acting Speaker (Mr. Kilger): Order, please.

Mr. Boudria: Be quiet.

The Acting Speaker (Mr. Kilger): Order, please.

Mr. Plamondon: Get up and go talk to your caucus.

The Acting Speaker (Mr. Kilger): Order! Order.

Mr. Plamondon: I have had enough of this.

The Acting Speaker (Mr. Kilger): Order, please.

(1220)

Having clearly heard what a member told another, and recognizing the Chair's responsibility to maintain mutual respect among members, I would invite the member for Richelieu to withdraw the word "hypocrite" he used against one of his colleagues.

The member for Richelieu.

Mr. Plamondon: Mr. Speaker, I agree with you, the word "hypocrite" should be banned from this House. But while I am willing to withdraw it, I would like to remind—

Mr. Boudria: No way. Without any conditions.

Mr. Plamondon: There are no conditions, Sir, I withdraw it entirely. But I would like to remind the members that the Prime Minister, not the present one, but Mr. Mulroney, used that word, you can check the Chair's records, against the member for Shefford, Mr. Lapierre, who was then the Bloc Quebecois House leader. At that time, the Chair judged it to be acceptable. The Prime Minister had called Jean Lapierre "hypocrite" and "insignifiant". It appears that these words were found acceptable in the context they were used.

Personally, I find it unacceptable and I want to retract and apologize to the member for using it. But I want him to understand that what prompted me to do so, is that we do not accept that petitions dealing with official languages be tabled while saying: "I am tabling them but I do not support them". He should either agree or disagree. I like people who tell the truth.

The Acting Speaker (Mr. Kilger): I appreciate that and we respectfully accept the fact that the member for Richelieu has withdrawn the comment he made regarding the member for Parry Sound—Muskoka. I do not care to hold a debate on this issue.

[English]

Mr. Mitchell: On a point of order, Mr. Speaker.

I do not think it is totally fair that the member, although I do appreciate the fact that he withdrew his inappropriate statement,

in his additional comments is still leaving an impression in the House that is not accurate for a number of reasons. I want to make this—

The Acting Speaker (Mr. Kilger): Order. As I stated previously, I will not allow the House to engage in debate on this matter. The Chair asked the member for Richelieu to withdraw his comment. He has. It has been accepted. We will now move on. Were there any other petitions?

Mr. Mitchell: Point of privilege. The hon. member who made some comments and withdrew certain of them made reference to the contents of a petition and a comment that I made. In neither case was he aware of its contents nor were they accurate. His statements about something that he had not read, nor did he repeat it accurately—

The Acting Speaker (Mr. Kilger): Order. That is a matter of debate.

[Translation]

Mr. Peterson: Mr. Speaker, this may not be the best time to ask for the unanimous consent of the House, but since I was not here earlier to present the report of the Committee of Finance, I would like to ask for the unanimous consent of the House to present the Committee's third report.

[English]

The Acting Speaker (Mr. Kilger): Members have heard the hon. member for Willowdale. Is there unanimous consent?

Some hon. members: Agreed.

* * *

(1225)

COMMITTEES OF THE HOUSE

FINANCE

Mr. Jim Peterson (Willowdale): Mr. Speaker, I have the honour to present the third report of the Standing Committee on Finance. In accordance with the order of reference of Monday, February 14, 1994, your committee has considered Bill C-9, an act to amend the Income Tax Act, and has agreed to report it without amendments.

May I say, as the chair of this committee, that I am very grateful to all members, including the opposition members, for the hard work and the co-operative spirit they have brought to these very difficult chores.

* * *

*[Translation]***QUESTIONS ON THE ORDER PAPER**

Hon. Fernand Robichaud (Secretary of State (Parliamentary Affairs)): Mr. Speaker, I would ask that all questions be allowed to stand.

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The Acting Speaker (Mr. Kilger): Shall all the questions be allowed to stand?

Some hon. members: Agreed.

[*English*]

Mr. Riis: Mr. Speaker, we are seeking unanimous consent today and it is going very well. When I sought unanimous consent I know the Bloc gave unanimous consent, as did the Reform Party and the representatives of the Conservative Party, but my friend, the secretary of state, indicated that consultations were ongoing.

Could he explain what he meant by that as to whether or not those consultations will take forever, a few weeks or a few hours?

The Acting Speaker (Mr. Kilger): I do not think that is a point of order. The secretary of state has already addressed that question. If people want to continue that debate behind the curtains or elsewhere in those negotiations I would encourage that. At this time we will proceed to orders of the day.

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[*English*]

BORROWING AUTHORITY ACT, 1994-95

The House resumed consideration of the motion that Bill C-14, an act to provide borrowing authority for the fiscal year beginning April 1, 1994, be read the second time and referred to a committee.

Mr. Stephen Harper (Calgary West): Mr. Speaker, I am rising today to address Bill C-14, an act to extend to the government borrowing authority for the next fiscal year, borrowing authority in the order of \$34.3 billion with a contingency for an additional \$3 billion.

For those who have trouble grasping some of these numbers, and I think that is probably most Canadians, I will just spell it out. We are talking here initially, to put it in number terms, 34,300,000,000.00 dollars and cents. That kind of money, to give it some practical significance, would be enough to eliminate the GST and then pay it back twice to all Canadians. It would be enough to halve the income tax. It would be enough to pay old age security for an entire year without any additional revenue sources.

This is the highest planned borrowing. As far as I know, it is certainly the highest planned deficit on which this is borrowing based in Canadian history. We have had higher deficits in the end, but this is the highest we have ever had to begin with.

I will not waste a lot of time in telling the Chair that I will be opposing this bill on that ground. It is safe to say that every

member of the Reform caucus and I will be opposing it for like reasons.

In my speech and in the speeches of other members of my party who will follow today and subsequently, we will not restrict our comments merely to the borrowing aspect, but we will comment on and evaluate the general budgetary policies of the government from which are flowing these tremendous borrowing requirements.

This of course all comes from the red book which I think is widely becoming known now, upon presentation of the budget, as the red ink book.

(1230)

[*Translation*]

The Liberal Party talked about its red book throughout the election campaign. But now we see what a red ink book is all about. With this bill, we will be increasing the national debt of our country by more than \$34 billion. Over the next three years, we are talking about an increase of at least \$100 billion.

[*English*]

That is a lot of money.

I want to make my remarks on four particular categories. I will start by evaluating the stated targets in the budget and give an evaluation of those. Second, I want to look very carefully at the economic assumptions and the projections behind the targets. Third, I want to look at where we are headed financially and economically, particularly on the issue of this bill, the borrowing authority, the debt. Finally, I would like to summarize in some detail by looking at what the market is saying and where the government may be going.

In his budget speech the minister spoke about achieving targets rather than having illusions and falling short. I want to evaluate some of those targets and the data used to obtain them. Let me make a general comment. The government, unlike the previous government, has provided some measurable targets. It has also provided in the short term more realistic data than were provided by the previous government. It is better data that are much easier to evaluate.

However, to summarize, the targets are very soft; the action is somewhat overstated; the achievement is not at all clear. The minister has spoken of a two-part budget and of course we have no long term or even medium term financial projections in this budget. We have only an empty third year column in which we are told we will reach the target. That is a general comment.

Let me go back to previous experience on this matter. In April 1993 the former Progressive Conservative Party and government brought down its final budget. In that budget it promised to balance the books in six years. This would mainly be achieved through spectacular economic growth.

The House will recall that at the time the budget only laid out projections for five years. It showed that by fiscal year 1997-98

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we would have a deficit of about \$8 billion and extrapolating the economic projections we reached a budget balance in fiscal year 1998–99.

In the specific projections that were made we had this tremendous prediction of an average rate of growth of almost 4.5 per cent per year until the end of the century. We had rapidly declining unemployment rates which would fall to about 7.5 per cent by the end of the century. We had spectacular falls in interest rates, both nominal and real, and of course we had an income tax system that would generate all the spectacular revenue increases that these assumptions implied.

The former Conservative budget of 1993 called for a deficit in fiscal year 1994–95 of \$29 billion. In the election campaign our party said, and I want to give a realistic evaluation of this situation, that the Conservatives were grossly underestimating the seriousness of the problem. We said that the Tory plan would not reduce the deficit. In fact we said that the Tory and the Liberal plans were pretty much identical in macroeconomic terms.

This is not the first time when one political party, the Conservative Party, talked like born again right wingers about the seriousness of the deficit and how this had to be stomped out at all costs and the Liberal Party talked about jobs and social democratic priorities.

(1235)

Of course in reality the numbers that they were proposing were very close. When one extracted out of the Conservative projections the unrealistic assumptions, one found that one reached a target of about 3 per cent of GDP by the end of the century. That was the real Conservative target in that budget although they did not say that. The Liberals said this was excessively harsh and that they would do things differently. We Reformers said this was not good enough, the deficit was more serious than either of these parties was saying.

Interestingly, if I look back at some of our own studies, and I can take some credit and blame for this, I see that the trend we had established in our evaluation of the likely deficit for fiscal year 1994–95 was \$31.2 billion. We were told that we were excessively pessimistic, that we had grossly overstated the problem.

Now we have the revelations of the past few months about the doctoring of the books that occurred in the later days of the last Parliament. We are now admitting, and the government is admitting, that we are looking at a trend deficit figure, with no policy adjustments, of \$41.2 billion or exactly \$10 billion above the Reform Party's estimate of how serious this problem was only a year ago; \$10 billion above what we thought one year ago, we who were most concerned about this and were labelled hysterical about our evaluation of the situation.

This is one of many signs of the very serious and rapid deterioration we are now about to enter upon if we do not get a handle on this problem.

Just as an aside, why did the Reform Party so underestimate the deficit for 1994–95? I would like to comment on that as the finance minister has made some reference to it in the House. He has said that we had unrealistic growth assumptions. In fact we did not have unrealistic growth assumptions. Our growth assumptions for last year were modestly above what transpired. Our growth assumptions in the longer run were not over estimates. In fact they are lower than the growth assumptions that the government is presenting today.

