

*The Budget—Hon. Jean Chrétien*

With this measure now officially committed in the budget tonight, I am glad to report that I finally contacted all provincial ministers of finance this afternoon and that the four Atlantic provinces—which I will come back to later—Ontario and Manitoba all propose to reduce their retail sales tax rates by three percentage points for six months. The provinces of British Columbia and Saskatchewan propose to apply the federal compensation to a two-point reduction for the first six months and to make their own contributions over subsequent periods.

*[Translation]*

As for the province of Quebec, it is still studying the federal offer. I asked my Quebec colleague to let me know his decision in the next few days and he has agreed to do so.

*[English]*

Under these cooperative arrangements, provincial governments respectively will take steps to reduce retail sales taxes from 11 per cent to 8 per cent in Newfoundland; from 8 per cent to 5 per cent in New Brunswick, Nova Scotia and Prince Edward Island; from 7 per cent to 4 per cent in Ontario; from 7 per cent to 5 per cent in British Columbia; from 5 per cent to 2 per cent in Manitoba; and from 5 per cent to 3 per cent in Saskatchewan.

*Fiscal Position and Outlook*

Mr. Speaker, I would like now to table the Notice of Ways and Means Motion, projections of the government's revenues and expenditures, and supplementary information outlining details of the measures proposed tonight. This material also provides background to the tables on the government's accounts and information on the relation between domestic borrowing, foreign borrowing and our financial requirements.

I would also like to ask for the consent of the House to include in *Hansard* the usual tables on the government's accounts together with the usual notes.

**Mr. Speaker:** The minister has the right to table documents but needs the consent of the House to include them in *Hansard* as if they were printed as part of *Hansard*. Is that agreed?

**Some hon. Members:** Agreed.

**Mr. Speaker:** It is so ordered.

*[Editor's Note: For notices of ways and means motions and tables referred to above, see appendix.]*

**Mr. Chrétien:** On the basis of close to final information, financial requirements excluding foreign exchange transactions totalled \$8.5 billion in 1977-78. This is \$300 million less than I forecast recently, mainly because it now appears likely that our total outlays were \$200 million below the budgeted amounts, and I would like to thank the President of the Treasury Board (Mr. Andras) for that.

*[Translation]*

For 1978-79, we have reduced our expenditure ceilings by \$350 million below the total announced by the President of the

*[Mr. Chrétien.]*

Treasury Board when he tabled the main estimates. This will require very tight control over spending under existing programs and over the introduction of new programs. Taking last year together, our financial requirements will be \$550 million lower than they would otherwise have been as a result of these expenditure savings.

Taking into account the measures announced tonight, which will reduce revenues for this year by some \$900 million, I now expect 1978-79 financial requirements to total about \$9.5 billion if one excludes the \$2 billion of accrued interest on Canada Savings Bonds which will be encashed this year. While the total requirement of \$11.5 billion is large, I am confident it can be financed without creating undue pressures on markets, particularly in light of our very large cash balances at the present time.

The revenue side of the 1978-79 fiscal outlook is based on a forecast increase in total output in current dollars of about 11 per cent.

I expect about 6 per cent of this increase to consist of price changes, as measured by the price index of total gross national expenditure, and close to 5 per cent of growth in real output. This rate of real growth should bring about some modest decline in unemployment. Whether we in fact obtain as much output growth and as little price increase will be influenced by wage and price behaviour in the decontrol period, as well as by international developments. The increase in the consumer price index is likely to be about 7 per cent because it includes import prices which are directly affected by higher food prices and the decline in the exchange rate.

*[English]**Conclusion*

In summary, this budget is aimed at creating the proper conditions for a strong and prosperous economy. In conjunction with the provinces, in the short term I have taken steps to increase consumer demand and to lower consumer prices; in the medium term, I have put into place tax changes designed to meet some of the major challenges of the future—in energy, transportation and research and development. In doing these things, my objective has been to strengthen the private sector without government interference.

● (2052)

Mr. Speaker, I am convinced that Canada has a potential for economic growth and higher living standards second to none in the world. We have the skills, the natural resources and the proven ability to work together in solving our problems.

To translate promise into reality we must meet certain conditions.

First and foremost, we must keep Canada united.

Second, we must carry through structural reforms in the Canadian economy to make it more efficient and competitive.