budget statement. I will address each act to be amended in order, followed by the bill.

The Federal-Provincial Fiscal Arrangements Act is proposed to be amended to extend the freeze on EPF, on Established Programs Financing transfers announced in the 1990 budget for another three fiscal years, namely, 1992-93, 1993-94 and 1994-95.

Senators may recall that Bill C-69, the Government Expenditures Restraint Act, approved in this place last February, removed any escalation and special inflation provisions in EPF financing for 1990-91 and 1991-92. The bill before us now extends these provisions for another three fiscal years and establishes the escalator that will apply for fiscal year 1995-96. That escalator is one percentage point less than the escalator applicable before the freeze was imposed. In other words, the escalator applicable in 1989-90 was GNP minus .02; so the escalator for 1995-96 will be GNP minus .03.

An allied amendment to the act will provide for penalties under sections 15(1) and 20(1) or 20(2) of the Canada Health Act applied to other federal transfer payments to any province that breached its requirement to meet national health standards as set by the Canada Health Act. The current Canada Health Act, section 15(1), allows the Governor in Council to penalize provinces for a breach of any of five conditions: Universality, comprehensiveness, accessibility, portability, and public administration. Section 13 allows penalties for the breach of certain administrative conditions. Bill C-20, in effect, adds to the conditions enumerated in the Canada Health Act. This is to safeguard the integrity of the Canada Health Act and the national health standards it establishes by penalizing any province that might decide to "borrow" from health care funding in order to make up for the freeze in federal EPF transfers.

The Public Utilities Income Tax Transfer Act is proposed to be amended to extend the current limitation on transfer payments under the act for an additional four fiscal years, namely, 1992-93, 1993-94, 1994-95 and 1995-96. Again, senators might recall that Bill C-69 froze federal-provincial transfers under the act to the 1989-90 level for fiscal years 1990-91 and 1991-92. Clause 7 of the current bill extends that freeze for another four years by applying to designated corporations having taxation years ending in any year up to and including the end of 1995.

As senators know, the Public Utilities Income Tax Transfer Act requires the federal government to transfer back to provinces 95 per cent of the federal income tax paid by investor-owned utilities on net operating income for the generation or distribution of electrical energy or gas. The transfers are paid in March of each year and consist of an advance payment based on an estimate of income tax payable in the coming year, plus adjustments for the past year based on whatever differences occur in actual tax assessments from the estimates applying to that taxation year. These provisions do not apply to provincially-owned utilities, because as agents of Her Majesty in right of a province, such utilities are immune from federal income tax.

In any event, Bill C-20 will freeze transfers under this act to the dollar levels paid in 1989. If the assessed amounts for 1989 happen to have been less than the amounts paid based on the forward estimates, the lower amount—in other words the amount of the actual assessment—applies.

The Unemployment Insurance Act is proposed to be amended to provide for an increase in premium rates effective July 1, 1991. Clause 8(1) of the bill seeks to amend section 48(1) of the act to increase the premium rate from the current 2.25 per cent of insurable earnings to 2.8 per cent of insurable earnings. In dollar terms, this means that employees' premiums will increase to $2.80 per $100 of insurable earnings.

Under existing section 50(1) of the Unemployment Insurance Act, employers' UIC contributions are geared to employee contributions by a factor of 1.4. In other words, employers are required to pay 40 per cent more in premiums than employees. Accordingly, the impact of C-20 will be to increase the employers' premiums from the current $3.15 per $100 in insurable earnings to $3.92. These changes cover the period July 1, 1991, through to December 31, 1991.

Senators will recall an announcement by the Minister of Finance several weeks ago about a further bump in UI premiums. That bump will be effective January 1, 1992, I understand, and will be implemented by the commissioners using their discretionary power under existing section 48 and after consultations with the Minister of Finance. The bump will be based on the level applicable to the last six months of 1991 established by the bill before us at this moment.

There is another set of budgetary restraint measures announced by the former Minister of Finance in the last budget that logically, I believe, should be part of Bill C-20, or at least considered in conjunction with Bill C-20, because they relate to budgetary restraint measures and were announced by the minister as part of the same package. Those measures are the proposed amendments to the Canadian Assistance Act. That is the act under which the federal government transfers funds to those provinces not receiving equalization payments for contributions towards costs incurred by provinces and municipalities for social assistance, welfare services and approved work projects.

● (1530)

Federal payments are now frozen at a maximum escalation of 5 per cent per year for the years 1990-91 and 1991-92. The Minister of Finance announced the extension of this cap for three years, namely for fiscal years 1992-93, 1993-94 and 1994-95. This extension is included in Bill C-32 currently under review in the other place. As I indicated, it would appear to make sense to me that the substance of Bill C-32 be studied in parallel with Bill C-20. I respectfully suggest, therefore, that the committee take on Bill C-32 for pre-study concurrently with its review of Bill C-20.

There is no question that the measures contemplated in Bill C-20 are tough medicine. They are particularly tough medicine in these difficult economic times. I am sure they were not embarked upon lightly by the Minister of Finance. But they