What happened was that we had overestimated the ability of the tax system in general to extract revenues from economic growth. Last year we had a dramatic collapse in the revenue GDP ratio which indicates a significantly lower revenue potential that is now recognized. We had a collapse of over 1.5 per cent of the ability of the tax system to extract revenue from growth in the gross domestic product.

That is something I will be talking about more. It is now a recognized problem. It was not at the time. It is indicative once again of the underground economy, smuggling, tax avoidance and the impact of sustained recession are problems we are beginning to understand better.

Let me move on to the second issue I wanted to address. We talked about the targets the government set. Let us now talk about the specific economic assumptions and projections that the government has made in saying it will reach these targets by the end of the third year.

This government, and I want to be fair here, unlike the previous government has not spectacularly exaggerated its estimates. Its record is mixed. It is better than the previous government but there is still a lot to be desired.

I am going to talk about some subjects: economic growth projections, unemployment projections, interest rate projections, revenue projections and the efficiency of the tax system. I wrote most of what I have to say today prior to reading the *Globe and Mail* article this morning.

(1240)

Economists all over the country are in the process of studying the budget, of examining these tables and estimates very carefully. I should say that in the last two or three days it is increasingly obvious that some of the deficiencies in the assumptions of this budget are being exposed.

Let me mention a few, not all, because there is going to be more debate about this in the upcoming days. First, the government's most positive feature in its planning, job creation, is definitely not exaggerated in the budget. Unemployment is projected to fall to only 10.8 per cent in 1995, with modest job recovery thereafter.

I think it is probably accurate. It is a very interesting projection coming from a government that says that creating jobs is the major priority of the budget, and continues to insist there is

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somehow a link between jobs and debt. That somehow, if the government spends money, if we continue to run these deficits, we will create jobs. The budget indicates what we in the Reform Party are saying is correct. The longer these deficits stay high the longer job creation will stay low.

I can be a little more critical when it comes to its projections for economic growth. The government has forecast 3.0 per cent economic growth for 1994 and 3.8 per cent economic growth for 1995. It has avoided making explicit projections for the period after that but its documents as well as the minister's responses earlier this week would indicate that it expects growth in the order of 3.8 per cent to continue in years 1996 and after.

The basis of these growth projections is said to be in median or even below median assessment of the forecasts of private sector economists and forecasters. This is said to be a brand new approach to budget planning. This is not the case. This is not a brand new approach. The previous government also cited private sector forecasters in making its own more exaggerated and unrealistic growth projections.

What is similar here and what needs to be pointed out, if we are going to rely on the projections of private sector forecasters is that it would be useful to have some additional information, such as who are the private sector forecasters that are being sampled in these kinds of growth projections, precisely what kind of adjustments have they made to their own economic models in light of recent evidence, and most important, if that is your only basis of forecasting, what is in fact the record of some of these private sector forecasters in terms of their own evaluation of economic growth and other economic variables.

I would like to mention that in a recent article in the *Financial Post* entitled "Deficit and Jobs Cloud Optimism" private sector forecasters were quoted as saying that their projections for the next fiscal year were the following: for 1994 the median projection was 3.5 per cent, but for the years thereafter the average median forecast was 3.2 per cent which is considerably below the government's forecast.

Our position has been that budgetary planning should be based on very firm conservative budgeting principles. Those principles are the following: That we should select the lesser of two different pieces of information, the lesser of the forecasts that are out there among evaluators and recent economic history and experience. It would ensure a very conservative planning path over an entire economic cycle and is the approach we have used to estimate growth paths and recessionary deficits.

Using this, let me convey to the House the planning forecast that we have been using. As I say the Minister of Finance has inadvertently misrepresented this.

The planning forecast we have been using for the past several months, since the minister's statement in November, has been a forecast of 3.0 per cent for 1994. That is in agreement with the government. However, we suggest that the second and subsequent year forecasts are optimistic rather than conservative. We have projected those growths to range in the area of about 3.2 per cent on average as predicted by private sector forecasters.

(1245)

The third issue I want to look at is the interest rate issue where the statistical games being played are much more serious. They certainly involve more distortion and potentially much more danger for the government. That is the assumption on interest rates.

Using the rate on 90-day commercial paper as its benchmark, the government is saying that short-term rates will be about 4.5 per cent in 1994, rising modestly to 5.0 per cent in 1995. Longer term interest rates, with the 10-year rate on government bonds as the benchmark, will fall from 1993-94 to 6.4 per cent and will continue to fall in 1995 to 6.1 per cent and staying thereabout thereafter.

In our view once again we should be using a conservative approach that would look at some of the forecasts out there—I suggest that these are exaggerations of the forecasts—as well as the clear market data which exist on interest rate expectations. There is in the marketplace an elaborate term structure for interest rates and an elaborate set of variables on which the market forecasts present and future interest rates.

Looking at that data we can see they reflect the government's short term forecasts. We see that interest rates are expected to rise gradually in the short end over the next few years. The reason for that is quite straightforward.

There is general concern about inflation, particularly if we are going to have recovery. That is reflected in interest rate projections. More significantly, there is no clear sign in the marketplace that long term interest rates are going to fall dramatically. Long term interest rates have had a pattern of falling and rising in recent years with the inflation pattern we have had.

At present the 10-year rate on government bonds has been ranging between 6.8 and 6.9 per cent. There is no sign of a decline in real medium term and long term interest rates. Maybe there will be but certainly for an organization that is experiencing the kind of debt levels we have here, we would not want to underestimate the possible debt charges as a way of balancing the budget.

This is the most serious deficiency. Other speakers particularly from the Bloc Quebecois have commented on the overestimation of the revenue forecasts. That is something serious. For a government that finds itself with a half a trillion dollar debt which will rise rapidly even under its own projections, to underestimate the potential debt charge on that is a very serious

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and imprudent planning assumption, particularly when that deficit on average has a term of about two and a half years. It is now a very short term debt.

To concentrate that debt on the front end, while we face referendums and other economic and political uncertainties in this country, makes us vulnerable to rises in interest burdens. In our own case, as I have said, in our forecast of interest rates we have suggested we should look at the term structure.

We can take factors such as the overestimation of growth rates into the second and third year and the underestimation of interest rates at the long end into account. These factors alone would have an effect of adding half a billion dollars to the planning assumption for 1994–95 and at least \$1.5 billion to the planning assumption for 1995–96. Because these imprudent assumptions are concentrated in the area of interest and debt charge, we can assume that any such understatement will compound rapidly into the future.

(1250)

While these assumptions are somewhat of an improvement over the previous government, once we get into the second year in particular—and the government says those can be extended indefinitely into the third year—the overall pattern is not that different.

We have growth forecasts below those of the Conservatives but well above market forecasts and well above recent historical experience. We have interest rate forecasts that are identical to what the Conservatives proposed. And we have the most dubious of all assumptions which is the tremendous revenue generating capacity of the tax system, even though we continue to have one of the highest tax burdens in the industrialized world.

Where are we headed if we take all of these things into account? Our assessment is that we are probably headed for a very modest deficit reduction this year. It will be lucky to come under \$40 billion. Our assessment is we will certainly not be achieving a 3 per cent debt to GDP ratio in 1996–97.

Based on this budget we will not achieve all the things the government wants: rapidly falling deficits, modest to high economic growth, extraordinarily low inflation, nominal and lower interest rates, et cetera. It is a very optimistic pattern by the time we get to the second and third year and there is very little to suggest it will be achieved.

In all honesty I would suggest to government members that if the government felt this were achievable, it would have published the figures. The fact it has decided to leave the third year column out of most of the tables is no accident.

The minister says he does not want to be hoisted with his own petard. Those were not his exact words but in other words, he does not want to repeat the mistakes of the Conservatives. He does not want to repeat the mistakes of making these forecasts, putting them on paper and then having them not come true. Therefore, rather than provide us with conservative or prudent forecasts he provides us with no forecast whatsoever and says that way he will not be held up on this.

On top of this another good question which should come out of all this is why is there a second stage to this budget if it will already achieve its objectives?

That is another reason I asked the minister to admit that the projections show the deficit will not fall below \$30 billion. If he could achieve this objective and if it was based on realistic assumptions, there would obviously be no need to hide them. Furthermore, there would be no need to announce a second stage in the 1995 budget. Clearly, some of these excuses are wearing thin.

My personal view is that the government would be advised to provide the House with realistic information and to suggest that perhaps these targets are not going to be achieved. That is a far better way to do it than to play a shell game with the numbers.

I will comment a little more particularly on some of the critical ratios that are going to be affected by this borrowing bill. I recommend to the House once again chapter 5 of the 1993 Auditor General's report. It identifies five critical ratios in terms of evaluating federal fiscal policy. These are a set of operating ratios: Overall spending to revenue; program spending to revenue; deficit financing to revenue; as well as some more macro-ratios: the deficit to GDP target; and the debt to GDP target.

Commenting briefly on the operating revenues the former government was so fond of using, under this budget the operating ratios are forecast by the government to improve very modestly on the way they have been trending. With adjusted projections based on more realistic assumptions those ratios will be flat at best and they are at very high levels.

In terms of the deficit–GDP ratio, in spite of what the government says, with the actions strictly contained in this budget that ratio will be around 4 per cent of GDP by the time we hit 1996–97.

(1255)

The debt–GDP ratio is a very critical one. It is the level of our debt relative to our ability to pay. The debt–GDP ratio is forecast at about 75 per cent for 1995–96 and flattening. Our calculations suggest this debt–GDP ratio will be closer to 76 per cent in the subsequent fiscal year and will be rising. This is the most critical ratio of all because ultimately this is the ratio on which the long run ability of the federal government to sustain its spending and financial policies is based.

