

With the expenditure control actions in this year's budget, we will ensure that our operating surplus continues to grow. But we will also ease the burden of rapidly growing interest payments.

Our two year expenditure control plan will have a major impact on program spending. All areas of program spending were reviewed and a wide range of programs is affected. In designing the measures, we were sensitive to the financial circumstances of individual Canadians as well as governments.

- \* We have exempted major transfers to persons. These include elderly benefits, family allowances, veterans' pensions and allowances and unemployment insurance benefits. We have also exempted the equalization program and Canada Assistance Plan transfers to those provinces receiving equalization. In short, we are trying to be lean without being mean.
- \* We have capped the growth of a number of programs at 5 per cent per year for the next two years. These include Canada Assistance Plan payments to the stronger provinces of Ontario, Alberta and British Columbia.
- \* We have held a number of programs at their 1989-90 levels for the next two years. Total per capita cash and tax transfers to the provinces under Established Programs Financing will be held constant; and will continue to grow with provincial populations.
- \* We have reduced or eliminated a number of programs. The government will not proceed with the offer of assistance for the construction of the OSLO oil sands project. The Canadian Exploration Incentives Program is cancelled. And the government will not proceed with the Polar 8 icebreaker project, due to significant increases in the estimated costs and changes in the international environment.
- \* We are taking a more businesslike approach to assistance to business; and
- \* We are implementing a wide range of other measures to increase efficiency and reduce the cost of government operations, including the privatization of Telesat Canada and PetroCanada.

These measures, with the expenditure restraint of previous years, have made it possible to restore the deficit to a downward path without increasing taxes.