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Let me repeat for the benefit of all members the criteria on some of these variables contained in the Maastricht treaty in the negotiations for the European Community. The government is fond of quoting 3 per cent. Where did this 3 per cent concept come from? We are told that 3 per cent of GDP is a reasonable interim target. Why? We are told it is because that was the target used by the European Community in the Maastricht treaty. By the way, the European Community targets were not achieved but those targets were a 3 per cent deficit to GDP ratio and a 60 per cent debt to GDP ratio, 60 per cent of all national debt to gross domestic product. It was gross, 60 per cent gross.

Excluding the provinces and the municipalities, under this budget the federal government alone will have a public debt ratio of 75 per cent. It will be a net ratio, not a gross ratio. The government is well short. If it were to meet the Maastricht targets it would be expected to run a significant surplus in the upcoming financial years, not move toward a mere 3 per cent target.

Let me also talk about the size of the borrowing because it is important as well. The deficit is projected by the government to be in the order of \$39.7 billion. Government members and others fondly point out that this borrowing bill is only asking for \$34.3 billion more or less. They say our borrowing requirement is less than the actual deficit and therefore is not as serious and we should not worry about it. We have these non-budgetary transactions that are generating surpluses and if we take those into account we are in much better shape.

I caution government members very carefully against using that logic. I would call it Kim Campbell logic. Kim Campbell made some reference to this in her leadership campaign.

The surpluses on the non-budgetary transactions mainly concern pension and superannuation accounts. In spite of their cash surpluses in recent years these accounts have had very serious actuarial liabilities. Far from there being a solution in these non-budgetary accounts, they are a completely separate problem in addition to the deficit and debt problems we face and will have to be addressed in the future.

There are significant actuarial liability problems. To suggest for a minute we can borrow from the non-budgetary accounts in order to finance or reduce our deficit and thereby solve the problem is completely false. It is an extremely dangerous suggestion for anyone to send out to financial markets.

I want to give a blunt summary of my reading of this budget, not just an economic one but a political one. The government has provided small cuts in this budget. It has provided smaller taxation measures. It has provided a very, very modest fiscal stimulus program. Most important, it has deferred major decisions about the budget and fiscal policy to subsequent years. Let me comment generally on some of those points.

The government talks about having reduced expenditures much more than it has increased taxes. There are \$5 of spending cuts for every \$1 of revenue increase. There are five cents of spending cuts for every one cent of revenue increase. The budget has effected very small magnitudes. They are measured against planned expenditure levels. We all know that can be a highly distorted pattern because we then say we are not going to spend something we never really spent.

(1300)

On top of that, if we actually look at the figures, at the end product and not these ridiculous cumulative measures, and take into account that a large portion of these measures was actually Conservative policy, the government will have reduced its planned spending by less than \$6.5 billion by the end of the third year. The actual discretionary increases of revenue are less than \$1 billion. These are very small magnitudes. We can compare that with an expected \$25 billion gain in revenue from economic turnaround. The measures in the budget are absolutely dwarfed by what is expected to occur in the economy.

Then there is the fiscal stimulus program. I do not know how the government categorizes these, but there are 15 or so new spending initiatives in the budget, the major one of which is the infrastructure program. It is also a small package by any standards. I do not have to comment at length on the deferring of major decisions to subsequent years. We have had 18 studies.

I am sometimes amused by the rhetoric used by politicians. The minister said that we were taking action directly, that we were constituting a study or a committee or a commission. This is a very interesting concept of immediate action. The bottom line is that the deferral of decisions will cost \$100 billion in new debt and associated service charges over the planning period.

In doing these things, particularly the small cuts, the smaller taxation measures and the fiscal stimulus, the budget is actually very close to the concept President Clinton had in mind though his magnitudes were much bolder. There is not an identical problem in the United States but a similar and serious problem.

The congressional process in that country caused a much more sensible budget package to emerge. It included some of the expenditure reduction measures and, in the case of the United States in which there is more tax room, some tax increases. The congressional process eliminated the stimulus program which was, as it will be here, an absolutely ineffective use of additional money to convince people the government is doing something.

What has happened in the United States has been a relatively high success. Growth in the United States is beginning and has been in the past several quarters to significantly outflank Canada's growth. On top of that its job rate is improving. Its unemployment rate is falling. Its budgetary deficits although still serious are dropping very dramatically. I point to the

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congressional process which listened to opposition parties, the Republicans, and which produced a much better policy.

On that last point let me just make another summary of the budget, a political summary. As deficient as the budget is there are some improvements. The improvements are not in the dollars. They are the improvements in the philosophy embedded in the budget.

The finance minister may have spoken like a New Democrat, but many of the measures are in the direction of Reform Party policy. I look at what the government has done to old age programs, the direction in which it is moving. I look at the direction on unemployment insurance which I think is very sound. I look at the direction on industrial subsidies, the direction on social programs and transfers to the provinces. The fact of the matter is that these are just directions and with one or two exceptions the dollars involved are not significant.

The government is laying the groundwork in the budget—and that is what the market expects—to shedding its election campaign pledge and moving toward adopting real budgetary measures in the subsequent year. That is what the market hopes. The market hopes that these UI cuts are a sign from the government of a much more serious attitude toward the big spending programs. The government is hoping that it will get some breathing room.

I would suggest that buying time is a very dangerous way to proceed. We know what buying time has done to us in the past. I was with the Conservative Party in the mid-eighties when its members decided to buy time. We know what happened both to their budget as well as to their party.

(1305)

In summary, the budget has weak goals. The goals are not clearly attainable. There is some exaggeration in the expectations. It is somewhat better than before but still exaggeration. More than anything the government is taking a big gamble with everybody's future by putting off these decisions.

I would suggest that politically this gamble is not likely to work. It will probably benefit the opposition in political terms. Let me also point out that if it does not work out it is going to benefit members of the Official Opposition more than anybody. It is going to benefit their ultimate goals which will be hinged on the economic performance of the country much more than they will be hinged on the religion of official bilingualism.

I hope the government remembers that. I hope it takes very seriously the concerns expressed in this debate and in the debates in the months to follow, not only as we complete this budgetary process but as we begin the next one.

The Acting Speaker (Mr. Kilger): Could the hon. member for London West indicate to the Chair whether she will be sharing her time or in fact using the full 20 minutes?

Mrs. Sue Barnes (London West): Mr. Speaker, I will be sharing my time. I consider myself privileged. I am deeply grateful to those in the urban riding of London West who put their trust in me. I pledge to do my utmost to justify this trust.

I wish to acknowledge and thank warmly my family and all those colleagues and friends who support me in these exciting days. As the mother of three young children it would be impossible to carry out my responsibilities without their encouragement and assistance.

In this Chamber I feel the privilege of serving Canada and my constituents, and to serve truly I pray for humility and decry arrogance, for humility leads to wisdom, the wisdom to listen and appreciate, to try and understand as well as to be understood.

This is the start of my journey, a journey that may not be easy. It will certainly be bewildering and sometimes treacherous. I will strive for the courage, faith and courtesy to face squarely these unusual times of changing conditions and share a vision of a strong Canada with Canadians across our country.

Let there be no doubt that together with all members of the House I will not shrink from responsibility so that one day I can look back and take pride in my modest contribution to this chosen homeland of mine.

I came to this country at the age of 5, having been born on the beautiful Mediterranean island of Malta. I am the first Maltese born Canadian to sit as a member in the House. I am very proud and thankful to be a Canadian.

At the commencement of the 35th Parliament each of us brings along an agenda that embodies a vision of Canada. Mine is a vision of freedom and opportunity based on tolerance and equality, a vision that rejects discrimination and extremism and every shade of injustice, a vision that gives us the assurance of a glorious Canada with all its democratic institutions at our disposal. We are fortunate in this land to have progressed well in many of these goals but our work is yet unfinished.

The primary concern of my constituents is the rebuilding of our Canadian economy and jobs for the present and jobs for the future. I am heartened that the government, true to its commitments, has already taken the initiative to translate our promises into action and charted its direction for choices in co-operation with the provincial governments. I hope the entire range of economic institutions and groups will co-operate in this great venture for the realization of our pressing objectives of deficit reduction and growth.

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What we need for our deficit reduction and for facing the economic challenges of the nineties is a simultaneous commitment to increase economic growth and to regain control of our finances. Our budget addresses squarely these requirements.

In tackling the issue of growth one of our main thrusts will be where the backbone of job creation is: the area of small business. Small and medium sized businesses have accounted for 85 per cent of all new jobs created in Canada since 1979. In my riding of London West there are over 1,000 small businesses and many are struggling.

(1310)

The government through the Minister of Finance introduced a plan for growing small businesses. It is evident the government will take the necessary measures to address the basic problems facing the small business industry.

The Minister of Finance has announced the establishment of a Canada investment fund to provide venture capital for innovative companies. There will be a Canadian technology network to help small businesses gain access to new technologies. A task force will be established to work with banks to develop a code of conduct for small business lending.

Another booster for small business will be the replacement of the GST, a program that in addition to dampening growth by fuelling the underground economy has been an expensive administrative nightmare. I also believe it is time to harmonize our provincial and federal taxation.

The industrial competitiveness of the nation today more than ever before is influenced by its capabilities in science and technology and by its research and development efforts.

OECD comparisons of science and technology expenditures as a percentage of GDP find that countries with a positive balance of trade in high growth industries are those that make substantial investments in research and development.

The budget has now strengthened R and D in Canada. We must encourage technology partnerships among Canadian universities, research institutions and the private sector which emphasize the commercial application of research and development.

The Drake-Siebens Research Institute, the John P. Robarts Research Institute, the University of Western Ontario, University Hospital and an industrial research park in my riding all are eager to share in the value added jobs that can result from these linkages.

It is especially important to tap the talent and energy of the young minds of a generation that is now facing over 17 per cent unemployment. We must ensure that there is a relevant transition of these young minds from their schooling to their work-

place. New youth internship and apprenticeship programs are being launched under the budget.

Our world has undergone tremendous changes and the time has now come for a re-examination of a whole basis of social and economic policy. The world has become highly unpredictable both politically and economically. Nevertheless there is one common feature, a growing interdependence between countries, an interdependence that is unavoidable and is strengthened by a process of world economic globalization.

The conclusion of the Uruguay round of the GATT further reduced tariff barriers. The political obstacles formerly imposed by the cold war are no more. Market based economies unconstrained by ideological divisions between east and west are gaining wide acceptance, all of which reinforce the globalization process and present us with a tremendous potential for new markets and ventures with east European countries, the new republics of the former Soviet Union, China and the Pacific Rim.

Our jobs and future prosperity will depend upon our ability to get access to these new markets and to sell our products and services abroad. Let us start establishing the links to the future. It is important to remember that one in five jobs comes from trade.

As a developed society we have to realize that in shaping our domestic economic policies we must consider the inevitable changing international economic order fuelled by the process of globalization. We must focus on the agents of this globalization process and deepen our understanding of the implications on domestic economic policies in general and trade policies in particular.

At the same time we must ensure that Canadians affected by these changes are supported by the government in coping with a different economic order. Let there be no doubt that for Canadians this will be a challenge but should not be seen as an obstacle to our economic evolution.

I would not be true to myself if I end my maiden speech without touching the subject which has been lingering in the minds and hearts of many Canadians. Much has been said and written about unity.

[*Translation*]

In 1867, the English and the French communities decided to join together to form a confederation whose existence is now firmly established and which must be perpetuated. The other communities also contributed in an essential way to the development of our country and allowed Canada to become what it is now: a country admired by the entire world. For the nations that it welcomes, cultural diversity is a source of wealth and renewal.

Canadian unity is an established fact and must not be questioned.

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It is our strength, our pride and a guarantee of stability and better future for all Canadians.

Preserving that unity is absolutely crucial to all Canadians being able to meet together the challenges of the next century.

(1315)

[*English*]

As the member from a progressive English speaking riding in the heart of southwest Ontario, I want to say that my Canada includes Quebec.

[*Translation*]

Quebec is a part of Canada.

[*English*]

I know in my heart that we are one. I know in my mind that we should stay one. Let there be no doubt that whatever tomorrow brings I will stand for a strong and united Canada.

[*Translation*]

Mr. Réal Ménard (Hochelaga—Maisonneuve): Mr. Speaker, I would like to make a brief comment because I liked the speech of the hon. member very much. First, she sounded very sincere, and second, she is the first member of Maltese descent. I congratulate her.

Despite the ring of truth and sincerity in her speech, as well as her enthusiasm—something all new parliamentarians have in common—she will certainly agree with me that Canada is a country in which Quebec will democratically choose to stay or will decide to leave. The guarantee we must have from that side of the House or the other side is that as democrats—and there can be only one type, no doubt—the result of the referendum and the choice of Quebec will be respected.

Personally, I can tell you that should Quebec decide to remain within the Canadian federation I would respect that decision, but I am committed to working democratically for the other choice.

I thank the hon. member for her speech, which was really from the heart.

[*English*]

Mrs. Barnes: Mr. Speaker, I thank the hon. member for his comments. I would always support the hon. member's right to be an elected member of this House and to give his viewpoint.

I am speaking from my riding and as one who did vote in favour of the Charlottetown accord and also from my heart when I say that I believe Canada is a nation that is for all of us.

I was very fortunate as a young girl to have lived in the province of Quebec for a short time. I regard Quebec as part of

my country. I want the silent majority across this land to know that we are inclusive. We are not two solitudes. It is my wish that we are one. I think it is very important economically that we grow more together, help each other and provide the necessary cohesiveness across this land so that we can go beyond.

This is a country that has told us clearly that it does not want to involve itself in constitutional debate. They need this country to get back to work. That is why I am here. I do have a very heartfelt wish for unity in this country and I will express it but I will also respect other members to deliver their messages.

I am hopeful, though, that my message as an English speaking Canadian will go out to members who represent constituents in Quebec and that they hear my message as an anglophone in Ontario. I am studying French and these were very difficult words for me to say in French. I do not understand everything but I want members to know that I am trying.

Ms. Margaret Bridgman (Surrey North): Mr. Speaker, I commend the hon. member on her maiden speech. I thought it was very well delivered and from experience, once done, it gets a little easier every time.

I would like to focus on trade and the hon. member's comments in relation to world markets, globalization, and bringing that down to an interprovincial trade concept. There is a tendency to think that our east-west linkage across Canada is deteriorating economically, that it is becoming more a north-south kind of thing, and that social issues are the binding factor from an east-west point of view.

Would the hon. member address a few comments from a trade point of view in relation to the interprovincial trade barriers.

Mrs. Barnes: Mr. Speaker, I thank the hon. member for her questions.

I think it is very important to realize that this government is working toward breaking down interprovincial barriers because it is very important that we trade with each other as well as with the rest of the world. In my riding I am most concerned that the small businesses that have the expertise and the talent access these new markets, not only outside of our country but across our country. We are working toward that very rapidly. I hope these barriers come down so we can have better employment and better mobility for jobs across this land.

(1320)

Mr. John Richardson (Perth—Wellington—Waterloo): Mr. Speaker, I commend the previous speaker from London West for her fine maiden speech. I enjoyed it thoroughly.

Today I ask my fellow Canadians, one and all, to think calmly and clearly upon the budget that has been placed before this House. We are indeed fortunate to have such a well thought-out

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and balanced financial plan presented to us as the basis of our operations the next fiscal year.

This balanced approach will lead to a fundamental reform of our system, create jobs, continue to care for those in need, and begin the process of reducing the debt to the target of 3 per cent of gross domestic product.

As the finance minister said in his speech, now is not the time to move away from our values but is the time to return to them. I see it. We have kept our commitment to the Canadian people as outlined in our campaign platform entitled *Creating Opportunities*, now simply known as the red book.

This budget is about jobs. It takes action to support the job creation now, while at the same time it builds the foundation for solid growth and quality, lasting jobs for the future.

This will be achieved through working toward three major goals.

First, building a framework for economic renewal to help Canadian business succeed and to turn innovation into a more effective engine for economic growth.

Second, ensuring a responsible social security system that is fair, compassionate and affordable, a reform that will create jobs and opportunities for all Canadians.

Third, restoring fiscal balance to government so that it can devote its full energy to helping Canadians adapt to a world of challenge and change.

This government is dedicated to restoring fiscal responsibility. This budget exemplifies that commitment by planning deficit reduction from \$47.7 billion in 1993-94 to \$39.7 billion in 1994-95 and down to \$32.7 billion in the 1995-96 fiscal year.

Over the three-year period outlined in the budget the government will implement \$5 of spending cuts for every \$1 in revenue increase. This is the only path to successful deficit reduction. Canadians can no longer afford to shoulder an ever-increasing tax burden. This budget acknowledges that fact that while also recognizing the increase in spending today is simply increased taxes for tomorrow.

In terms of these spending cuts, this is the most significant budget in years. Measures in the budget result in gross savings of \$3.7 billion in 1994-95, rising quickly to \$13.6 billion in the 1996-97 fiscal year. During the entire three-year period gross savings total \$28.6 billion.

These cuts are not illusions. For instance, defence spending will be 7 per cent lower in the 1995-96 year compared to this year. Business subsidies will be almost 9 per cent lower in the 1995-96 fiscal year. The cost to government will decline. The cost of the unemployment insurance program will be reduced by more than 10 per cent. In the end, total program spending will be

virtually frozen over the next two years and will decline as a percentage of our economy.

As I mentioned earlier, by applying prudence in making economic assumptions the actions set in this budget set the deficit on target of achieving our stated goal of a 3 per cent GDP of deficit by the year 1996-97. The response I have received from constituents regarding this budget has been most positive. Business persons were pleased with the rollback of the unemployment insurance premium rates to the \$3 level. This initiative will save business nearly \$300 million a year. This money can be reinvested in business to stimulate employment and create much needed consumer demand.

(1325)

They also like the support for small business that came from the formation of the Canada investment fund to provide venture capital for small business and the Canadian technology network which will provide access to new technologies.

I have talked to small business. These operators were pleased to hear that a task force would be established to work with the banks for which at this moment they have great mistrust. We hope that the banks by working with our task force will allow small business people to regain faith in the national banking system, because they seem to be shut out by the great banks of this country, and to develop a code of conduct for lending to small businesses.

Farmers and small business people alike were happy that the \$500,000 capital gains exemption was retained, and for good reason. Over the past month I had the good fortune to meet with many farmers in my riding about this issue. I agreed with their thoughts on this matter and I am pleased that when they decide to retire, they will be provided with the security for which they have worked so hard.

Many patients and dentists were pleased that the speculated tax on the employer health paid insurance program was not on the budget. Constituents entering the housing market for the first time and the realtors who assist them were overjoyed with the news that the home owners plan would be made permanent.

As well, local charities in my constituency were delighted with the opportunity to raise more funds through the lowering of the threshold of the 29 per cent tax credit from \$250 to \$200.

What about the many constituents without vested interests in any particular area? Were they covered in this budget? Simply put, they were in full agreement with the manner in which the deficit was reduced and handled. Canadians concerned about the deficit told me, and these are the facts, that the finance minister and his pre-budget consultations were the most important thing that has happened as far as they were concerned. That the government was ready to act to swiftly cut the deficit was another big point that my constituents reported to me by phone.

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However, they specified they were glad it was done through cuts and not taxes. Simply put, that is the kind of budget they got.

As I outlined earlier, the 1994 budget works to cut the federal deficit while holding the line on taxes. It also works to increase job opportunities and provides capital for business. At the same time it is a budget that is becoming widely accepted by Canadians as a fair and honest approach to dealing with the challenges facing this country.

How did the government manage to do this? Actually, it was quite easy. It listened to Canadians and for the first time in Canadian history the federal budget was developed through public consultations. From the feedback I have received the end result of these consultations was quite clear. The 1994 federal budget is good for the people of Perth—Wellington—Waterloo and I strongly believe it is good for Canada.

[*Translation*]

Mr. Réal Ménard (Hochelaga—Maisonneuve): Mr. Speaker, I felt I had to put a question to the previous speaker, who is a fellow member of the National Defence Committee, because I share his concerns.

I would appreciate his views on the following. If you asked me the difference between the economies of the 21st century and the economies with which the hon. member probably grew up, considering the slight chronological gap between us, I would say that a few years ago, it was possible for countries to attract investment, which meant that people would invest \$200,000, \$200 million or \$50,000 in a region, and this would create jobs.

(1330)

Today, we have the kind of economies where that is not the case. Take, for instance, the hon. member's riding, where companies like Alcan can invest 50 or 100 million without creating a single job. In today's economic context, massive investments do not help create jobs. I think there is a fundamental difference between the economies of the 1960s and 1970s, and what will happen between now and the end of this century.

The difference between government members and the opposition is that, try as we may, we find it hard to accept that. Hon. members on all sides of the House agree that we must reduce the deficit. Where we disagree is on how to get Canadians back to work. This is crucial.

The infrastructure program has its merits, although we should not forget that Prime Minister Bennett proposed more or less the same program in the thirties during the Depression, when for the first time, the government was asked to intervene on a large scale in public works.

All the analysts who looked at this proposal agree that at best it would create between 40,000 and 45,000 jobs, which makes this a very modest and conservative program.

Since I know this is a very real concern, and I realize the hon. member represents a riding where there is a lot of unemployment, I would like to ask him whether he sees any reasons to be optimistic and whether he could share these with me and perhaps make me share his optimism, since I have an open mind. What reasons do we have to believe that with this kind of budget, Canadians will be able to get back into the labour market?

[*English*]

Mr. Richardson: Mr. Speaker, I thank my hon. colleague with whom I work on the committee. He has placed on the table many very fruitful ideas for our discussions. I welcome further discussion on those items.

Anyone in a professional business knows we like to talk in exact terms. Everyone knows that a budget is just an estimate of income and an estimate of revenues. Other areas impact on that.

In the political realm we are dealing with moving a large institution, dans ce pays le Canada. Our country is so large it has this inertia to overcome because we have had so many years of bad employment and slow growth.

The budget created a sense of stability for the people and gave small nudges to the economy. We were hoping that once the inertia could be moved—it is a big boulder, a big thing to move—we can break it and find ways to make it move slowly.

I believe that we are in a stage, as the hon. member mentioned, where many dollars invested do not create the same kind of man hours that they did in the past. We would be foolhardy to think that would be the case.

Simply with enough effort we will probably work at getting job creation going. That is the idea behind this. There was stimulus. We were stimulating the patient, hoping to see some revival, some reactivation within the body of our country that would get the country moving again; that the growth rates would reach the targets and exceed them.

[*Translation*]

Mrs. Monique Guay (Laurentides): Mr. Speaker, today, I want to tell the Minister of Finance how disappointed and concerned the government's budget has left my constituents.

I can still picture the finance minister putting on the workboots he was given by the Prime Minister. What a show! What cynicism on the part of the Liberals! The 30 per cent of workers who do not have a job in my riding will not put their workboots on today, nor tomorrow, for that matter.

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The members opposite had promised job creation measures.

(1335)

They went on and on, saying that it was their number one priority. Where are those measures? Where is this plan for economic renewal they have been touting around?

People in Laurentides can now judge for themselves the Liberals' lack of action in the job creation field. The government is falling back on its infrastructure program, totally inadequate as it is to put the unemployed back to work. What lack of realism!

With the number of jobs which will be created in my riding, hardly a few hundred according to a quick calculation, it is obvious that workboots dealers in the Laurentians will not be raking it in.

For workers, it is discouraging to see the government do so little against unemployment. The federal government invests peanuts, and then sits down, hoping for this supposed economic recovery to happen. However, economists agree that this recovery, if there is one, will not bring about the creation of a high number of jobs.

The people opposite are quite aware of this. But they prefer to wait, to stand by, instead of taking action. This new government must not have anything new or original to offer to the 1.6 million unemployed in our country, but a lot of talk and no action.

To people in my riding, the Liberals are not much different from the Conservative government, a government which was rejected, or I should say ejected, because of its inaction and its unacceptable decisions. The message given on October 25 does not seem to be working, unless members opposite have chosen to ignore it. You promised jobs to the unemployed. But what have you done in that area? Do you really believe that you are fully and truly honouring the commitments you made before October 25? I do not think so, and neither do my unemployed constituents. They are asking for positive action that will give them hope and let them see light at the end of the tunnel. They just want this government to resolutely show its will to help them and put them back to work. We cannot say that the finance minister's budget is very convincing in that regard.

The government's attitude toward the unemployed follows a strange sort of logic, one that these people will have trouble swallowing. The Liberals are saying: "We are creating or will be creating jobs". But, in actual fact, they are doing very little in the short term. As for the long term, nothing is planned at the federal level. There is no vision in this budget.

First, there are no jobs, and this directly affects the people who want to work. Second, the government turns around and makes a 2 per cent cut in UI benefit rates on the backs of the

unemployed, victims of the incapacity of the people opposite. Third, labour is told: "From now on, you will have to work longer to qualify for these lower benefits". Low and middle-income workers in my riding, several of whom are seasonal or contract workers, have just been dealt three stiff blows by the Liberals.

My fellow citizens who were working hard and were always looking for long-term employment instead of makeshift jobs are going to have to work magic and pray God or providence to get the additional unemployment insurance stamps they need.

Regarding the benefit rate which is being increased to 60 per cent for individuals with modest incomes who support children, an aged parent or other dependants, all those concerned are anxious to know how the federal government will determine who should belong to that category of recipients.

I can see from here UI officers asking applicants whether their children are really dependants and requesting written proof. I can see them conducting enquiries to determine whether there is a common-law spouse or another income-earner in the applicant's household. In Quebec, we have had our "boubous macoutes". Are we about to witness the emergence of a new breed of macoutes, the federal Liberal macoutes?

(1340)

These measures will affect many single-parent families, often headed by women. I sincerely believe that, by establishing classes of beneficiaries, the government is fostering a climate of distrust that will lead to significant social tensions. It can be concluded that, as far as unemployment insurance is concerned, the Liberal budget is far from brilliant.

Another aspect of this budget a lot of people from my riding contact me about is the tax credit available to people aged 65 and over. Seniors do not accept this unfair decision. The minister tells us that this reduction will affect only 25 per cent of senior citizens, who built this country. It is outrageous to hear from the members opposite that our seniors with a \$25,000 net income are rich people. This decision affects once again middle-income taxpayers and 800,000 seniors in my riding, in Quebec and in Canada.

The minister appears to have picked a target that was easier and especially less influential than the family trust lobby. What an unfair and irresponsible choice on the part of the Liberals! True, these seniors do not contribute to the Liberal Party coffers to the tune of \$45,000 a year.

An hon. member: That is it.

An hon. member: The cat is out of the bag.

Mrs. Guay: I would now like to address the issue of social and co-op housing that the government has just washed its hands of. In this regard, they are following in their predecessors'

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footsteps. The Tories have been kicked out but their policies are still here in this House.

An hon. member: Right on.

Mrs. Guay: We, in the Bloc Québécois, have been demanding social housing since the beginning of this session. Local organizations also put a lot of pressure on the Liberals. Alas, the government has remained insensitive to the needs of the poorly housed. This refusal to improve housing conditions for the poorest is unacceptable.

What happened to the nice promises made to the poorly housed and to local organizations during the election campaign?

Why did the Minister of Finance write this last September to a coalition of organizations advocating co-operative and social housing: "No doubt a Liberal government will help finance co-operative and non-profit housing"? In the same letter, the minister added that it was up to the federal government to ensure that over a million Canadian households are housed decently and affordably. Does the minister remember what he said? It was a smoke screen. It was a lie!

Other members opposite engaged in pre-election opportunism. The present Minister of Foreign Affairs was an ardent defender of social housing. He loudly proclaimed that the real power was in Cabinet. Where is this famous power today? Did he try to influence the government in favour of social housing? Looking at the budget, we must conclude that the Minister of Foreign Affairs has no clout or that social housing is no longer worth it, or maybe both conclusions are true.

The Deputy Prime Minister and the Minister of Human Resources Development were also fervent defenders of social housing. What happened to them? They have disappeared into the luxury of limousines, Challenger jets and ministerial pomp. That makes you quickly forget about the poorly housed.

What is the other advocate of the poorly housed, the member for London East, doing now to get his government moving on this issue? After such trickery, there is no need to look very far to see why the people are disillusioned with politicians.

(1345)

The government made a choice. It chose to say no to social and co-operative housing. In saying no to the 1,200,000 people who are poorly housed, the Liberals are also saying no to many positive aspects associated with multiple-dwelling units.

The social and co-operative housing industry creates jobs in the construction industry and generates spinoffs for construction companies and suppliers of building materials and residential fixtures. It stimulates consumption at neighbourhood stores.

From a social standpoint, the construction of social and co-operative housing generates enormous benefits. Clean, well-heated and well-lit units have a positive effect on the health of the occupants. Health care costs are therefore reduced. People who live in co-operative housing are not isolated. In the long run, social housing helps to lower the cost of social services.

Social housing provides senior citizens with the sense of security they have a right to expect. The Liberals have turned their backs on these positive effects. However, the Minister of Finance has forgotten that there will be a price to pay for this rejection and all of us will be paying it, directly and indirectly. I call this governing without vision and without a sense of humanity. And this is completely unacceptable to me.

I wonder what response the Prime Minister will get in Shawinigan where nearly 41 per cent of households spend over 30 per cent of their income on housing. The situation has grown desperate. Poverty is gaining a toehold in Quebec and in Canada. A total of 1,200,000 Canadians live in substandard housing conditions. In Quebec, the housing crisis is even worst, with 44.3 per cent of rental household, compared to 37.1 per cent in Canada. In Quebec and in Ontario, 194,000 households spend more than 50 per cent of their income just on rent. In Canada, 583,000 households are in the same situation.

In some cities, the problem is even more dramatic. In Montreal, one in five rental households, 19.1 per cent, must spend 50 per cent of its income on rent. Twelve thousand households in Ottawa, 26,645 in Toronto, 22,095 in Vancouver, and 4,940 in Halifax set aside more than half of their income for rent.

Behind these figures are single individuals and lone-parent families, which are increasing in numbers in our society. The people living in the worst conditions are young Canadians between the age of 15 and 24, pre-retired individuals 55 to 64 years old and individuals over 65 years old. The Liberals have abandoned these people. There are children in these households, members of the next generation, living in poverty. In Canada, child poverty affected 1,210,000 children in 1991. The Liberals have abandoned these children too. I strongly believe that we all have to take stock and ask ourselves if children must be left destitute in unhealthy housing.

I would be remiss in not mentioning the homeless. Homelessness has reached unbelievable proportions. More and more people find themselves without shelter, mostly women but also an increasing number of young kids. Natives living in urban areas, of which there are 15,000 in Montreal, are among the worst hit people. To all you poverty-stricken people, the federal government says: no! It is telling you that you can keep living in substantial housing or in the streets. It is telling you that you must continue to cut on food, clothing, and basic care. The government is telling you that you do not exist. Such contempt is unbelievable!

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(1350)

By opting out of new public housing programs, the federal government has badly damaged the social fabric of our country. With the federal contribution decreasing from \$113 million in 1989 to zero dollar nowadays, it is obvious that Ottawa has willingly and voluntarily decommitted itself from such programs. The Minister of Finance is well aware of the situation and is depriving people of their fundamental right to a decent and adequate housing.

What is even more upsetting is to see that because the members opposite are so insensitive to the needs of people who have inadequate housing, Canada Mortgage and Housing Corporation is considering a rent increase of 25 to 30 per cent for social housing. What a shameful idea.

The government is saying to the less privileged: Give us more money and we will use it to provide housing for other destitute people. That is how mean this government is. I firmly believe that the minister could have eliminated the waste and trimmed the fat of the government in order to find some money for the people who have inadequate housing, instead of making the underprivileged pay for the housing needs of other underprivileged people. The minister should be ashamed of himself.

Quebecers and Canadians of all backgrounds, the underprivileged, the poor who live in awful conditions and the elderly all feel betrayed by this Liberal budget. While they do everything they can to stay in the black, to make ends meet, the government does not do its homework, does not take its social responsibilities, and lets the poor live in substandard housing.

In conclusion, we now see the real face of this government which, before October 25, was talking about a better and a fair society, where individuals would regain their dignity and their pride. The government has shown its true colours. The members opposite are acting like robots, like cold and uncaring people.

The government has betrayed those who longed for a better future. This budget is a shame.

[*English*]

Mrs. Georgette Sheridan (Saskatoon—Humboldt): Mr. Speaker, I would like to acknowledge the eloquence with which the hon. member put forward her comments. I believe she is speaking from her heart when she outlines the problems of the people in her riding, the people of the province of Quebec and to some extent in other parts of Canada. However, I would like to tell the hon. member that the concerns she has are shared by people throughout the country in terms of the need for social programs and so on.

I come from the province of Saskatchewan which has a population smaller than the city of Montreal. We have farmers who are struggling and small businesses that are closing down. The Liberal government is more than aware of these concerns.

We had this kind of national perspective in mind when the budget was so closely designed in conjunction with the human resources development plan. It is a plan that links the monetary means to put into practice solutions to the problems that the hon. member raises.

It is very easy to criticize a strategy, especially in the early days. It has not even been a week since we have heard the budget plan. I would ask the hon. member to at least give it some time before she starts tearing down what I see as very positive steps on the road to recovery.

I see a certain inconsistency. One of the criticisms made was the laughing at—perhaps that is too strong a word—or at least not having total faith in having criteria for getting a UI benefit based on whether one has so many children, whose children they are and so on. I also find inconsistency in the cries I hear from the Bloc for fiscal responsibility. I would say it is only realistic in this world that before one gives out money one finds criteria according to which that money ought to be allocated.

I would hesitate to add that this inconsistency is not dissimilar from a party that can sit as the opposition with a clearly separatist agenda. It is the same kind of thing that makes some of the arguments a bit fragmented.

(1355)

Our vision on the other hand is a national vision that offers goals for all parts of Canada. Part of being in a confederation is to give from one part to another part where the needs can best be met. Sometimes that means one part of the family ends up with a little less than the other.

Coming from Saskatchewan I can assure the hon. member that the only way the people in our province have survived is by putting our shoulders to the wheel and helping our neighbours when they need the help most. I would encourage the hon. member and her party to use the same strategy when looking at this country.

Finally, I would ask the hon. member to use her talents, her abilities, her eloquence to work with the government to address the very legitimate concerns she has raised. There is no question there are people in the country who are suffering and I feel that the budget and the plan put forward by the minister of human resources to re-examine the social programs addresses that squarely. Any assistance that the hon. member can give the government in putting those matters forward would be more than welcomed.

[*Translation*]

Mrs. Guay: Mr. Speaker, as you know, for three months now, I have been using every opportunity to promote social housing. Poor people need a place to live and cannot wait for the government to some day decide to act. They need help now, not in a year or two. There are already 1.2 million people in Canada

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who live in inadequate dwellings. This is unacceptable. Something must be done to help these people.

Exactly two weeks ago, I participated in a demonstration organized by FRAPRU, a group which supports and helps people living in inadequate dwellings find social housing units. FRAPRU includes all kinds of non-profit associations. Four hundred people participated in the demonstration.

An hon. member: And there were no Liberals.

Mrs. Guay: Of course not. Did you know that not even one member of the Liberal party was present at this event, which was an important one for all these people.

I guess I will have to keep using every opportunity to raise this issue. I also want to thank the hon. member. I do hope that she will be able to convince the Liberal Party to take positive and concrete action, instead of only using rhetoric as has been the case so far. The government will spend \$2 billion, but not on social housing. Nothing is provided for cooperative housing. This is merely a residential rehabilitation plan for owners. It is impossible for a poor person who lives in an inadequate dwelling to own a property.

Therefore, I ask that representations be made by everybody on behalf of these poor people, so that the government will provide funding to help those living in inadequate dwellings and to really promote social housing.

Mrs. Anna Terrana (Vancouver East): Mr. Speaker, I want to thank the hon. member for her comments. I represent a riding which badly needs social housing. I must say that I have been very active in this area and I believe the government has done a lot. I had the opportunity to meet many foreign visitors who came to see what we had done, including in terms of social housing units, and to be among those who were able to make a difference in this area, in Vancouver.

I certainly understand the hon. member, but we must not forget that Canada is a vast country with a small population. The money has to come from somewhere.

As you know, a consultation exercise on all social programs will take place, and social housing will of course be included in that consultation. I think that work in this area started a while ago.

(1400)

As you know, housing is very costly and the federal and provincial governments both help pay housing costs for those who live in social housing units.

I hope that once the study and the consultation process is completed, we will be able to pursue these programs. In the meantime, the \$2 billion provided in the budget are strictly to help those who already live in social housing units.

I will continue to fight for social housing, because it is something very important. I am told that there are 8,000 people in my constituency who do not live in decent dwellings. I know that there is a need, but I also understand that funds and opportunities are limited.

Again, I will keep fighting and I hope that the hon. member will do the same, so that together we can do something and hopefully get additional money.

Mrs. Guay: I thank the hon. member. I am well aware of her constituency's problem because I have been studying the situation in all constituencies for the last three months.

However, I think that we could take immediate action when it comes to public housing. Cuts could be made in family trusts, for example, but that is something we do not want to talk about and especially do not hear about. The slush fund, of course! That is the reason. It would take courage to proceed with those cuts and I hope the hon. member has enough influence on his caucus and on his party to make sure that the cuts are made in the right places and not where the money is badly needed.

Hon. Marcel Massé (President of the Queen Privy Council for Canada, Minister of Intergovernmental Affairs and Minister responsible for Public Service Renewal): Mr. Speaker, it is with great pleasure that I rise today to participate in the debate on the borrowing bill to implement the budgetary measures announced at the beginning of the week.

[*English*]

It is not only a pleasure for me to have this opportunity, but it is a great honour because officially this is my maiden speech in the House and my first formal opportunity to address my constituents from this place.

[*Translation*]

That, Mr. Speaker, is why I would ask you and my colleagues to allow me, briefly, to thank the voters of Hull—Aylmer, who supported me in my campaign and did me the honour of electing me to represent them in the House of Commons and speak on their behalf. I thank them sincerely for their support, and assure them that I will do my very best to live up to the confidence they placed in me.

I would like to take this opportunity to tell them that, as a member of Parliament, I intend to act in the best interests of all the voters in my riding, and not only of those who voted for me.

As we all know, the historic riding of Hull—Aylmer is on the Quebec side of the Ottawa River, just across from the nation's capital. It has a population of 87,700; this number can be broken down as follows: 76.2 per cent are francophone, and 14.1 per cent are anglophone. Portuguese is the mother tongue of 2 per cent of the people in my riding.

I may add that 60 per cent of the people speak both official languages fluently.

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Over 25 per cent of the workforce is composed of civil servants. Although I am a newcomer to active politics, I am no stranger to government and the workings of our democratic institutions.

As a career public servant I have had the opportunity to work closely with many governments of different political stripes. I have indeed been fortunate to have had the opportunity to observe up close how governments function. It is in large part because of this knowledge of government that I started to feel increasingly uneasy in the last few years about the way in which the country was being managed. I felt that the hackneyed, disjointed and visionless approach of the previous Conservative government was no longer working.

(1405)

[Translation]

Canada and its public institutions are now at crossroads. It is urgent that our institutions, especially government ones, change radically and quickly if we do not want our country to be left behind by others. What is at stake here is that we do not become a small marginalized country with rigid structures, while other countries enthusiastically embrace the future.

In the Liberal Party, I found people who think the same way I do and who are determined, as I am, to be part of a government that is aware of its primary responsibility of fundamentally restructuring the state machinery in order to put it back in the service of the people so that they can regain both confidence and hope in their government.

Like other countries' governments, the government of Canada must tackle head-on the need to change fundamentally, because of the many forces that are in play in the world: a diminishing role for the state in modern societies, an expansion of international institutions, an increase in international competitiveness, developments in communication and information technologies, and an increase in the education level of people, who demand, rightly so, a greater participation in the decision-making process.

However, the need for reform also stems from a deep dissatisfaction by a good portion of the electorate regarding the effectiveness of government authorities. This dissatisfaction leads to a gradual loss of confidence in political leaders and the institutions. And this loss of effectiveness is obvious in a number of areas of the government apparatus. We occasionally see it as well in politicians who, once elected, forget their commitments to their constituents, and in elected representatives when they start acting mainly for narrow partisan reasons or showing favouritism.

We sense it also in our government institutions, tied by their own red tape, in organizations designed more to help those they employ than those they are supposed to serve. We can see it in outdated or inefficient government programs which might duplicate the work of other levels of government. Finally, we see it in the power struggles between levels of government seeking to protect their authority, their bureaucratic interests or their administrative preserves, regardless of the superior interests of their citizens.

[English]

The resolution of problems such as these requires us to set truly farsighted goals for ourselves. This is what our party has done.

At the heart of everything is a need to restore confidence in both the people and the institutions of government. We have to do this in the context of the imperative of the fiscal crisis which has given rise to some of the tough medicine contained in the budget and which will continue to condition the policies of this government throughout its mandate.

However, the goal of getting government right is not simply to save money. This initiative is animated by a much wider vision of the need to rethink and redesign government in response to profound forces, both external and internal, of which expenditure restraint is only one. Our intention is that the process of reform will be shaped by an evolving vision of the role of the federal government in society, of its relationships with its key partners and the part which its public service should play within that framework.

To reach these results we must proceed in a coherent way. Other governments have tried to deal with some of the problems I just mentioned with a random hacking at programs and services and costs of government. Problems of this breadth cannot be solved through an approach such as that.

Therefore one of our first objectives must be to try to define more clearly where each level of government can make its best contribution. If we can do this we should be able to improve the climate of federal-provincial relations in this country.

(1410)

In addressing this matter we will be forced to ask some basic questions. Is government doing too much? Can government truly be asked to take on every issue and attempt to arbitrate, compensate or replace? Should government pull back and do less, leaving more scope to the individual, the private sector, communities and the voluntary sector?

A second objective must be to ensure that our programs are targeted as much as possible to the highest priority needs of our citizens and our country. We have to set priorities and we have to transfer resources from less productive to more productive uses. We have to make choices. In doing so we must see that as far as

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possible we place the needs of the most disadvantaged groups in our society first.

Our third objective must be to refashion the programs of the federal government in a way that makes them more responsive to clients and more service oriented. We have to see that clients are substantively involved in the exercise to ensure that we look at the programs from their perspective, not just from that of administrative convenience.

Where federal programs touch those of other levels of government we have to achieve greater harmony and eliminate instances of duplication or waste of other kinds. Clearly an ongoing quest for greater efficiency and higher levels of productivity and performance must go hand in hand with these other goals.

Our fiscal situation is such that we simply cannot afford to see taxpayer funds misused or wasted. In all of this we have to bear in mind that the impact of the federal government depends enormously upon the public service. We need to preserve the best features of that service, encourage change where it is necessary, help the loyal people who work within it to adapt, and support them in the transitions that will be required. We must maintain Canada's reputation for having one of the best public services in the world.

The task of reforming government extends beyond the world of programs and public servants. It also imposes responsibilities upon those of us at the political level. Thus another objective must be to reassert some old-fashioned values such as integrity, reliability and accountability.

Our government has taken a number of steps already to reinforce these values. We have staked out a policy position in the red book. We have stuck to it in our throne speech and in this budget. We have encouraged Canadians to watch our performance and hold us to account for what we do. We intend to be consistent, accountable and honest in our dealings with Canadians. Old virtues and values need to be restored to public life.

The final objective associated with getting government right is to see what measures can be taken to encourage citizens more effectively to participate in decision making and to place relationships between citizens and government on a more positive footing.

Both at the political level and within the public service we hear continuous rhetoric about the need to consult more, to participate, to build a greater sense of partnership with the electorate, and so on. Most reform initiatives never get beyond that rhetoric. We have to do better. What practical steps can be taken by both politicians and public servants to achieve this goal?

I would like Canada to be seen as a leader among other countries in this sphere, open to new ideas and willing to experiment with new approaches.

[*Translation*]

So, it is obvious that the budget that was just tabled in this House is only a piece, but certainly a major piece, of a much bigger puzzle. It is only a step in the huge reform process that seems essential to us, and I would like to briefly remind you of some of these proposals.

(1415)

[*English*]

The budgetary provisions will strengthen both the economic and the social union of the country. The deficit reduction plan laid out in the budget calls for a reduction in spending of \$17 billion over the next three years. There is \$5 of net expenditure restraint for every dollar of net revenue enhancement, a measure that will contribute dramatically to getting the deficit under control and allow us to reach our deficit target of 3 per cent of gross domestic product.

[*Translation*]

This budget fulfils our promise to tell the provinces what they can expect of the federal government for the next few years. They had told us that in order to plan their services they needed to know what the transfers would be. We listened to them.

Unemployment insurance premiums are really employment taxes. Their high cost is often a deterrent to job creation. We have therefore decided to solve this problem by lowering these premiums to create jobs now. This measure will translate into \$300 million savings for industry; \$300 millions which they will be able to invest in job creation.

Various measures are geared to helping small businesses, a sector crucial for our economy, specifically we will create a Canada Investment Fund to provide venture capital, set up a Canadian Technology Network to help small businesses gain access to new technologies, and expand the network of Canada Business Services Centres to concentrate access to government services in a single point.

Our national infrastructure program supports job creation. We have negotiated agreements with all 10 provinces and this means that the way is now clear. The projects can start to create real and productive jobs in all parts of the country. We will also set up apprenticeship training programs for young people to give them the opportunity to get a first and crucial work experience.

[*English*]

Measures in the budget also address important social issues. Full funding for the national literacy program is being restored. A centre of excellence for women's health is being created. The Canadian race relations foundation will finally be established. A prenatal nutrition program for low income pregnant women is being launched, as is the aboriginal head start program.

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The budget also reinstates the law reform commission and the court challenges program.

I will not at this time, unfortunately, dwell on every single initiative outlined in this budget. The Minister of Finance on Tuesday, hon. members will agree, did an excellent job of that. Let me, however, mention that as part of our re-examination of the role of government I have been asked by the Prime Minister to review all federal boards, agencies, commissions and advisory councils. Once again, this is not an exercise simply to reduce expenditures. There are no predetermined targets for savings. The objective is to determine whether their *raison d'être* is still valid and whether they are consistent with current needs and priorities.

I would like to emphasize this point. The purpose of this review and all others that will be undertaken is not like it was under the previous Conservative government, a scorched earth approach to public policy. Any cuts, rationalizing or streamlining that results from reviews are intended to ensure that all of our activities and programs are delivered with maximum efficiency and meet the real needs of real people.

Likewise, it is in the same spirit and in the same context that the Prime Minister has asked me to proceed with the program review to assess the continued relevance and effectiveness of federal programs and services. In this review, we will identify options and resources for future programming geared to our changing society and the changing expectations and needs of Canadians.

(1420)

It is my intention to see that as result of this program review our resources, both human and financial, are directed to the highest priority requirements and to those areas where the federal government is best placed to deliver services.

I spoke earlier about the need for governments to co-operate and co-ordinate their activities. With this in mind, the Prime Minister has also asked me to work with the provinces to achieve a better alignment of roles and responsibilities and, as a result, a more efficient and affordable federation. This should allow governments to reduce overlap and duplication while improving the delivery of critical services.

[*Translation*]

Of all the measures announced in the budget, I am particularly interested in those concerning the renewal of the public service. I know the federal public service and I can assure you that it is a credit to our country.

[*English*]

The government naturally needs and relies on the public service to help make the government's objectives and plans a reality. All Canadians must realize how fortunate this country is

in having a world respected non-partisan public service, made up of dedicated men and women, which daily in hundreds of communities right across the country ensures the essential services to all of us.

To be the best and to maintain a position as the best, it is necessary for any institution to continually renew itself. Renewal includes questioning some of the basic assumptions which have guided our operations for years, even decades. It means constantly seeking better, faster, more effective and more efficient ways of delivering services. It means creating and recreating an organization that is sensitive to and responds appropriately to the needs of clients, in this case the Canadian taxpayer.

[*Translation*]

The public service is well aware of this requirement. We have to recognize the fact that it was able, over the last five years, to make difficult and comprehensive changes to its operations and methods. It is obvious that a transition period like the one it is going through right now is not only stimulating and motivating, but also a source of great tension.

I want to emphasize that the salary freeze announced in the budget will allow us to avoid massive lay-offs. The President of the Treasury Board has indicated that the government is determined to guarantee a high level of job security to federal public servants.

[*English*]

It is also important to view our decision to freeze wages in this context. First, it is evident from the other provisions of the budget that the public service is not being singled out for different or harsh treatment. In fact, in 1993 close to two-thirds of all employees under major wage settlements in Canada were subject to either a wage freeze or a decrease in their wages.

Second, the Prime Minister, the President of Treasury Board and I have been very clear about our determination to form a real partnership with civil servants. Everyone will agree that the climate has changed, that we have made genuine attempts to change our relation with the public service. This is not a replay of 1984 when the previous Prime Minister talked gleefully about giving public servants pink slips and running shoes.

The process of renewal of the public service has begun and will continue as all of us co-operate on forging a new definition of government, its role and purposes.

We are calling on all the members of this House, other levels of government and particularly on Canadians in every walk of life to join with us in finding new, innovative and more effective approaches to program and service delivery. United in our determination, we can steer this country toward horizons of harmony, social justice, tolerance and prosperity.

*Government Orders**[Translation]*

I say it again, these budgetary measures are only the first step in redefining the social and economic union that makes Canada an example for the world to follow, an example where differences are respected and the most vulnerable in our society are protected.

[English]

This was the wager of the Fathers of Confederation, a risky wager, a courageous wager and one that each generation of Canadians must win anew through a collective act of faith and imagination.

(1425)

It falls to this generation of Canadians to preserve, indeed to fight to defend the precious legacy of previous generations so that we can pass on to our children not a damaged country, not a shrunken country, not a poorer country, but a greater, wiser, more generous country.

[Translation]

To those who are ready to give up on this country and who lack the creativity and stamina to reinvent a society of which the poor and the hungry of the world can only dream, I say no.

In the dying days of this century of unprecedented change, we have a responsibility to demonstrate that a small group of people that have come from all countries and cultures around the world can live in peace and harmony, in a spirit of mutual respect, and garner strength and courage from the sharing of the experience of their vulnerability.

[English]

To those who would tear away the human face of this country and rob us of the right to be different, I also say no. Canadians have always been innovators and pioneers. Unlike our great neighbour to the south, we have resisted the temptation to homogenize our society. We have made room, often imperfectly and at the price of fierce struggles for diversity and for difference. This is what the world must learn to do and we must lead the way.

[Translation]

The challenge this government must meet is not any different from that of many other countries. A budget is not a simplistic deficit reduction exercise. Our mandate for change must result in fundamental reform, and this budget is but a first step in that direction.

[English]

The Acting Speaker (Mr. Kilger): I did let the minister go a little longer than his 20 minutes, in part as it was his maiden speech and in part largely from my reading of the good sense of ongoing co-operation and goodwill by members from all parties.

Now I would hope that the minister will allow the Chair to fulfil the opportunity for members opposite to have a full 10 minute complement to ask questions or comments which obviously will take us slightly beyond the 2.30 adjournment time.

Mr. Myron Thompson (Wild Rose): Mr. Speaker, my congratulations to the hon. minister on his maiden speech and congratulations on your election and appointment to your high office.

Throughout the speech I heard several times the word waste and also the word essential. I have jotted down four items. I would like the minister to comment on whether he considers these items essential or non-essential. If he feels they are non-essential, would he consider removing these from the present expenditures and putting this money either toward more job creation or toward the poverty stricken children in our country according to the Minister of Human Resources Development?

The first thing I have on my list are the Challenger jets, which should not surprise anybody, MPs pensions, the blue cars that the cabinet ministers run around the hill in and the \$4.5 million museum that is going to be constructed in the Prime Minister's riding.

I ask the last one based on the idea that we presently fund 12 museums to the tune of \$268 million. They cannot support themselves and I would question that one. I would like the minister's comments, please.

[Translation]

Mr. Massé: Mr. Speaker, I thank the hon. member for his kind words at the beginning of his remarks. I would like to point out something, in terms of principles.

(1430)

[English]

There is no doubt that any government in the modern world now must be extremely careful in the way it allocates its expenditures because the days of the fat cats have disappeared. No longer will we face a time when governments, whether municipal, federal, provincial in Canada or elsewhere in OECD countries, have enough free money that they can afford to waste a cent of it.

Voters in all OECD countries have expressed very clearly in recent years that they are much more aware of what governments do, that they watch governments much more carefully and that they will not permit their governments to be wasteful.

On the question of principle I must say I agree entirely with the hon. member. It is always in the application of principles that reasonable people disagree. There may be a large number of actual expenditures where we on this side of the House feel there is full justification for spending the taxpayers' money and where members of the other parties in the House may indicate different priorities. I believe this is democracy.

We have to offer to voters in our country a number of choices, as I think we did quite clearly in the red book. We have to ask

them to vote for parties that offer very different priorities in terms of their expenditure plans in particular. We did that.

We not only indicated our intention to bite a few extremely difficult bullets in terms of expenditures such as in the case of defence, but we had the courage to do this year in the budget what governments in the last 30 years have not had the political courage to do, namely to cut infrastructure expenditures that had become unnecessary because we had finished the second world war and were moving into a period in which international relations were very different.

I take this example of military expenditures because it involves literally over the years billions and billions of dollars; in fact \$7.4 billion over the next five years. It is much more important for a government to have a clear idea of its long-term views and priorities so that it can make reductions in expenditures or reductions in waste that will permit the country to meet its long-term need for fiscal responsibility and to better use its money.

In the various items the hon. member mentioned there may be ways of reducing waste. I would fully agree with him that we should reduce that waste to an absolute minimum. In the budget we saw in terms of the large numbers and in terms of the difficult decisions that we have agreed and we have taken the right decisions.

[*Translation*]

M. René Laurin (Joliette): Mr. Speaker, listening to the hon. minister responsible for the public service, one gets the impression that he is a new politician with definite and unquestionable experience, that he is a very articulate man who should bring about changes, at least as far as renewal of the public service is concerned.

The minister alluded to the importance he attaches to the public service, to the importance he attributes to public servants who support the work of members of Parliament, ministers and Parliament as a whole. I think he is right because none of us could work effectively if we could not count on public servants.

The minister knows what he is talking about since he himself was, until very recently, until his election, a senior public servant. That is why I believe that he knows what he is talking about.

However, I am surprised that nothing in this budget reflects this appreciation of the Public Service. There is no tangible evidence in the budget. Although the vast majority of public servants helped to elect this new government, and it is public knowledge that the Public Service supported the federal government, they could at least expect some appreciation of the services they provide. What they got is a slap in the face.

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The budget does not contain a single measure that would communicate to these people the government's recognition and appreciation of the work they do every day to support its operations.

I would like to know if the minister is planning any statements in the near future about Public Service renewal and if he will finally demonstrate that proposals will be followed by concrete action. Instead of coming down harshly on the people who are important to us, perhaps the government should start a dialogue and agree on ways to improve morale and maintain the level of professionalism and fairness in the services they provide.

[*English*]

Mr. Massé: Mr. Speaker, it is a great pleasure to answer that type of intervention. Certainly I feel at ease when dealing with questions on the public service.

[*Translation*]

I greatly appreciated my hon. colleague's opening remarks. I must say that, when you are familiar with the civil service, you often get a much better feel for the kind of problems it faces. In recent years, the Government of Quebec has imposed a number of wage freezes and cuts that civil servants did not take too well.

I can understand that. When, as a civil servant, I was seeing the wage gap widen between the public and the private sector, especially at the senior levels, I too found it hard to take.

In the context of the last budget, I think that it is important to see that, with this wage freeze, we are in fact protecting the job security of our civil servants. It was a hard move to make, but given the context, it was clear that cuts were required not only in government programs, but also in operating budgets.

To compensate for wage increases, we would have had to reduce the number of employees in the Public Service. Considering, as I said, that two thirds of private sector employees either had no increase or a negative increase, we determined that the sacrifice asked from federal civil servants was not disproportionate, as compared to those who are seeing their military base close down in Atlantic Canada or those affected by the decision to withdraw from the KAON project in British Columbia or to reduce the level of activity or close military bases in the Prairies and in Ontario.

Under those circumstances, while I agree entirely with my colleague on the principles of good management for a public service, I must say that I fully support the decision made in this budget to freeze wages.

The Acting Speaker (Mr. Kilger): There is very little time remaining, barely one minute. I would ask the member for Mégantic—Compton—Standstead to put his question as briefly as possible so that the minister can answer quickly and we can then proceed to adjourn.

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Mr. Maurice Bernier (Mégantic—Compton—Stanstead): Mr. Speaker, I will try to be as brief as possible to allow the minister time to respond. I put the question to him, since he is the Minister of Intergovernmental Affairs and this is the area that concerns me at the moment. The minister spoke at length about government efficiency and wondered if the state got too involved. Many people do in fact believe that the state intervenes too much in their lives. Many people also feel that there is too much government.

I would like to hear the minister's views on the role of the federal government in its relations with provincial governments. I am thinking here in particular about the Quebec government and the whole question of overlap. What does he intend to do about this?

The Acting Speaker (Mr. Kilger): The minister's views, but briefly please.

Mr. Massé: Mr. Speaker, the hon. member of the Opposition has presented me with a challenge in giving me some 30 to 45 seconds to talk about the role of governments and the elimination of overlap.

Consequently, I will only address the policy issues. There is no doubt in my mind that the government or public sector has grown too big in recent years and that it tried to provide too

many services, a large number of which could have been provided more efficiently by the private sector. Our three levels of government—federal, provincial and municipal—must act more responsibly in fiscal matters and review all their services to the population so that we can finally offer the same quality of service for much less.

The division of responsibilities among the various levels of government is clearly something we need much more time to discuss, since it is a fundamental issue. However, I fully agree with the hon. member that we should reduce overlap as much as possible, as it is expensive and unnecessary.

The Acting Speaker (Mr. Kilger): I want to thank the minister and all hon. members present for their co-operation.

[English]

I would also take the occasion as we go into a week of recess to wish you all a good week with your families, friends and constituents. We look forward to your speedy return.

It being 2.40 p.m., this House stands adjourned until Monday, March 7, 1994 at 11 a.m pursuant to Standing Orders 24(1) and 28(1).

(The House adjourned at 2.40 p.m.)

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